Africa's mobile tower market to undergo growth spurt

In order to boost connectivity and increase network coverage in sub-Saharan Africa (SSA) - one of the least connected regions in the world with a mobile penetration of 82% compared to the 100% global average - service providers will need to accelerate their investment in mobile towers, particularly in rural areas.

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Frost & Sullivan analysis titled “Sub-Saharan Africa Mobile Telecom Infrastructure Market, Forecast to 2021” estimates that the market for tower services in the region was worth $991.7 million in 2016, and is expected to grow at a compounded annual growth rate (CAGR) of 8.8% over the period 2016-2021, to reach $1,508.4 million by 2021.

It is anticipated that growth will be driven by third-party tower companies (towercos), which will then lease capacity to mobile network operators (MNOs) as well as other providers of wireless communications services. MNOs are gradually becoming more open to selling off their infrastructure, or outsourcing its management to third-party providers, in order to focus on their core operations.

“Some MNO operators are concerned about losing strategic control and revenues when ownership of infrastructure is transferred to the towercos,” said Frost & Sullivan industry analyst Lehlohonolo Mokenela. “To mitigate this, towercos should develop strong partnerships with MNOs in sale and leaseback deals, and invest in building a strong reputation and track record in infrastructure management.”

The study provides an analysis of the telecoms tower industry in SSA, highlighting trends in some of the leading markets in the region; including Nigeria, South Africa, Kenya, Ghana and Tanzania.

The analysis focuses on:

- The current structure of tower ownership between MNOs and towercos,
- How the market is expected to evolve in the long-term,
- Current and expected base of mobile towers in the region,
- Potential opportunities in the market, and
- Competitive structure across selected countries

“There are also a growing number of tower innovations that are expected to shape the evolution of the industry in the long-term,” notes Mokenela. “This includes the structure of infrastructure outsourcing deals, supporting energy systems, base station technologies and infrastructure maintenance solutions.”

Opportunity to drive cost-savings

Given the region’s underdeveloped energy infrastructure, towercos have an opportunity to drive cost-savings through energy management. There is growing interest in hybrid systems to power mobile sites, which integrate power from the national grid and renewable energy solutions, such as solar together with storage batteries. The towercos can look to either partner with, or acquire, specialist energy technology providers to accelerate their capabilities in this space.

“Despite the growing demand for wireless connectivity, particularly in remote areas, the business case for infrastructure investment is not always compelling,” explains Mokenela. “The success of towercos in the industry is a function of their tenancy ratios, which in SSA, has been relatively low by global standards. To accelerate market growth, towercos will need to convince MNOs, particularly the larger ones, of the reduced total cost of ownership of either outsourcing or selling off their infrastructure.”