African app startups should "build for future rather than past"

By Tom Jackson   19 Sep 2016

African startups developing mobile apps should look to the future rather than the past by focusing on smartphones, given the amount of investment required to build apps and penetrate markets.

Image by 123RF

This is the view of Derrick Kotze, chief executive officer (CEO) of mLab Southern Africa, which recently partnered South Africa's Technology Innovation Agency (TIA) to launch a fund aimed at assisting local mobile, sensor or wearable app startups in developing their concepts with funding of up to ZAR500,000 (US$35,000).

Asked by Disrupt Africa whether African app startups should focus on smartphones or the more basic feature phones that remain prevalent on the continent, Kotze said it depended heavily on the services a startup trying to deliver in their target market. But he said generally it would make more sense to look to the future than the past, and develop for smartphones.

"My humble opinion is that considering the investment required to build, penetrate or disrupt a market, you are better off building for the device or platform and market size that is waiting for you six months to a year down the line. With the rapid speed at which smartphone access is growing in Africa it is hard to argue for an investment into legacy technology and platforms," he said.

"Unless there is a client willing to invest in the development and maintenance of the solution in order to reach the broadest base on the lowest access point on mobile, you should rather be building for the future than the past, especially if you have to build before you can sell."

App usage surging

Mobile phone uptake in Africa – and therefore app usage – is surging, with growth over the last five years more than twice the global average. One-third of Africans now own a mobile phone, with the devices as common in South Africa and Nigeria as they are in the United States.

Yet investment is needed if African app startups are to develop the kind of services that encourage Africans to use their phones for more than streaming music and accessing social media platforms, which are currently the two most popular uses for phones.

Dr William Mapham, founder of South African e-health app startup [Vula Mobile](), says building apps is more expensive than people think, meaning Africans are more likely to use overseas services such as WhatsApp and Facebook than ones developed at home.

"If your app makes money from the start and has a clear revenue stream, then investors will be queuing up," he said.

"In a case like ours, which needs a longer term vision and does not have an immediate revenue stream, investment has been harder to come by."

Amanuel Abrha, co-founder of Ethiopian development house [AhadooTec](), says part of the funding gap comes because app companies are not bringing enough real value to users.

"If they can solve the problems of their users, it will be easier to find investors or funding. My advice would be to focus on the user first, then on the funding," he said.

Kotze agrees there is not enough funding for app startups, or at least not enough that can actually be accessed.

"Unfortunately there is a big bad myth out there that building apps is cheap, easy and very lean, and while this is true to some extent when compared to old heavy ICT investments, the process is most definitely not free. Really useful and successful apps are still systems not just icons on a screen. Most importantly those with the skills to build the solutions have no reason to be struggling artists – they can easily access high paying jobs in the market," he said.

Kotze says the capital is out there, but a lot of work needs to be done to bring in a true culture of investing in apps in Africa and to create a balance in the expectations between the investors and the builders.

"The first round of the app fund has already validated just how basic some of the needs are and how funding like this could allow founders or key team members to commit a few hours more per day to accelerate their project to the next stage, or by just being in a position to buy the right laptop, software or hosting services," he said.

He said Africa is going to leap over a big part of the app economy, as is often the case on the continent with other tech. He predicts that we will see a lot of service-based solutions move towards less human and rather to sensors and data collection that only require human intervention or behaviour change.

"If I try and think of any area of service delivery that is not implemented well or requires major disruption on the continent they all seem more realistic and potentially even cheaper if resolved through sensors, either installed, worn, swallowed or as part of lightweight diagnostic tools, rather than an army of field workers all equipped with a smartphone and app that requires lots of inputs from the user," Kotze said.

Meanwhile, entertainment and social will continue to play a big part in the African app economy.

"But as a continent with so many creatives and stories to tell, and with the tools required to design and animate becoming so much cheaper and more accessible, we are in for an exciting future of African games, African animated films, and potentially even African virtual reality (VR)."

ABOUT TOM JACKSON

Co-founder @DisruptAfrica. Tech and business journalist in Africa. Passionate about the vibrant tech startups scene in Africa, Tom can usually be found sniffing out the continent's most exciting new companies and entrepreneurs, funding rounds and any other developments within the growing ecosystem.
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