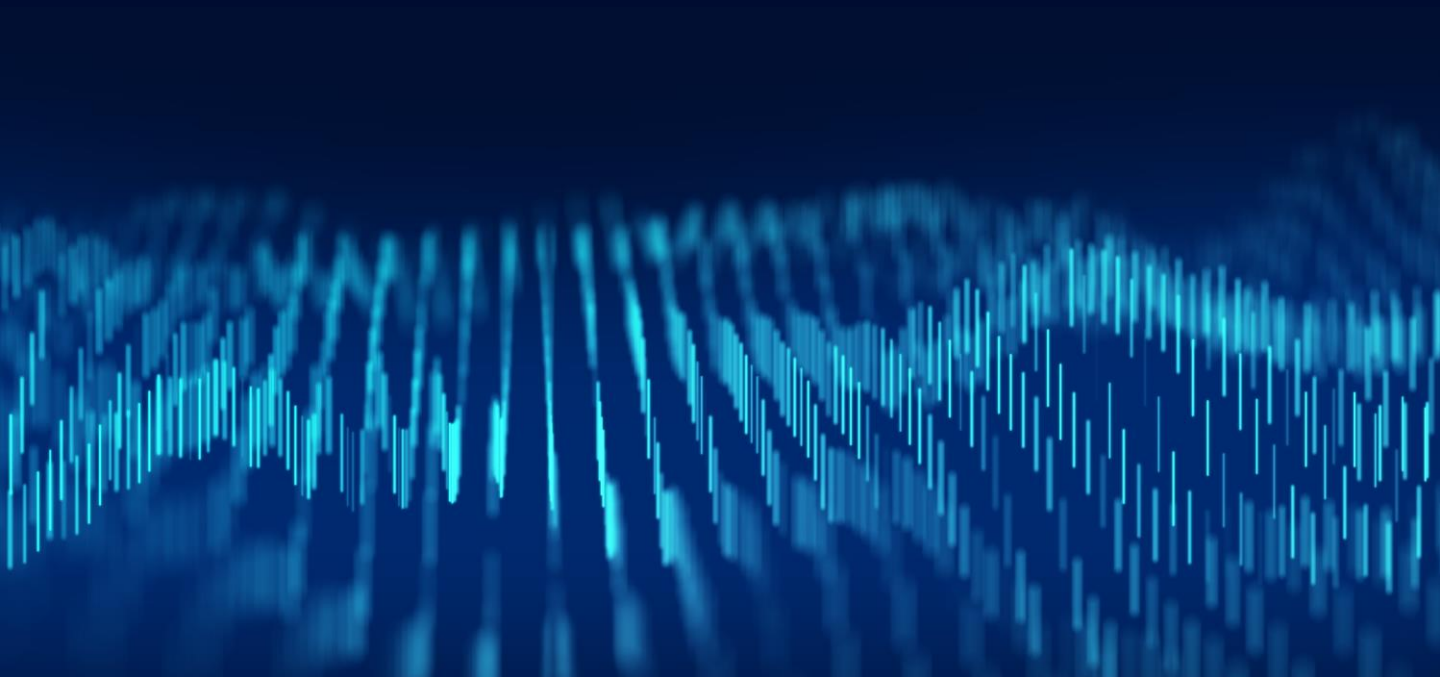McKinsey
& Company

Africa Digital Summit 2023

Highlights

Africa Digital Summit

On 1 September 2023, McKinsey convened our annual Africa Digital Summit in Johannesburg, bringing together more than 150 digital leaders and CXOs from across Africa to discuss opportunities brought on by the long- and fast-growing list of disruptive technologies, including GenAI.

In their keynote, *Alexander Sukharevsky* and *Sven Blumberg* unpacked disruptive technologies and technology trends that could reshape the future of markets and industries in the next few years.

During a TED Talk-inspired session, *Zureida Ebrahim*, Chief Operating Officer at Old Mutual; *Kavish Maharaj*, General Manager, Global CVM at MTN; *Orphan Pholokgolo*, Vice President of Operations: Wax Ammonia and Methanol at Sasol; and *Fred Swanepoel*, former Chief Information Office and Interim Chief Digital and Analytics Officer at Nedbank shared great insights into the opportunities and challenges that GenAI poses to the insurance, telco, heavy industries, and banking sectors.

Our sector breakout sessions included a line up of international experts who delved deeper into the GenAI and AI theme with a key focus on retail, telco, financial services, and heavy industries. The afternoon's functional breakouts focused on hyper personalization at scale in digital marketing; unlocking the full value of data; and the ever-changing fintech scene in Africa.

Delegates also had a chance to visit various demo booths showcasing McKinsey's BankX, Optimus AI, Maintenance AI, and InsureX platforms as well as a Q&A bot.

Asaf Somekh and *Holger Harreis* took learnings and insights to a more practical level in their keynote that looked at next steps as organizations move forward with AI. *Can Kendi* and *Krutika Dharmadhikary* closed the day with an insightful look at digital business building.

We look forward to hosting you again next year. For more information about the summit, presentations, or speakers, reach out to us here.

Umar Bagus

Partner and Leader of McKinsey's Digital & Analytics Practice in Africa

Chirayu Gandhi

Associate Partner and Leader of McKinsey's Fintech & Leap Practice in Africa

Disruptive technologies and GenAI

The latest GenAI applications can perform a range of routine tasks, such as reorganizing and classifying data. But it is their ability to write text, compose music, and create digital art that has garnered headlines and persuaded consumers and households to experiment on their own. As a result, stakeholders are grappling with GenAI's impact on business and society but without much context to help them make sense of it.

Alexander Sukharevsky and *Sven Blumberg* gave business leaders a balanced introduction into the promising world of GenAI.

How GenAI is expected to impact businesses

A: Productivity gains	B: Product innovation	C: Competitive shifts
How you operate your company	What you provide customers	Market dynamics to consider
Coding / dev productivity	Conversational interfaces	Disintermediation
Concision / mass automation	Virtual assistants everywhere	Low-cost pressure
Customer engagement	Content hyper-personalization	Simpler switching
Content generation		

Click for more insights

Sven Blumberg
Senior Partner and Leader of McKinsey's
Digital & Analytics Practice in EEMA

in ✉

Alexander Sukharevsky
Senior Partner and Global Leader of
QuantumBlack, AI by McKinsey

in ✉

An industry view from telco, banking, insurance, and heavy industry

AI in South Africa: Quick views from local industry leaders

AI is in full bloom and GenAI applications have captured the imagination of people around the world thanks to their broad utility—almost anyone can use them to communicate and create—and preternatural ability to have a conversation with a user.

The latest GenAI applications can perform a range of routine tasks, such as the reorganization and classification of data. But it is their ability to write text, compose music, and create digital art that has garnered headlines and persuaded consumers and households to experiment on their own. As a result, executives are grappling with generative AI's impact on business and society but without much context to help them make sense of it.

GenAI could add the equivalent of $2.6 trillion to $4.4 trillion of value globally annually. But should you leapfrog the competition by adopting GenAI applications now, or is it best to exercise caution before making any large investments?

We asked four South African tech leaders in the insurance, telco, heavy industries, and banking sectors to share their views and journeys with GenAI in a TED Talk-inspired session. They provided exclusive insights into how their organisations captures value, while managing risks; shared the mix of occupations and skills that was needed across their workforce to transform; and explained how to ensuring the technology is not deployed in "negative use cases" that could harm society.

Zureida Ebrahim
Chief Operating
Officer, Old Mutual

Kavish Maharaj
General Manager,
Global CVM, MTN

Orphan Pholokgolo
Vice President
Operations: WAM,
Sasol

Fred Swanepoel
Former CIO and
Interim CDAO,
Nedbank

Reinventing telco: How new technologies are reshaping the industry

One might expect the telco industry to transition with ease to disruptive technologies like AI, yet based on our experience with operators across the world, telcos have yet to fully embrace the technology and mindset and has globally underperformed compared to other sectors. Models are developed once and not enhanced as the business context evolves. Machine learning (ML) is in name only, limiting the ability of the system to improve from experience. Most regrettably, AI investments are often not aligned with top-level management priorities. And lacking that sponsorship, AI deployments stall, investment in technical talent withers, and the technology remains immature.

Ferry Grijpink and *Mabohlale Addae* explored at the opportunities and challenges.

Unprecedented set of opportunities

Fair share	▶	Generative AI	6G
Delayering	▶	ORAN / Network of the future	
Open gateway	▶	Ecosystem plays	IoT / Edge
		Digital twins/ Metaverse	Silicon
Consolidation	▶	Verticalization – fintech, healthcare	

Each one of these opportunities is a $10B+ opportunity
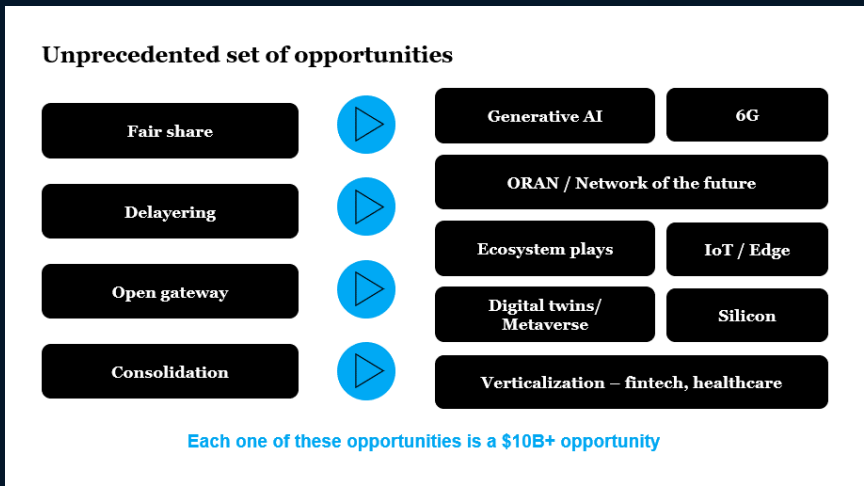
Ferry Grijpink
Partner and Leader of the McKinsey Center for Advanced Connectivity

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Mabohlale Addae
Associate Partner, McKinsey

[in] [✉]

Navigating tomorrow with GenAI: Learnings from retail

Technology has played an essential role in the retail industry for decades. Traditional AI and advanced analytics solutions have helped retailers manage vast pools of data across large numbers of stock keeping units, expansive supply chain and warehousing networks, and complex product categories such as consumables. In addition, the industry is heavily customer facing, which offers opportunities for GenAI to complement previously existing artificial intelligence. For example, generative AI's ability to personalize offerings could optimize marketing and sales activities already handled by existing AI solutions. Similarly, generative AI tools excel at data management and could support existing AI-driven pricing tools.

Sebastian Kerkhoff guided retailers in the shift from analytical AI to GenAI, looked global case studies, and explored what retailers in Africa could do to capture value.

Key messages on GenAI use cases prioritization for retail

1 Basic Data Analytics is still relevant. Majority of high value use cases still lie in analytical AI

Advanced analytics use cases account for 80-90% of total impact pool, with core use cases in commercial (assortment, pricing, promotions), CVM, and supply chain

Key to secure value: ML Ops to scale AA models

2 Disruptive change in Customer Interaction. Now it's the time to reinvent consumer frontends with GenAI

Apps like ChatGPT will redefine customer interaction patterns, which provides opportunity for increased app penetration and for CVM 3.0

Immediate next step: Investing into GenAI experiments and conversational AI

3 Internal productivity gains at scale. GenAI can enable multiple efficiency use cases across functions

Use cases in application development, back-office automation, marketing & sales, customer support can drive immediate value

Immediate next step: early testing of existing apps

Sebastian Kerkhoff
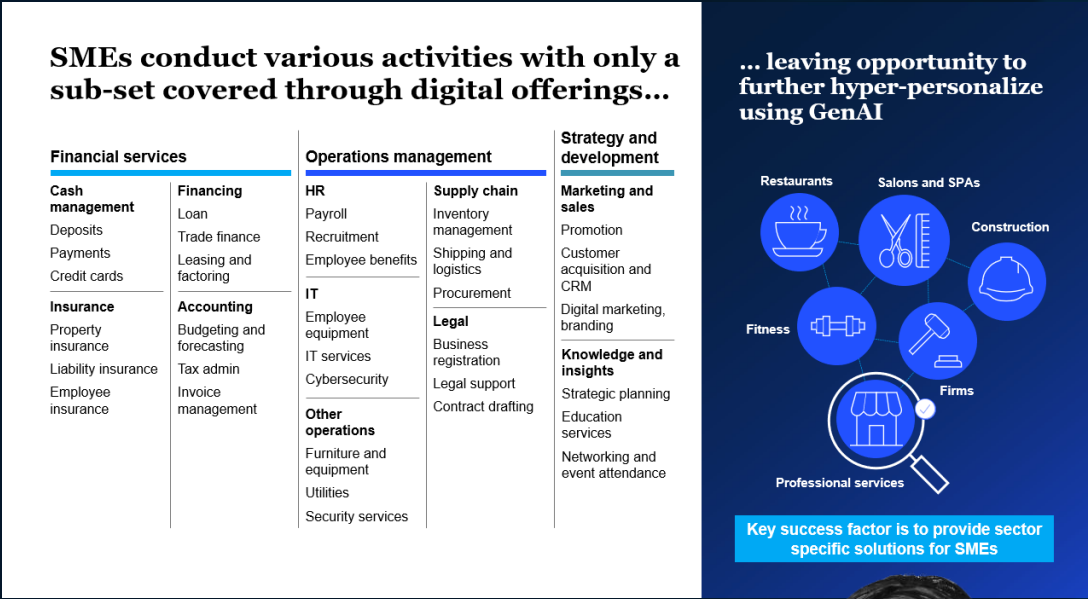Senior Expert at QuantumBlack, AI by McKinsey, Germany

Deploying digital to help SMEs thrive

SMEs continue to remain the backbone of the global economy, where they represent more than 90% of businesses and account for 70% of the global GDP, with the African continent also showcasing a huge potential, with more than 80Mn MSMEs and a financing gap of over $750bn. Yet, banks still struggle to create the right lending solutions to address the financing needs of SMEs and overall cut the cost of serving them. In addition, SMEs needs have gone beyond offering financial services, but there is a clear white space in helping them in their daily operations (inventory management, targeted product preferences) and allowing them to focus on the important things and enabling them to grow. Providers who are serving SMEs (banks, tech companies, telcos) have a real opportunity to provide integrated cross-sectoral offerings that create value for SMEs and solution providers alike.

Krutika Dharmadhikary and *Giuseppe Sorrentino* asked banking delegates to reimagine their business-lending processes so they can take advantage of new opportunities with SMEs and capture more of the forecast growth.

SMEs conduct various activities with only a sub-set covered through digital offerings...

Financial services

Cash management
Deposits
Payments
Credit cards

Financing
Loan
Trade finance
Leasing and factoring

Insurance
Property insurance
Liability insurance
Employee insurance

Accounting
Budgeting and forecasting
Tax admin
Invoice management

Operations management

HR
Payroll
Recruitment
Employee benefits

IT
Employee equipment
IT services
Cybersecurity

Other operations
Furniture and equipment
Utilities
Security services

Supply chain
Inventory management
Shipping and logistics
Procurement

Legal
Business registration
Legal support
Contract drafting

Strategy and development

Marketing and sales
Promotion
Customer acquisition and CRM
Digital marketing, branding

Knowledge and insights
Strategic planning
Education services
Networking and event attendance

... leaving opportunity to further hyper-personalize using GenAI

Restaurants
Salons and SPAs
Construction
Fitness
Firms
Professional services

Key success factor is to provide sector specific solutions for SMEs

Krutika Dharmadhikary
Expert Associate Partner, McKinsey

Giuseppe Sorrentino
Expert, McKinsey

AI for cash generation in heavy industries

AI has emerged as a gamechanger for heavy industries, taking automation to new levels, generating greater yields, dramatically improving safety, and maximising maintenance and operational performance. Yet, too many companies still find themselves trapped in "pilot purgatory," with plenty of promise but no real impact.

In this breakout, our experts looked at the opportunities and challenges facing digital leaders in the heavy industry sector and discussed practical ways to make it work.

Based on >200 successful DnA transformations in Africa we see 3 success factors that unlock sustainable value

1 Deep technical skills

| Operations excellence | Streamlining system and process to ensure quick response to changes on site |
| Content expertise | Having in-depth knowledge and expertise to guide use case development |

2 New ways of work

| Engaged and capable teams | Developing self motivated teams with the right skills |
| Rigorous performance management | Developing the KPIs, tools and process to drive accountability |

3 Tools and capabilities

Effective workplace rituals	Setting up change management, communication, process systems etc.
Data foundation	Structuring a set of data creating soft sensors and proxies where needed to utilize for model creation
Data analytics	Deploying cutting-edge AI and modeling approaches to more accurately predict optimal setpoints

Laura Millroy
Partner, McKinsey

Zak Gaibi
Senior Partner, McKinsey

Agesan Rajagopaul
Partner, McKinsey

Gerhard Nel
Partner, McKinsey

Functional breakout

Hyper personalization at scale in digital marketing

Personalization marketing has real advantages for companies: it can reduce customer acquisition costs by as much as 50 percent, lift revenues by 5 to 15 percent, and increase marketing ROI by 10 to 30 percent. Personalization has also been shown to improve performance and provide better customer outcomes. Companies with faster growth rates derive 40 percent more of their revenue from personalization than their slower-growing counterparts. McKinsey research also shows that personalized experiences drive up both customer loyalty and a company's gross sales.

Our experts showed how can companies can get started with personalization and scale up, predicted trends can for personalization, and—critically—how business leaders can toe the line between creepy and helpful.

Boosting digital marketing performance through hyper micro-segmentation

Our GDPR compliant unique value proposition

Hyper-micro segmentation of consumers over multiple data sources for accurate targeted marketing

Maximization of return on digital ad spend via analytics-backed insights

Persona-based targeted campaigns based on segment specific attributes

First and only in the region aggregating consumer data

First party data

Ecosystem data

External indexes

Internal first party data (e.g., CRM, transaction data)

Third party ecosystem data collected from multiple companies in various sectors

External indexes (e.g., wealth score, shopping score by district)

Angela Luget
Partner at McKinsey

Erdem Senol
Associate Partner, McKinsey, Leader of Embedded Finance in EEMA

Tola Sunmonu-Balogun
Associate Partner at McKinsey, Leader of McKinsey's Digital Marketing Practice in Africa

How to unlock the full value of data? Manage it like a product

Though every company recognizes the power of data, most struggle to unlock its full potential. The problem is that data investments must deliver near-term value and at the same time lay the groundwork for rapidly developing future uses, while data technologies evolve in unpredictable ways, new types of data emerge, and the volume of data keeps rising.

Holger Harreis and *Anass Bensrhir* uncovered the hurdles when building scalable data foundations, shared 7 ways data could drive enterprise in the future, outlined how data products could be embedded into a broader value centric data operating model, and showed how organizations could get started within the data products journey.

Adopting Data Products at-scale is expected to accelerate innovation, speed, and efficiency

Speed	Cost	Quality	Talent	ROI
Reduce time to market for generating insights by streamlining design & development of use cases	Reduce the costs and improve the success rate of deployed use cases	Ensure the highest-quality data products are being deployed to support data consumers across the enterprise and externally	Raise the profile of top Data and Tech talent	
Remove communication bottlenecks between stakeholders	Rationalize low value data solutions from the portfolio		Enforce greater accountability	Additional
10-20%	**20-30%**	**50-70%**	**20+ pts**	**5-7x**
Decrease in time-to-market	Decrease in costs	Decrease in product defects	Higher employee engagement	Increase in benefits on data investments
			2x	
			Time spent on value-add work	

Holger Harreis
Senior Partner, Global Leader in McKinsey Digital & Analytics

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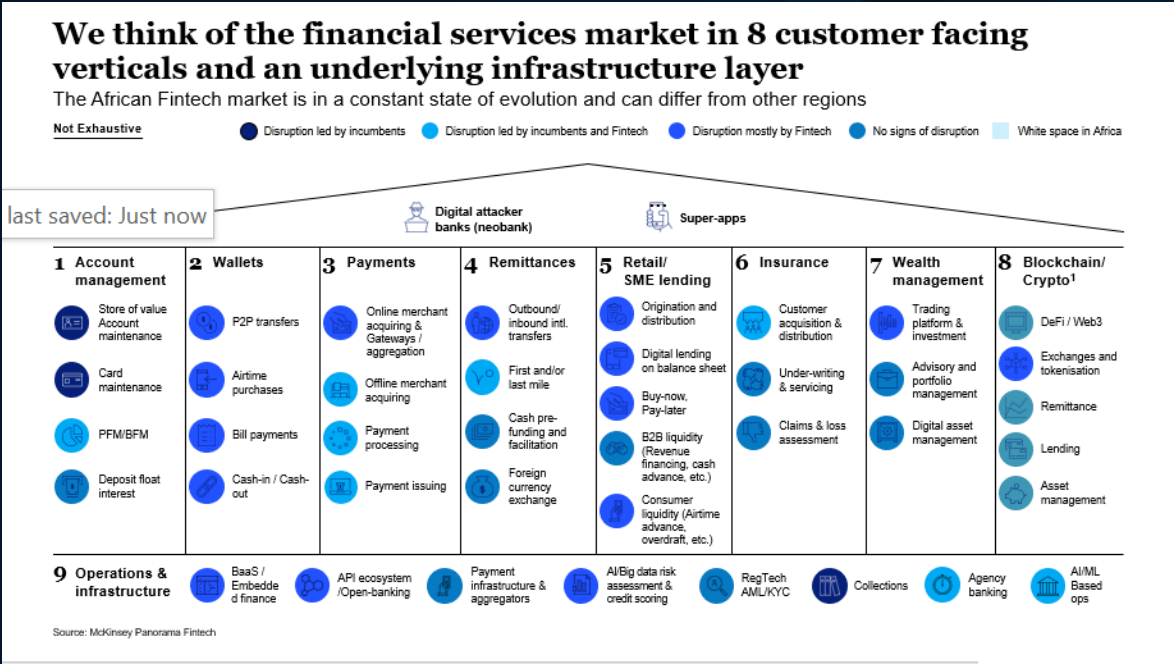## Anass Bensrhir
Co-Leader, QuantumBlack, AI by Mckinsey, Africa

[in] [✉]

Fintech: Current state and opportunities in Africa

Africa's fintechs have penetrated the financial services market significantly – average of 3-5% excluding South Africa and some global leaders like Kenya and Ghana at 12-15% and 7-8% respectively. Payments and wallets are the fastest growing verticals in the Financial Services value chain – Fintech investments are also concentrated in these verticals, 60% of total Fintech funding since 2019. Though SME focused startups have seen decline in funding, it still provides a significant opportunity given $400Bn+ credit gap in the SME segment. *Pinar Gokler* and *Chirayu Gandhi* unpacked the opportunities ecosystem players have to overcome the challenges and scale financial access in the continent through technology .

We think of the financial services market in 8 customer facing verticals and an underlying infrastructure layer

The African Fintech market is in a constant state of evolution and can differ from other regions

Not Exhaustive

● Disruption led by incumbents   ● Disruption led by incumbents and Fintech   ● Disruption mostly by Fintech   ● No signs of disruption   ▢ White space in Africa

last saved: Just now

Digital attacker banks (neobank)   Super-apps

1 Account management	2 Wallets	3 Payments	4 Remittances	5 Retail/ SME lending	6 Insurance	7 Wealth management	8 Blockchain/ Crypto[1]
Store of value Account maintenance	P2P transfers	Online merchant acquiring & Gateways / aggregation	Outbound/ inbound intl. transfers	Origination and distribution	Customer acquisition & distribution	Trading platform & investment	DeFi / Web3
Card maintenance	Airtime purchases	Offline merchant acquiring	First and/or last mile	Digital lending on balance sheet	Under-writing & servicing	Advisory and portfolio management	Exchanges and tokenisation
PFM/BFM	Bill payments	Payment processing	Cash pre-funding and facilitation	Buy-now, Pay-later	Claims & loss assessment	Digital asset management	Remittance
Deposit float interest	Cash-in / Cash-out	Payment issuing	Foreign currency exchange	B2B liquidity (Revenue financing, cash advance, etc.)			Lending
				Consumer liquidity (Airtime advance, overdraft, etc.)			Asset management

9 Operations & infrastructure	BaaS / Embedded finance	API ecosystem /Open-banking	Payment infrastructure & aggregators	AI/Big data risk assessment & credit scoring	RegTech AML/KYC	Collections	Agency banking	AI/ML Based ops

Source: McKinsey Panorama Fintech

Pinar Gokler
Partner and Leader of McKinsey's Fintech & Leap Practice in Turkey

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Chirayu Gandhi
Associate Partner and Leader of McKinsey's Fintech & Leap Practice in Africa
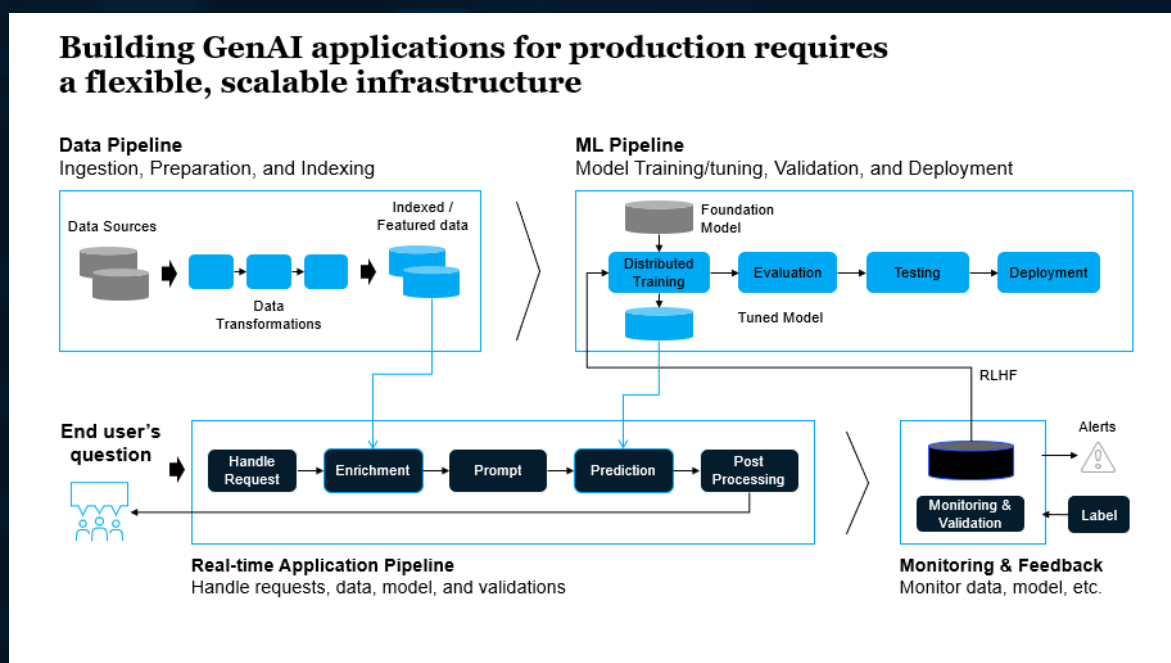
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Keynote

Practical steps to scale GenAI for value

Many businesses are able to successfully capture value from AI at the individual-use-case level, but scaling is still a challenge for many. The companies that receive the greatest bottom-line impact from AI have a set of best practices that include: a flexible, scalable infrastructure; employing advanced technology, tools, and pipelines; having a clear data strategy and using data to enhance deep learning; and changing organizational behavior to enable AI adoption.

In their keynote, Asaf Somekh and Holger Harreis focused on important actions to practically scale GenAI for value.

Building GenAI applications for production requires a flexible, scalable infrastructure

Data Pipeline
Ingestion, Preparation, and Indexing

ML Pipeline
Model Training/tuning, Validation, and Deployment

Real-time Application Pipeline
Handle requests, data, model, and validations

Monitoring & Feedback
Monitor data, model, etc.

Asaf Somekh
CEO and Founder of Iguazio

Holger Harreis
Senior Partner, Global Leader in McKinsey Digital & Analytics

The imperatives of digital business building

Business building used to be viewed as an experiment, an innovation off to the side. Now, it has become a top strategic priority—a differentiating capability needed for long-term success. Successful companies have grown more quickly than other organizations, even during this time of high economic volatility. In an effort to create new revenues and capture more market share, they are creating new products, services, or businesses that require them to develop new capabilities. As *Can Kendi* and *Krutika Dharmadhikary* explained, a wide range of new businesses are to be built in the next ~5 years and Africa offers opportunities on several fronts.

Go big or go home

2x Companies need to **increase their rate of business building** more than two times over the next five years to **meet their revenue growth expectations**

Key take aways

New business should have the potential to **generate transformational, not incremental value**

Don't do it if you **don't think you're building a unicorn** or if the **total addressable market is not big enough**

TMT, industry, and healthcare account for almost a **third of the top 100 unicorns**

Can Kendi
Senior Partner and Leader of McKinsey's Leap and Grow Practice in EEMA

Krutika Dharmadhikary
Expert Associate Partner, McKinsey

McKinsey
& Company