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Milind Kangle, Lycamobile chief executive

Lyca bat out of hell

Lycamobile hasn’t even launched in the UK yet, but chief executive Milind Kangle is already talking about securing 60 to 70 per cent market share. James Blackman reports

Lycamobile, the fast-growing European MVNO business of market-leading calling card company Lycatel, is yet to sign a network deal to support its UK market entry, but that isn’t stopping it shooting from the hip.

Chief executive Milind Kangle says: “We are very close to launch. It will be the biggest launch the UK has seen in this sector. It is near and dear to our hearts, as it is our home market. The UK will get the biggest budget [of all our launch markets to date], no question.”

Lycamobile claims the potential UK ethnic market for mobile is now up to 10 million subscribers. Kangle reckons, in time, Lycamobile can secure around six million of that total, leaving incumbents such as Lebara Mobile, IDT Mobile and Nomi Mobile for dust.

Based on first-year run rates in the Dutch and Belgian markets, Lycamobile will sign 750,000 subscribers within a year of launching in the UK, he suggests.

Kangle says: “There’s room for one big player in this market, with 60 or 70 per cent market share. The rest will be marginal players. Whoever wants to play in it has to be serious about the funding. They

have to have deep pockets.

“We have respect for our competitors, but they are not as resourceful as us. We have greater strengths than them already in the UK, in terms of finance, distribution, brand exposure and sheer economies of scale on a global basis. They can’t match us.”

Network talks

So far, Kangle has stopped by T-Mobile and O2 to discuss a virtual network venture. Both have vacancies on their books for a UK ethnic market MVNO deal.

Orange has also been approached, but its MVNO agreement with IDT Mobile in the UK ethnic market is thought to preclude a deal. Vodafone discounted itself from the running early, and has a deal in place already with ethnic market rival Lebara Mobile. 3 has claimed no knowledge of talks.

Kangle is not about to reveal anything about likely partners or ongoing deal mak-

ing. But, astonishingly, he goes so far as to suggest the preeminence of the Lyca brand in the ethnic calling market could even see it work with multiple carriers in certain launch markets, including the UK; an unprecedented move in MVNO ventures.

He says: “The mobile community in Europe has seen our success.

We have greater confidence in each new market we enter that there will be at least a couple of operators that will compete for winning the Lycamobile contract.

“As Lycamobile keeps growing, there will be multiple hosts in each country that will host the Lycamobile brand.”

His supreme confidence in the Lyca brand means he talks easily about the state of the market, including the reasons competitor brands will be sidelined by the cash-rich rampaging of the Lycamobile MVNO this year.

Dextra’s prepaid distribution unit is already in place to supply prepaid SIM cards to specialist and non-specialist sales channels.

“Our distribution is unparalleled in the country today,” he claims. “We are ready to open up that distribution network.

“It is a pretty well-oiled engine out there. We will go in the usual manner in which we have gone in to other markets already, which is with extremely competitive rates and strong value to the consumer.”

Lycamobile SIM cards will go to 150,000 outlets – mostly the kind of convenience outlets and corner shops found in store parades across the country. The company is also looking at non-specialist high street retailers, such as Woolworths, and specialists chains such as Carphone Warehouse and Phones 4U.

In the Benelux region, including the Netherlands and Belgium, Lycamobile SIM cards can be found in large chains such as Carrefour and The Phone House, Carphone’s brand on the continent, as well as petrol stations.

Dextra has a job on its hands to serve all such outlets in the UK, and Lycamobile may well opt for multiple distribution partners as the venture ramps up.

Again, Kangle observes NDA agreements, and says little more on launch partnerships, but he adds: “There will be a lot of value to the distribution channel by way of large commissions and incentives.”

Dominating the market

The global market for international talk-time is thought to be up to 250 million users. The European market is estimated at 40 million users.

Lycatel claims 25 per cent of all Pakistan’s incoming voice traffic and 70 per cent of traffic into India from Europe.

In the UK, it claims responsibility for at least 60 per cent of calling cards. “It’s hard to quantify whether it’s 75 per cent or 65 per cent, but it is definitely in excess of 60 per cent,” explains Kangle.

The company reckons it generates 25 per cent of all international calls from the UK as it stands – without even having a mobile proposition in the market.

It has established itself as market



Lyca bat out of hell

« leader for ethnic mobile in Benelux; it now wants to do the same in the UK, by undercutting rivals in the ethnic market MVNO sector Lebara Mobile, IDT Mobile and Nomi Mobile.

Founder and chairman Subaskaran Allirahah explains: "The vision for the brand is to be the global market leader in the international calling sector, and that's been the case since the company was set up five years ago.

"And we believe, today, we are the global number one - in terms of brand, loyalty and re-purchase rate."

As far as the newbie MVNO brand goes, Lycamobile has so far secured in excess of one million subscribers in two years of operation. It suggests Lebara Mobile, in existence for four years, has signed 700,000 customers.

The Dutch and Belgian operations have worked as test runs for the UK business, and successes on the continent have

largely funded the imminent MVNO UK launch.

Kangle says: "It will be the same model here, but a better and a bigger version, because this is the home market.

Moving away from calling cards

But the timing of the UK launch - unclear, but close, we are told - is also strategic.

In the first instance, there is a clear trend away from the long-winded calling card process for international calls. Around 30 per cent of prepay calling card traffic originates on mobile phones anyway, and the dialing process - taking in an access number, a PIN number and an international telephone number - can require the caller to dial up to 30 digits.

This is quite apart from the privacy of mobile and the high disposability, and therefore churn rates, of calling cards.

But more fundamental than that is the fact network operators are only just now beginning to drop access pricing to MVNO partners to a level that would enable Lycamobile to construct attractive consumer offers.

"Network operators in the UK were not ready, but now there is an opening of the minds; they are putting out more aggressive offers," says Allirahah.

"It is not our policy to be first. It is our policy to launch when the time is right - when you can deliver value to the consumer - because it requires serious investment. Now we think we're ready, because the network attitude has changed."

He adds: "If you look at the access pricing of the fixed business it is sitting at below a penny level, and below a euro cent level in Europe. Mobile network operator access pricing is nowhere near that.

"Countries will follow. Eventually the mobile network access pricing will converge towards the fixed access pricing.

"But I think it's a gradual process. Mobile networks are under threat today from



The Lycamobile team - chairman Subaskaran Allirahah, left, and Kangle

regulators. Their cost structures are high; they're trying to share network costs and they are under pressure. But eventually, as volumes grow, they will give us economies of scale, like the fixed base is doing. We are already seeing that in Europe."

Kangle says Lycamobile is also more thorough and controlling of its MVNO initiatives. In comparison, rival ethnic market MVNOs are only offering "partial MVNO businesses", he suggests. Lycamobile's UK proposal is the 'full monty'.

"We have our own technology platform, application platforms, termination capability - we look to take charge of everything.

"Others are like MVNO-lites. They have a great deal of dependency on the network operator for tariff plans and cost structure. The deeper we go into the model, the greater the control we have of termination pricing, and quality too."

Which is essentially what Lycamobile requests from its network partners in return for delivering it incremental niche traffic from the burgeoning immigrant and local ethnic markets.

Says Kangle: "The first things for us are technical infrastructure, technical readiness and the ability to do a full MVNO. Plus, the timing has to be right.

"The next thing is the price structure, because we are driving the market on customer value. And that comes down to management commitment [at network level]. We want to have a relationship with the UK chief executive, because he mobilises the rest of the team."

He concludes: "Signing a deal is easy. The difficult part is the right pricing structure, the right technical model and the right partner. Because it is a partnership at the end of the day and both parties have to work together to make it successful." ■

Lycatel factfile

- Global revenues of more than \$800 million (£410m)
- Generates 1.6 billion voice minutes per month
- Handles 2.9 million calls daily
- Employs 500 staff in the UK and Europe
- Interconnects with 200 network operators
- Distributes calling cards and SIMs via 300,000 outlets in Europe
- Provides 24-hour multilingual customer services
- UK calling card market share of 50 per cent
- Lycamobile launched in June 2006
- Signed up one million customers
- Generates 54 million mobile minutes per month

The sail of the century

Boats from Nokia, Data Select, 20:20 and Aerial were among those competing in last week's Mobile News Regatta



"What 3G iPhone?" - Nokia's scurvy dogs, piloted by head of retail Aaron Di Marco, came home first



"I am sailing, I am sailing" - Data Select, led by Jason Kemp, steals a march on 20:20, yet again



"Now listen, this is a very good deal" - Clive Bailey attempts to turn the crew onto franchises



"There's no accelerometer on this" - the calm seas still managed to confound our photographer



"Sorry, one too many rums last night, skip" - last year's winner Aerial Telecom dragged in third



"Last one home pays Neil Fennell's tab" - Aerial, 20:20 and Data Select do battle on the high seas