Implications of Lycamobile Expansion to Developing Markets

Description: Issue: Implications of Lycamobile Expansion to Developing Markets

Lycamobile has rapidly become one of the largest international MVNOs through a combination of smart positioning, effective branding and strong control of costs. With a business model founded on offering unique value to the diaspora communities from developing countries, the company may have significant advantages in the markets where the members of these communities originate and could consequently, represent a real threat to established players in those markets.

Analysis, Inferences and Implications

Since 2006, Lycamobile has grown to sales of over €1.6Bn, with over 15 million customers in 21 markets. It has a clear and attractive position for a well-defined target group. According to its chairman (and founder), Allirajah Subaskaran:

Initially developed for the expatriate communities in Europe, Lycamobile has fast become a global brand synonymous with connecting customers with their loved ones across oceans, borders and networks at the cheapest possible price.

The mission statement for the company is to have 50 million customers by 2020, launching in at least 20 new countries and with the bulk of the growth coming from Africa and South America.

The group offers services that address the specific needs of its users, including remittance and chat applications. Promotional activities are highly targeted, including being present at mass transit locations (stations, airports) and partnering with football, cricket and other sports with wide appeal among expatriates. Distribution also ensures availability (e.g. local general stores and discounters).

The company operates as a fat MVNO, relying on hosts only for local radio access, allowing maximum control of proposition and pricing so it can optimise both for its target customers.

Lyca defines its own key capabilities as shown to the right.

Up to 15% of European mobile customers are already served by MVNOs. Regulators in developing markets are increasingly considering MVNOs to increase local penetration by increasing competition (see GSMA numbers, right, for context).

Lycamobile sees developing markets as its next big opportunity, with advantages including already serving expatriate nationals that wish to communicate with and remit to family members from home. It has already launched in Tunisia and secured MVNO licences (and partners) in Kenya and South Africa, to address its growth ambitions.

Players in these markets must expect disruption following entry by Lycamobile, especially among Base of Pyramid customer groups.

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