

INTERVIEW: Hits Tel Eyes Spain's Foreigners In Mobile Launch

By Jason Sinclair
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MADRID (Dow Jones)--Hits Telecom Spain, a unit of Kuwait's Hits Telecom Holding Co. (HITSTELEC.KW), is betting Spain's foreign residents are an ideal market niche for its first European mobile offering.

Last month, Hits began its Spanish operations as a mobile virtual network operator, or MVNO, renting network capacity from Vodafone Group PLC's (VOD) local unit.

"Virtual operators have lots of room to grow in Spain," Hits Spain's Chief Executive Arturo Grau told Dow Jones Newswires in an interview. "Some European markets have MVNO penetration rates of more than 10%, Spain has a fraction of that...this is an ideal market for us."

Hits Telecom competes with a handful of MVNO's already operating in Spain, but together account for less than 2% of the country's mobile lines. Traditional network cellular providers, Telefonica SA (TEF), Vodafone, France Telecom SA's (FTE) Orange and Teliasonera AB's (TLSN.SK) Yoigo make up the rest.

The Kuwait-based company, with operations in a dozen countries in Africa and the Middle East, Brazil and China has targeted 2010 for its first year to turn a profit in Spain, and expects to have one million customers there in 2016.

With tariff plans that are lower than Spain's traditional mobile operators but in line with the country's existing MVNOs, Hits has positioned its sales points in urban and coastal areas with large foreign populations. The company also has multilingual telephone operators and a Web site in Arabic, English, French, German, Romanian and Spanish to entice the company's target foreign population, that it estimates to total around 6 million people.

However, the launch comes amid a slowdown in consumer spending in Spain as rising unemployment and an overall grim economic outlook dent the revenue of the country's mobile operators. "The (economic) crisis isn't good for any business, but it does mean people are looking closer at their telecommunications operator, and we could benefit from this," Grau says.

Analysts say telecommunications companies are relatively safe havens to wait out the current economic storm, since most people look elsewhere to cut spending.

Around 80% of consumers consider communication as an essential need, Grau says.

He also believes Spain's other MVNOs - the majority are units of the country's supermarket chains - are unfocussed and have a weak foothold on the market.

"The MVNO operators whose primary business are mobile telephony and have the right experience are the ones that will come out on top," he said.

Company Web site: www.hitsmobile.es

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