

# Pest analysis of uk mobile network industry



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This paper presents an investigation into the UK mobile phone network operator industry. The report examines the external and internal environment of the industry in order to ascertain how attractive in terms of competition and profitability, the industry is for business. Significant operating factors affecting the industry are identified and analysed. Using PEST an insight into the industry's remote and operating environment is provided. The report will take into consideration the following;

The industry background, size, recent developments, growth and trend of the industry. The major competitors/strategic business group within the industry. Analysis of the remote environment by identifying significant factors (Political/Legal, Economical, Socio-Cultural, and Technological) affecting the industry. There has been an increased significance of mobile phones in our everyday lives, and I as a person have developed a great deal of interest in mobile phones and their technology.

At the start of this project, I was indecisive about what industry to choose between the mobile phone manufacturers and the service providers. I however chose the service providers as I discovered I had access to more information regarding mobile phone network providers. Firstly, I would like to define mobile network operators (MNOs) as telecommunications companies that obtain licenses from the government to operate and provide mobile phone services for their subscribers.

This should not be confused or mixed with Mobile Virtual Network Providers (MVNOs) who do not obtain licenses, but provide services to subscribers by utilizing spare capacity on the MNOs spectrum. Both MNOs and MVNOs are a

sub-category of the Telecommunications industry. The growth and expansion of the mobile phone industry has been one of the UK's greatest success stories. Mobile telephones are a relatively new technology and have undoubtedly formed and become an essential part of our everyday lives.

Our flare for and dependency on mobile phones has resulted in an aggressive and rapidly proliferating industry of network providers. Mobile phones first came into use in the UK in 1985<sup>1</sup>. The very first mobile phone call was made on the 1st of January 1985 on Vodafone's network<sup>2</sup>. The first generation mobile phones which used analogue technology were found to be unreliable due to the existence of only two network operators – Vodafone and Telecom Securicor Cellular Radio Limited (Cellnet, now O2) which had poor infrastructure and therefore poor network coverage<sup>1</sup>.

In the early 1990s, the second generation (2G) which used digital technology instead of analogue was developed through the introduction and deployment of the Global Systems for Mobile Communications (GSM) <sup>1</sup>. With these generation mobile phones, voice conversations were digitally encoded and data services such as short messaging services (SMS) could be used. This advancement in mobile phone technology ultimately resulted in an increase in the number of network operators in the 1990s and rapid market penetration as the technology gained popularity amongst consumers<sup>1</sup>.

The mobile phone industry penetrated the UK economy and expanded so quickly that by 1991, 1.1 million mobile phone subscribers were recorded<sup>3</sup>. The industry continued to expand with 5.4 million subscribers by 1995 and a staggering 40.1 million subscribers in 2000. 2G existed for about a decade

before the third generation (3G) services were introduced in 2003 providing high-speed data abilities and more non-voice services such as internet access. As a result, the industry experienced a 15% increase in subscribers in 2004 despite market saturation.

The innovation of 3G innovation increased network operators' customer base from 4.7 million to 12.5 million by the end of 2007. It is no surprise that the industry began to reach a point of market saturation as a larger percentage of the population had adopted the use of a mobile phone.

Furthermore, the industry experienced a period of slower growth from 2001 to date and technological innovation and product differentiation became the driving force behind the industry.