

Mobile telecommunication

[Sociology](#), [Communication](#)



Mobile phones are now seen as necessities rather than luxuries and market penetration (the percentage of the population owning mobile phones) is very high and growing. A recent report put market penetration in the western E as a whole at 90 per cent in 2004 and predicted that this will rise to 100 per cent by 2007. In some European countries (including the ELK) penetration is in excess of 100 per cent as individuals have more than one mobile phone.

This high level of market penetration in the developed world does not mean that the market is saturated as the advent of 3G technology has opened up the market and will lead to people trading up to more expensive phones. In addition there is an explosion of demand in the developing world. Current competition It is necessary to look at two aspects of the market as they are inextricably linked together - the market for mobile handsets and the market for network operators. In both cases the market is oligopolies, as Tables 13.13 and 13.4 show. The market leader for handsets is Nokia. However, its position is under threat - its market share in the UK in 2002 was 52 per cent. Nokia's main problem was the failure to recognize and meet the increased demand for camera flip-phones. It responded to this criticism by launching a new range of seven handsets in April 2005. The percentages shares of the other manufacturers remained fairly constant between 2002 and 2004, although LG is a new entrant and the 'others' group increased its market share from 10 per cent to 18 per cent.

The market for mobile phone handsets in the UK
 Manufacturer Nokia Siemens Sony Ericson Samsung Motorola Others % share of the UK market,
 2004 36 10 18 Table 13.3 The market for network operators in the UK
 Network Avoidance Orange 02 T-Mobile Virgin Mobile 3 Tests % share of the

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UK market, 2004 25 17 01 source: Minute, 2004 There are three large providers of mobile networks in the I-J, with very little between them in terms of market share. In 2002 Orange was the market leader with 27 per cent of the market while Avoidance accounted for 26 per cent of the market; 3 and Tests are new entrants to the market.

The market for pay-as-you-go mobile phones is approximately twice the size of the contract market. Power of buyers Mobile phones are mainly for personal use (by 65. 2 per cent of adults) rather than business use (4. 8 per cent of adults). Statistically, the user of a mobile phone is most likely to be single, young and female. Figure 13. 3 shows the ownership of mobile phones in the I-J by age. Ownership is lowest in the 55 years and over age group and the handset manufacturers and network operators recognize this. 2 is working with Saga (the insurance group for the over ass) to launch a deal for the over-ass and Avoidance launched a new handset called Simply in May 2005 which is aimed at the older racket - it has an easy-to-read screen and larger buttons and does not carry many of the more complex features. Figure 13. 3 Source: Keynote, 2005 Although buyers cannot exert a great deal of market power, the high level of competition and easy availability of information on handset prices and network operators means that it is easy to shop around for the best deal.

Threat of new entry The barriers to entry in this industry were very high and included access to networks, the cost of license purchase and the cost of brand building. In recent years these barriers have fallen dramatically. The advent of virtual networks has reduced the necessity for access to a

network. Virgin is a mobile virtual network operator (NOVO) as it buys spare capacity from T-Mobile and sells it on to consumers. Tesco and O2 have a similar relationship.

At one time the handset manufacturers also had to manufacture the base stations (used to provide mobile phone coverage) which were very expensive to produce. This was a very effective cost barrier to entry for smaller handset producers. This is no longer necessary as radio chips and other software can increasingly be bought 'off the shelf'. Manufacture of handsets is being subcontracted by some of the larger handset manufacturers and these subcontractors themselves are starting to sell handsets under their own name.

Be-Mobile is an example of such a company. If this starts to happen on a large scale, there will be a threat to the position and market share of the incumbent market leaders. In Table 13.13 the category of 'others' grew from 10 per cent in 2002 to the 18 per cent shown in the table for 2004. A further threat to the position of handset manufacturers is the manufacture of handsets by the mobile operators themselves - Orange, for example, sells own brand handsets. This has the effect of tying the handset user into the operating network.

In the ELK, there is evidence that there is room for new entrants - Sends for example, claims a 5 per cent market share in the I-J in 2005. Sends was founded in the UK in 1999 and initially supplied handsets to the network operators. It now supplies handsets under its own name through Internet sales and also through the giant retail supermarket Tesco. Another barrier to

entry which has fallen in recent years is the 'switching cost' uncured by users when they change between networks.

Although users of pay-as you- go still have to pay a fee for 'unlocking the phone which can amount to as much as EYE. O, operators will provide handsets free to customers who take out a contract for 12 months. In addition, a major obstacle to changing networks - having to change your telephone number - now no longer exists. Although there are no obvious substitutes for the mobile phone, there a number of developments in this area. The advent of 3G technology which was launched in 2004 mainly for business customers will be extended to personal users by the end of 2005.

This will offer better features like AD effects and faster access to the Internet and games. New products will offer the ability to watch films and sporting events as they happen. BIT has developed a hybrid phone - called BIT Fusion - which was launched in June 2005. Fusion operates as a mobile phone when outside the home but switches to the cheaper broadband line when the phone is inside the home. This reduces the cost of usage. Mobile email is seen as a growth area as Microsoft launched a new version of the

Windows operating system designed specifically for mobile phones in May 2005. This is mainly used by business but could easily be extended into personal use. Power of suppliers The large manufacturers now subcontract much of their manufacturing to smaller subcontractors like Sends (mentioned above). On the one hand, this gives them increased flexibility in production but, on the other, it allows the subcontractors to enter the market

and eventually to compete in their own right - what is there to stop the operators bypassing the handset manufacturers completely?

It is likely that this development will change the power relations between the handset manufacturers and their suppliers and could possibly result in co-production and co-marketing of the handsets in the longer term. In the race for market share, manufacturers and operators have to offer maximum quality and range of services. The content becomes crucial. The exploitation of the G market requires the best range of content and handset manufacturers are negotiating deals with content suppliers; Avoidance has teamed up with Disney and Sony to provide content for their phones.

These large organizations will undoubtedly have some degree of market power over the handset manufacturers simply because of their size and already established market power. From this analysis it can be seen that, although this market is one with very high market penetration, it is not a saturated market. There is scope for new entry to the market and for the development of new products and new markets. The market conditions which gave rise to domination by the large vertically integrated giants like Nokia and Motorola have largely disappeared and smaller manufacturers are entering the market.