

# [Uk mobile phone industry](https://assignbuster.com/uk-mobile-phone-industry/)

[Business](https://assignbuster.com/essay-subjects/business/), [Industries](https://assignbuster.com/essay-subjects/business/industries/)

This report provides a comprehensive environmental analysis of the UK mobile phone industry, including a PESTLE analysis of the industryenvironment, an assessment of the prevalent competitive forces using Porter’s 5 forces analysis, and an individual SWOT analysis for each of the major network operators in the UK, Vodafone, T-mobile, Orange and O2.

PESTLE

Political

The government regulates airwaves by issuing airwave frequency licences and limiting the number of operators in the commercial mobile phone sector. In 2000, the Government made available five 3rd generation (3G) licenses.

These were subject to a bidding war, with 13 companies bidding. “ The licences sold for total of ? 22. 48 billion, vastly in excess of the predicted ? 3 billion” (Joyce & Woods, 2001), raising speculation that the five winners paid over the odds. Vodafone bought license B for ? 5. 96 billion, BT license C for ? 4. 03 billion, One2one bought license for D ? 4 billion, and Orange license E for ? 4. 1 billion. (The ESRC Centre for Economic Learning and Social Evolution) In1984, the UK government privatised the telecommunications industry, and established Oftel (now OFCOM), the UK telecommunications regulator.

The regulator ensures the market remains competitive, and recently put pressure on the market to reduce prices for calls between networks. (BT’s history, btplc. com) Economic Mobile telephony accounts for 2. 3% of the UK’s GDP, and for ? 15 billion per annum in tax. (O2, Media Centre, 2004) The mobile phone sector is a major employer, “ employing nearly 200, 000 people” (O2 CSR, 2004), and the UK’s economic upturn through the 1990’s boosted consumer confidence, helping the industry grow. Mobiles are a non-essential luxury good, whose demand will be relatively income elastic, so levels of disposable income are an important economic factor.

A further economic consideration is interest rates, which determine the cost of consumer credit, and therefore have a bearing on customer’s propensity to spend on mobile products. Social There are a number of social factors affecting the environment for mobile phones. Usage of mobile telephones and penetration into the market has increased most notable amongst the 55+, C2DE social grades and middle income groups since 2000. (Oftel, 2003) Equally, there has been a considerable increase in the use of mobile phones by the young.

There is often a social split between those who undertake monthly contract agreements, for which a credit cheque is necessary, and those using unregistered pre-paid services - often the young and the poor. (Jon Agar, 2003) Phones are increasingly being seen as fashion items rather than merely a means ofcommunication. In the 1980s mobile phones were aimed “ squarely at business people. However, now it has become the universal accompaniment of old and young alike” (Jon Agar, 2003). There has been a corresponding change of emphasis towards fashionable design, including the ability to customise handset casings and colours.

The increasing numbers of non-business users, especially amongst younger age groups, has prompted a change in the method of communication between users, with SMS increasingly taking precedence over voice calls. (Nokia, nokia. com) As mobile handsets become more advanced, networks are being forced to address the concern that children will be exposed to inappropriate material such as pornography and gambling via their telephone. The network providers are committed to the use of age verification software to try and prevent under-age users accessing this material. (BBC News 2nd July 2004)

Read also: TMobile SWOT Analysis

The mobile industry is fuelled by technological change, and which played an enormous part in its growth since 1985. There has been a recent move away from the basic functionality of handsets to incorporate more advanced features, such as MMS (multi-media messages), digital cameras and the ability to capture video. This is seen as a key growth area by both handset manufacturers and network providers alike. In an increasingly mature market, with high penetration levels, technical change becomes more important as networks seek to provide additional services, and handset manufacturers seek to further differentiate their products.

Thetechnologypresent in mobile handsets is constantly being upgraded, and consequently the products have short product life cycles, leading to rapid obsolescence. To cater for the business market, handset manufacturers are increasingly adding e-mail facilities and the incorporation of traditionally PC based functionality. The adoption of 3G networks marks a considerable technological step, allowing for broadband internet and video calls. Legal There are a number of legal considerations surrounding the mobile phone industry, one of which is the currenthealthconcern linked to the use of handsets, and proximity to transmitter base stations.

The 2000 Stewart Report, set up by Department of Health, found that exposure to radio frequency radiation at levels below existing guidelines, did not cause adverse health effects. (Jon Agar, 2003) However, new research by Stewart announced in January 2005, recommends that Children under the age of 8 should not use mobile phones. This has prompted MyMo, a company specialising in the production of a handset aimed at 4-8 year olds, to stop production (BBC News 11th January 2005). Research in this area is ongoing and has led to bad publicity for the industry.

Another health and safety law was implemented in 2004, preventing the use of mobiles whilst driving, increasing sales of hands free kits. OFCOM, the UK mobile phone industry regulator, has the role of ensuring that healthy competition is maintained in the telecommunications industry and could potentially intervene in the market. (BT’s history, btplc. com) Planning law has also been a key issue for network providers when locating base station transmitters. The most ideal locations are usually in highly populated areas, and have been denied planning permission on the basis they are unattractive. (BBC News 14th January 2005)