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1. Executive summary

This report evaluates Vodafone's current strategic position in the UK telecommunications market and recommends a growth strategy following the merger of Vodafone UK and Three UK. The analysis identifies a significant opportunity for the combined organisation to use its increased network scale, spectrum assets and investment capacity to create a stronger competitive position in the UK market.

The external analysis shows that the merged company operates in a highly regulated, technologically dynamic and competitive environment. The UK telecommunications market has strong barriers to entry because of the investment, infrastructure and spectrum required to operate a mobile network. However, competition between established Mobile Network Operators (MNOs) and Mobile Virtual Network Operators (MVNOs) remains significant. The merger also creates regulatory and customer-related risks because the reduction from four to three major network operators raised concerns regarding prices and competition.

The report recommends a differentiation strategy based on superior 5G network quality, wider coverage and improved customer experience. This strategy would use the complementary network assets of Vodafone and Three while ensuring that technological improvements translate into visible benefits for consumers and businesses.

The strategy will require significant network investment, effective integration of the two organisations, employee development and continuous measurement of customer experience. Success should therefore be monitored through KPIs including 5G coverage, network reliability and speeds, customer satisfaction, customer retention and market share. If successfully implemented, the proposed strategy can enable the combined organisation to convert the merger from an increase in scale into sustainable competitive advantage.

2. Introduction to Vodafone

Vodafone is a well-established telecommunications company with a long history in the UK market. The company provides mobile and digital connectivity services and is currently going through an important period of transformation following the merger between Vodafone UK and Three UK. Vodafone's wider purpose is to "connect for a better future", with an emphasis on empowering people, protecting the planet and maintaining trust (Vodafone, 2026).

Following the merger, VodafoneThree aims to build the UK's best network, with particular focus on customers, network quality, businesses and people (VodafoneThree, 2026).

The merger represents an important strategic opportunity because Vodafone and Three bring together complementary network assets, including sites and spectrum. The rationale presented during the regulatory assessment was that the combined organisation would have greater investment capacity and could develop a higher-quality network capable of competing more effectively with BT/EE and Virgin Media O2. Research into European mobile markets also indicates that scale can contribute to more efficient investment because telecommunications networks involve substantial fixed costs, although an appropriate balance between concentration and competition remains important (Bahia and Castells, 2023).

Another important opportunity is the continued development of 5G, which can provide faster speeds, greater capacity and lower latency. However, network expansion alone will not guarantee the success of the merged company. Customer experience should remain a priority because service quality and customer relationship management can contribute to satisfaction and loyalty.

This report therefore evaluates Vodafone's current strategic position and considers how network coverage, 5G investment and customer experience can support sustainable growth and competitive advantage.

3. Evaluation of Current Market Situation

3.1 PESTEL Analysis

Political

The political environment provides both opportunities and pressures for VodafoneThree. Digital infrastructure has become increasingly important to UK economic policy because improved mobile connectivity can contribute to productivity, investment and economic growth. Research by the Social Market Foundation describes mobile connectivity as an important enabling technology and estimates that the UK mobile sector has substantial wider economic effects. Consequently, the combined organisation's investment in 5G is aligned with broader government ambitions to improve UK digital infrastructure (Hyde and Asthana Gibson, 2024).

However, telecommunications is also politically sensitive because mobile connectivity is an essential service for individuals and businesses. The merger therefore attracted considerable scrutiny over whether reducing the number of MNOs could negatively affect competition.

Economic

The telecommunications industry requires extremely high levels of capital investment. Network infrastructure, spectrum, maintenance and technological upgrades create significant fixed costs. This creates an important challenge because operators must continually invest while maintaining competitive prices and generating sufficient returns.

At the same time, the merger creates an economic opportunity by allowing the business to combine infrastructure and spectrum. The merged business has committed to an £11 billion infrastructure investment programme, with the objective of delivering 5G Standalone to 95% of the UK population by 2030 and 99% by 2034 (Földes, 2025). Nevertheless, this investment must eventually generate sufficient commercial returns, creating pressure to attract and retain customers while managing the significant cost of network transformation.

Social

Mobile connectivity has become embedded in everyday UK society. Consumers increasingly depend on mobile services for communication, entertainment, remote working, banking and access to digital services. This creates growing expectations for reliable coverage, high speeds and a seamless experience across different locations.

Customer expectations also extend beyond the technical network. Research into telecommunications customer satisfaction demonstrates that service quality, employee

engagement and effective process management can influence customer satisfaction (Alsaqer, Katar and Abdelhadi, 2024). This means the operator must ensure that customers experience improvements not only through 5G speeds but also through customer service, billing, complaints handling and communication during the integration process.

Technological

Technology represents one of the strongest opportunities available to the new organisation. 5G can provide greater capacity, resilience, lower latency and significantly faster data transmission than previous generations. It can also support the development of new digital services and technologies that require reliable high-speed connectivity.

The merger provides the new entity with additional sites and spectrum. The CMA concluded that these combined resources could improve coverage, reduce congestion and increase network speeds (Akhoundova et al., 2025). This creates an opportunity to differentiate the business through network quality rather than competing mainly on price.

Environmental

The environmental dimension presents both opportunities and responsibilities. Digital connectivity can enable more efficient ways of working and support technologies that reduce resource consumption. Greater connectivity may also contribute to remote working and more efficient business operations.

Nevertheless, building and operating telecommunications infrastructure requires energy, physical equipment and network sites. The combined organisation should therefore integrate energy efficiency and responsible infrastructure deployment into its network expansion, supporting Vodafone's wider commitment to protecting the planet.

Legal

The legal and regulatory environment is particularly important following the merger. The CMA concluded that the Vodafone–Three transaction could result in a substantial lessening of competition without appropriate remedies. Approval was therefore conditional on binding commitments to invest billions of pounds in the combined 5G network and temporary protections for retail and wholesale customers (Akhoundova et al., 2025).

The merged company must therefore demonstrate compliance with these commitments while ensuring that consumers and MVNOs continue to receive competitive services. Failure to deliver the promised network benefits could create regulatory, reputational and financial risks.

3.2 Porter's Five Forces Analysis

Porter's Five Forces can be used to evaluate the main competitive pressures affecting the organisation. (Ecobici, 2024)

Competitive rivalry – High.

Vodafone-Three competes directly against BT/EE and Virgin Media O2, while MVNOs such as Sky Mobile, Lebara and iD Mobile provide additional competitive pressure in particular customer segments. Prior to the merger, Three competed strongly on price while Vodafone maintained relatively high network quality. The merger therefore creates a larger competitor, but rivalry remains significant.

Threat of new entrants – Low.

Entry into the MNO market requires substantial capital, spectrum licences, infrastructure and technical capabilities. These barriers make the creation of another nationwide physical mobile network difficult. However, MVNOs can enter the retail market without building an entire network, meaning the threat is higher at the service-provider level.

Bargaining power of buyers – High.

UK consumers have several network brands and MVNO alternatives and can compare tariffs, data allowances and handset offers relatively easily. Switching therefore places pressure on operators to provide competitive pricing and service quality. The merged company cannot assume that improved technology alone will guarantee loyalty.

Bargaining power of suppliers – Moderate.

The combined organisation depends on specialist telecommunications equipment, technology, infrastructure and spectrum. Supplier power can be significant where highly specialised technology is required. However, its greater scale may improve purchasing power and enable more efficient infrastructure investment.

Threat of substitutes – Moderate.

Fixed broadband and Wi-Fi can substitute for mobile data in homes and workplaces, while digital communication applications have replaced many traditional voice and messaging services. Nevertheless, mobile connectivity itself remains difficult to replace when consumers require connectivity while travelling.

Overall, Porter's model demonstrates that the combined organisation operates in a market where entry barriers protect established operators but competition for existing customers

remains intense. This strengthens the argument for differentiation through superior network quality and customer experience rather than relying primarily on price competition.

3.3 SWOT Analysis

Strengths. The merger creates significantly greater scale and combines Vodafone and Three's complementary spectrum and network sites. These resources provide an opportunity to improve network quality through greater coverage, capacity, reduced congestion and faster speeds. Vodafone also brings an established brand and substantial experience in both consumer and business telecommunications.

Weaknesses. Integrating two large organisations, networks, systems and cultures will be complex. Merger synergies should not be treated as automatic. Bauer and Friesl (2024) argue that M&A performance can be affected by poor strategic fit and unsuccessful integration, while managers can also concentrate on easily measurable functional synergies at the expense of broader strategic synergies. The business must therefore ensure that network integration does not distract management from customer experience.

Opportunities. The largest opportunity is 5G expansion. UK 5G development still has considerable room for improvement, while widespread adoption could generate significant economic benefits. The combined organisation can also use increased network capacity to develop services for businesses, smart technologies and other data-intensive applications.

Threats. Major threats include strong competition, regulatory intervention, integration problems and customer dissatisfaction. There is also a risk that customers could experience higher prices without perceiving sufficient improvements in network quality. Research examining the VodafoneThree case highlights this tension between possible price increases and longer-term network benefits (Földes, 2025).

The SWOT therefore suggests that the merged company's central strategic challenge is not simply completing the merger but successfully converting its greater resources into benefits that customers can recognise.

4. Strategic Growth Options and Proposed Strategy

4.1 Ansoff Matrix

The Ansoff Matrix provides four possible directions for the organisation's future growth: market penetration, market development, product development and diversification. (Zelada Briceño, 2026)

Market penetration

Would involve increasing the combined organisation's share of the existing UK telecommunications market using its current mobile services. This could be achieved through competitive packages, improved customer retention and stronger promotion. It represents a relatively low-risk option but could intensify price competition and does not fully exploit the technological potential created by the merger.

Market development

Could involve taking existing Vodafone services into new geographical or customer markets. However, Vodafone already operates internationally, and the present strategic challenge is primarily how the newly combined UK organisation can maximise the value of its merger.

Product development

Involves developing improved or new services for the existing UK market. This is particularly attractive because 5G Standalone can support faster connectivity, increased capacity and technologies such as network slicing. It could therefore support enhanced consumer services alongside specialised connectivity solutions for businesses.

Diversification

Could involve moving into substantially different products and markets. While areas such as IoT and digital services provide long-term opportunities, extensive diversification immediately following a major merger would create additional risk and management complexity.

Therefore, the most appropriate approach is a combination of market penetration and product development, using the improved combined network to retain and win UK customers while developing differentiated 5G-enabled services.

4.2 Porter's Generic Strategies

Porter's Generic Strategies provide different approaches for achieving competitive advantage, including cost leadership, differentiation and focus. (Porter, 1985)

Cost leadership

Would involve competing primarily by providing services at lower cost than rivals. Greater scale may create cost efficiencies, but a pure cost-leadership strategy would be difficult because the merged company must finance substantial network investment and would risk creating further regulatory concern around competition.

A focus strategy

Would concentrate on a narrower customer segment such as businesses or price-sensitive consumers. Although targeted propositions can contribute to growth, this would not fully exploit a nationwide combined network.

Consequently, differentiation represents the strongest generic strategy.

Vodafone-Three should seek to become recognised for superior network coverage, reliability, speed and customer experience. The combined organisation has a potential resource base to support this positioning because its greater spectrum and site portfolio can improve network capacity and quality.

4.3 Proposed Strategy

The proposed strategy is therefore:

To differentiate the merged company in the UK market through superior nationwide 5G connectivity, network reliability and a customer-centred digital service experience.

The strategy consists of three connected priorities. First, the combined organisation should accelerate the integration and deployment of its network to improve coverage and capacity. Second, these technical improvements should be translated into differentiated consumer and business propositions rather than simply offering additional network capacity. Third, customer experience should become an equally important component of differentiation.

This final component is important because telecommunications research indicates that effective process management, employee engagement and CRM can support stronger customer satisfaction (Alsaqer, Katar and Abdelhadi, 2024). The business should therefore combine network investment with improved digital support, complaint resolution, customer communication and personalised services.

The strategy also aligns with Vodafone's values. Improving connectivity supports its purpose of connecting people for a better future, while expanding reliable connectivity can contribute to digital inclusion. Sustainable infrastructure investment can support environmental commitments, while transparent pricing and customer protection can strengthen trust.

Most importantly, the strategy provides a way to convert the merger into competitive advantage. Combining two companies does not itself create customer value. The strategic advantage will arise when the combined resources result in a service that customers perceive as meaningfully better than competing alternatives.

5. Strategy Evaluation

5.1 SFA Framework

The proposed strategy can be evaluated through the Suitability, Feasibility and Acceptability (SFA) framework. (Johnson, Whittington and Scholes, 2012)

Suitability

The strategy is highly suitable because it directly responds to the main opportunities and threats identified in the external analysis. Growing data usage increases demand for network capacity, while the UK still has considerable potential for wider and more reliable 5G connectivity. The merger provides an opportunity to respond to this demand through greater network capacity and coverage.

Differentiation is also appropriate because competitive rivalry is high. Competing exclusively on price could reduce margins needed to fund network investment. Superior coverage, reliability and customer experience provide alternative dimensions on which the merged company can compete.

Feasibility

The strategy appears financially and technically feasible because Vodafone and Three have already combined complementary spectrum and network assets. The organisation has also committed approximately £11 billion to infrastructure investment and aims to achieve 95% population coverage through 5G Standalone by 2030 (Földes, 2025).

Nevertheless, feasibility depends on successful integration. M&A research demonstrates that expected synergies are not always realised and can be undermined by poor integration or insufficient attention to strategic synergies. Management capability, employee engagement, systems integration and clear accountability will therefore be critical.

Acceptability

The strategy could create value for several stakeholder groups. Customers could benefit from improved coverage, speeds and reliability, employees could gain opportunities to develop skills associated with 5G technologies, and shareholders could benefit from increased customer retention and stronger long-term competitiveness.

However, acceptability presents an important risk. The CMA identified potential consumer harm arising from reduced competition and therefore required temporary customer protections alongside the network investment commitments (Akhoundova et al., 2025). Customers and regulators may reject the strategic outcome if higher prices occur without clearly visible improvements in service quality.

For the purposes of this report, it is therefore assumed that the £11 billion committed investment remains sufficiently funded, network integration progresses broadly according to plan, and demand for mobile data continues to increase. Under these assumptions, the SFA evaluation indicates that the proposed differentiation strategy is suitable and feasible, but its acceptability depends strongly on the merged company demonstrating measurable benefits to customers.

6. Stake Holder Analysis

6.1 Mendelow's Matrix

Using Mendelow's Matrix, the organisation's stakeholders can be categorised according to their level of power and interest. (Kuzmin and Khilukha, 2016)

High power/high interest – Manage closely: shareholders, senior management, the CMA, Ofcom and major strategic partners belong in this category. Regulators are particularly important because the merger was approved subject to investment and customer-protection commitments. The combined organisation should provide transparent evidence of network progress, compliance and customer outcomes.

High power/low interest – Keep satisfied: government institutions and major infrastructure or technology suppliers may not participate in daily management but can influence the operating environment. Regular strategic communication should demonstrate the merged company's contribution to UK connectivity, investment and economic development.

Low power/high interest – Keep informed: customers and employees have strong interest in the merger's outcomes. Customers will be particularly concerned about coverage, pricing and service quality, while employees may be affected by organisational and technological integration. Although individual customers and employees have comparatively less formal power, collectively their behaviour can significantly affect the organisation's reputation and performance.

Low power/low interest – Monitor: wider community groups and individuals with limited direct interaction with the company require less intensive engagement, although their expectations should continue to be monitored.

6.2 Stakeholder Engagement Plan

The combined organisation should adopt different engagement methods for each group. Regulators should receive scheduled reports demonstrating progress against network commitments and customer protections. Shareholders should receive updates on investment, integration milestones, financial performance and market growth.

Customers should receive clear communication about network improvements and any changes resulting from integration, supported by feedback surveys and accessible complaint channels. Employees should receive regular internal updates, training and opportunities to provide feedback during integration. This is particularly important because employee engagement and effective training can positively influence service delivery and customer satisfaction.

7. Implementation and Monitoring

The proposed strategy should be implemented progressively to reduce integration risk while ensuring that network investment translates into measurable customer benefits.

Table 1 Proposed Implementation and Monitoring Plan for Vodafone Three

Strategic objective	Actions	Timeframe	Key Performance Indicators
Integrate Vodafone and Three networks	Combine network assets, sites and spectrum; identify duplicated infrastructure; prioritise areas with poor coverage.	Years 1–3	Integration milestones; reduction in congestion; network availability.
Expand 5G Standalone coverage	Deploy 5G SA infrastructure and prioritise underserved areas.	To 2030	Percentage of UK population covered by 5G SA
Improve network quality	Monitor speed, latency, reliability and capacity across the combined network.	Continuous	Average speeds; latency; dropped connections; network reliability.
Improve customer experience	Strengthen CRM, digital support, complaint handling and customer communication.	Years 1–3 and continuous	Customer satisfaction; NPS; complaints; retention/churn
Develop differentiated 5G services	Develop consumer and business services using increased network capacity and 5G capabilities	Years 2–5	Adoption of new services; business customers; revenue from new services.
Support sustainability	Improve energy efficiency and reuse or recycle infrastructure where possible	Continuous	Energy consumption; emissions; equipment reuse/recycling

Source: Author's own analysis.

Network integration should be the first priority because the differentiation strategy depends on creating a genuinely improved technical platform. The organisation should establish a cross-

functional integration team covering network engineering, customer service, finance, HR, marketing and regulatory compliance.

Customer experience should be monitored simultaneously rather than after technical integration is completed. CRM systems and customer feedback should identify whether network improvements are producing noticeable benefits. This approach is supported by telecommunications research emphasising that CRM manages customer interactions across the customer lifecycle and can strengthen loyalty and satisfaction (Alsaqer, Katar and Abdelhadi, 2024).

Performance should be reviewed quarterly by senior management. A strategic dashboard should compare actual results against network, customer and financial KPIs. Significant deviations should trigger corrective actions. For example, if network coverage improves but customer satisfaction does not, management should investigate pricing, service quality or communication rather than assuming that additional infrastructure investment will resolve the problem.

The most important long-term benchmark should remain the commitment to achieve 5G Standalone coverage for approximately 95% of the UK population by 2030 and 99% by 2034 (Földes, 2025). However, this should be evaluated alongside customer outcomes to ensure that technological progress creates sustainable competitive advantage.

8. Conclusion

The Vodafone–Three merger represents one of the most important strategic changes in the UK telecommunications market. It provides the combined organisation with greater scale, spectrum, infrastructure and investment capacity, but these resources will only generate sustainable growth if they are successfully converted into customer value.

The analysis conducted in this report indicates that high competitive rivalry, increasing demand for mobile data, rapid technological development and regulatory scrutiny will shape the merged company's future strategic environment. The recommended strategy is therefore differentiation through superior 5G coverage, network reliability and customer experience.

Rather than competing predominantly on price, the combined organisation should use its resources to provide a recognisably higher-quality service while maintaining customer trust and regulatory compliance. Successful implementation will require careful network integration, employee engagement, customer-focused processes and continuous KPI monitoring. If these elements are effectively managed, the new entity can use the merger to strengthen its competitive position while contributing to improved digital connectivity across the UK.

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