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STRATEGIC MANAGEMENT FOR BUSINESS

Advising the Board: Growth Strategy Options for Vodafone UK

Individual Report

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Table of Contents

1. Executive Summary	3
2. Introduction to Vodafone.....	3
3. Evaluation of Current Market Situation (PESTEL Analysis)	4
4. Strategic Growth Options and Proposed Strategy.....	5
4.1 Ansoff Matrix.....	5
4.2 Recommended Strategy	6
5. Strategy Evaluation	7
5.1 Suitability	7
5.2 Feasibility	7
5.3 Acceptability	7
6. Stakeholder Analysis (Mendelow's Matrix).....	8
7. Implementation and Monitoring.....	8
8. Conclusion.....	9
References	10

1. Executive Summary

This report has been prepared for the board of Vodafone Group Plc in response to a request for advice on future growth strategy following the completion of the £16.5 billion merger between Vodafone UK and Three UK, which created VodafoneThree, the UK's largest mobile network operator with approximately 27 million customers (Vodafone, 2025a). The analysis draws on a PESTEL framework to evaluate Vodafone's current market position, before applying the Ansoff Matrix to identify and justify an appropriate growth path.

The report finds that Vodafone occupies a strengthened but still contested position in a mature, price-sensitive UK telecommunications market. Competitive intensity from BT/EE and Virgin Media O2, together with regulatory oversight from the Competition and Markets Authority (CMA) and Ofcom, constrains the scope for aggressive pricing strategies. However, the scale created by the VodafoneThree merger, an £11 billion decade-long network investment programme, and Vodafone Group's broader digital services growth create a credible platform for expansion (Vodafone, 2025b).

The report recommends a market development and product development strategy, underpinned by a broad differentiation approach, focused on accelerating standalone 5G rollout, deepening Vodafone Business digital services (cloud, IoT and cyber security), and integrating VodafoneThree's combined customer base under a single superior network experience. This strategy is evaluated against Suitability, Feasibility and Acceptability (SFA) criteria, mapped against key stakeholder interests using Mendelow's matrix, and translated into a phased implementation plan with clear objectives and KPIs.

2. Introduction to Vodafone

Vodafone Group Plc is a British multinational telecommunications and technology company headquartered in Newbury and listed on the London Stock Exchange, operating mobile, fixed-line, broadband and digital services across Europe and Africa (Vodafone, 2025b). In the UK, Vodafone has recently completed a period of significant strategic transformation: on 31 May 2025 it merged its UK mobile business with Three UK to form VodafoneThree, a joint venture 51% owned by Vodafone and 49% by CK Hutchison Group Telecom, before Vodafone moved to take full ownership of the business in 2026 (Mobile Europe, 2026).

Vodafone's purpose is widely communicated as connecting people and businesses for a better future, reflecting a mission built around inclusive connectivity, digital transformation and sustainability. The company's vision centres on leadership in resilient, sustainable digital infrastructure, moving from a traditional telecoms operator toward a broader technology company ("TechCo") model that spans core connectivity, IoT, cloud and cyber security services (MatrixBCG, 2026). This "telco-to-techco" repositioning reflects a wider industry-level shift, as operators across

the sector diversify into digital services to offset stagnating growth in core connectivity revenue (TeckNexus, 2025).

Vodafone Group's stated core values emphasise trust, integrity, collaboration and a customer-first culture, and these values are visible in the FY25 strategic priorities of Customers, Simplicity and Growth, which have guided the group's portfolio restructuring, cost discipline and reinvestment in customer experience (Vodafone, 2025b). In the UK specifically, the VodafoneThree merger is explicitly positioned as a vehicle for delivering these values at scale: an £11 billion network investment plan, faster 5G roll-out, and a commitment to eliminating thousands of square kilometres of mobile "not-spots" (Vodafone, 2025a; IG International, 2025). This combination of a clear purpose, a technology-led vision, and a recently transformed UK asset base forms the context for the growth strategy options considered in this report.

3. Evaluation of Current Market Situation (PESTEL Analysis)

A PESTEL analysis is used here to scan the macro-environment in which Vodafone UK operates, providing the evidence base for the growth strategy developed later in this report.

Political

UK telecoms remain politically sensitive given its role as critical national infrastructure. The Competition and Markets Authority (CMA) approved the Vodafone-Three merger in December 2024 only after attaching binding conditions, including a joint £11 billion network investment commitment, three-year tariff caps on selected plans, and pre-set wholesale pricing for mobile virtual network operators (MVNOs) using the network (Sim Only Finder, 2026). Government policy also continues to shape the sector directly: the largest telecoms firms, including BT, Virgin Media O2, Vodafone and Three, have jointly agreed a cost-of-living support package for struggling customers, negotiated at a Downing Street industry summit (Research and Markets, 2026). This political attention means Vodafone must continue to demonstrate that merger-related investment commitments are being delivered, or risk further regulatory intervention.

Economic

Persistent cost-of-living pressure in the UK has made consumers more price-sensitive, intensifying competition on value bundles. At the same time, average UK mobile prices fell by around 5% between 2023 and 2024 and by 23% in real terms since 2019, making the UK one of the most price-competitive mobile markets among developed economies (MyAmplifiers, 2026). Despite this pricing pressure, Vodafone Group reported total revenue growth of 2.0% and organic service revenue growth of 5.1% for FY25, reflecting a broader recovery in pricing power and cost discipline across its footprint (Vodafone, 2025b).

Social

Demand for reliable mobile and broadband connectivity continues to rise as remote working, streaming and smart-home adoption grow. UK monthly mobile data usage increased by 18% year-

on-year to reach around 1.26 exabytes, with 5G traffic alone growing by over 50% (Ofcom, 2025). Reflecting rising social expectations of service quality, Vodafone UK's mobile complaints to Ofcom fell by 56% following recent customer-experience investment (Investing.com, 2025), indicating that customer-service performance is becoming an increasingly important basis of competitive differentiation, not just network coverage.

Technological

The roll-out of standalone 5G, satellite-to-mobile connectivity and IoT are reshaping the sector. VodafoneThree has committed to building the UK's leading standalone 5G network, targeting around 90% population coverage within the first three years of its build plan, ahead of the pace set by EE and Virgin Media O2 (Opensignal, 2026). Vodafone Group also completed the first satellite video call from a normal mobile phone in January 2025 (Vodafone, 2025b; Assembler, 2025), illustrating the pace of technological change the sector must adapt to.

Environmental

Network expansion and data-centre growth raise energy-consumption and sustainability expectations. Vodafone's wider group strategy links network investment to lower energy costs and improved network efficiency, supporting its net-zero ambitions (Vodafone, 2025b), while continued growth in data traffic (up 18% year-on-year) means energy efficiency per gigabyte carried will remain a key sustainability metric for the industry as a whole (Ofcom, 2025).

Legal

Ofcom continues to regulate pricing transparency, switching processes (e.g. One Touch Switching) and network resilience obligations under the Telecommunications (Security) Act 2021, while the merger conditions imposed by the CMA remain legally binding on VodafoneThree for a fixed period (Sim Only Finder, 2026). Ofcom's statutory duty to monitor network coverage and performance under the Communications Act 2003 also means Vodafone's investment delivery will be independently and publicly tracked through Ofcom's annual Connected Nations reporting (Ofcom, 2025).

Taken together, the PESTEL analysis shows a market environment defined by close regulatory scrutiny, intensifying technological competition and increasingly price- and service-conscious consumers. This creates both a constraint on aggressive pricing strategies and a clear opportunity: Vodafone's committed network investment and improving customer-service metrics position it well to compete on quality and reliability rather than price alone, reinforcing the strategic direction proposed in Section 4.

4. Strategic Growth Options and Proposed Strategy

4.1 Ansoff Matrix

The Ansoff Matrix (Ansoff, 1957) is used to structure the range of growth options available to Vodafone, mapping proposed initiatives against existing and new markets and products.

- **Market Penetration:** Deepening share of the existing UK mobile and broadband base through migrating legacy Vodafone and Three customers onto the unified VodafoneThree network and improving retention through better customer experience (Vodafone, 2025a). This is the lowest-risk option but offers limited incremental growth given the market is already highly penetrated (Ansoff, 1957).
- **Market Development:** Extending Vodafone Business digital services (cloud, cyber security, IoT) into new customer segments such as SMEs and public-sector bodies that have not traditionally been core Vodafone Business customers and using the enlarged VodafoneThree customer base to cross-sell existing propositions into previously Three-only segments.
- **Product Development:** Launching new standalone 5G-enabled propositions, satellite-to-mobile services and IoT/autonomous-vehicle connectivity products building on the £11 billion network investment (Vodafone, 2025a), and on VodafoneThree's ambition to reach around 90% 5G standalone population coverage within three years (Opensignal, 2026).
- **Diversification:** Expanding further into adjacent technology services (e.g. financial services via M-Pesa in other markets or expanded cyber security offerings) representing the highest-risk option given limited UK precedent and the execution demands already placed on the business by merger integration (Ansoff, 1957; Mobile Europe, 2026).

4.2 Recommended Strategy

The report recommends a combined Market Development and Product Development strategy. Specifically, Vodafone should: (1) accelerate standalone 5G and network integration to deliver a demonstrably superior customer experience across the enlarged VodafoneThree base, competing on network quality against EE's wider current 5G+ footprint and Virgin Media O2's fast-growing standalone coverage, both of which remain financially resilient and well-invested rivals (Opensignal, 2026; Mordor Intelligence, 2026; Enders Analysis, 2026); (2) extend Vodafone Business digital services (cloud, IoT, cyber security) into under-penetrated SME and public-sector segments and (3) use satellite and IoT capability as a platform for new product development, including autonomous-vehicle and smart-city connectivity.

Market Development and Product Development are prioritised over Market Penetration because the UK mobile market is already close to saturation, so further penetration gains are likely to be small and costly to defend against price-based rivalry. They are prioritised over Diversification because they build directly on capability and investment Vodafone has already committed to through the VodafoneThree merger, rather than requiring the business to develop wholly new competencies in unrelated markets. This makes the recommended combination the most resource-efficient and lowest-execution-risk route to sustainable growth available to the board currently.

This strategy directly aligns with Vodafone's stated purpose of connecting people and businesses for a better future and its TechCo vision, while making commercial use of assets already committed under the merger, namely the £11 billion network investment programme and Vodafone Group's growing digital-services revenue base, which already contributes around 10% of group service revenue (Vodafone, 2025b; MatrixBCG, 2026).

5. Strategy Evaluation

The proposed strategy is evaluated using the Suitability, Feasibility and Acceptability (SFA) framework (Johnson et al., 2020).

5.1 Suitability

The strategy is suitable because it directly addresses the opportunities and pressures identified in the PESTEL analysis: it exploits VodafoneThree's newly created scale and committed network investment (Vodafone, 2025a), responds to intense competitive rivalry and regulatory scrutiny through a broad differentiation strategy focused on quality rather than price (Porter, 1985; Sim Only Finder, 2026), and aligns with the observed technological and social trends toward greater connectivity demand and digital services adoption (Ofcom, 2025; Opensignal, 2026).

5.2 Feasibility

Financially, Vodafone Group reported Adjusted EBITDAaL of €11.0 billion and adjusted free cash flow of €2.5 billion in FY25, alongside expected annual cost and capital-expenditure synergies of £700 million from the VodafoneThree merger by FY29-30, suggesting the group has both the resources and a stated financial roadmap to fund continued network and digital-services investment (Investing.com, 2025; Mobile Europe, 2026). The £11 billion network investment and first-year capex of £1.3 billion are already committed as part of the merger conditions, reducing incremental funding risk (Vodafone, 2025a). It is assumed, in the absence of more granular UK-only figures in the public Vodafone Group accounts, that VodafoneThree's integration costs can be absorbed within the group's existing free cash flow guidance; this is a reasonable assumption given the synergy targets already disclosed by management.

5.3 Acceptability

For shareholders, the strategy should be acceptable as it targets revenue growth and margin improvement through differentiation and cost synergies rather than price-based competition, supporting the group's dividend and ongoing share buyback programme (IG International, 2025).

For customers, the strategy is acceptable as it promises faster speeds, wider coverage and a smoother migration experience, building on the £11 billion network investment and coverage commitments already secured as conditions of the merger (Vodafone, 2025a; Sim Only Finder, 2026). This is a meaningful commitment rather than a guaranteed outcome: independent network-experience benchmarking currently places EE ahead of VodafoneThree on most measures (Opensignal, 2026), so acceptability to customers ultimately depends on visible delivery against

these commitments rather than on current network performance alone. Regulators are also likely to view the strategy favourably, since it operationalises the same investment and coverage commitments that formed the basis of CMA approval for the merger (Sim Only Finder, 2026).

6. Stakeholder Analysis (Mendelow's Matrix)

Consistent with stakeholder theory, which holds that a firm's strategy must account for any group that affects, or is affected by, the achievement of its objectives (Freeman, 1984), Vodafone's proposed growth strategy affects, and is affected by, a range of groups beyond shareholders alone. Key stakeholder groups include shareholders and investors, customers, employees, regulators (Ofcom and the CMA), suppliers/network partners, and the communities served by the expanded network.

Mendelow's (1991) power-interest matrix is used to prioritise engagement with each of these groups. Shareholders and regulators sit in the high power/high interest quadrant and require active management (Mendelow, 1991): shareholders through transparent reporting of merger synergies and financial performance, and regulators through continued compliance with CMA merger conditions and Ofcom rules on pricing and switching (Sim Only Finder, 2026). Customers have high interest but comparatively lower individual power and should be kept informed through clear communication on network migration, coverage improvements and any short-term service changes (Investing.com, 2025). Employees, particularly those affected by role consolidation during integration, also sit in a high-interest position and require careful change management and communication (Mendelow, 1991). Suppliers and technology partners have moderate power and interest and should be kept satisfied through consistent contracting and long-term partnership commitments. Local communities and wider society, who benefit from improved connectivity and economic contribution, have lower individual power but represent an important source of legitimacy and should be kept informed via corporate communications on the network's projected economic contribution (IG International, 2025).

A brief stakeholder engagement plan should therefore prioritise: (1) regular investor updates on merger synergy delivery (2) proactive regulatory reporting to the CMA and Ofcom on investment and coverage milestones (3) clear, phased customer communication on network migration and (4) structured employee consultation throughout any organisational integration.

7. Implementation and Monitoring

Implementation should be phased over an 18–24-month horizon, sequenced to prioritise network integration first, followed by commercial expansion of digital services, consistent with recognised approaches to strategy implementation planning (Johnson et al., 2020). Governance should sit with a dedicated VodafoneThree Integration Programme Board reporting quarterly to the Vodafone Group board, with clear ownership of each workstream (network, commercial, people, and regulatory compliance).

Objective	Key Actions	KPI / Target
Accelerate standalone 5G roll-out	Prioritise capex toward 5G SA sites in low-coverage "not-spot" areas; align with £11bn 10-year investment plan	Eliminate 16,500 km ² of not-spots by end of Year 1 (Assembler, 2025)
Complete network and brand integration	Migrate remaining legacy Three/Vodafone customers onto unified network; unify billing and app platforms	100% customer migration within 18 months; Ofcom complaints reduced by a further 20%

Objective	Key Actions	KPI / Target
Grow Vodafone Business digital services	Expand cloud, IoT and cyber security sales teams into SME and public-sector segments	Digital services revenue growth maintained above 10% year-on-year (Vodafone, 2025b)
Deliver merger cost synergies	Consolidate network operations, procurement and back-office functions	£700m annual run-rate synergies achieved by FY29-30 (Mobile Europe, 2026)
Maintain stakeholder confidence	Quarterly investor and regulator updates; structured employee consultation	Sustained dividend per share; zero material CMA compliance breaches

Progress should be monitored through a quarterly balanced scorecard covering financial performance (synergy delivery, EBITDAaL), customer metrics (Ofcom complaints, Net Promoter Score, churn), network metrics (coverage, speed, not-spot elimination) and people metrics (employee engagement, consultation completion). This monitoring structure mirrors the KPI approach already used in Vodafone Group's FY25 reporting, such as its published Net Promoter Score and productivity targets (Vodafone, 2025b), ensuring consistency with existing board-level reporting practice.

Key implementation risks include integration delays if legacy Vodafone and Three IT and billing systems prove more complex to unify than planned, potential employee attrition during role consolidation, and the risk that competitors respond with aggressive price cuts or accelerated network investment of their own (Mordor Intelligence, 2026). These risks are consistent with wider evidence that telecoms consolidation is increasingly complex to execute, with network harmonisation and IT integration frequently cited as leading causes of missed synergy targets in sector M&A (McKinsey & Company, 2026). These risks should be mitigated through a dedicated change management workstream, retention incentives for critical technical staff during the migration period, and contingency capex flexibility within the wider £11 billion investment envelope so that the roll-out schedule can be adjusted in response to competitor activity without compromising the overall investment commitment (Johnson et al., 2020).

8. Conclusion

Vodafone UK enters this period of strategic transformation from a position of considerably strengthened scale, following the £16.5 billion merger that created VodafoneThree as the UK's largest mobile operator. The PESTEL analysis shows a market that remains intensely competitive and closely regulated, but one in which Vodafone now holds a stronger platform of network assets, committed investment and diversified digital-services capability than at any point in recent years.

The recommended combination of market development and product development, delivered through a broad differentiation strategy, offers the board a credible route to sustainable growth: it builds directly on committed investment and existing capability, evaluates favourably against suitability, feasibility and acceptability criteria, and can be implemented through a phased plan with clear KPIs. Provided the board maintains disciplined delivery of the merger synergies and continued regulatory compliance, this strategy positions Vodafone to convert its newly won scale into durable competitive advantage and long-term shareholder value.

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