

BA BUSINESS MANAGEMENT

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Student Name: Mihaela Boicu

Student ID: 2223393

Module Leader: Muno Zuwirai

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Introduction

The module has the aim of making the identification of the challenges, opportunities, industry structure, demand and developments of the UK Mobile Network Industry which was created through the Vodafone and Three Proposed mergers. It also makes the identification of the relevant issues determining sustainability along with the profit. The module will also make the identification of the challenges along opportunities which are faced by the UK Mobile Network Industry in the past few years and years ahead. Therefore, to identify the above points the study will explain the profit maximisation theory based on the UK Mobile Network Industry and also make the application of the economic theories which are appropriate regarding the business environment, business objectives, stakeholders' issues and market structure. Consequently, the Vodafone and Three Proposed mergers had the aim of creating a stronger competitor inside the market of the UK through combining the resources, consumer bases along infrastructure (Bbc.com, 2024). Therefore, it increases network coverage along with boosted offerings of services. The telecom market of the UK is having high competition with key players such as BT and others. The merger aims to challenge all the incumbents through enhancing market share.

Explanation of Profit Maximisation Theory in light of the UK Mobile Network Industry

The **theory of profit maximisation** has been given the suggestion that organisations are aiming towards developing the goods along with the services at a level where the costs of marginal are equal to the marginal revenue (Lowe *et al.*, 2020). Hence, it leads towards the highest level of possible profit. Consequently, in the case of the network industry of UK mobile players application of the theory through strategically maintaining the pricing, and operational efficiencies along with offerings of service. According to the theory, the operators of mobile networks are required to make the development of the strategies of pricing which reflect the competition along with the willingness of the consumers to pay. The demand price elasticity is critical, in case the demand is inelastic the organisations are able to increase the prices without having any important losses in their subscribers (Mustafa *et al.*, 2022). It is also necessary for the operators to manage the operational costs successfully.

It involves optimisation of the infrastructure of the network along with using technologies to decrease the costs of maintenance while managing the quality of services. The other strategy includes streamlining the operations by automation along with making investments in technology. It will support the mobile network industry of the UK in decreasing the costs which ultimately increases its margins of profit. The investment in advanced networks such as the 5G boosted the quality of the services along with the capacity which allows premium pricing along with attracting more consumers (Kumar, 2024). On the other hand, market segmentation includes targeting particular demographics such as students or businesses the MNOs are able to tailor all of their offerings for, the maximisation of the revenue through lots of segments. The network industry of UK mobile can increase the loyalty of consumers through excellent services, programs of rewards along competitive pricing which decreases churn along stabilisers revenue. The issues of importance regarding the network industry of UK mobile for thriving and bolstering sustainable growth include regulatory environment, technology innovation, environmental sustainability, competitive landscape and others. Compliance with the regulations which have been selected through Ofcom along with the UK government has an effect on the strategies of pricing along with the offerings of services (Kumar, 2024). Making the adoption of regulatory changes is critical in managing the competitive landscape.

Additionally, the investment in new technologies like 5G will not only provide the industry players like Vodafone, BT, O2 and others in boosting their service quality but it also opens new streams of revenue by IoT along with the connected services. On the other hand, the enhancement in the awareness of consumers for sustainability needs MNOs to make effective investments in practices of eco-friendly like decreasing emissions along with fostering initiatives of recycling (Meng *et al.*, 2020). It will make the firm attract a huge number of consumers and also boost the image of the brand. In addition, it has been seen that the market of UK mobile is having high competition with the key players such as O2 along with Three.

The continuous analysis of the market along with the different strategies is critical regarding managing share in the market. The conditions of the economy involving inflation along with the power of customer spending affect the strategies of pricing along with the demand regarding the services of mobile. Organisations are required to be effectively agile in managing their offerings to meet the realities of changing economics (Meng *et al.*, 2020). In addition, embracing the channels of digital regarding marketing, services of consumers along sales might increase the operational efficiency along with the expected reach of the market. It is also challenging regarding the UK mobile network industry to ensure the surety of the coverage of a robust network along with reliability is crucial regarding consumer satisfaction along with retention which directly influences the industry profitability.

Application of Demand Theory

The evaluation of the mobile network industry of the UK leveraging relevant theories of economics along with frameworks will explore areas like demand and supply, business environment, business objectives, and market structure along with stakeholders issues.

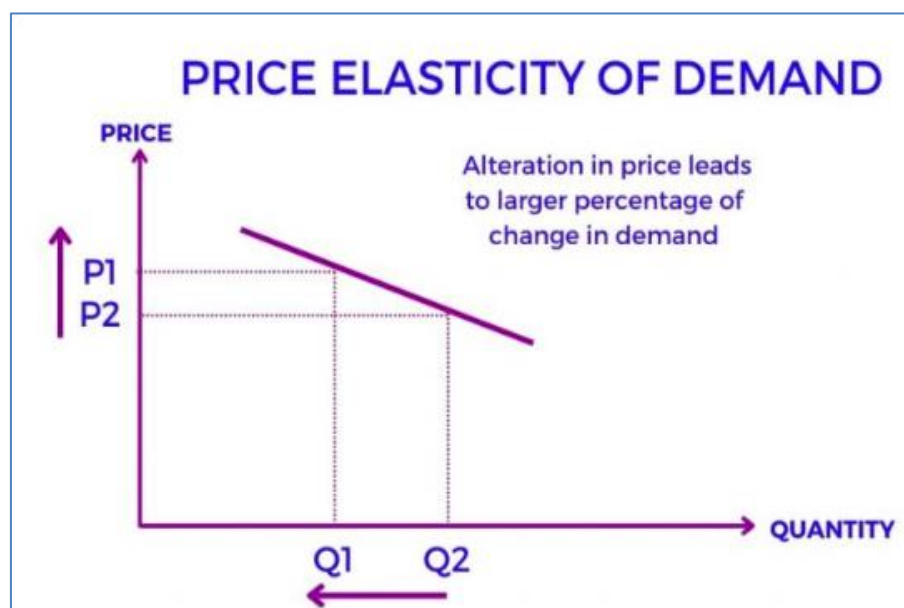


Figure 1: Price Elasticity of Demand

(Source: Yadav *et al.*, 2021)

According to the **Price Elasticity of Demand**, the demand regarding the services of mobile is normally price-elastic meaning managing that a small price change will lead towards key changes in the demanded quantity (Yadav *et al.*, 2021). The elasticity is influenced by aspects like substitute availability, preferences of consumers along mobile services availability. On the other hand, **Consumer Behaviour** includes aspects such as the level of income, advancement of technology along changes in lifestyle which directly affect the demand. For example, the enhancement in remote working has increased the demand for the services of data.

Application of Supply Theory

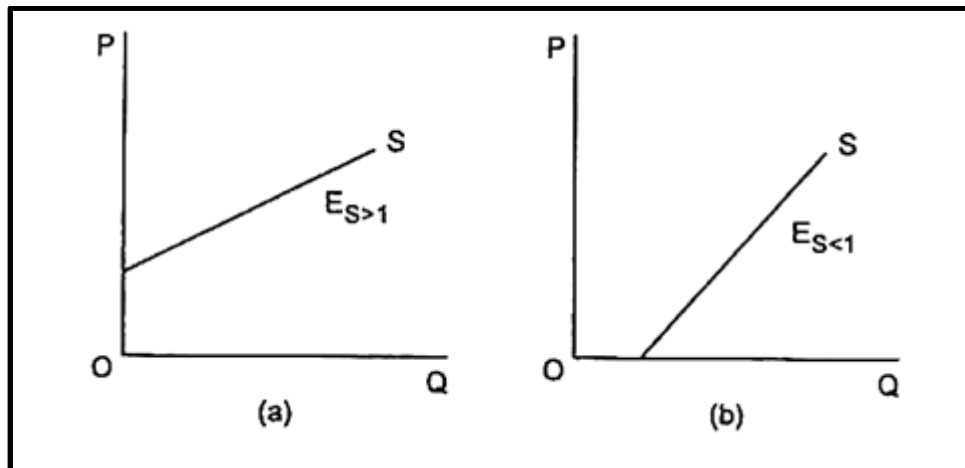


Figure 2: Elastic and inelastic supply

(Source: Bassier *et al.*, 2022)

The economic theories on supply are important to explain the present condition of any business industry. In the case of the mobile network industry, the current situation can be represented through the **Price elasticity of supply** theory. As stated in this theory, the price of a product can be changed with changes in the amount of supply of certain goods or services (Bassier *et al.*, 2022). In economic theory, it has been represented through a graph increase in the supply of supply in the theory that when the supply of a service is elastic, a producer can increase production without increasing price. An opposite condition takes place when the supply is inelastic. However, in the mobile network industry of the UK, an inelasticity in supply has been observed. The supply of mobile networks mainly depends on labour availability. The CEO of Vodafone company stated in an interview with The Guardian that the contemporary mobile industry is facing a labour crisis which influenced the company to merge with Three UK (Lipscombe, 2024). The insufficient labour supply compared to the demand has decreased the production of the 5G network in the UK. Aside from the fall in network availability, the price of mobile networks has increased heavily. An increase of 8% in the price rate of mobile networks has been observed in the UK (The Guardian, 2024). Such a challenging situation has created a pathway for Vodafone to merge with other companies so that the labour supply can be sustained.

Business environment of the mobile network industry

The **business environment** refers to the collective impact of external and internal factors on a particular industry. An opportunity for the mobile industry is the changes in the lifestyle of potential customers. People are changing their lifestyles by being dependent on technology. Mobile networks have become necessary to execute activities like online shopping, online payment, remote workstyle and more importantly social media communication (Okrepilov *et al.*, 2020). Such social changes have positively impacted the industry by increasing its

demand. The number of mobile network subscribers. The industry has faced an increase in revenue collection up to 33 billion GBP (Statista, 2024). The customer demand has become an opportunity for the sustainable growth of the industry. On the contrary, economic factors like inflation have created major threats for the industry. The increase in the cost of living has affected network usage. Although the rise in the number of subscribers has been observed, statistics have reported a fall in customer spending on mobile networks was fall by 40 British pounds (Statista, 2024). The problem has been addressed by the CEO of Vodafone and it is prominent from his statement that the merging process can offer a reliable mobile network price to the customer and increase their interest in using their services. An internal business environment factor that has affected the mobile industry is the degradation in service quality. It has been confirmed by Vodafone that all network providers in the UK are struggling with the provision of high-quality networks. The country stood at the position of 22 out of 25 regarding 5G network availability and speed of download (Lipscombe, 2024). The existing companies like Vodafone, EE, Three and others are trying to solve this quality issue through the merger process.

Objectives of the industry

The business activities in a particular industry rely on the **business objectives**. The business purposes drive them to control their performance. Similarly, in the case of mobile network businesses, the principal objective of the industry is **to revamp the digital experience of their customers by providing quality networks** (Rappaport, 2024). Following the business objectives, the industry has put effort into improving internet connectivity. The requirements of the customers for high-speed data have provided an opportunity for the industry to innovate mobile broadband and upgrade the network system. The innovation of the 5G network, strong wifi system and other services have been fulfilled by the industry due to its business objectives of creating high network service. Market giants like Vodafone have realised the importance of applying a merger strategy to meet the business objectives of the industry.

Market structure

The **market structure** of the UK mobile network sector has been heavily changed with modifications in network demand. The current industry consists of four market giants including EE, Three, Vodafone and O2 (Okrepilov *et al.*, 2020). The lack of presence of mobile network operators has limited the market competition, which can be viewed as an opportunity for sustainable growth. However, the high imitability of the network services has increased the challenges of the businesses. As argued by Rappaport (2024), the nature of service offerings by the four market giants are nearly similar and lack uniqueness. As a consequence, each of the businesses has the threat of being substituted. Apart from the competitiveness in the industry, a change in the business structure has also been observed in this industry. As stated in the government report, the mobile network industry is focusing on operating businesses as

joint ventures to share infrastructure (GOV, 2024). The **Joint Venture** is a vital business structure that can influence the profitability of a company. The legal agreement between two or more entities to combine their purposes and resources so that a certain aim can be fulfilled is referred to as a joint venture (JV) structure (Bassier *et al.*, 2022). It is mentioned in the government report that overall industrial conditions including high demand, insufficient supply, competition and others have motivated the network operators to organise such **developments**.

A practical example of this observation is the decision to **merge Vodafone with Three**. Mergers can be considered a type of joint venture that works on a long-term basis. In the current situation, the two market giants are planning to merge in order to improve the quality and availability of the 5G network. Vodafone will hold 51% of the combined resource whereas Three will hold the rest 49% (Lipscombe, 2024). The decision has created a major change in the industry structure of the mobile network business. The structure of this industry also includes MVNOs (mobile virtual network operators) that have increased the diversity of distributional channels for mobile networks in the country. 18% of mobile connections in the country are currently represented by MVNOs, which is much higher than in previous years (Rappaport, 2024). The structural change has created opportunities to reach potential customers.

Issues regarding business stakeholders

Aside from the opportunities, **stakeholder issues** have heavily affected the industry. Stakeholder is a term that refers to all the groups of people, entities and individuals connected with a business (Bassier *et al.*, 2022). Managers, employees, suppliers, customers, government and leaders are examples of stakeholders. For the mobile network industry, the stakeholder issues have been raised mainly due to insufficient **employees**. It has been declared by the leader of Vodafone is the main reason for the downfall condition of the UK mobile network industry is the shortage of labour compared to customer demand. The lack of employees has prevented the country from providing nationwide coverage of 5G. The merging decision has been made mainly to address the labour shortage (Lipscombe, 2024). The industry has also faced threats from another valuable stakeholder, that is **network subscribers**. The lack of a 5G network and low download speed has negatively influenced consumer behaviour. Customers have reduced their expenditure on mobile networks, which can be a barrier to the sustainable growth of the network industry Vodafone and Three can expand its 5G network throughout the country by 2030 by continuing the merger process and regaining the attention of customers. However, such major developments in the industry can be restricted due to government intervention. **The government** is a crucial stakeholder in an industry that can influence vital business decisions. The decision to merge has been opposed by UK Trade Unions as the process will lead to the loss of several jobs (Lipscombe, 2024).

Hence, the interruption of government can be a critical challenge for the profitability of the industry.

Recommendations for sustainable growth

From the analysis of business conditions in the mobile network market of the UK, it can be **recommended** that Vodafone and Three must proceed with the merging decision. However, both companies must avoid cutting down jobs to strengthen labour supply and maintain legal compliance. An increase in service uniqueness can offer sustainable growth (Okrepilov *et al.*, 2020). Hence, companies like EE and O2 must improve the R&D function to decrease the imitability of their services. Additionally, the network operators should apply a **cost leadership** strategy while offering the service. The price reduction can increase the demand as stated in the economic theories.

Conclusion

It concluded that the conditions of the economy involving inflation along with the power of customer spending affect the strategies of pricing along with the demand regarding the services of mobile. The supply theory has been explained by using the example of the mobile network industry. It is found that inelastic supply in this industry has created a negative situation by increasing network prices. Further, some opportunities like high customer demand and strong business objectives have been found. The business of this industry has been affected by economic conditions like inflation and internal market competition. The current market structure of the sector is focusing on merging and joint ventures, evidence of which is the **Vodafone and Three merger**. The recommendation of this merger is to avoid a reduction of job positions. It was also advised to increase uniqueness in service facilities.

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