

Employability and Career Development

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Table 1: PESTLE analysis2

The telecommunication industry of UK is having significant contribution in the economic development and communication approach of the nation as it is generating the revenue of £41 million and contributing in the GDP of the country. So, the current report will focus on the analysis of three companies of this industry in which British Telecom is leading, Virgin Media is emerging, and EE communication is operating its business at risk (*Telecommunication sector trends, 2018*).

1. Industry analysis of telecommunication industry of UK

Porter’s five forces model is one of the important tools for competitive analysis of the industry. Because it helps in analysing the business environment and potential profitability of the industry.

Porter’s five force model:



Figure 1: Porter's factor

- **The threat of new entry:** Requirements of the high amount of financial resources, skilled human resources, long and hard process for licensing and legal compliance creates a huge barrier for new entrants in the telecommunication industry of UK. (Sutherland, 2014). Hence, there is less threat of new entrant for existing organization in this industry.
- **Bargaining power of supplier:** Supplier’s pricing strategy can influence the cost of production of an organization positively and negatively. However, the leading

organizations like BT, O2, and Vodafone have multiple suppliers for their service equipment like cable and networking tools, and this helps them to maintain the balance in the bargaining power of supplier (Evens and Donders, 2016).

- **Bargaining power of buyers:** The leading organizations want to retain their customers and market share. So, they provide promotional offers that are influencing the purchase decisions of buyers (Sutherland, 2017). Moreover, rapid innovation and changes in technology can affect the bargaining power of customers. For example, the leading company like BT is providing the valuable and low-cost plan for customers and due to this customers switch from other companies to BT.
- **Threat of substitute products:** Social Media Networks are the major substitute of telecommunication services because these are also providing a communication medium to customers. Substitution effect is high for UK telecommunication industry because customers are giving preference to social media as well.
- **Rivalry among competitors:** In the telecommunication industry, rivalry is high, and approach of organizations for managing the competition is price driven because customers are looking for low-cost services. The level of competition is affecting the business and growth of the leading organizations as emerging companies are providing better plan and services at low cost to attract the customers (Curwen, and Whalley, 2015).

2. Profile of companies

2.1 PESTLE analysis:

External environment analysis of an organization can be done by PESTLE analysis which is as follows:

Table 1: PESTLE analysis

Factor	British Telecom (Leading)	Virgin Media (Emerging)	EE communication (At risk)
Political	No political pressure for expanding the business as the government is providing supports in	The company is not managing fair advertising as per the standards of UK as customer claiming	High political pressure in incorporating the rules and regulations

	resource management.	on false information about products	
Economic	Economic condition of the company is good because it has generated £1.9 billion profit in the year of 2016-17.	The organization has a healthy economic condition as it has increased the market share about 5.2% in the first quarter of 2018	Commercial operations of the organization are low as the company has lost the customer base of 1 billion people since 2017
Social	The strong CSR activities related to education and green environment	The attractive marketing and high quality in services and customer oriented approach (Bîrsan, Shuleski and Cristea, 2016)	Social image of the organization is getting negative as it fails to meet the customer's need.
Technical	Innovation in services like early use of 4G and customer oriented services	Creative offers and advanced 4G technology for increasing internet access	Lacking to meet the desired technical standards of UK related to 4G speed and call drop issue
Legal	No legal issues and conflicts	Marketing related legitimate concern as there are much fake information about the prices of services	Fair approach, proper compliance with the legal framework
Environmental	Facing problems of high radiation	Issues of land acquisition and radiation	Radiation-related concern (Dockalikova and Klozikova, 2014)

2.2 Customer base and position in market

BT group:

The BT group is a leading company of UK telecom industry and offering fixed line, broadband, mobile, and television services in 170 other nations. The total customer of the organization is approx. 32 million in the year of 2016-17.

Virgin media:

This company is having 6th position in the year of 2016 and has the potential to reach the top three. It is targeting the young generation, and current customer base of the company is around 9 million.

EE:

This organization is on 4th position in top 10 companies of telecommunication industry of UK. The current customer base of EE is 29 million but overall its hazardous situation for EE because it has lost 1 billion customers since 2017 (*Position of companies in the UK industry, 2018*).

2.3 Financial performance indicator

BT group:

According to the financial statement of BT group, the total revenue of the company is £ 23.7 billion, net profit is £ 2.6 billion, and cash flow is £ 3 billion in 2018, and it is very high as compare to other organizations (*Financial performance of BT group, 2018*).

Virgin media:

The 2018 financial performance of the company is good as revenue growth of the company is increased by 5.2% in the 1st quarter of 2018, and the company's operating income has increased by 7.9%.

EE:

The financial performance of the company is not as per the desired level as the revenue of the company is £ 8 billion in 2017 and cash flow is £ 1 billion. However, the company is investing high in development of infrastructure, but the return is low (*Financial performance of EE, 2018*).

3. Justification

The organizations have been chosen by their current performance in the UK market. BT group is offering high-quality services and generating good revenue as compare to other organizations of the industry, so it is considered as a leading company (Sidak and Vassallo, 2015). Similarly, The Virgin media is operating its business by offering customer-oriented plans that help in the financial growth of the firm as compared to other competitors, so it is considered as a fastest emerging organization in the UK telecommunication industry (Lomas and McLeod, 2017). But, on the other hand, EE is losing its customers and market shares due to the lack of innovation and low standards services. This business approach is leading towards the high future risk, and it could harm the business in the future (*Issues with EE, 2018*). So, EE needs to focus on customer's needs and innovation for making a good position in the telecom industry of UK.

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