Preface

The mobile communications industry has been the subject of surprisingly little research considering the central part that it plays in so many people’s lives. It is not possible to specify exactly why that is, but at least part of the answer must lie in the fact that the popularity of mobile as against fixed-wire connectivity came as something of a surprise, and most researchers whose work was locked into a world of fixed-wire connectivity were reluctant to give up a subject in which they had invested so much intellectual capital.

As fate would have it, the authors of this book had only recently turned their attention to the mobile industry at the turn of the millennium, at the point when mobile communications were on the cusp of switching from a voice-driven to a data-driven basis, and hence had invested relatively little time researching fixed-wire connectivity. The world of mobile beckoned and it rapidly became clear that they could not research both mobile and fixed-wire, so the authors decided to specialise in the former.

The huge advantage of doing so is that they began to compile databases over a decade ago which have been updated and embellished ever since. These databases are unique in the public domain – something similar probably exists in the hands of private consultancies, but given that these charge massive amounts of money to access their data, and given that such data are sold only in an aggregated form that sheds no light on the disaggregated data that underpin them, it is difficult to be certain. There are also some patchy databases issued by international bodies, but these tend to be out of date and based on assumptions that are not necessarily appropriate for the serious researcher – even assuming that they are specified in the first place.

And therein lies the rub. The mobile industry is extremely complicated: there are, to begin with, some 225 countries, each with roughly four operators, each of which may be reported in the media under one of two or three different names. And that is just the part of the industry that deals with service provision; it excludes the equipment vendors and the software providers, not to mention the socio-economic consequences arising from the use of mobile devices.
Hence even a book of some size, such as the one you are about to read, cannot encompass the full extent of the industry. In this particular case, the topic to be discussed involves only the service providers and, even more specifically, only those that have made an attempt to create an international operation of some scale. Its focus is accordingly on the structure of the mobile operator sector and the strategic behaviour of its most notable constituents on a worldwide basis.

The standard approach among scholars is to begin by offering a number of alternative hypotheses about these matters and to use databases to test whether they hold true in the real world. This has not so far been a particularly fruitful approach because, as indicated above, these scholars are forced to use bought-in databases that they must take at face value even though the databases are in practice circumscribed by an array of qualifications that make it very difficult to compare like with like.

The approach taken in this book is somewhat different because it starts with the proposition that if the data are of dubious quality, then no amount of statistical manipulation can reveal what is really going on and is therefore an unhelpful distraction. The first implication of such an approach is that the databases underpinning the analysis must have been compiled by the authors themselves so that they understand exactly what is reliable and what is subject to uncertainty. The second implication is that all the qualifications must be spelt out so that readers can decide for themselves whether or not they trust the analysis offered. Understanding the logic of business decisions at second hand will never be all that scientific and differences of opinion are always permissible provided that they are based on known facts rather than pure conjecture.

Possibly uniquely for a book of this kind, very few secondary sources are replicated and not one single table or figure is extracted from an existing source without at least some manipulation, for which an explanation is provided. For the most part the databases are indeed unique in that they have been compiled independently by the authors. That does not mean they are wholly free of errors – many events in the real world are difficult to pin down in terms of precise dates and precise quantities – but all the data have been subjected to a stringent process of cross-checking and are accompanied by the extensive footnotes that are unavoidable in research on the mobile industry.

In terms of content, this book attempts to achieve a number of objectives. At one level, it seeks to explain how individual international operators develop over time and adjust their strategies in response to events in a rapidly changing environment. To help with this, two detailed case studies are included in separate chapters, covering the Vodafone Group – the most internationalised of all the service providers – and the
mobile activities of Hutchison Whampoa – the most disruptive of all the service providers. A particular issue addressed in the former case study is how mobile operators seek to avoid tax, which has become a very contentious subject across industry in general in recent years.

The main purpose of the case studies is to illustrate the complexity of the modern international service provider. It is normal to refer, for example, to Vodafone as if it were simply a singular entity, whereas the reality is that it consists of a complex set of holding companies headquartered in a wide variety of countries. Who owns what and why is accordingly something that takes a forensic examination to untangle.

At the other end of the spectrum, the book seeks to examine the behaviour of the 30 or so largest international mobile operators viewed as a whole, since between them they account for the bulk of such restructuring as has taken – and is currently taking – place. To this end, their activities are dissected on a regional basis before being brought together on a worldwide basis in the two concluding chapters.

In addition, the status of these operators is examined on a comparative basis in the first chapter, which also sets out all the major Merger and Acquisition (M&A) activities in which they have engaged in recent years. This is followed by a discussion of so-called fourth generation mobile technology, since this is a major driving force behind the need to restructure.

One of the main lessons of the book is that restructuring is an ongoing process that is unusually rapid in the mobile industry because the environment in which it exists is constantly changing, driven by such forces as developments in technology, regulations, customer behaviour and socio-economic conditions in general. It is fair to argue that no industry has ever had to develop so quickly – the railway mania of the late nineteenth century is comparable in some respects but the technology aspect was much less important.

It must never be forgotten that rapid change is costly. The book sets out to shed some light on the financial implications, but the main message is that the structure of the markets in many countries was designed to reflect the environment ruling at particular points in time. However, the combination of forces that currently beset the mobile industry indicates strongly that existing structures are unsuitable in many cases. The main impact of this will fall upon the service providers discussed in this book, but for now the outcome remains unclear. In essence, market forces exert pressure for solutions that are not necessarily acceptable to regulators and governments. Sooner or later, one or the other must prevail, but it is most unlikely that the outcome will be uniform across the world.
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The book attempts to set out the key pressure points where developments are likely to influence outcomes in other jurisdictions. For better or worse, most significant developments, such as decisions on takeovers, take lengthy periods of time to resolve, so outcomes forecast in the book may or may not come to pass. However, the book provides a snapshot of the mobile industry as it stands in mid-2014, and that is something that is not available elsewhere.