

INTRODUCTION

In the following report we will be looking at mobile phone tariffs currently on offer on the internet. We have chosen three of the largest tariff providers, these being Vodafone, Orange and BT Cellnet. After analysing the content of each of the company's web sites we aim to provide a report including the following: -

- Evidence if the companies are targeting particular segments
- If evident, how the companies are targeting segments on their web sites
- Identify the pricing strategy adopted by the company
- Compare and contrast the different information on the web sites and give clearest picture regarding pricing information.

EXECUTIVE SUMMARY

The basis of this report is on the pricing strategies and targeting of marketing segments of the three mobile service providers that were previously identified. Our results showed that all three had reasonably similar tariffs and services but each had some subtle differences in the way they marketed their services.

1.0

TARGET MARKETS

When the mobile phone was introduced many years ago it was certainly not an instant success, however after many years the mobile phone "trend" soon took off and in a

big way. With the introduction of smaller trendier handsets and call charges that were not obscenely large the number of people who do not own a mobile phone are now by far a minority. With this boom in mobile users tariff providers had to re-think their strategies in order to cater for these new customers as their new users were no longer the stereo-typical business executives but people from all sections of society. With this in mind we will look at each of the three service providers previously mentioned and compare the tariffs offered by each provider and identify how they target particular segments.

1.1

VODAFONE

Like most tariff providers the Vodafone web site offers plans which seem to be able to suit a vast number of people. Like the other service providers they offer different line rental plans to suit both light and heavy users as well as pay as you go plans where there are no monthly bills involved. For light users Vodafone offer a “Leisure plan” for people who mainly make calls at evening or weekends, this plan offers 200 or 500 minutes of off peak calls included in the monthly line rental charge, however users will be “punished” by high call charges outwith these off peak times. “Regular” plans are for people who make phone calls during the day (peak-time), these tariffs offer small numbers of call time (20, 60 or 200 minutes) included in the monthly bill which obviously increase with the number of minutes that you require. For the business user Vodafone offer large amounts (400,800,1100+2100 minutes) of call time but with much higher monthly charges. As well as monthly line rental plans Vodafone offer pay as you talk plans whereby there are no monthly bills or contracts but your phone has a credit limit and is “topped up” with vouchers available in most

high street stores. These kind of plans are ideal for emergency users or for children (good as no large bills can be run up!). Each of the monthly tariffs offered by Vodafone aim to support each kind of mobile user with varying talk time offered in order to make mobile usage as cost efficient as possible for each customer.

1.2

ORANGE

As with the Vodafone web site, Orange offers a wide range of monthly tariffs, in fact they are pretty much the same monthly tariffs that Vodafone offer on their site. As with Vodafone they have tariffs aimed at the light, medium and heavy users ranging from “Everytime 20” for light users- this is exactly the same tariff as “Vodafone 20” apart from there is a 5p per minute saving on standard peak time calls compared to Vodafone’s but Vodafone offers a 5p per minute saving on standard off peak calls, to “Everytime 400” for heavy users. Like Vodafone, Orange also offers “business user” packages and their own pay as you go plan.

1.3

BT CELLNET

Not surprisingly the tariffs available on the BT Cellnet web site are basically the same tariffs that are available on the Orange and Vodafone sites. It is evident though that the Bt Cellnet tariffs are not as tailored as the ones offered by Vodafone and Orange, this is easily seen in their “Alltime” packages where they only offer 75,200 and 400 minute packages whereas both Orange and Vodafone offer 20,60,100,200 and 400 minute in their equivalent packages. This is probably down to the fact that Orange and

Vodafone are far larger and more established than BT Cellnet. Again the equivalent packages on offer by the other service providers are the same in terms of price (give or take a penny!) and features and business and pay as you go plans are, as you would expect also available.

1.4

TARGET MARKETS

Such is the diversity of the mobile phone market these days it has been impossible for mobile service providers to be able to target a particular segment of the market. It is clearly evident from each of the provider's web sites that they are trying to appeal to a mass market.

1.41

MAIN TARGETS:

Light Users- light users tend to be those who only use the phone as an emergency and do not depend on their phone for everyday use. Children are the main users in this category mainly due to the fact that contracts are unavailable to the under sixteen's.

*Likely Tariff- either pay as you go or small monthly tariff with a small number of weekend and evening minutes.

#Medium users- these users tend to use their phone on a regular basis, probably everyday, for keeping in touch with friends and family.

*Likely Tariff-most likely an inclusive package of around 200 minutes per month.

#Heavy Users-these tend to be business users who rely heavily on their mobile phone as they tend to travel and use their mobile as their “first” phone instead of a home telephone.

*Likely Tariff-a specialised business package which all three mentioned providers offer, which compromises of a large number of inclusive calls (perhaps unlimited) but with a large monthly fee.

1.5

It can be seen that none of the service providers can afford to target one particular market because each market segment within the industry is huge with equally huge profits to be made in the sector. So as identified in this report each of the service providers are aiming to target the entire mobile phone market through their varying tariffs and deals in a market place where competition is extremely fierce.

2.0

In consumer markets, customers and prospective customers can be grouped together or segmented in lots of different ways, by their age, their sex, where they live or even what they earn.

With mobile phones however the major service providers are targeting the mass market and all of the above. These service providers feel that there should be no barriers and they want to persuade everyone to own a mobile phone.

There is a high level of vertical integration between network providers and retailers in the mobile phone sector. Networks such as Orange, Vodafone and BT Cellnet all sell mobile telephones through company owned stores as well as through other channels i.e. other retailers and Internet sales. This means that there is significant synergy between network and retail advertising, making it difficult at times to separate spending on campaigns with a retail from campaigns with a network focus.

2.1

Although the three main network providers in the UK, Orange, Vodafone and BT Cellnet are targeting everyone they have begun to sponsor certain special events high profile sports teams in order to raise the profile and awareness of the company. Vodafone has illustrated this with the recent sponsorship of Manchester United Football Club. This has been an incredibly successful marketing strategy resulting in spin off products such as the Manchester United club phone offering special prices and line rental offers to Old Trafford season ticket holders and members of the Manchester united fan club. Formula One motor racing has also attracted sponsorship from these companies, with Orange sponsoring Arrows and Vodafone sponsoring Ferrari. Both these web sites included competitions for current subscribers to win a trip to a Grand Prix or other racing goodies. This strategy has proved very beneficial in attracting new male customers to these network providers

2.2

The main strategy employed by Orange, Vodafone and BT Cellnet is to attract new business (i.e. people who don't already own a phone). This is highlighted by their "penetrative pricing strategy" (Hannah and Hodge pricing policies and procedures). and special deals offered to the first time buyer. However this is a very dangerous

strategy as existing and loyal customers are not receiving these special deals and this is often resulting in post purchase dissonance from these highly exasperated consumers. Who are often far more important in revenue terms than the new customers that are being targeted.

2.3

The mobile phone service providers segment their customers according to whether they are light, medium or heavy users. In order to create value for segments these companies offer a range of different tariffs to suit the differing needs of the customer. These tariffs should be carefully examined however as although there are special prices and bonuses on each tariff there are also some hidden costs and pitfalls. This is a clever pricing policy which many customers are not aware of.

These tariffs vary dramatically with a monthly line rental being charged then varying call costs and extras. The higher the initial line rental charge the cheaper the call costs and extras in order to encourage users to make more calls. Free minutes, text messages and voice mail are benefits included in such talk plans. Pay as you talk is another service which these companies have introduced to encourage light users or people who do not want enter a twelve month contract to purchase a Mobile phone.

The latest edition to the price plans offered by these companies is cross network tariffs allowing customers to call phones on other mobile networks for a reduced rate. The network providers have managed to achieve this by charging slightly higher monthly line rentals. This is already proving to be hugely successful for these early adopters.

The pricing strategy implemented by these companies seems to be very effective for the company and the consumer. The majority of customers that are currently dealing with these companies appear to feel that the network providers are creating value.

3.0

PRICING STRATEGIES

There are many different pricing strategies used by mobile phone companies. These companies do not use a single set price, but rather a pricing structure to cover different products in its line. This pricing structure changes as products move through their life cycle. The phone companies have to account for variations in buyers and situations, to ensure they have a price plan to cater for everybody.

To try and study these pricing structures and strategies used by mobile phone companies I have looked at three different websites:

www.vodafone.co.uk

www.btccllnet.co.uk

www.orange.co.uk

The pricing strategy used by cellular phone companies is called “two part pricing”, which is using a fixed fee (line rental) and a variable usage rate (call charges).

3.1

Vodafone are the largest company in Europe and the largest telecommunications company of its kind in the world (www.vodafone.co.uk, About Vodafone), and were one of the first mobile phone companies, having been around for 15 years. When Vodafone started up, they used to subsidise the sale of each phone with about £300, covering the cost of the handset and the connection charge, seeing it as an investment which could be recovered through the over inflation of call charges, which offered Vodafone huge profits. The handset and connection were often offered free with large purchases such as cars or washing machines. This in turn would tie the customer into a 12-month contract, therefore enabling Vodafone to recover their investment. Subscribers would pay between 15p and 50p per minute, depending on the tariff, for calls which would cost Vodafone about 1p per minute. This is a form of 'captive product pricing', setting the price of the handset low and then having a high mark up on the call charges.

3.2

Another pricing strategy used by the cellular phone industry is 'segmented pricing'. The form of 'segmented pricing' used is called 'time pricing'. Calls at 'off peak' times are considerably cheaper than calls made at 'peak times'. But this is beginning to change, as Vodafone and One-one are beginning to offer tariffs which offer a single price for calls at any time of the day or night.

Vodafone also seem very keen to get a lot of corporate or business custom, presumably because of the high usage of business accounts. In order to try and secure the business accounts they are using what is known as 'product bundle pricing'. This involves offering several handsets at a reduced price, and offering a huge number of inclusive free calls which can be used by any of the handsets, instead of each handset

having a smaller number of free calls each. This means that if one person in the company uses his phone a lot one month, and somebody else hardly uses his at all, the free minutes are transferred to the high user, saving the business money.

3.3

The most recent pricing strategy being developed is the ‘geographical pricing’. Until recently people could not take their phones abroad with them, on holiday for instance, without phoning up and connecting to a service provider in the country they were visiting, which would usually incur a connection charge. But now, with the advent of Tri-band phones mobile users can take their phone just about anywhere with them, with just a simple call to their domestic service provider required. The catch with this though is that the call charges are extortionate, and even if somebody from home phones you on your mobile, you still pay the international part of the call. Interestingly, even though all of the websites I looked at encouraged you to use your phone abroad, they did not give any idea of the cost of doing so. This is known as ‘hidden cost pricing’.

4.0

PRICING INFORMATION

In this section of the report we will be comparing the quality of pricing info available on each of the sites. The pricing info on each service provider is vast and at times confusing, we will be commenting on which site gives the clearer picture regarding pricing information.

4.1

BT CELLNET

The tariffs section on this site is split into 5 sections:

- Pay + Go
- Pay Monthly
- Pay Up Front
- Worldwide call charges
- First

The pay and go section is relatively simple and easy to understand and offers 2 different packages for people wishing to use pay and go. As well as offering the original package which is ideal for weekend and evening use, there is also pay and go talk a lot which gives customers lower rates after a set amount of minutes used. Info is displayed in a table format which gives basic info on call charges (standard call rates, calls to BT Cellnet mobiles, calls to other networks) and also charges for other services such as International calls, customer services, directory enquires etc.

The pay monthly section is rather more complicated due to the vast amounts of different packages available. There are three different tariff options available:

- Tariffs for use anytime of the day,
- Tariffs for evening and weekend use,
- Flat rate tariffs,

Unfortunately the table displaying tariff charges in the three options is small and unclear and no guidance is available. The pay and go option on this site is o.k. rather

than spectacular and the monthly section is lacking additional features. On the plus side is that it gives all price info even if it is difficult to understand.

4.2

ORANGE

Orange offers both pay as you go and monthly service plans. Once in the pay as you go section you are introduced to the 'Just talk Plus' and 'Orange Out There' service plans.

Each service plan is well laid out and it is relatively easy to find your way to the tariffs section. Three options are then available: standard calling costs, other call costs and international call costs. All tariffs are shown in table format and extremely easy to use. Being the most important the standard calling costs are presented on their own and gives a clearer picture of the prices actually being charged.

The pay monthly section is split into 3 service plans these are:

- Talk Plans,
- Orange Everytime
- Everyday 50

Each service plan gives vast details on call charges for each different talk plan. It is up to the consumer to choose which one best suits their needs. This is when it could start getting confusing and even overwhelming. But the site tries its best to make it as stress free as possible. The service plans are on three different pages rather than crammed on to one. The tables, containing pricing info, at first glance would seem

off putting but once looked at there not actually to bad. However the many asterisk on show are unappealing.

In general the pricing info on this site is vast and well presented. No pricing information is missed out and is presented in a careful and helpful way. Additional information is available if needed.

4.3

VODAPHONE

As with the other two network providers Vodaphone has both 'Pay As You Talk' and monthly options. In the 'pay as you talk' section there are more options available than in cellnet and orange. However this does not mean it is complicated to use as each option is clearly presented and explained in an understanding way. Call charges etc are basic but still satisfactory.

In the pay monthly section standard price plans and leisure plans are available. Once in the standard plan you are greeted by scary looking table and is very off putting. However each price plan can be entered individually and is presented on its own with an explanation of which the package is best suited to. This site is well put together and easy to follow and it is clear a bit of effort has been put into preparation of it.

Out of the three sites the Vodaphone site is the superior, largely due to the clarity of the information shown on it. It is a huge benefit to be able to see the different call charges of a particular package on a page of its own. The orange site is a close

second only problem being information overload. The cellnet site has a number of problems mainly being unclear and unsightly.