

***RELIANCE JIO – THE GAME CHANGER IN INDIAN TELECOM
SECTOR***

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Abstract

Indian mobile industry is one of the fastest growing industries in the world. Indians are habituated to touch mobiles within a short span of a time. In the world India is second largest market for mobile service providers. Telecom industry is under severe competition where number of players are using different marketing strategies to lure and retain the customers. In the age of digital technology, this war is producing benefits to the customers. The present research paper makes an attempt to examine the impact of the JIO on the other telecom sectors. To study this, references and data sources have been analysed, and the overall impact on the market condition, customer base and profitability of the companies have been taken into consideration in a broader manner.

Keywords

Customer Base, Profitability, Market Conditions

Introduction

The study is focused on Reliance Jio network which has been founded in 2007. In June 2010, Reliance Industries (RIL) bought a 96% stake in Infotel Broadband Services Limited (IBSL) for ₹ 4,800 crore (US\$670 million). Although unlisted, IBSL was the only company that won broadband spectrum in all 22 circles in India in the 4G auction that took place earlier that year. Later continuing as RIL's telecom subsidiary, Infotel Broadband Services Limited was renamed as Reliance Jio Infocomm Limited (RJIL) in January 2013. Reliance Jio provides wireless 4G LTE service network (without 2G/3G based services) and 100% VoLTE (Voice Over LTE) operator in the country. It covers all 22 telecom circles in India. The company has a good customer base and as of October 2018, it is the third largest mobile network operator in India and the ninth largest mobile network operator in the world with over 252 million subscribers.

We are in the technological era. The world of telecommunication has been changed. Earlier they were send text only, now we can send images, audio, video and emoji by using WhatsApp and face book messenger. In Indian population 65% of them are in the age group of below 35. They are the target customers of Reliance Jio. According to sources, Jio continues to be the fastest growing company in the world and has crossed 50 million subscribers in record 83 day. Airtel reached the same milestone of notching 50 million subscribers in 12 years, Vodafone and Idea took 13 years each.

Objectives

- To examine the impact of new entrant R-Jio on competitive strategies of rivals in the industry.
- To study the business strategy of Reliance Jio.
- To analyse the major changes in Indian telecom industry.

Methodology- The present study makes the use of secondary data. The relevant secondary data has been collected mainly through Newspapers, reports and other studies.

Topic in Detail

Marketing Strategy of Reliance Jio

Only the Reliance Jio network is running entirely on 4G - not "mostly 2G, sometimes 3G, and once-in a-while 4G," Ambani said, taking a dig at other networks. Reliance Jio is also a 100 percent VoLTE network - the largest in the world. VoLTE stands for Voice over LTE, by which you make voice calls over the data network. Reliance Jio provides free voice calls. The Biggest difference is JIO's Optical Fibre Network. An optical Fibre is a wire that converts data signal into light and transfers them at the speed of light. Reliance JIO has the longest fibre optic network in the country, ranging over 2, 50,000 Kilometres and 90,000 eco-friendly 4G Towers to provide unmatched 4G Coverage in all of India's 22 telecom circles. To have that kind of fibre optic network, it requires a lot of money.

When the plans were revealed that everything is going to be completely free for users Jio's data, voice, and video as well as the applications until march 31, 2017 the people began to replace their one sim card with Jio. The free offer allowed users to get comfortable with the various applications that Jio is offering, and Jio used this period to test interconnections with other operators and to get feedback from customers.

At the same time, describing data as oxygen, Ambani commented that Reliance Jio's second principle is that data must be affordable. Reliance is also giving 8GB of Wi-Fi access at Jio Wi-Fi hotspots, and unlimited usage at night, so it definitely works out to a very reasonable amount. Once you have already laid down the fibre optic network, the cost of operating is not very huge. On the contrary, you can operate the network at minimal cost; therefore the only focus is to get more internet users. The whole master plan is based on one single thing and it is "Volume".

Noting how inefficient the paper-based manual process to on-board customers is, Ambani noted that people had to wait for hours to get their service activated. It came up with a way wherein it was easy and reliable to get Reliance Jio SIM cards activated with in a day. A customer with an Aadhaar card will be able to get the Jio sim with a working connection in 15 minutes.

Jio keeps up with the development happenings in the world and accordingly plan its move. When the winter Olympics were about to take place Reliance Jio worked with International

Olympic Committee to provide comprehensive coverage of the Winter Olympics in India, there enabling millions to access live and catch-up content on their mobile phones. Even Jio TV, by Reliance Jio has acquired the exclusive India Digital right for the upcoming T20 Cricket series, "Nidahas Trophy". IPL which is very popular in India as well as in other cricketing nations and the brand which is sponsoring it will get a great exposure. Reliance jio will be seen sponsoring all the teams in IPL 2018, as this is the best place for marketing and promotions.

Impact of Reliance Jio on Other Telecom Sectors

1) Price war

Jio practically started a price war with its competitors and as per market rumours, Bharti Airtel and Idea collectively lost Rs 12,250 crore during the 45-minute speech of Mukesh Ambani. As per the stock exchange data, such were the tremors of the speech, that Bharti Airtel lost 6.4% of the market share; while Idea had to lose 10.7%. In fact, such are the claims and promises made by Mukesh Ambani, that even RIL's share price was reduced by 2.7%, because people simply couldn't believe what they heard. Just day prior to the launch of jio, Airtel slashed its prepaid states by about 80% and other operators followed suit. Just in order to retain customer from shifting to their newest rival. No other commercial launch of a product had wiped of wealth of investors in such lightning speed. The telecom industry is witnessing a fierce data war since the entry of reliance jio. Indian telecom users are flooded with prepaid packs offering more data at a less price. Every day a new pack is introduced.

Telecom operator	Data offered	Days	Cost in ₹
Reliance Jio	300MB+unlimited nights	28	149
Vodafone	550MB	21	189
Airtel	550MB	28	144

2) Fall in Adjusted Gross Revenue

The entry of aggressive new arrival reliance jio infocomm Ltd. has brought down the combined revenue of the incumbent telecom operators. The telecom industries combined

revenue fell 6.6% sequentially in three months ended Dec 2016, making it the 1st such fall over the seasonally weak July -Sep quarter. The adjusted gross revenue for 11 telecom companies in the third quarter of F.Y 2016-2017 contracted to ₹ 34835 cr from ₹ 37302 cr in the Dec 2017. Overall the adjusted gross revenue of the top three telecom companies in India- Bharti Airtel, Vodafone India and idea cellular- fell five to eight percent, compared to last quarter.

3) Increase in borrowing power

The use of internet will increase the borrowing power of small and micro business person owners, vegetables sellers, hawkers etc. as they can now claim goods ratings in the transaction go online. Ratings based in Non-banking finance companies (NBFC) can lend at a far low rate as this cost of managing operation will go down significantly.

4) Internet penetration- “data is the new oil”

India saw an exponential rise in the consumption of online content with the availability of free data. Jio claims India's data consumption went from 20 cr GB to 120 cr GB in 6 months. This might be the huge step towards DIGITAL INDIA as people might start using more of BHIM and UPI. Net banking will become much easier and cheaper and this might lead to cut in transaction cost.

Data is the new oil and India does not need to import it. We have it in super abundance and we have to ensure every Indian has access to it. India has leapfrogged from a lowly 155th in mobile broadband penetration to being the world's largest mobile data consuming nation in just one year. The average data consumed by wireless users in India has increased fivefold in the last year one year, even as prices crashed by 97% due to the launch of Reliance Jio. The volume of wireless broadband data consumed by Indians rose from less than 200 million gigabytes in June 2016 to 4.3 billion gigabytes in June 2017 or about 1.44 billion GB per month. Consulting firm Deloitte estimates India's mobile data usage to grow to 1608 petabytes by 2020. 1 petabyte amounts to 1000terabyte or 1 million gigabyte.

However, there has also been an increase in the total number of data consumers — 24% to be exact. At last count, Jio's subscriber base stood at 252 million in Oct 2018. Considering that it had started from scratch a year ago it is a huge achievement.

5) Proliferation of 4G smart phones

The market for 4G smart phones exploded after jio services were launched as everyone had access to the company's 4G network for free. 4G VoLTE capable smart phones started hitting the market for lower price. In fact, 95% of the smart phones sold in the country in the first quarter were 4G capable.

Jivi Mobiles is an Indian smartphone brand that is pairing up with the telecom industry giant Reliance Jio to bring, what its claiming to be the cheapest 4G LTE phone in the country. Though the company has launched a slew of new budget smartphones, the cheapest among them is the Energy E3 which is effectively priced at Rs 699. In response to this India's largest telecom operator Bharti Airtel and Google announced a partnership to offer low-cost smartphones, powered by Android Go.

6) Employment for specific period

Reliance jio directly employed many people but the entry of jio also lead to 30% job loss in next 12-18 months due to automation of teleservices to cut costs. "About a year ago, there were three lakh employees, 25% of which have moved out of the sector in the last 12 months," the report quoted A Ramachandran, partner at search firm Ema Partners. With the emerging Vodafone-Idea entity, Tele analysis cited job losses to the tune of 10,000 employees that may have to quit after the merger is completed.

Industry experts warned of 30,000-40,000 job losses in the telecom sector alone this year. As the operators keep up with the price war from Jio, it has resulted in selling off tower assets, rolling out new plans and a drastic fall in ARPU of telecom. Though a lot has happened in the past year, Mukesh Amani backed that Jio cannot be given sole responsibility. "The entry of Reliance Jio has only accelerated the consolidation process," said Gaurav Dixit, Care Ratings' telecom analyst. Dixit pointed out that the sector is reeling under debt, nearly Rs 4.8 lakh crore as per ICRA estimates, with the many spectrum auctions being held. Some of these mergers were in talks for years.

7) Vodafone- Idea Merger and Others

Bharti Airtel has acquired the telecommunication services of Tata, Telenor and Videocon. Telenor has transferred its assets to Airtel for almost free, and the wireless business of Tata Teleservices is doing the same too. BSNL is merging with MTNL. Younger brother Anil Ambani-run Reliance Communications, which is reeling under a debt of around Rs 42,000 crore, is bowing out of the business with Jio set to acquire its wireless infrastructure assets and the two big giants Idea and Vodafone have also announced their merger to take on JIO and Airtel.

After the Vodafone-idea merger, Airtel will lose its two-decade-long held position as the industry leader since the Vodafone-Idea combine will command a subscriber base of 400 million as compared to Airtel's 320 million. The merged entity will invest about Rs 60000 crore over a period of three years to ramp up its infrastructure to meet data demand, which will help it achieve expansion and vertical growth. The pressure to spend more to match rivals comes amid rising stress on revenue and profits of reliance jio.

Individually Idea and Vodafone owns far less 3G and 4G spectrum when compared to Airtel and JIO. With the increasing consumption of data, Idea and Vodafone lacked the potential to compete in the market and results are evident from decreasing revenue and market share. Thus, merged entity will form a formidable player in the competitive Indian telecom industry. Although the consumers have been enjoying reduced data and call rates since the launch of Reliance Jio, but with the recent activities happening in the telecom industry, there will be only 3-4 major players as compared to 9–10 currently. The prices will rise in the medium-to-long run as all the players will collude together to remain profitable.

8) Insolvency of Aircel

Aircel was all set to merge with R-com (Anil Ambani led) to be called as Aircom. Aircel was not earning profit even after a decade of launch. It had sold 4G to Airtel. It wanted to use the services of R com. The future looked promising since both the companies thought of luring the customer base from all parts of India and give a good fight to Jio and other telecoms. The merger was just a word for the public but and underneath it was overtaking it. R-com

couldn't say overtaking openly because their debt was huge. So they called it merger and the process started. Aircel started wrapping their business from few states. Meanwhile jio was trying to get voice licence. But since the debt of R com raised and the two companies couldn't agree on some terms so the merger was cancelled. Till then Aircel had already wrapped its 50% of business. Moreover, jio started offering free calls and data at cheap rates. This was the last straw that broke camel's back.

The country's sixth largest telecom operator Aircel along with its units - Aircel Cellular and Dish net Wireless - filed for bankruptcy in the National Companies Law Tribunal (NCLT) due to fierce competition and high levels of debt.

Analysis

Reliance Jio Infocomm Ltd was in a league of its own in the December quarter (Q3) 2017. It reported a 12% sequential increase in revenue, much the opposite of the 12-13% decline in revenues reported by other large telecoms. What's far more striking is the movement in profit share. While the incumbents—Bharti Airtel Ltd, Vodafone India Ltd and Idea Cellular Ltd—reported a sequential decline of Rs1,342 crore in Ebitda (earnings before interest, tax, depreciation and amortization), Reliance Jio's operating profit rose by Rs1,185 crore.

The Telecom Regulatory Authority of India (Trai) cut IUC by 57% from 1 October 2017, which also resulted in a sizeable revenue loss for incumbents. Riding piggyback on the IUC cut, Reliance Jio reported a pre-tax profit of Rs772 crore in Q3, compared to a loss of Rs414 crore in the preceding quarter. Airtel's fortunes swung in the opposite direction. It reported a pre-tax loss of around Rs933 crore for its India wireless business in the December quarter; in Q2, it had made a profit of Rs38 crore. Idea was already deep in the red and its losses expanded to Rs2067 crore. Reliance Jio Infocomm would have posted a net loss of Rs 2,770 crore in the second quarter and Rs 2,410 crore in the third had it applied the depreciation norms used by rival telecoms.

Conclusion

Data is the oxygen of digital life. Jio is more than just a business. It is a commitment to enrich the life of every Indians said by Mukesh Ambani. Launched in 2016, Reliance Jio started offering free services for customer acquisition. This has definitely been a move to

capture maximum market in India and increase competition. However, telecom players like Idea, Vodafone, and Airtel etc. feel that this has given them an unfair advantage and has disrupted the market completely. Prices have declined tremendously, which can spoil the profits and the market. However, another school of thought promotes that increase in competition would help improve services, benefit the customers and eventually help increase telecom penetration in India. Jio is aimed at realising Digital India dream of our prime minister. Now every Indian can do ‘unlimited good things with unlimited data’.

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Bio

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