

A Review on Reliance Jio Market Entry Strategies and its Effects on Indian Telecom Industry

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In highly competitive Indian telecom market, RelianceJio made a grand entry and made its position with world record growth. It changed the whole equation in telecom market. The paper is three parts. First it talks about Indian telecom industry that attracts Reliance to get entry in it. Second part talks about market entry strategies. Mr. Mukesh Ambani called it as 'Datagiri'. It is known as Datagiri Customers who were using expensive 3G technology got 4G technology at lesser price. RelianceJio's entry offers free usage initially which leads world record subscription. Even Reliance faced market entry barriers from existing players and how they were faced. Third part talks about effects in telecom industry. Some major mergers have taken place. Some telecom players exited the industry.

Keywords – RelianceJio, Indian telecom industry, Market entry strategy, Datagiri

I. Introduction

Management theories teach us the price of products should be such, which make the new entry difficult. Reliance Jio teaches us how to make a grand entry to become major market player. In this research paper, marketing strategies are tried to be analyzed. Jio follows Market Penetration in existing market as it enters late. Jio puts better products at lesser price. It offered 4G telecom service to customers at lesser price. The offers positioned as *Free*. The way Jio gained market share shows the *Power of Free*. It is also termed as Disruptive Marketing Strategy. Mr. Mukesh Ambani (chairman of Reliance) mentioned in his speech as *Datagiri*. It was an open challenge to existing players for competition.

II. Purpose & Objectives

The main purpose is to understand how RelianceJio can make its grand entry and becomes major telecom market player.

The objectives are as follows:

1. To understand Indian telecom industry
2. To review market entry strategies of Reliance Jio
3. To assess effects after Reliance Jio entry in Indian telecom market

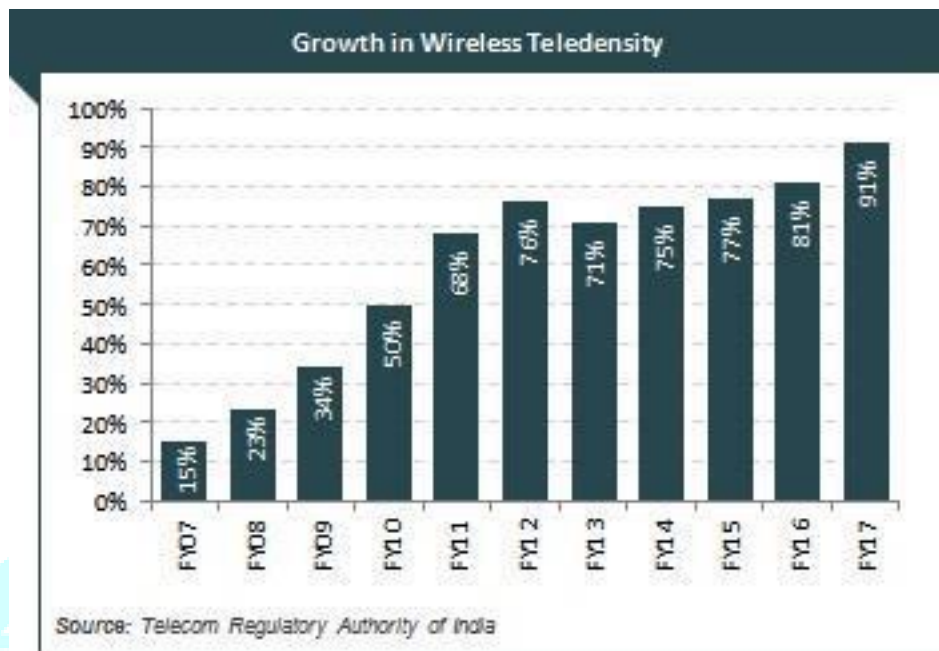
The whole is in three parts,

- 1) Indian Telecom Industry
- 2) RelianceJio Market Entry Strategies
- 3) RelianceJio effects on the telecom industry

III. Indian Telecom Industry

- India is currently the 2nd largest telecommunication market and has the 3rd highest number of internet users in the world
- India's telephone subscriber base expanded at a CAGR¹ of 19.16 per cent, reaching 1188.5 million during FY07-1

- Tele-density (defined as the number of telephone connections for every 100 individuals) in India, increased from 17.9 in FY07 to 92.59 in FY17².
- The mobile segment's teledensity surged from 14.6 per cent in FY07 to 90.70 per cent in FY17¹.
- GSM (*Global System for Mobile Communications*) services continue to dominate the wireless market with a 98.66 per cent share (as of December 2016); while CDMA (*Code Division Multiple Access*) services accounted for the remaining 1.34 per cent share.



Growth in wireless teledensity

At present, India has 1.05 billion subscribers and has registered strong growth. It makes India a 2nd largest market in telecommunication. Because of strong government support to the sector, it grows rapidly. The government has made easier to access telecom equipment and also has made proactive regulations. It leads to provide lower prices to the consumers. The

¹ CAGR - Compound Annual Growth Rate

² Data till February

relaxation in FDI attracts foreign investors and thus it makes the fastest growing sector. It is one of the top five employment providing sector in India. It is expected to generate 40 lac jobs in next five years. Reasons behind the employment opportunities are government efforts, penetration in rural areas, and rise in use Smartphone to access internet.

Indian Telecommunication Market

India is now 2nd largest Smartphone market as rise in use of internet with decrease in data charges. It is expected to add new 500 million new internet users in India in next five years. Monthly data usage is expected to increase from 3.9 GB in 2017 to 18 GB by 2023. The whole mobile industry will create Rs. 14 trillion economic values by 2020.

Growth History of Telecom

According to DIPP (Department of Industrial Policy and Promotion) data, the telecom industry has got 30.03 billion US dollar FDI (Foreign Direct Investment) between April 2000 and September 2017.

Latest developments

- Collaboration between Nokia (Finnish Telecom Company) and BSNL & Bharti Airtel (Indian Companies) has been setup to develop 5G technology and to develop conducive ecosystem for 5G in India.
- The government of India is working to connect remote areas and provide affordable tariff structure with a principle of more you use less you pay.
- According to Mr. Akhil Gupta (Vice Chairman, Bharti Enterprise), Indian telecom companies will invest around 20 billion US dollars in India in next two years.

- Indian Internet economy expected to touch Rs 10 trillion (US\$ 155 billion) by 2018, contributing around 5 per cent to the country's GDP. India will emerge as a leading player in the virtual world by having 700 million internet users of the 4.7 billion global users by 2025, as per a Microsoft report.
- With the government's favourable regulation policies and 4G services hitting the market, the Indian telecommunication sector is expected to witness fast growth in the next few years. The Government of India also plans to auction the 5G spectrum in bands like 3,300 MHz and 3,400 MHz to promote initiatives like Internet of Things (IoT), machine-to-machine communications, instant high definition video transfer as well as its Smart Cities initiative.
- The Indian mobile phone industry expects that the Government of India's boost to production of battery chargers will result in setting up of 365 factories, thereby generating 800,000 jobs by 2025. (India Brand Equity Foundation, 2018)

IV. RelianceJio Market Entry Strategy

It is important to know reliance in telecom before coming down to RelianceJio. In 2002, Reliance Infocomm was entered telecom market with slashing price from Rs. 8 per incoming call to less than Re.1 per call, with incoming and value added services for free. Within a fortnight, Infocomm had a million subscribers. (Khanna, 2017)

Over the last six years, Reliance first acquired the broadband network needed to roll out 4G services and then buying a pan-India spectrum. RelianceJio is allowed to provide voice telephony for additional Rs. 165.8 crore fees. RelianceJio has developed core 4G data network. It uses VoLTE (Voice over Long-Term Evolution) technology to make calls. Other telecom operators have been using circuit switching technology to make calls which is useful only for voice and not compatible for data. So, a call made from Jio is a HD voice data call which is diverted to other operators. RelianceJio does not account data used for voice call and so, it is free to the customers. It was opposed by other telecom companies, but by it was not sustained. So, the latest technology and gap left by existing operators have been exploited by RelianceJio. (Banerjee, 2016)

Power of Free

Reliance Jio was launched commercial telecom services on September 5, 2016. It offered users can get a Reliance Jio SIM card with the 'Welcome Offer', that allows users access to free unlimited 4G data until December 31, 2016. This data however, had a cap of 4GB of data a day – beyond which a user would get 128Kbps. Other benefits of the Jio SIM included free voice calling, and no roaming charges forever. Reliance Jio had announced that the network had created a world record by crossing 16 million in total subscribers in 26 days. It was a grand welcome to the Reliance Jio. Reliance Jio exercised 'Power of Free' market penetration strategy to enter in maturing market. It is also called a 'Disruptive Market Penetration' strategy.

Facing Market Barrier and Dual SIM Datagiri

RelianceJio faced a problem of voice call-drops heavily. It faced a five crore of call drops in a week when it entered. Jio blamed that existing operators were creating hurdles and not providing interconnect for its users, while existing operators said that it was because of congested Reliance Jio network as a result of free offers. Even RelianceJio faced market barrier as a new entrant. Jio's customers were satisfied with data service, but facing problem of call drops. So, RelianceJio asked customers to use free data in dual sim card mobile till the issue of call drop was solved. It was because reliance knew that 93 % mobile phones had dual sim and no operator could provide free data. Existing operators had established network and customer base, while new had to establish its network and had to penetrate to gain customer base. Reliance had developed IP based network while

existing operator had network for voice & text. Thus, Jio stayed competitive in the market and penetrated. (Agarwal, 2016)

Gujarati word 'Dadagiri' is to show the dominance. 'Datagiri' is looked derived from 'Dadagiri' to challenge other telecoms. Mr. Mukesh Ambani said in his speech that during freedom movement it was Gandhigiri and now it was Datagiri.

V. Reliance Jio Entry Effects

The present development scenario says that there will be three to four major players remain in telecom sector of India. It is a result of grand entry of RelianceJio with excellent market penetration strategies. There will be BhartiAirtel, RelianceJio & VodafoneIdea private players and BSNL in future. BharatiAirtel has acquired wireless phone business of TATA group at almost free in the wave of RelianceJio effects. Telenor also sold its business to BharatiAirtel almost for nothing like TATA deal. The major consolidation from merger of India's second largest provider - Vodafone and third ranked Idea will become number one position ahead of Airtel. Even after this, it will be difficult to fight with RelianceJio. The merger may lead to reduction in jobs in Vodafone and Idea. With the merger, there will be for every two jobs, one person is expected to lose his job; for every three sites, one is expected to be shut, and out of every two vendors, one will be chosen. It will have almost 400 million customers, with 35% customer and 42% revenue market share. It will have a revenue of Rs81,600 crore and an operating profit of Rs24,400 crore. Together, Idea Cellular and Vodafone India have a debt of Rs1.08 trillion. The merger is expected to be completed in 2018. Anil Ambani-promoted Reliance Communications Ltd is now staring at an uncertain fate after the merger of its wireless business with Aircel Ltd collapsed. Because of Jio's dirt cheap pricing, the market leader companies like BhartiAirtel and Idea have to lower their tariff and they face loss of 35% in operating profit. Idea Cellular has posted losses for three straight quarters. (Livemint, 2017)

Sharp Fall in AGR (Adjusted Gross Revenue) of Top Telecom Companies

Due to grand launch of Reliance Jio, AGR of top telecom companies falls sharply. AGR – It is Adjusted Gross Revenue) of telecom company. The license fee paid to government is calculated on AGR. There is a dispute between telecom companies and government because AGR was defined broadly. Telecom companies argue that revenue generated from telecom services for which license is provided should be counted as AGR, while government argues that it should include every income of Telecom Company. (For examples – Selling of handset, income of Fixed Deposit, Selling of asset.) Tripura high court single bench has already given verdict in favor of Telecom Company. TRAI (Telecom Regulatory Authority of India) has also said same in favor of telecom companies. But government has rejected it. (ETBureau, Spectrum Usage Charge - The Big debate: What is adjusted gross revenue & what it should cover , 2017)

The AGR was dropped in fourth quarter of FY16-17. Sunil Mittal-led Bharti Airtel's AGR in the March quarter was down 9.9 per cent sequentially to Rs 10,400 crore, while that of Vodafone India and Idea fell 12.6 per cent and 8 per cent to Rs 7,300 crore and Rs 6,400 crore, respectively, brokerage ICICI Securities said, analyzing data provided by the Telecom Regulatory Authority of India (Trai). (ETBureau, Airtel, Vodafone and Idea report sharp fall in adjusted gross revenue, 2017)

The AGR in first quarter of 2017-18 was fell 4.7% sharply. It leads to decrease in government license fee.

TDSAT Orders TRAI for Tariff Framework

The telecom tribunal TDSAT (Telecom Dispute Settlement and Appellate Tribunal) orders TRAI (Telecom Regulatory Authority of India) to issue tariff framework with a principle of non-predation.

It also directed to telecom companies to take approval from TRAI before launching any free services offer till the framework is issued. (PTI, 2018)

Airtel, the India's largest telecom company, asked TRAI to issue consultation paper, open house before issuing tariff framework.

VI. Conclusion

Top of the pyramid invested hugely and make a digital life easier and economical for the bottom of the pyramid. Thus, it leads to sweet fruits of capitalist market. RelianceJio identifies gap left by existing telecom players, understands shift in customers' demand, and developed telecom network with better technologies with huge investment. It leads to a great grand entry of RelianceJio...

Get Net Go, It's Reliance Jio.

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