

A CASE STUDY ON JIO

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Abstract

Telecommunication industry is one of the most emergent industries which evolved very speedily in last decade. Currently India is the world's second largest telecommunication market and still growing. Mobile economy in India is increasing very fast and will add significantly to India's GDP. Both Indian network providers' international providers receive considerable market share in the Indian mobile industry. Recently Reliance Jio has gave a big jolt to Indian telecom industry, schemes like free internet, free calling, 4g network provide a serious threat to others. Reliance Jio emerge as a new choice and other service providers face a new kind of challenge and find difficult to cope up with new circumstances. This case discusses the features of the Jio and also through some light on the competitive edge over other service providers.



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Introduction:

Reliance Jio Infocomm limited is popularly known as Reliance Jio. It is a mobile service provider and is associated with wireless telecommunication industry. Jio deals in mobile-telephonic communications, broadband services and digital services. Reliance Jio is of Indian origin and was founded in the year 2010. It is a fully-owned subsidiary of its parent company Reliance Industries, owned by Mukesh Ambani. Some of its competitors are as follows: Vodafone, Idea, Airtel etc.

How it started?

In 2005, Reliance Industries Limited split and there was one major de-merger of note for Mukesh Ambani. His dream project- Reliance Infocomm became a part of Anil Dhirubhai Ambani Group. Mukesh Ambani went on to acquire Infotel Broadband Services Limited. The company was the only successful bidder for pan-India 4G network. Reliance then worked on establishing base for high-speed optical fibre 4G network. It is actually capable of much more than 4G.

Then slowly and steadily, Lyf phones made foray into the market with Jio preview offers. Free unlimited data for 3 months and free voice calls and sms was the way they entered the market. Lyf phones seemed a decent deal, but it was Jio sim that caught people's eyes.

The Reliance Company commercially launched its services on 5 September 2016. Jio crossed 100 million subscribers end of February 2017. This is the fastest ramp-up by any mobile network operator anywhere in the world. Jio owns spectrum in 800 MHz and 1,800 MHz bands in 10 and 6 circles, respectively, of the total 22 circles in the country, and also owns pan-India licensed 2,300 MHz spectrum. The spectrum is valid till 2035. The company has a network of more than 250,000 km of fiber optic cables in the country, over which it will be partnering with local cable operators to get broader connectivity for its broadband services. With its multi-service operator (MSO) licence. Jio offers its not only 4G broadband services but also provides data, network, instant messaging, live TV, movies on demand, news, streaming music, digital payments platform and free Wi-Fi hotspot services etc.

Overview of the present situation of the telecom industry:

In the present scenario, the competition among businesses operating in the telecom industry of India has become very intense, and now it has become very complicated for companies to sustain in the marketplace. Currently, India has been recognized as the second largest and the most potential communication sector in the world. It can be expressed that a substantial number of the subscriber base of 1.19 Billion is the critical factor which has contributed to such rapid growth and development of the Indian Telecommunication industry. Over the past decade, the nation has witnessed drastic changes and growth in telecom sector and at the same time, the telecom sector has contributed a lot to the overall development of India's GDP. Apart from this, strong demand from customers is also a critical factor which is contributing to long-term growth and sustainability of the telecommunication industry of India.

At present, the customers in the industry are looking forward to service provides which can offer high-speed internet and effective connectivity at prices which are satisfactory and convenient. However, it can be argued that apart from customer demand, the liberal and reformist policies and regulations of Indian government is also a critical factor which has supported the telecom industry to carry out the smooth flow of all operations and activities in the long-run. The businesses in the industry are getting adequate support, assistance from

the government and this has further provided them with an opportunity to attain the desired volume of sales and profitability.

Currently, the Indian Telecom industry is also contributing to economic development of the country by creating adequate and compelling opportunities for employment. It can be asserted that in the next five years, the industry is expected to create more than four million indirect and direct jobs within the nation. By the end of the year 2020, it is also expected that the size of Indian telecom industry will reach to US\$ 217.37 billion.

Reliance Jio Infocomm Limited which is popularly known as Reliance Jio whose entry has resulted in creating a transformation of the entire telecommunication industry of the country. Reliance Jio is also considered as the game changer in the whole market, and its entry has adversely affected the sales, profits, market share and customer base of the existing market players such as Airtel, Idea, Vodafone and BSNL. The 4 services offered by Reliance Jio are innovative, high satisfactory and at the same time, the brand has employed a low price strategy. The result of this is that Reliance Jio has been able to penetrate the Indian telecommunication industry within a short span of time. The evolution of Reliance Jio has affected players such as Airtel, Vodafone, Idea and BSNL.

Hence, the company is targeting both rural and the urban areas in the most effective manner.

The impact of Reliance Jio on other players in the industry:

The first and foremost impact of Reliance Jio on existing market players in Indian telecom industry was that brands such as Airtel, Vodafone, Idea and BSNL started losing their customers. In the modern era, the only and most convenient way to sustain in the highly competitive marketplace is to retain customers in every possible manner. Customer retention is significant for almost every business operating in any industry as it supports in carrying out the smooth flow of all operations and activities. However, it can be critically argued that customer retention is not an easy task for companies because they are required to offer innovative and high-quality services at competitive prices to attain the same.

Considering the case of mobile network providers such as Airtel, Vodafone, Idea and BSNL, these brands failed to retain the customer because the services were not innovative and at the same time the pricing strategy employed by these brands was also very high. The impact of Jio on the market as mentioned earlier players can be understood by the fact that Jio has not only attracted the existing customers of these players but now the new customers are also

going towards Jio. It means that the brands such Airtel, Vodafone, Idea and BSNL are now struggling not only in retaining their existing customers but these businesses are also facing issues in attracting new customers. Declining sales, profitability and market share is also a critical impact which Airtel, Vodafone, Idea, BSNL and other players in the market had because of the entry of Jio.

Impact on Indian Telecom Industry

- Reliance Jio disturb the telecom industry with its free services, and kept the pressure on competitors by announcing lower data plans and free voice calls and roaming starting on 1 April 2017. The share market also pays for its aggressive entry in telecom sector and RIL has jumped 13% in a week.
- Reliance Jio has crossed 10 crore subscribers. Now question is that how many subscribers will convert in to paying consumers? Many analysts say the number would be 50%. Reliance Jio's average revenue per user would be high than competitors around Rs150. Company expecting average revenue per user is Rs227 in 2018-19 with more than 50% subscribers will opt Rs303 plan, while other on Rs149 plan. At an average revenue per user Rs227 company will need 11.1 crore consumer to reach breakeven point. But if company further reduces prices due to competition, it will need more consumers to reach breakeven point.
- If 50% of company's subscribers stick to Jio, it will create serious repercussions for competitors. On other hand Jio's consumers who also have been attached to other companies would reduce usage, as the result other companies would face decrease in average revenue per user.
- Aggressive ad campaign of reliance Jio may also affect the industry's scenario. It will be difficult for other player to grow their consumer base and it will lead to high promotional expenses.
- Other important challenge is drop in pricing power of telecom companies. Because of aggressive pricing of Jio, other companies have no choice to reduce their prices. If other players fail to match the Jio's offer, their market share will go down and if they reduce rates, revenue will decrease.
- Reliance Jio's extreme capitalism strategy, reflected in large capital deployment, has a massive effect on the industry. This had forced number 2 player (Vodafone) and number

3 (Idea) to consider a merger. Possibly company is trying an acute endgame to become a super- dominant player in telecom industry.

- Indian telecom sector is going through a change in competition, before there is competition regarding cheaper rates of voice calls and roaming but now the struggle is shifted over data packs, fastest speed, latest technology and cheaper rates.
- The telecom industry directly employed 2.2 million people. New circumstances lead to 30% job losses in next 12 to 18 months due to automation of tele-services to cut costs.

SWOT Analysis of Reliance Jio

➤ Strengths:

1. Reliance Industries is strong parent company backed up by Mukesh Ambani.
2. Company has begun with 4G service with no tariff. It has strong financial capability to stand with initial losses.
3. Strong brand image due to excellent marketing and advertising strategy.
4. It has brand ambassadors like Shahrukh Khan and Amitabh Bachchan who have deep influence on masses.
5. It has technological advantages i.e. 4G LTE services with VoLTE.
6. It has built strong national network with investment of around \$20 billion.
7. Its network covers all the 22 circles across the India.
8. Jio apps are offering wide range of features like movies, shopping, chat, cloud, games etc. under one umbrella.
9. Jio compact with affordable LYF smartphones would increase the brand.

➤ Weaknesses

1. Advertisement showing PM picture would raise new controversies.
2. Mobile number portability is not very smooth although Jio expected large number of customers would migrate from existing service providers.
3. Company has to depend upon data consumption for profitability due to making voice calling free.
4. Jio made late entry would make difficult to increase market share.
5. Earlier company's telecom venture CDMA was unsuccessful.
6. Company has inadequate fiber optic capacity.

➤ **Opportunities**

1. The company can offer telecom services at competitive rates.
2. India has huge market for telecom services because of large scale availability of smart phones.
3. At international market, company has huge opportunity in many developing countries.
4. Due to technological edge company can also promote exclusive services to consumers.
5. Lower data tariff plans may further attract advertisement industry with option of e-marketing.

➤ **Threats**

1. People would not like to use Jio after free services are over.
2. The initial phase of rapid increase it is very difficult to maintain a large consumer base to cross breakeven point.
3. Existing strong competitors having broader and loyal consumer base which would be tough to compete.
4. Indian telecom market is very competitive due to existing big players like Vodafone, Idea etc.
5. Changing government policies would also create uncertainty in market.
6. Fast upgrading technology from 2G to 3G, 3G to 4G and next generation 5G approaching shortly, needs huge investment plan to remain in market.

CONCLUSION:

The entry of Reliance Jio into the Indian Telecom sector has been if not anything, disruptive and game changing. Starting with the sheer scale of its operations wherein it leveraged its existing network of stores and outlets to sell new connections to the consumers, to its humungous size wherein it managed to sign up nearly 200 Million users in less than Two Years, to its aggressive pricing and deep discounting strategies, and its flexible and bundled plans where it offers a handset along with a new connection, the brains behind Reliance Jio, and Mukesh Ambani in particular have left no stone in their quest for dominance and supremacy.

TEACHING NOTES FOR THE CASE:

TEACHING OBJECTIVES:

The following Teaching Objectives may be considered with respect to the case:

1. To gain an overview of the present situation of the Indian Telecom Industry.
2. To examine the impacts of Reliance Jio on Indian telecom industry.
3. To analyze the major strengths, weakness, opportunities, and threats to Reliance Jio in Indian telecom industry.

LEVEL OF ANALYSIS:

The present case is a type of Teaching case. The analysis attracts understanding of perspective & dilemma surrounding the Telecom Sector. This case is suitable for the practical & case study approach at the level of Management Students. To be specific BBA students, B.COM students, M.COM students & MBA Students shall have a deserving benefit out of this case. More specifically the case will be beneficial for the marketing students. Industry at large will be a party to the benefits of the learning from the case.

CASE ASSIGNMENTS:

As part of the case study delivery, participants may be assigned certain tasks pre & post delivery of the case.

Pre discussion Task: Gather fair understanding on Indian Telecom Sector and Reliance Jio, through reading journals & books in Library and through E-Sources.

Post discussion Task: Conduct review of further literature pertaining to the theme of the case. Post discussion schedule shall also include discussion round on a few questions pertaining to the case.

BROAD DISCUSSION QUESTIONS:

Q.1: Discuss the significance of Telecom Industry in Indian Context.

Q.2: "Entry of Jio in Telecommunication Sector in a competitive environment took the market by surprise". Discuss in brief.

Q.3: Discuss the Customer Satisfaction towards Reliance Jio with relevant examples.

READING REFERENCES:

The following references may be helpful in gaining further insights on the theme of the case.

- **D Satyanarayana, D. K. (2017). The impact of Reliance Jio on Indian mobile industry A case study on mergers and acquisitions of idea – Vodafone and Airtel – Telenor . *International Journal of Applied Research* , 209-212.**
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POTENTIAL BENEFITS OF THE CASE:

- **Students of Higher Education:**

The Case benefits the students pursuing the higher education like management studies, specifically to the marketing students. The SWOT Analysis presented in the case will help students understand and analyze the entry of a huge player like Jio in the industry.

- **Benefits to the Telecom Sector:**

The case will be beneficial for the telecom sector as they can study the case when needed to make changes in their strategies, they can go through how they had entered the market in the very first stage. The telecom sector will get the benefits of research for the same.

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