

Impact of Reliance Jio on Indian Telecom Industry

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Available online at: www.xournals.com

Received 12th January 2018 | Revised 10th April 2018 | Accepted 15th May 2018

Abstract:

Indian mobile industry is one of the fastest growing industries in the world. Currently, India is the world's second largest telecommunication market and still growing. The mobile economy of India is growing rapidly and will contribute significantly to India's Gross Domestic Product (GDP). Reliance Jio's free tsunami creates lot of essential and unexpected changes in consumer's behaviors and competitor's strategies. Reliance Jio gave a big surprise to Indian telecom industry, schemes like free internet, free calling, and 4g network provide a serious threat to others and emerges as a new choice for the users. The other service providers face a new kind of challenge and find difficult to manage up with new circumstances. This review paper discusses the present trends in the Indian Telecom Industry and impact of Jio on competitive strategies of opponents in the industry

KEYWORDS: BRICS, Tax system, GDP, Comparison of tax structures.

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Introduction

The backbone of fast growing Indian economic scenario of this decade is the Indian telecommunications sector. Telecom sector is one of the most developing and profitable industries of the world. Different forms of communication media such as smart phones, internet, Wi-Fi are distributed in communication industry which creates significant changes in the minds set of consumers, business entities, legal frame work, ideologies of entrepreneurs, philosophy of the government's policies and procedures. Indian telecommunication market is currently the world's second largest telecommunication market with a subscriber base of 1.19 billion. The mobile economy of India is growing rapidly and will contribute significantly to India's Gross Domestic Product (GDP), according to report prepared by GSM Association (GSMA) in collaboration with the Boston Consulting Group (BCG). India is expected to have over 180 million smartphones by 2019, contributing around 13.5 per cent to the global smartphone market, based on rising affordability and better availability of data services among other factors.

The base of telecom subscriber expands substantively in India. The Indian market is targeted with mobile device manufacturer, mobile service provider, foreign investment etc. The liberal and reformist policies of the Government of India have been contributory along with strong consumer demand in the rapid growth in the Indian telecom sector. The government has enabled easy market access to telecom equipment and a fair and proactive regulatory framework that has ensured availability of telecom services to consumer at affordable prices. The Indian regulatory authorities are also likely to face new challenges from these new trends and keep their commitments for providing a quality service, doing so transparently and responsibly. On the other side telecom operators continue to focus on providing a high quality, consistent network experience offering the speeds and coverage expected by customers. In this current scenario the market is full of alternatives to the customer to choose either mobile devices or service provider.

Industry Overview

1. Idea Cellular

Idea Cellular is an Aditya Birla Group Company founded in the year 1995. Idea is one of the top three mobile operators in India, with an annual revenue in excess of USD 5 billion and a revenue market share of 19%. Idea's pan-India network of over 2.7 lakh cell sites covers over 400,000 towns and villages. The Idea

has gone far ahead of the major competitors and occupying incremental revenue market share of 33% from last three years. Idea offers 3G and 4Gs LTE services on its own spectrum auction in 13 circles of telecom service areas and 340 towns in all over the India. Idea strengthened its customer base after launching mobile number portability it has 191 million subscribers, Rs.354 Billion (US\$5.3 billion) Revenue and Net income is Rs.31.92 billion(US\$470million) for the year ending 31st 2016. With nearly 200 million subscribers, Idea ranks sixth in the global rankings of operators in subscriber terms, for single country operations. In January, 2017 it was announced that Idea talks to merge with Vodafone in Indian operations.

2. Vodafone

It is a British based multinational telecommunications company.it was established in the year 1991. It started actions in 1994 when its predecessor Hutchison Telecom acquired the cellular license for Mumbai. Brand Vodafone was launched in India in September 2007, after Vodafone Plc. acquired a majority stake in Hutchinson Essar in May 2007. It is now ranked in world second largest mobile operator in number of connections. It owns and operates networks in 76 countries and also IT services to corporate clients in 150 countries. It has been expands its operations across the country over all 22 telecom circles and service to 203 million Indian customers. The free price war of Reliance Jio's impact results accumulates continuous loss doubled to \$5.5 billion from last two quarters of 2016. On 20 March 2017, Vodafone announced that it was merging its Indian business with Idea, India's third-largest network.

3. Airtel

Sunil Mittal was founded Airtel in the year 1995. Bharti Airtel Limited is a leading global telecommunications company with operations in 20 countries across Asia and Africa. The company ranks amongst the top 4 mobile service providers globally in terms of subscribers. Airtel was named India's second most value brand in the first ever ranking by "Milliward Brown and WPP plc." Airtel is credited with pioneering the business strategy of out sourcing all of its business operations with minute factory model of low cost and high volumes. Its strategy has since been adopted by several operators. The transmission towers are maintained by subsidiaries of Bharti group. Airtel served first time low call rates in India. The revenue of Rs. R966.021 billion, EBIT is Rs.341 with net profit of Rs.54 billion for the year ending 2016.The Jio's trump have stung Airtel which reported a 55% fall in third -quarter net profit to

Rs.504 crore.in 2016. It is the big moment to make restructuring it strategies to compete the market leader with Telenor.

4. Reliance Jio

The Reliance has given a new alternative to the customers in the name of "JIO". Reliance JioInfocomm Limited (RJIL) previously known as Infotel Broadband, is a broadband service provider which gained 4G licenses for operating across India. Mukesh Dhirubhai Ambani, is the chairman and MD of Reliance JioInfocomm. 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. According to sources, Jio - setting a new record - has acquired 1,000 customers per minute (since September 05) and 6 lakh per day. Jio continues to be the fastest growing company in the world and has crossed 50 million subscribers in record 83 days. 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. Reliance communications owns and operates the world's largest next generation IP enabled connectivity infrastructure which comprises 2,80,000 kilometers of fiber optic cable systems in India, USA, Europe, Middle East and the Asia Pacific region. . RJIL is setting up reliance (4th generation) high speed internet connectivity, rich communication services and various digital services on pan India with the basis in key domains such as education, healthcare, security, financial services, government citizen interfaces and entertainment.

The entry of Reliance JIO has forced giants like Airtel, Vodafone, Idea service providers to cut off their plans. For the last 6 months, 7 customers per second of every day subscribing to JIO. The market leader Airtel has 26 crore 4 lakhs subscribers which was founded in the year 1995.

Review of Literature

Prithish and Saxena (2015), overall socioeconomic development of India is contributed significantly by Indian Telecom Industry and it is an essential tool for growth of nation. Growth of industry is increased by the various telecom service providers whose bring the offer for voice and data services to the customers across different regions of the country.

Kalyani (2016), in this review paper, collected data and facts are very clear that market is effected by "Reliance Jio Effect". 15-25 years of age individual, having more end mobile devices for communicating

and entertaining purpose. They are using smartphone for the purpose of online purchase, gaming, instant messaging etc. and using for "free" voice and data Reliance has targeted the same. In worldwide area, reliance jio connection in very short span of time frame and don't have the roaming data from one vendor to other vendor.

Boobalan and Jayaraman (2017): The service provided by Jio customers are satisfactory as customer is the backbone of the company treating the customers as a friend is one of the best way to attract them and make them always come back. It will help in building strong businesses relationship. In this study it is found that there is a significant relationship between income and satisfaction and there is no significant relationship between age and awareness level.

Haq (2017): Internet startups by more customers that have means is more internet users. Jio marketing approach is pretty simple that attract the customers or users by free-calls and cheap data. It should not be difficult for convenience to user to use more and more data because user habit is formed. Jio break the record and drop the rates of other data and competition will drive with Idea, Airtel and others. In all over country, jio is going to be an explosion of new data users in next few years.

Mahalaxmi and Kumar N (2017) studied on a particular geographical region and concluded that Jio services are same to all in spite of the people monthly income. The services provided by the Jio tariff like mobile data and free calling were able to convince the students. In future, competitors (other network services) can fluctuate the market by giving the competitive policies. Jio network support only in the 4G handset, not in 3G handset. If their offer will be for the 3G handset then Jio would be in high rate. This study was made on a particular region. So, accurate result cannot be obtained. Future scope of Jio network, will face the competition by more innovative marketing strategies.

Priya and Sathiya (2017), in this study, measuring the level of preference and satisfaction of Jio customer and improving their network coverage and to wipe out the calling congestion by Reliance Jio Company that is recommends by researcher. By the comments of customers, Company can accomplish the 100% satisfaction and also customers might not be switch over to other network that will create willingness for company.

Satyanarayana, Rao and Naidu (2017) proposed that the consumer's behavior and competitors' strategies has been changed racially and unexpectedly by the introduction of Reliance Jio's free. After providing the

services, other mobile networks are facing problems. To compete with Jio, there is need to make strategies and to strengthen themselves in the industry.

Conclusion

India market is the world's 2nd biggest telecom market and provides business and job opportunities to the people which will help in increasing the GDP of the country. On other side, Reliance Jio is creating the most extensive and future-proof network in India. It

will provide next generation legacy-free digital services over an end-to-end all-IP network, which can be flawlessly upgraded even to 5G and beyond. Jio's Mobile data services convinced most of the students to prefer this network. For small companies it is difficult in the industry to make a significant market share. The only option to become stronger to compete with Jio is to make strategic groupings with other competitors. In near future the competitors can again fluctuate the market by proving competitive strategies.



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