

Reliance Jio Driven Strategic Pricing Battle in Telecom Industry

PROF. Dr. Vani Laturkar

Director and Professor
School of Commerce and Management Sciences,
SRTMU, Nanded

Email Id: vanilaturkar@gmail.com

Dr. Sarika .R. Lohana,

Post-Doctoral Fellow, UGC- Dr.S. Radhakrishnan, New Delhi.
Swami Ramanand Teerth Marathwada University, Nanded

Email Id: drslohana@gmail.com

Abstract

Reliance Jio launched its VoLTE services in the Indian market; other telecom service providers have also gained momentum to give a tough competition to the Jio. Whether it's Airtel, Vodafone, Idea or any other, the telecom service providers were founded launching many exciting offers, tariff plans, and schemes in order to stay ahead in the battle.

This paper discusses about Jio's predatory strategies and pricing has led to a lot of uncertainty for the key players. This confusion and a knee-jerk reaction have triggered a price battle that is causing a scene of carnage in the telecom sphere.

Keywords: Telecom Service Provider, Reliance Jio, Predatory Strategies and pricing

Introduction

The Telecom sector is under stress, and not just a financial strain of being buried under a huge pile of debt, but also the operational stress as the hyper competition from Reliance Jio's dirt cheap tariff offers and novel plans seem nowhere close to coming to an end any time soon¹. Incumbent operators, even the strong-footed ones, are reeling, and most have been forced to either sell out to the rivals, or wind up altogether.

India after China is the second largest market for mobile industry as to encompass billions of mobile subscribers. Mobile service provider industry is being among one of the fastest growing industries in the world, technology enhancing switching from 2G to 4 G network providers. In this competition to grab the position at the top Reliance Jio Infocomm Limited is the subsidiary company of Reliance

¹ www.financialexpress.com › Industry

industry which provides a 4G network service. In India Jio is the only Vo-LTE (voice over LTE) service provider. Initially, these services were first Beta- Launched to its Reliance employees and partners in Dec 2015 as the trail and then later on in the month of September 2016 it was launched commercially for the public. While launching Reliance Jio had already made a lot of buzz because of its amazing offers and as a result the company acquired 16 million subscribers which is higher for any service provider in the world.

Since the time Reliance Jio was launched the telecom industry has been in a constant flux. The six month period of free data till March 2016 proved to be a major downfall for the incumbent operators. Even later on Reliance Jio started charging for their services, their aggressive pricing led to a major tariff war which is still being waged in favor of the consumer. However, most of these tariffs have a lot of underlying terms and conditions. With an array of offers and discounts it can get overwhelming for both existing as well as new customers to make the right choice to get the best value for money².

In terms of data plans and voice calls, we find that a particular range of tariffs provide the best bang for buck across various network providers. Though each plan offered by different carriers caters to different needs of the user, these particular data packs should be sufficient for an average Indian consumer. It has been exactly two months since Reliance Industries Ltd (RIL) chairman Mukesh Ambani announced the launch of the company's 4G enabled telecom network Jio. Although two months is hardly any time to make any serious impact in a telecom market, especially one as competitive as India, Jio seems to have made a dent, with even rivals like Airtel acknowledging that the new kid on the block is here to stay³. Here is how Jio has impacted the Indian telecom market, till now, and what may be in store for the future.

Further, the number of subscribers has increased to 50 million in a span of only 3 months and today Reliance Jio has more than 160 million users by 31st Dec, 2017. Reliance Jio has a whole range of products to other than its 4G network⁴.

Objectives of the study

² www.businesstoday.in/sectors/telecom/reliance-jio-airtel...idea.../257492.html

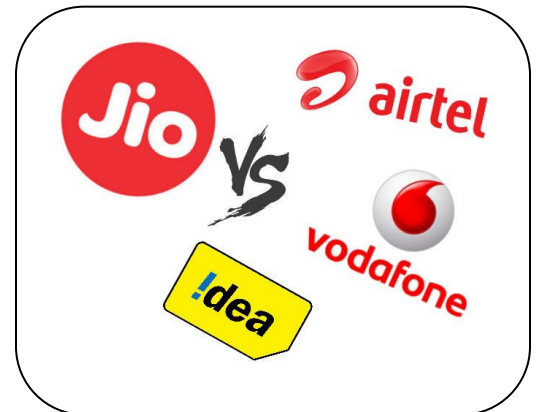
³ <https://www.vccircle.com/six-ways-which-reliance-jio-may-have-changed-indias-telec...>

⁴ <https://www.whizsky.com> > Social Media Case Studies India

The objectives of the study are to analysis the new product Launching of Reliance Jio and its pricing mechanism adopted to lead the market in the very short span of time. It also focuses on the rival's behavior in telecom sector for sustaining themselves.

Research methodology

The study in based on secondary source of information collected from Websites , Journals, Magazines, Newspapers and the period from Dec 2015 to Dec 2017.



Reliance Jio's predatory strategies and pricing

1. VoLTE Services

Ever since Reliance Jio has been introduced, the strategy that worked as a game changer for Ambani, the VoLTE service is the temper. Jio has officially launched the pan-India 4G LTE services with VoLTE support and free voice calls. These services were enormous for the consumer as experiencing first time.

2. Jio forecasted pace: After launching RIL claimed that the network had 16 million subscribers, which, it said was an all time record. Analysts forecasted that by the end of the preview offer (the offer ends on 31 December 2016, but there are reports that it may be extended till 31 March 2017), the network, which has been adding 1-1.2 million subscribers a day, will likely have 25 million 4G customers⁵. This compares with Airtel, which has 35 million 3G and 4G users, and Vodafone and Idea, which together have 25 million. Mumbai-based financial consultancy Edelweiss said in a report released in October 2016

⁵ <https://www.vccircle.com/six-ways-which-reliance-jio-may-have-changed-indias-telec...>

that in the next three years Jio could have 100 million subscribers. This, if it happens, will be more than 2.5 times the number of subscribers Jio will require to break even.

3. VoLTE enabled handsets elevated: On Contrary demand for Voice over LTE (VoLTE) phones in the country had surged since Jio launched. VoLTE technology allows voice calls to be transmitted as data, while a 4G network is being used. Demand for VoLTE enabled handsets to counterpoint Samsung, Lyf, Lenovo and Xiaomi are among the leading brands in the VoLTE category. This effectively means that going forward; VoLTE will become the default basic minimum Smart phone technology in the country. In the third quarter of 2016 nearly 70% of smart phones sold in India have been supporting VoLTE services.

Reliance Jio is gearing up for its launch, which may occur in late August this year. In order to expand its customer base, Jio has already associated with several smart phone manufacturers. This partnership is extremely beneficial for smart phone buyers as it grants them free access to Jio's free voice and data services for three months.

3. Furious mobile tariff war: Jio started offering lowest data tariffs in the country, and also let users make voice calls for free not just on its network but also from Jio to other networks. And, initially gave its customers a free four-month trial period. Jio was found deciding the rules of the Game of “Tariff Rates” i.e. Data plans, Airtel slashed its prepaid tariffs by 80%, and the other operators followed suit. As could be concluded that although Jio's offering was certainly the cheapest, it wasn't cheaper by much. Yet, it had disrupted the data market. When a firm cut the price of its goods or services, it forces its competitors to lower their prices. These results in the profits of the competitors falling and, in specific instances they may have to incur losses. If the competitor does not cut prices, it loses market share and if it does cut prices below its average cost of production, it runs the risk of insolvency. The act of reducing prices to curb competition and then increase prices to earn monopoly profits is considered anti-competitive.

Reliance Jio is trying to attract users by modifying its pricing to not only suit individual preferences, but also to dominate the current telecom market. Jio's premium 4G services, offered at affordable rates, are causing rivals to modify their pricing strategies too.

As part of its marketing strategy, Reliance Jio may offer several night data packs that will allow prepaid users to enjoy Jio's high-speed services at affordable prices. The plans are expected to offer a wide variety of options in terms of data and pricing.

Some use the phrase “predatory pricing” and “penetration pricing” interchangeably. Penetration pricing is the practice of charging a low price in order to quickly gain market share, especially when a new entrant or existing incumbent tries to scare the competition away and gain market share. Penetration pricing often implies a “bait and switch” approach—bait consumers with low prices and after some time when the consumer is switched on to, and dependent on, the service, prices are hiked.

4. Jio is hurting the balance sheets of other telecom companies: Airtel saw a 4.9% decline in its Q2 profit following the operator slashing data tariffs. Even with a decline in profit, Airtel bettered analysts' expectations, with a 24% increase in data revenue, but its rival Idea wasn't so lucky and actually saw its data revenue decline by more than 19%. Some unconfirmed news reports say that although the existing operators do not want to make their voice calls totally free, they could make calls made over the VoLTE networks they will roll out in future free. This could hurt their margins further.

5. Proactive players: The telecom industry has begun consolidating. Little less than a fortnight after Jio's launch, Ambani's younger brother Anil Ambani announced his company Reliance Communications' (RCom) merger with rival Aircel. The long-awaited move led to the creation of a Rs 65,000 crore entity, which is also reportedly in talks with Russia's Sistema, which already holds 10% in RCom. This, even as Jio itself shares RCom's network, fiber, spectrum, and towers. Analysts say that as Jio spreads its wings and Airtel, Vodafone, and Idea fight to hold on to their respective market shares, India's telecom industry could see a further round of consolidation involving smaller players who may find it hard to survive.

6. Jio could impact the online content market in India: Cheap and fast data mean only one thing: people will gorge on more and more audio-visual content online. Jio has launched at a time when video streaming service Netflix is struggling to get a foothold into the price conscious Indian market, where rivals like Hotstar are already jostling for space. This, even as Amazon is waiting in the wings to launch its video streaming service in India. The Jio suite offers more than 300 live streaming TV channels and hundreds of music albums and movies. Although this will be available free till the end of 2017, Jio hopes to cash in on this after that. This will force other incumbents to up their game in the online video streaming space, and we could see significantly more original online content, and significantly higher ad spends, especially around tournaments like the Indian Premier League.

7. Providing competition to rivals

Jio may also offer the mobile number portability (MNP) facility to customers from other networks in order to extend its consumer base. Additionally, it may also provide unlimited voice calling and data services to the MNP customers. SA three-month long free access to Jio's services may go a long way towards ensuring that subscribers switch their preferences to Jio. The telecom company's affordable prepaid plans will also provide tough competition to incumbent operators.

Rival Moves

1. Advertisement Cost

The rivals of Reliance Jio as top carriers Bharti Airtel, Vodafone India and Idea Cellular jacked up spending on promoting their latest price points and services to ring-fence users from Jumping ship to

Reliance Jio Infocomm. The study shows that these companies had increased their ad expenditure 10-15 % since launch of Reliance Jio along with boosting their telecoms strategies to promote their brand impact on the high fluctuated customer market⁶.

2. Hyper Competition

Reliance Jio Launch with Jio Lyf Mobile feature to make easier to promote its offers to get users to make it the primary SIM. Currently, most of its customers use it as a secondary operator and for customers to shift loyalty. Advertisement makers working with these telecom companies for their marketing campaigns across media platforms, there seems to be a consensus that with Jio rolling out its tariffs, campaigning wars will only intensify. This would pressurize telecoms at a time when revenues are falling and margins are thin, but this is unavoidable.

3. Merger in Telecom Industry

At the same time as reacting to Jio's expected advertising barrage, Idea and Vodafone had focused on their different set of consumers if their merger goes through. Vodafone, sponsored IPL, an envious slot because of the game's popularity, is strong with urban subscribers while Idea focuses mainly on a rural, semi-urban user base. With a future plan both the companies, of getting merged to become the largest operator in India by revenue market share and subscribers. Vodafone, according to reports, will hold 45 percent stake in the new company, while Idea Cellular will have a command of more than 26 percent stakes.⁷ Vodafone and Idea (presently number two and three in the market) will become the number one player in the Indian telecom market, pushing Bharti Airtel, the market leader right now, to the second position⁸.

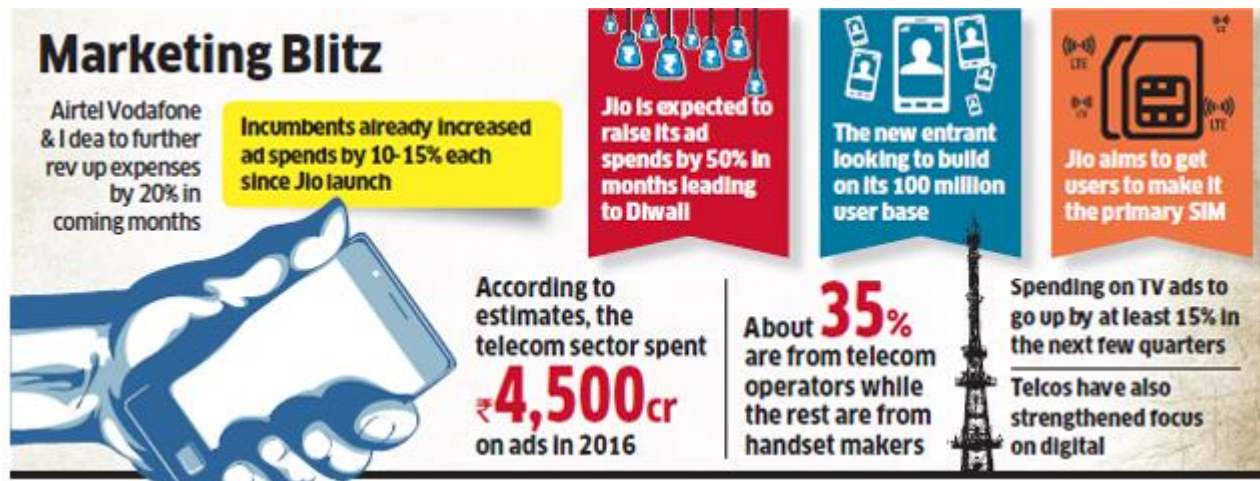
The Idea-Vodafone merger comes with curious timing. Ever since the entry of Reliance Jio, the Indian telecom sector has been in a kind of tussle. All telecoms have been slashing prices and trying to win back, or consolidate their customer base, post Jio's freebie-heavy market strategy. This merger too can be analyzed in this context. The cut-throat competition set by Mukesh Ambani has perhaps led to this merger (that's a small step away from cartelization. After all, there are only a handful of key players in the industry). Already, both Vodafone and Idea have slashed their prices to offer better added services to its

⁶ <https://economictimes.indiatimes.com › News › Company › Corporate Trends>

⁷ <https://economictimes.indiatimes.com/news/company/corporate-trends/idea-merges-with-vodafone-to-create-indias-largest-worlds-2nd-largest-telecom-company/articleshow/57741270.cms>

⁸ <https://www.dailyo.in/technology/vodafone-idea-merger-reliance-jio.../16274.html>

customers. Additionally, these telecoms are likely to make the plans more attractive post the merger with more capital, and a cut-down on a lot of redundancies. The merger will also lead to a sharing of spectrum and towers which will lead to a decrease in costs. This would surely lead to better, more competitive offers from the company's end now.



Source: <https://economictimes.indiatimes.com/news/company/corporate-trends/cut-throat-competition-form-jio-forces-airtel-voda-idea-to-up-spending-on-ads/articleshow/57564661.cms>

Tariff by Tariff competition

Here are the best data and voice offers from Reliance Jio, Vodafone, Airtel and Idea⁹:

Reliance Jio

The Rs 399 plan (for Prime members exclusively) offers 84GB of data for a period of 84 days with an FUP of 1GB per day. Earlier the company had launched the same offer for Rs 309. However, that plan has been reduced to a validity of 56 days with a data of 56 GB. For users that have a higher demand for data, Reliance Jio is offering 2GB per day for 56 days at a price of Rs 509.

Vodafone

For a similar price of Rs 349 Vodafone is offering 1GB per day and unlimited voice calls on all handsets for a validity of 28 days, which amounts to 28GB of data. Vodafone also offers special data plans for new 4G smartphone buyers where they send specific plans by sending an OTP to the Vodafone number.

Airtel

Airtel matched Reliance Jio's offer by giving 84GB of data for 84 days at a price of Rs 399. The offer is only available on 4G H/S and 4G SIM. For Airtel users with heavy data usage the Rs 549 plan gives unlimited calls along with 2GB 3G/4G data per day on 4G H/S. However, this offer will only be valid for 28 days.

Idea

Idea is offering unlimited On-Net calls along with 3000mins and 70 GB 4G/3G data for 70 Days (1GB per day) at a price of Rs 399. The company is also offering 5% of the MRP as talk time on this recharge.

⁹ www.businesstoday.in/sectors/telecom/reliance-jio-airtel...idea.../257492.html

Table No. 1
Comparison Companies offerings

	Airtel 345/349	Vodaone 346	Idea 345	Jio Prime 303
Voice calls	Unlimited	Unlimited	Unlimited	Unlimited
Data	28GB	28GB (56GB for first month)	28GB	28GB
FUP	1GB (500 MB day, 500 MB night)	1GB	1GB for new customers (500MB for existing)	1GB per day
Validity	28 Days	28 Days	28 days	28 Days

Source:<http://www.firstpost.com/tech/news-analysis/jio-vs-airtel-vs-vodafone-vs-idea-how-mobile-network-operators-are-tackling-jios-new-prime-plans-3698745.html> Published Date: Mar 04, 2017 12:12 pm

Initially Reliance Jio announced¹⁰ its new strategy for its customers, offering Jio Prime¹¹ Membership for an introductory price of Rs 99 for the first year. The company also announced Jio Prime Membership plans wherein the Rs 303 plan is quite an attractive offer as it gives customers the same benefits that were made available in the 'Happy New Year' offer. This means mess for other mobile network operators and as probable, they have responded. Airtel, Vodafone and Idea have announced their own offers to counter Jio's competitive offers.

Airtel's new plan¹² offers 1GB 4G data per day and unlimited voice calls to any operator at Rs 349 for a month. The catch is, the daily cap is 500MB during day and 500MB during night (3 AM to 5 AM) and is valid for all 4G users.

Vodafone is offering a similar plan where at Rs 346, customers get 1GB of 3G/4G data per day and unlimited calling valid for a month. Additionally Vodafone is offering double data (56GB) and double validity (56 days) the first time a user activates this pack¹³.

¹⁰ <http://tech.firstpost.com/news-analysis/reliance-jio-prime-membership-enrollment-to-start-from-1-march-here-is-all-you-need-to-know-364654.html?utm_source=also_read>

¹¹ <<http://tech.firstpost.com/news-analysis/reliance-jio-prime-data-plans-here-is-the-difference-between-jio-prime-and-non-prime-membership-364908.html>>

¹² <<http://tech.firstpost.com/news-analysis/airtel-now-offers-1gb-daily-data-and-free-calls-at-rs-345-a-month-365381.html>>

As for Idea, at Rs 345 it is offering 14GB of data with similar unlimited calling for new 4G customers through My Idea application. Current users get data benefits of 500MB of data per day for 28 days¹⁴.

Airtel following the Path

Bharti Airtel is giving a really tough competition to Jio as compared to the other network operators. It is being reported that Airtel has recently signed Rs. 402 crore pan-India deals with Nokia to compete with Jio in order to implement VoLTE calling technology. Bharti Airtel has recently deployed 4G Advanced technologies in a few areas including Kerala, Mumbai, and Bengaluru and promises to deliver 4G data speed up to 135 Mbps.

Vodafone's Strategy to Beat Reliance Jio

Vodafone is also expected to launch 4G VoLTE services in the next few months. Currently, the telecom operator is partnering with Nokia's¹⁵ IMS solution and is trialing VoLTE services to quickly take over Jio.

Idea Cellular is not far behind in the Race

On par with Airtel and Vodafone, Idea is also gearing up in the race and is perhaps at an advanced stage of discussion with Ericsson and Nokia¹⁶.

Conclusion:

The next few years could be a painful period for the entire industry. While increased competition—loss of customers, price reduction, etc. will result in high operational expenses, forced high apex spending would further strain balance sheets. The company also has formulated a different strategy to deal with heightened competition. Already Jio has twisted things malicious for the sector's fortunes with some calling its aggressive pricing strategies as predatory and anti-competitive and a section of the analysts writing it off as Freebies, Jio has empowered India digitally via, improve the quality of life, increase the market size with never ever cheapest tariff plan in the market and entrepreneurship opportunities.

Reliance Jio could do this only because of a visionary mind behind the company Mukesh Ambani—**"Think Big, Think Fast and Think Ahead"**¹⁷. A mere 45 days is what Jio needed to attain the coveted position of the world largest data carrier reporting traffic of 16,000 TB per day. While the top three telcoms —Airtel, Vodafone and Idea—may be able to survive the Reliance Jio stabbing to some extent, several smaller players may exit the business altogether.

REFERENCES

¹³ www.firstpost.com › Technology News › News-Analysis

¹⁴ www.firstpost.com › Technology News › News-Analysis

¹⁵ <https://www.gizbot.com/new-mobiles/nokia-mobiles/>'s

¹⁶ <https://www.gizbot.com> › Telecom › News

¹⁷ <http://dineshsharma.blogspot.in/2011/07/think-big-think-fast-and-think-ahead.html>

Anand, N (2016): “Aircel Bets Big on Data Plans For Growth,” 28 June, *Hindu*, <http://www.thehindu.com/business/Industry/aircel-bets-big-on-data-plans-for-growth/article-8784551.ece>.

Arun, M G (2016): “Mukesh Ambani’s Jio Gamble: Telcos’ Headache, Consumers’ Benefit,” 8 September, *India Today*, <http://indiatoday.intoday.in/story/ambani-jio-reliance-airtel-telecom-4g/-1/759330.html>.

Banerjee, Prasad (2016): “Understanding How Calling Works on Reliance Jio, Here’s the Answer to All Your Questions on How Calling Will Work on Reliance Jio,” 5 September, *Digit*, <http://www.digit.in/telecom/understanding-how-calling-works-on-reliance-....>

Dasgupta, Surajit (2016): “Airtel Launches Special 90-Day Free Data Pack for 4G Customers,” 23 September, *NDTV Profit*, <http://profit.ndtv.com/news/tech-media-telecom/article-airtel-launches-special-90-day-free-data-pack-for-4g-customers-1465486>.

(2016b): “Trai to Take Action for Call Failures on Rel Jio Network,” 20 September, *Times of India*, <http://timesofindia.indiatimes.com/business/india-business/Trai-to-take-action-for-call-failures-on-Rel-Jio-network/articleshow/54415814.cms?from=mdr>.

Financial Express (2016): “Reliance Jio 4G Plans Impact: Vodafone Now Offers 20GB Data for ₹998 in Gujarat,” 3 September, <http://www.financialexpress.com/industry/companies/reliance-jio-4g-plans-impact-vodafone-now-offers-20gb-data-for-rs-998-in-gujarat/366056/>.

Gupta, Deepali and Barman Arijit (2016): “Reliance Communications, Aircel Merger Gives Birth to ₹65,000 crore Giant; Talks on with Sistema for 25% Stake,” 15 September, *Economic Times*, <http://economictimes.indiatimes.com/articleshow/54332073.cms>.

Hindu (2016): “With 220 mn Users, India Is Now World’s Second-biggest Smartphone Market,” 3 February, <http://www.thehindu.com/news/cities/mumbai/business/with-220mn-users-india-is-now-worlds-secondbiggest-smartphone-market/article8186543.ece>.

Hindu Business Line (2016): “Telcos Cry Foul Over RJio’s Test Services,” 9 August, <http://www.thehindubusinessline.com/info-tech/telcos-cry-foul-over-rjios-test-services/article8965019.ece>.

Khanna, Sundeep and Pathak Kalpana (2016): “Reliance Jio Sends a Message to Rivals: It’s War,” 2 September, *LiveMint*, <http://www.livemint.com/Companies/D4leWGT0Pio6OYUQg2CEP/Mukesh-Ambani-kicks-off-Reliance-Jio-services-at-company-AGM.html>.

Mint (2016): “News in Numbers—India to Have 651 million Smartphone Users by 2019, Says Report,” 28 March 2016, <http://www.livemint.com/Politics/TPCtIaJodIX0SQs6ZLbWjJ/News-in-numbers--India-to-have-651-million-smartphone-users.html>.

Mankotia, Anandita Singh (2016): “Reliance Jio’s Presence will Increase Demand, Make Auctions More Competitive: JS Deepak, Telecom Secretary,” 19 September, *Economic Times*, <http://economictimes.indiatimes.com/articleshow/54399675.cms?>

Mehta, Uday Singh (2008): “Predatory Pricing: Lessons for Developing Countries,” Briefing Paper for CUTS Centre for Competition, Investment & Economic Regulation (CUTS C-CIER), No 3.

Parbat, Kalyan (2016): “Reliance Jio Interconnect Bill May Hit ₹2,400 crore in Its First Year,” 27 August, *Economic Times*, <http://economictimes.indiatimes.com/articleshow/53880460.cms>.

Press Trust of India (2016a): “Will Match Reliance Jio ‘Tariff-by-Tariff,’ Says BSNL,” 6 September 2016, *Hindu*, <http://www.thehindu.com/business/Industry/will-match-reliance-jio-tariffbytariff-says-bsnl/article9076272.ece>.

(2016b): “Airtel, Aircel Spectrum Trading Deal Cleared,” 11 July, *Business Standard*, http://www.business-standard.com/article/companies/airtel-aircel-spectrum-trading-deal-cleared-116071000091_1.html.

Reliance Jio (2016): “Reliance Jio Infocomm Limited; Affordable and Simple Tariffs,” <https://www.jio.com/en-in/plans>.

<https://yourstory.com/read/5d0f0dc0b2-how-reliance-jio-unleashed-the-much-needed-digital-tsunami-in-the-indian-telecom-industry>

<https://telecom.economictimes.indiatimes.com/news/reliance-jio-entry-how-idea-cellular-will-navigate-this-painful-period-successfully/53373626>

<http://www.slinfy.com/blog/airtels-latest-strategies-to-tackle-jio>

<http://www.financialexpress.com/industry/sunil-mittals-game-plan-for-bharti-airtel-to-tackle-competition-from-reliance-jio-freebies/916667/20-03-2017>

<https://www.dailyo.in/technology/vodafone>

<http://www.indiaprwire.com/pressrelease/telecommunications/20160721416386.htm>

<http://www.epw.in/journal/2016/39/web-exclusives/reliance-jio-predatory-pricing-or-predatory-behaviour.html>

<https://www.gizbot.com/telecom/news/airtel-s-new-10-day-international-roaming-plan-offers-255-minutes-free-035890.html>

<https://www.gizbot.com/telecom/features/reliance-jio-effect-vodafone-1-gb-free-3g-data-how-to-get-news-035888.html>

<https://www.gizbot.com/telecom/news/reliance-jio-effect-idea-now-offers-1gb-data-a-year-at-just-035835.html>