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Marketing Analysis of Telecom Industry: A Case Study of Jio and Airtel

By:

Sanskriti Kariwal[1], Shivani Mehta[2]

[1] Student of Amity School of Economics, Amity University Uttar Pradesh, India

[2]Assistant Professor-II, Amity University Uttar Pradesh, India

Title: Marketing Analysis of Airtel and Jio

Abstract: The telecom industry in India is an ever increasing industry, as technology is at its prime in the world, more and more people all around the country are reaching out to the small digital wonder i.e the mobile handset. With the increasing usage of mobile phone there is increase in telecom subscriptions, both wireless and wireline. Two such Indian telecom giants to provide subscription are Reliance led Jio and Bharti led Airtel. In the era when globalization is at its prime, and innovation and sustainable trade practices are the key to success, Jio has come to stay. Through the advancement of its free voice calls and cheap data services, Jio has a sustainable business model. The paper mainly discusses the disruption of the telecom market by Jio since its advent through expanding mobile utilization exponentially to develop the market, crush out old fashioned contenders and construct gigantic consumer loyalty. The paper also discusses the various inventive techniques adopted by Jio to erupt the market. Finally policy implications for other Indian telecom players to adopt the sustainable business model like Jio are outlined.

Key Words: Telecom, Jio, Airtel, Market capture

Chapter 1. Introduction

"Growth is a way of life and we have to grow at all times"

– Mukesh Ambani

India is at present the world's second-biggest broadcast communications hub with a supporter base of 1.17 billion and has enrolled solid development in the previous decade and half. The Indian portable handset economy is developing quickly and will contribute significantly to India's Gross Domestic Product (GDP). Application downloads in the nation became around 215 percent somewhere in the range of 2015 and 2017. The liberal policies of the Government have acted as a catalyst in the rapid growth of the telecom market along with the increasing consumer demand. JIO from Reliance is being connected as one of the greatest start-up seen by the world, with a hidden endeavour of nearly Rs 1.5 Lakh crore and it is one of the best Greenfield advanced endeavours. (Joy and Bahl, 2017)

The two major players of the industry that we focus on are Jio and Airtel. As identified by The Economic Times, other companies namely, Vodafone Idea, BSNL have only marginalized portion of the market while some like Aircel have perished due to intense competition. (Economic Times Report, 2018)

Bharti Airtel is one of the largest service providers in the country. The company offers an integrated suite of telecom solutions to its enterprise customers, in addition to providing long distance connectivity both nationally and internationally. In India, the organization's item contributions incorporate 2G, 3G and 4G wireless and wireline subscriptions, versatile trade, fast home broadband, DTH, venture administrations including international and national services with long distance services. According to the statistics by Statistica, Bharti Airtel reported a revenue of about 18,000 crore Indian rupees for the quarter ending December in 2018, with a subscriber base of more than 300 million in the country, Airtel is a big fish in the sea Indian telecom market. (Statistica Report, 2018)

“Any business which has the sole purpose of making money, is not worth doing”

-Mukesh Ambani

As pointed out by Indian Brand Equity Foundation, Jio by Reliance is a whole environment that enables Indians to carry on with the digital advanced life without limit. This environment system comprises of ground-breaking broadband systems, valuable applications, top tier administrations and brilliant gadgets dispersed to each doorstep in India. Jio's media contributions incorporate the most thorough libraries and projects of recorded and unrecorded music, live sports and get up to live TV, motion pictures and many more events. According to the Economic Times, Reliance Jio posted a revenue of 12,000 crore Indian rupee for the quarter ending December in 2018. Within 22 months of its start in 2016, the company has doubled their customer base to over 215 million. It is a record that no technology company has been able to achieve anywhere in the world. The company has a current market share of 13.71% in terms of wireless subscribers (4th largest service provider).

Reliance led Jio is butterfly, which has emerged out of its cocoon in the Indian telecom market. (TRAI Report, 2018)

Jio and Airtel both offer free HD quality VoLTE calls under their 4G speed network, along with faster call set up time. VoLTE enables an administrator to offer both voice and information over a 4G LTE system. The huge preferred standpoint of VoLTE is that call quality is better than 3G and 2G associations.

The paper dwells deeper into, the factors influencing the choice of customers, for their telecom subscriptions and compares the performance of the players in the study i.e. Airtel and Jio. The study compares the market performance of Airtel and Jio through factors such as subscriptions and revenue. Using Granger Causality Test, it tries to evaluate the cause and effect relationship between the two parameters. Further it details out the factors responsible for the better performance of Jio in the market. Finally, the study concludes with policy implications for strategies that other telecom players should adopt based on Jio's experience and suggest strategies which can be applied by other players to attain a sustainable model like Jio.

Chapter 2. Trend Analysis of Telecom Industry: A Case Study of Jio and Airtel (2016-18)

With the growth in the telecom market, the average growth rate of subscribers and eventually revenue of the companies have been increasing. Jio, although being a new player in the market has captured a major portion of the market in a very short span of time, the chapter

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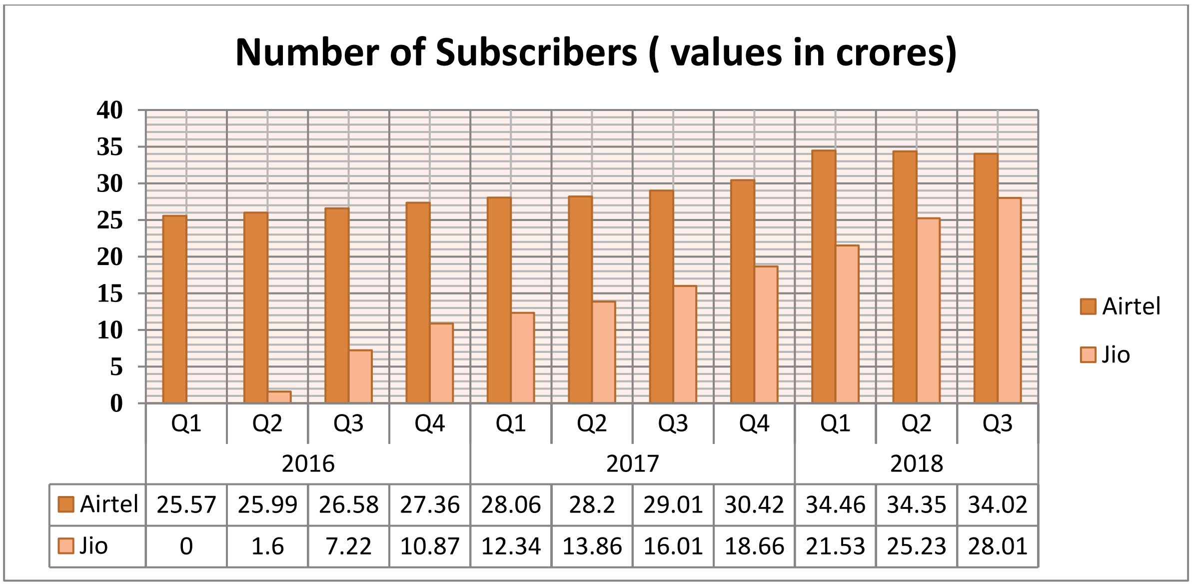
consists of trend analysis of the subscribers and revenue of the telecom giants Airtel and Jio factors from the time period 2016-18.

Figure 1: Subscribers of Jio and Airtel



	2016 Q1	2016 Q2	2016 Q3	2016 Q4	2017 Q1	2017 Q2	2017 Q3	2017 Q4	2018 Q1	2018 Q2	2018 Q3
Airtel	25.57	25.99	26.58	27.36	28.06	28.2	29.01	30.42	34.46	34.35	34.02
Jio	0	1.6	7.22	10.87	12.34	13.86	16.01	18.66	21.53	25.23	28.01

Source: Telecom Regulatory Authority of India

After the launch of Reliance led Jio in September, 2016, we can see the interruption created in the market. An exponential growth rate of 351% in the 3rd quarter of 2016, has put Jio is an advantageous position to capture the whole market soon. (TRAI Report, 2018)

Also, since the advent of Jio we see a Bharti led Airtel is also gaining more and more subscribers, the reason for which is contributed to the growing number of wireless telecom subscriber base in the country. Jio acted as a catalyst in the growth of the subscribers due to which the subscriber base of most of the players in the telecom market has increased. Jio's competitive offerings forced the other players to make their offerings competitive leading to an increase in their subscriber base as well.

Similarly, Jio has shown an exponential growth rate of 510% in the 2nd quarter of 2017 and has increasing revenue ever since, as shown in Figure 2. It can be observed that Airtel has been losing revenue since Jio entered the market. Revenue in the telecom industry is very sensitive towards changes in tariff plans and the plans for the broadband services and calling. A slight change in the tariff plan can largely affect the revenue of the companies. Revenue of

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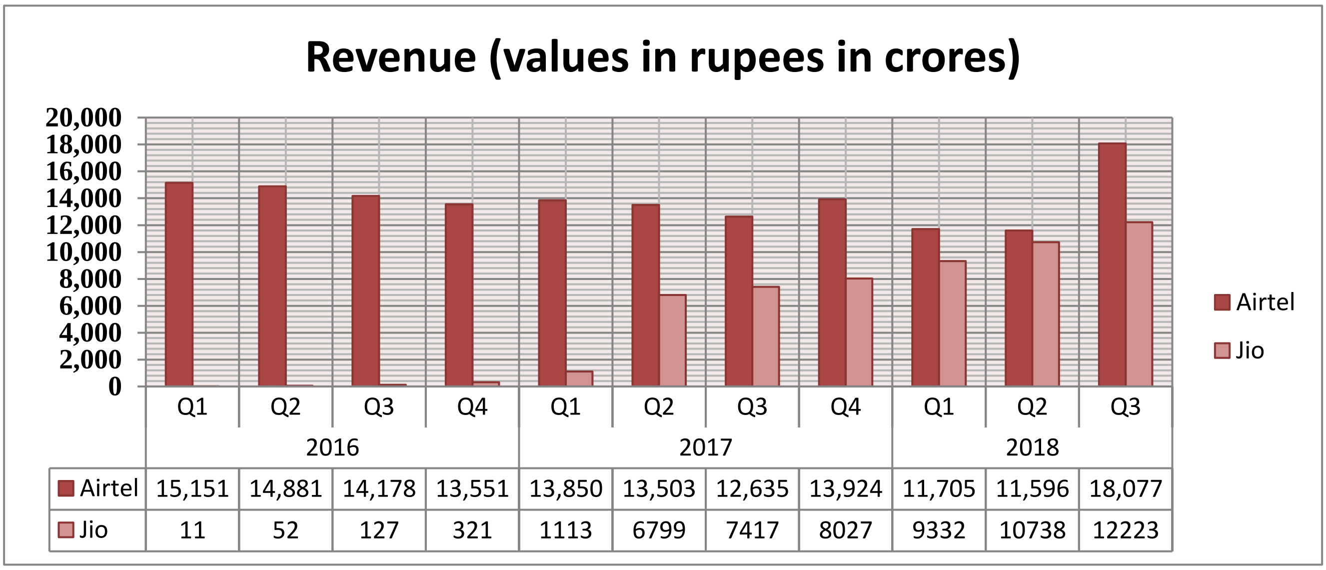
Airtel has been dwindling since 2016 and 17, it picks up a little in the last quarter of 2017 only to fall back. (TRAI Report, 2018)

Intense competition in the telecom industry has dragged down major companies to a point of bare survival. In this race of capturing the market and maintain their subscriber base, companies in a saturated market have been forced to reduce their tariff. Apart from the reduction in tariff, price reduction has been achieved thorough continuous technological innovations and improvements in the telecom market.

Figure 2: Revenue of Airtel and Jio



Source: Telecom Regulatory Authority of India

Having studied the trends of subscribers and revenue growth of Airtel and Jio in the time period 2016-18, the following figure 3 and figure 4, analysis the upload and download speed of the given two telecom firms, Airtel and Jio for the year 2018.

Figure 3: 4G Download Speed of Airtel and Jio

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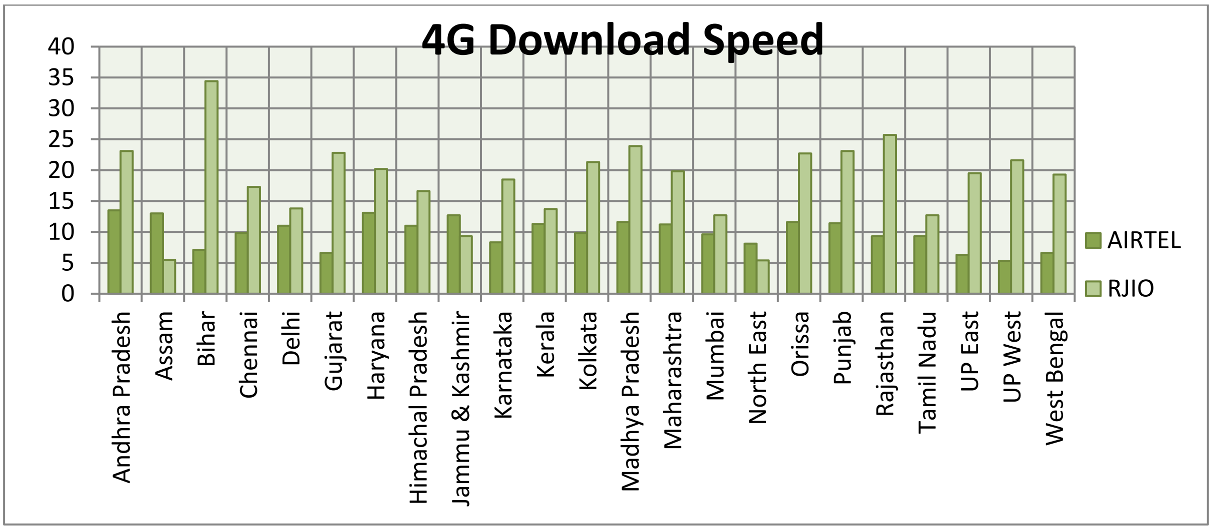
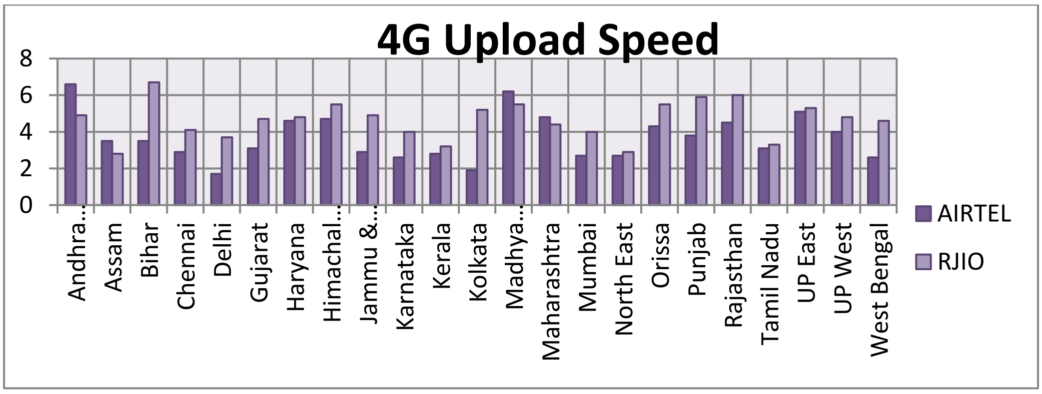


Source: Telecom Regulatory Authority of India

In the data collected from TRAI's website, it can be seen that out of 25 marked territorial areas, Jio has a higher 4G Download speed in 22 states i.e in 88% of the places Jio has better Download speed, Jio has an average of 20.3 Mbps, while the average download speed of Airtel came around to be 9.4 Mbps.

Figure 4: 4G Upload Speed of Airtel and Jio



Source: Telecom Regulatory Authority of India

Jio is seen to have an upper hand in the upload speed too. Out of 25 marked territorial areas, Jio has higher speed in 22. The average speed of Jio is 4.6 Mbps while that of Airtel is 3.6 Mbps

Based on the analysis of crucial factors over the years presented above, it is clear that Jio has captured a large and significant portion of the market in a very short span of time, and has proved itself to be a strong competitor, challenging mega firms and giving them a run for their money. Now, we delve deeper into the factors and their cause on one another, also providing an intuition in the choice of factors.

Chapter 3: Data Analysis

In a study conducted by Venkatram and Zhu in their paper titled, "An Analysis of Factors Influencing the Telecommunication Industry Growth", found no. of subscribers and 4G speed as two major factors influencing the revenue of the telecom industry.

According to Porter's Five Force Theory, the growth of subscriber numbers can be related to the strength required to compete with existing competitors. Another important factor relating to the number of subscribers in the telecom industry, is it helps in capturing significant client related data. Administrators keep up databases with individual data and decision, which is gathered amid the enlistment and crossing out procedures. Clients are regularly obliged to give individual data just as sincere beliefs on the item or operator. This data is important for the organization and the business to see better their client's practices, inclinations, and divisions, which gives fundamental measurements so as to improve the productivity in the future.

Revenue is considered to be the most important factor while measuring the growth of any company, similarly in the case of telecom sector, revenue of the company plays a major part in accessing their growth. Various economists have used Granger Causality Test in understanding the correlation between the dependent and independent variable, throughout the years, Venkatram and Zhu in their study use Granger Causality Test to determine the cause of subscribers and revenue. Taking this as the guiding principle, Granger Causality Test is applied in the study through EViews software.

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Airtel

Null Hypothesis:	Obs	F-Statistic	Prob.
SUB does not Granger Cause REV	9	6.47824...	0.0556...
REV does not Granger Cause SUB		3.59869...	0.1276...

Jio

Null Hypothesis:	Obs	F-Statistic	Prob.
REV does not Granger Cause SUB	9	4.66235...	0.0901...
SUB does not Granger Cause REV		6.49582...	0.0554...

According to the 5% standard of probability, hypothesis with a P value below 0.05 can be rejected. Therefore, we can reject the Null Hypothesis that Subscribers does not Granger Cause Revenue for both Airtel and Jio and fail to reject the Null Hypothesis that Revenue Granger Cause Subscribers for both Airtel and Jio.

This tells us that the selected factor i.e. subscribers directly relate to the revenue, which is true for Jio, as the subscribers and subsequently the revenue have been increasing exponentially. Which is not the case of Airtel however, as with increasing subscribers, Airtel has fluctuating revenue through the time period 2016-18. Intense competition in the telecom industry has dragged down major companies like Airtel to a point of bare survival. In this race of capturing the market and maintain their subscriber base, companies in a saturated market have been forced to reduce their tariff.

As seen above, Jio has emerged as a big fish in the market in such short span of time , some of the reasons attributed for the same are:

Free sim card, data: Initially, when Jio came into the market, it established its niche by giving out free sim cards and providing free calling and free 4G Speed internet for negligible charges(Joy and Bahl,2107). Once it had lured the customers into using high speed internet and made accustomed to it, then it introduced its plan of Jio prime membership, which required every customer to enrol for the yearly prime membership to keep enjoying the same benefits.

Low cost mobile phones: Jio further launched its phone, at low prices; the main motive behind its launch was to lure rural customers by providing them latest technology at low prices. Most of the rural population in India uses low cost mobile phones and they uses technologies like 2G & 3G.(Joy and Bahl,2017)

Free access to entertainment apps: Jio has launched a variety of app in the entertainment section, namely, Jio Mags, Jio music, MyJio, Jio TV, Jio pay etc, and a free account and subscription was awarded to every Jio subscriber, which further created a well versed place in the telecom market for Jio.(Joy and Bahl,2017)

Affordable tariff plans: Jio started the trend of affordable tariff and provided such plans with brought a complete change in the telecom market, with the advent of Jio the recharge cycle of the consumer has also changed as Jio has monthly, 3 monthly, half yearly and yearly plans, depending on the requirement of the user. All the Jio plans provide free voice calling and Jio to Jio video calling and 100 free sms per day.

Jio with its new technology was quick enough to capture a major portion of the market in a short span of time, which also accentuated due to the various schemes launched by Jio, Airtel although having a higher market share at present, might lose it to Jio in the future. Further, the next chapter discusses various policy recommendations that Airtel can apply, taking Jio's experience into account.

Chapter 4: Policy Recommendations

Jio, although being a new player in the market, has emerged as a big player in the market While Airtel on the other hand has showed an increasing trend of subscribers but could not maintain its revenue growth. Jio providing its customers with free sim cards upon launch, low cost mobile phones with 4G data access and introduction of VoLTE technology along with a free access to a bundle of entertainment apps, moreover, all these under affordable tariff plans is what attracted the customers towards it.

With the ever increasing growth in the telecom industry in the country, a company needs to keep upgrading its policies and be at par with the dynamic nature of the industry. Based on

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the experience of Jio, the policy implications for strategies for others firms in the industry are as under:

***Wider coverage**:* Jio before stepping in the market, established and set up towers all over the country, covering even remote locations, other companies should reach out to the remote locations of the country which are in dire need of technology

***Improvised Speed*: ** Jio has laid towers in excess of 2.5 lakh kilometres of fibre-optic links, covering 18,000 urban societies. Jio was the first company to come up with VoLTE in 2016 with 4G Speed, slowly the other players are following the lead and catching up, other players should start laying tracks and setting up towers for high speed internet.(Joy and Bahl,2017)

***Massive Marketing*: ** Jio has engaged in massive marketing techniques, with hoardings all over the country, companies should invest heavily in marketing.

***Sustainable Business Model*: ** Building a sustainable model is very essential in today's dynamic business environment.

The changing and the growing industry requires one to be at par with its dynamic trend, all the companies in the industry must adapt the dynamic approach and taking Jio as an example, apply the above mentioned strategies to attain a major position in the market.

Chapter 5: Conclusion

Reliance Jio is the 4th largest wireless telecom service provider by capturing about a market share of about 13.71% within a short life span of about 15 months. Jio has definitely captured a huge portion of the market in such a short span of time, through its various strategies, like low tariff plans, free access to entertainment app and low cost mobile phones Jio was successful in attracting customers towards it. Since, Jio has entered, the other players in the market namely, Vodafone Idea, BSNL are left with much marginalised part of the market.

Through the Granger Causality Test it was also found that the no. of subscribers Granger Cause the revenue of the company for both Jio and Airtel. While on one hand the causation is positive for Jio, nothing can be said about that of Airtel as with increase in the subscribers, Airtel does not compulsorily have an increase in revenue in all the quarters.

The telecom industry is dynamic in nature, plus the liberal policies of the government have boosted the growth of the industry, Jio and other companies have huge scope of growth in the current scenario.

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Appendix

Table 1: Statistics of Airtel

Airtel			
Year		REV	SUB
2016	Q1	15,151	255734650
	Q2	14,881	259940666
	Q3	14,178	265852605
	Q4	13,551	273648383
2017	Q1	13,850	280647317
	Q2	13,503	282047469
	Q3	12,635	290113079
	Q4	13,924	304191806
2018	Q1	11,705	344564121
	Q2	11,596	343523345
	Q3	18,077	340259315

Table 2: Statistics of Jio

Jio			
Year		REV	SUB
2016	Q1	11	0
	Q2	52	15979745
	Q3	127	72157644
	Q4	321	108680772
2017	Q1	1113	123363870
	Q2	6799	138615904
	Q3	7417	160091242
	Q4	8027	186560828
2018	Q1	9332	215255701
	Q2	10738	252252003
	Q3	12223	280117768