

BUSINESS ENVIRONMENT ANALYSIS: A CASE OF RELIANCE TELECOM LTD.

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Abstract

Every organization get effected by the surroundings in which they operates and it is quite imperative for them to keep into consideration the impact of the environmental factors like social issues, government policies, competitors etc. on their performance. The recent enhancement in the structure of telecom industry and data services by the service provider with the launch of Reliance Jio and because of rising competition pushed the Indian telecommunication to the next level. With the entry of Reliance Jio the usage of network services became seamless for people who refer the availability of good network. The current study is conducted to identify and analyze the business environment in which Reliance Telecommunication operates. The study reveals various internal and external factors which can facilitate the strategic managers in identifying CSFs and KPI's

Key words: Telecommunication, Business environment, SWOT, PEST

1. Introduction

It's been almost 170 years when telecom industry has established its foot on the grounds of India. For the initial time frame, there was no other participant expect the government to act as the telecom service provider, resulting into the monopoly in the nation. But with the passage of time some or another private players has joined the telecom industry or telecom market. This sudden entrance of private companies resulted in the fluctuation in the service rates and employments benefiting both the individual and economy as a whole. Due to the stiff competition and to have a dominant place in the market, services have been improved like as never before. The same change and formulating of strategies has been seen in the recent years 2016 to 2019. There is no doubt that there has been a significant growth in the Indian mobile market and the same will chip in to the nation's Gross Domestic Product (GDP) growth as per the report published by the GSM Association (GSMA) in collaboration with the Boston Consulting Group (BCG). Along with that telecom industry always been a major source of revenue for the government after the income tax department. The telecom industry is likely to put in as much as 90% of the government's non-tax revenue. And Reliance Jio Infocomm Limited, popularly known as Reliance Jio or just Jio, is one of the major player of Indian telecommunication company, owned by the Reliance industries, Jio was launched on 27 December 2015 but became publically available on 5 September 2016. This subsidiary of Reliance uses only voice over LTE to provide voice service on its 4G network instead of providing 2G Or 3G services. The revolution brought by the company in the telecom sector has made it the world's largest data network on the basis of consumption of mobile data by the users. With over 387.5 million subscribers, Reliance Jio has become the 3rd largest mobile network operator in the world and the largest one in India, as of 31 December 2019. The company also offers home broadband, television, and telephone services since September 2019. Other line of products provided by the company founded by Mukesh Ambani include- Fixed line telephone, Mobile telephony, Wireless broadband, Internet services and OTT Services. On 5 September 2016, the company launched its services commercially. Just in the 1 month of its launch, Jio has witnessed 16 million subscribers and 50 million in 83 days, 100 million by 22 February 2017, 130 million by October 2017 and finally 370

million on Jan 17,2020.

The current study is conducted to analyze the business environment in which Reliance Telecommunication operates. Internal and external factors are studied as per SWOT and PEST model of business environment analysis.

2. Review of Literature

S. S. Jasrotia, R. L. Sharma and H. G. Mishra (2019) have generated total 7 factors to determine the influenced behaviour of customers which were tariffs; speed of internet data, brand endorsement, value added services, image of service provider, brand image and innovative company. The study revealed that Reliance has led to shut down or mergers of various key service providers and losses of jobs and observed that Reliance Jio has changed the scenario of how Telecom Industry used to work, as now people became more sensitive to the price of service along with quality of internet speed and voice calls etc. **Jyothika M J (2019)** has considered the effect in the price of shares of the service providers of Telecom Industry along with other objectives and concluded that investors shown an interest towards the introduction of Jio shares. Existing barriers made the survival of others companies difficult. Many investors have also reported change in their investing behaviour and in their respective portfolio with the possibility in the hike of share prices of Telecom sector. **Gupta, K. Raghav and P. Dhakad (2019)** concluded that the competition has risen to its peak after the introduction of Jio. Some of the competitors have to go for the M&A to while others had to change their strategies forming a completely new one. Adding further to that customers were quite satisfied with Jio services but some complained about its lacking in customer services. **A. Lonare, R. Swamy, S. Shrivastava and V. Shah (2018)** have emphasised on the probable reasons for customers switching to Jio, market strategies adopted by and the changes in revenues of other service providers before and after the introduction of Reliance Jio. Prices, brand value, data speed, voice call quality, customer service etc were some of the independent variables identified. With this study it was revealed that there was a huge drop in the revenue of the other service providers after the launch of Jio. The three major factors that lead to the switching of customers to Jio which were monthly expenses, the plans offered by the Reliance Jio and the effect of promotional activities. Along with that they identified penetration strategy adopted by the Reliance Jio as one the reason of significant increase of its market share. **R. Patlolla and M. R. Doodipala (2018)** have discovered that there was a significant change in the awareness level and satisfaction of the customers with the launch of Jio but reported a required for the improvement in the network coverage. It was too observed that many subscribers use Airtel as their primary network and Jio as secondary for high speed data. Researchers also mentioned that *geographical* factors play a crucial role for the Reliance Jio. **T. Joy and S. Bahl (2018)** have analysed the satisfaction level of customers on the basis of 4G data speed and call quality & experience rating with the help of data from TRAI Analytics Portal. The various strategies that were undertaken by the Reliance Jio were categorised into three major heads: Market disruption, Pricing disruption and Operational strategy. Author concluded that 78% people were satisfied with the call quality and experience and there was a significant change in the pricing behaviour which shifted from typical monthly to variety of packages and in the spending and frequency of recharges. **T. Daga, V. Chandra and A. Malik (2018)** have analysed the contribution of Reliance Jio and government in digitalising India and changing the structure of Indian telecommunication sector. For this the statistical tools that were used while analysing the data were bivariate comparison, chart preparation, “McNemar hypothesis” and the Microsoft excel. At the end it was revealed that by offering cheap rate plans Jio has changed the lifestyle of subscribers in toady world. Along with that respondents also believed that initiative taken by the government in regards to ‘Digital India’ program has also helped India and telecommunication to enhance itself towards digitalisation. **Indumathy. R, R. Rajkumar and Velmurugan. G (2018)** identified factors like sim usage, data, calling service and services offered to study about the preferences and satisfaction

of customers. Many users prefer Jio as their secondary network because of the better data services. It was also observed that there is a significant relationship between demographical factors like occupation and age with the service preferences. As the end result it was revealed that users were highly satisfied with the Reliance Jio's data service, calling service, schemes and offers but suggested improvement in the network coverage and call connectivity. **Singh R. (2017)** has concluded that Reliance Jio has severely impacted the telecom industry by offering lowest data plans or free services. Revenues of the competitors have drastically decreased that resulted in the shutdown or mergers in the industry. Aggressive advertisement by Reliance Jio was also one of the key factors in the success. The entry of the Reliance Jio has impacted the working people too as there is a chances that 30% people can loss there jobs due to the upcoming automation in the industry. **Kalyani . P (2016)** observed that the balanced combination of marketing mix i.e 7 P's , elimination of paper work while subscribing for the connection , capability to offer cheap mobile phones and high speed data made Jio a successful project. Targeting the younger generation and high advertisement and mouth to mouth publicity also worked in the favour of Reliance Jio.

3. Discussion

SWOT Analysis

A renowned technique for analysis and audit of the strategic reputation of a business its overall environment is is conducting through SWOT analysis. The key aim of SWOT is to figure out the strategies which create a particular business model to best compliment the capabilities as well as the resources of the organizations for meeting its objectives. The internal factors in SWOT are taken to be the strengths and the weaknesses because it is assumed that there is a certain degree of control upon these two elements. Opportunities and threats on the contrary are taken as external factors because they are beyond the control of the management.

SWOT ANALYSIS OF RELIANCE JIO

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| Strengths ➤ Strong Strategy for Customer Acquisition ➤ Parent Company Support ➤ Loyal Consumer Base ➤ New technology ➤ Share in the market ➤ Advertising and branding strategies ➤ Wide and fast network ➤ Various offering ➤ LYF smartphone | Weaknesses ➤ Delayed market entry ➤ Issues of Activation ➤ Controversies of low prices ➤ Vital freebies ➤ Poor data connection ➤ Reliance Jio's ad campaign ➤ Non supportive of 3G |
| Opportunities ➤ Future driven technology ➤ Apps ➤ Competitive Pricing Strategies ➤ Expansion to other countries ➤ Partnerships and collaborations ➤ Focus on 3G customers | Threats ➤ Risk of loss of customers ➤ Loyal customer base of existing players ➤ Criticism and negative image ➤ Technology ➤ Government policies ➤ Mergers and collaborations of competitors |

Source: Compiled by Author

Strengths of Reliance Jio

Strengths are best elaborated as the gamete of activities that every business has and which gives it an edge over and above its competitor. Given below are the strengths that are possessed by Reliance Jio-

Strong strategy for customer accusation- till date Jio has probably had the strongest customer accusation strategy as it offered free internet services to its customer for almost three to six months. Many users switched from other brands to Jio just because of this Cracker Jack opportunity which marked its success in the broad history of the industry of telecom.

Parents company support- the reliance industry limited gives a very solid base to its subsidiary i.e. Reliance Jio. Its act as a backup promoting innovations in the future and has access to enough sources of funds. Reliance Jio already has a established reputation in the telecom world and Jio is naturally benefitted by it.

Loyal consumer base- in the very first 170 days after its launch Jio had already attained over 100 million subscribers and the statistic is so essential because no other brand has been able to register such a figure in such a short span of time, hence Jio's become the largest ISP (internet service provider) in India.

New technology- Jio provides the recent 4G LTE which is deemed to be one of the best network ranges for the future in the world. It is scalable and even supports 5G as well as 6G ranges making it convenient to engage in wireless communication.

Share in the market- Jio has made cost of the data much more affordable and hence becomes the leader in the race. It has put a pressure on its competitor to reduce the charges and has won the faith of the users in the telecom sector, thus capturing a huge market.

Advertising and branding strategies- the management has adopted very fine and detailed plans and procedures, and has made appropriate strategies for the branding and advertising the Reliance Jio. The lively campaigns and the lucrative offers, other than employing celebrities like Shahrukh Khan and Amitabh Bachchan as the brand ambassador Jio has targeted the millennial populations and has attracted a wide consumer interest.

Wide and fast network- there are 22 telecom circles all over India and Reliance Jio has made its presence known in each and every one of them. It is called to be an unhindered, reliable and quick network with lesser issues related to conductivity.

Various offering- Reliance Jio has a distinctive variety under the single name and has various services to offer like chats, games, movies, shopping and messenger. It gives a wide variety of alternatives to the customers so that they have the advantage of choice.

LYF smartphones- Reliance Jio saw an opportunity of selling smart phones which are affordable just to make it more popular among the masses with medium income groups. It also aimed at paving the way for the futuristic growth of the company.

Weaknesses of Reliance Jio

The internal resources and attributes that stand as a hindrance in the route to success and achievement of the standards of the organisation are counted under weakness. It is also looked upon as the areas where the business has an adequate scope for improvement. Some of such weaknesses of Reliance Jio are:

Delayed market entry - Jio made quite a late entry into the telecom market where vodaphone and Airtel had already occupied most of the customers and had established its roots already. The competitors were giving a stiff arm to Jio since the too had abundance of funds and we're very powerful MNCs in the telecom industries.

Issues of Activation - Numerous issues related to gestation was faced by Reliance Jio because it was difficult to contain the vast consumer base it had acquired. Owing to this genuine concern, a delay in the distribution and activation of the sims were observed.

High data dependency- Reliance Jio becomes highly data dependent since it's charges for call are free.

Controversies of low prices - Jio's market entry strategy with lower prices was severely criticized as unethical by the telecom participants. Jio had to face many allegations regarding the use of money laundering and corruption.

Vital freebies- Reliance Jio is offering various services without charging any fee from the customers which became an important reason for it's increased sales, but it wouldn't be affordable for the company in the future, creating a negative impact on the business.

Poor data connection- many Jio uders complain that the connection is really poor at times and the loading speed is also slow.

Reliance Jio's ad campaign- the ad campaign of Reliance Jio became a big controversy when they used PM's picture in their poster. Jio had to apologise for the same.

Non supportive of 3G- 3G was commonly used by indian masses at the time of launch of Jio. However, 3G was not supported by Reliance Jio.

Opportunities of Reliance Jio

Opportunities are the external forces in the environment of business on which an organisation try to capitalise on and gain in the future. Assessing opportunities increases the chances of being at the dominant position in the market.

Future driven technology- Being equipped with the 4G technology provides the Reliance Jio to expand itself to put up 5G and 6G networks too.

Apps- due to availability of VoLTE, Reliance Jio get itself plenty of scope in regards to bandwidth. Therefore, they are capable of offering the apps to their customer either for free of cost or against charges.

Competitive Pricing Strategies- Reliance can get itself into the new markets or expansions or increase in the market share as they are the only one operator who have the capability to provide service at lowest rate in the market which is out of the league for its competitors.

Expansion to other countries- at present Jio haven't quite established into the foreign countries which means that they have a chance to expand themselves.

Partnerships and collaborations- being in strategic alliance with the other digital firms or

organisations don't not only accelerate their growth but also open up the lots of opportunities.

Focus on 3G customers - there are still some people who haven't upgraded themselves to 4G. Therefore, Jio should also focus on those customers too and try to acquire them.

Threats of Reliance Jio

Threats are contrary to the opportunities. They are all those external forces that hamper the stability and profitability of the organisation. These too can affect the existence of any organisation.

Risk of loss of customers- Jio was able to acquire such a large base of customer in a short time period but all of these is only because of low tariff charges. Therefore, if Jio keep on increasing the prices they might experience a shift in customers.

Loyal customer base of existing players- As Jio entered quite late into the market it would be difficult for it to acquire the loyal customers of other network operators. Preferring stability and reliability over price can also be a constraint for any further acquisition of customer.

Criticism and negative image- involvement in number of controversies and unethical move shown by the Jio with the help of government to drop the prices all of the sudden may result in hampering the goodwill of Reliance Jio in the eye of customer.

Technology- Despite of being the operator with lowest tariff rate, it is not what can last forever. The Change in the behavior of Reliance Jio customers and impact on competition after the hike in prices up-gradation in technology is an inherent feature of telecom industry which may fire back the strategy of Reliance Jio.

Government policies- Being in the eye of TRAI for the allegation of predatory pricing, that permits the authorities to impose a fine of up to 50 lakhs per circle if any company ewith the market share of 30% tries to drops the prices to attain the dominant position in market.

Mergers and collaborations of competitors- the ongoing mergers and collaboration may give a tough competition to Reliance Jio.

PEST Analysis

PEST is the acronym that stands for political, economic, socio-cultural and technological. It refers to a structure of factors at macro-environmental level used as the tool for environmental scanning and to support in strategic management. It helps in understanding future potential of market i.e., its growth or decline, position of business, scope of expansion and operations.

It works on the external forces that are pertaining in the market or in an economy. It helps to track the significant change in the area of political, economic, social, and technological forces.

And to change the relevant actions required. It works as complementary to the SWOT analysis providing a more deep insight towards the other forces.

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The PEST analysis of Reliance Jio is as follows:

1. Political factors

Being in the allegation of predatory pricing (that refers to an operator who holds at least 30 per cent of market share and decreases the prices in any of the circle to attain dominant position over other service providers), TRAI has imposed the fine of 50 lakhs per circle. This allegation stopped the Reliance Jio to drops the prices any further. This also led to failure in attainment of various other benchmarks formed by the Reliance Jio. On its contrary, Jio has got lots of support from the government because of its contribution in the enhancement of Digital India.

2. Economic factors

Jio as entered in to market with the concept of zero charges data services and still it is one of the network that charges minimum prices as compared to the all others service providers. It is never easy to sustain or enter in to market where there is already a high level of competition and availability of various players. But Jio has done it by offering minimum charges for call rates, for their products etc. Being people extremely price concious in developing countries like India, Jio has emerged as the most profitable one.

3. Social factors

India sustains the majority of population with youth and the middle class people. By keeping this in mind Jio as targeted the millennials as they were the one who use the network mst frequently and are in the extreme need of it. Along with them, middle class people were also in the consideration of the Jio strategy to cover the market. The sudden rise in the number of subscriptions is the proof that Reliance Jio was able to attain the social factor or we can say acceptance of people in their favour.

4. Technological factors

Reliance Jio has always been ahead in the terms of technology in the investment in to infrastructure to support the same. They had made an investment of 1,500 crores in one stroke resulting in the better quality of services and high speed data with the use of optical fibre. Able to acquire the 4G technology in reasonable cost also plays an important part for being a market leader. The technology is likely to upgrade to the 5G and 6G in the upcoming future.

4. Conclusion

The study reveals various internal and external factors which can facilitate the strategic managers in identifying CSFs and KPI's. The analysis has identified certain threats in the macro environment which can be monitored and action can be taken to manage them. Further business environment analysis of Reliance telecommunication can also help in revision of its targets.

5. Limitation of the study

Dependence on secondary data is the major limitation of the current study, more accurate and detailed inferences could be made by conducting primary study.

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