

## **Contestable Market: Entrance of Reliance JIO in Telecom Industry**

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**ABSTRACT:** *In the concept of Contestable Market, when a new entrant enters the market and tries to earn supernormal profit by keeping the price of their products very low; the incumbent or existing companies face problem in getting profits as before. They also have to compromise in accordance to the market demand by that time, which subsequently means to lower their products' prices.*

*In this paper we're going to discuss about Jio telecom industry and their strategies, and how the market for broadband services got affected because of Jio's entrance into the market and the customers of broadband services.*

**KEYWORDS:** *Jio, Contestable Market, Rivalry, Incumbent Company, Market condition, Impact on customer.*

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### **I. INTRODUCTION**

For any business or a firm to grow, apart from the technical strategies, the number of customers is one of the most important factors. Every firm or industry tries to maximize its profit and capture a greater share of the total market. Here we'll talk about the Jio telecom industry. How Jio entered the market as a new entrant, yet was successful in capturing the limelight in a short span, in existence of the incumbent companies. Indian telecom industry has been facing tremendous growth by the entry of Reliance jio in the market. The Telecom industry plays a vital role in economic growth of our country such as GDP, employment generation, trade and investment. Reliance Jio Infocomm Limited popularly known as Jio is India's largest telecommunication company, founded by Mukesh Ambani. The company was registered in the year 2007 as Infotel Broadband Services Limited (IBSL) and in the year 2010 Reliance Industries Limited bought a 95% stake in IBSL. After this IBSL was renamed to what we know as now Reliance Jio Infocomm Limited. The company rolled out for a commercial launch in September 2016 and now has a full of a life subscriber base of 398.31 million as per the most recent report issued by TRAI (Telecom Regulatory Authority of India). It is considered to have brought about a revolution in the digital world by providing the cheapest 4G data and free voice call plans. Jio has truly transformed the lives of millions of Indians. It set a bench mark to other networks, that's why it stands in the leadership position while other networks are considering as followers. The business strategy of Reliance Jio is one of the biggest reasons for its success. During the starting years of the jio services it adopted 5 main business strategic plan which helped it in getting a leap in the market--

Acquisition – After the commercial rollout of Jio in September 2016, Jio offered free services to its customers for 3 months. This plan worked as the trump card for Jio to acquire the customers. Within one month, Jio was able to acquire 16 million subscribers.

Activation – The users were provided with the best experience, which was never provided by any telecom service provider. The unlimited high-speed, 4G data with unlimited calling was unimaginable to the customers.

Retention – Jio didn't stop here. On the occasion of the new year in 2017, they extended the free services to the users for another 3 months. Jio became the first-ever telecom company to provide 6 months of free service to customers. In just two and a half years into the business, Jio gained more than 300 million active subscribers. It took more than 19 years for its competitor, Bharti Airtel to reach such a number. Such was the power of Jio.

Referral – The customers became its preacher. Jio got more and more business through positive customer reviews and user experience. This added as a boon to its tremendous growth.

Revenue – Slashing the prices to 1/10th the existing cost, Jio got ahead with revenue, which was the major factor in getting such a leap in the market.

A perfectly contestable market is a market which is characterized by three main features such as: no entry & exit barriers; no sunk costs and access to the same level of technology (to incumbent firms and new entrants). Contestable markets occur when firms can enter and leave the market freely with no sunk costs. Examples of contestable markets include low-cost airlines, internet service providers, electricity and gas suppliers, etc. In this paper we will be taking the example of Reliance Jio and will be talking about the impact of its entrance on the telecommunication industry. Firstly when Jio was introduced, they strategically lowered their prices so much that it took the lion's share of the telecommunication industry. Due to which other companies like Airtel, Vodafone, BSNL, etc started to see a negative slope in their companies' graphs. Subsequently, they also had to lower their prices to a certain level to give a competitive to Jio. But by that time, Jio already became popular. In this scenario, Jio becomes the example of new entrants we talk about in the concept of Contestable market.

## **II. OBJECTIVES**

1. To find out the impact of Jio's launch of its broadband services on the customers of broadband services.
2. To find out the impact of Jio's entrance into the market of telecommunication services, which created a situation of Contestable Market.

## **III. METHODOLOGY**

The study is based on primary data as well as secondary data. Primary data has been collected through set of interviews with people using different sim cards in our locality. A total number of 20 samples are used for the study which are selected using non random sampling method. Secondary data are collected from the already existing literature and data in websites, various publications of Central and State, books, magazines, newspapers, reports, seminar papers etc.

## **IV. REVIEW OF LITERATURE**

According to economic times article (July 30,2017) Idea cellular has introduced a handset to compete with Jio phone so that they could have an upper hand in the battle. Idea's phone will allow the apps of the operator's choice but might be slightly more expensive to counter it. The main strategy behind this move by Idea was to attack Jio's phone by being an improved version where the consumers are able to use whatever apps and Internet service they want while in jio the consumers are restricted to the jio apps and poor Internet service. The article analyses the pricing difference and justifies the price for both the companies. (R. Sorna Priya and M. Sathiya 2016) discussed about the satisfaction among the customers using Jio. The company is using high speed internet, i.e., 4G VOLT. It was the first company to use 4g with a speed of 20-30-mbps. The network was being operated at 1800 MHz and 2300 MHz. This was easy to attract the customers. With this high speed of internet and availability of huge data limit, it was very easy for JIO to capture the market share. They also discussed about the disequilibrium created in the market due to this. They manipulated the marketing strategy and came up with the "app of everything" concept. In which you can not only know about your sim details but you can access other fascinating things like Movies, news, music, etc. This study also suggests from its observation about removing the coverage network and calling congestions. (Arulkemilas.A, Esakkiammal.S 2016)The survey said that Jio's free service is gaining reasonable traction with 26% respondents using JIO as primary and 21% as a secondary SIM. The brokerage's findings indicated that the 4G entrant would be able to retain majority of customers. Interestingly, 26% of users are using Jio as primary SIM, which we think is more a reflection of constraints of current handsets where 4G is only available on primary SIM slot. Over 5% consumers have used Jio dongles. Voice calling is still an issue with only 22% have no problems at all. 32% users indicated that they use Jio as it is faster and 28% as cheap. While customer satisfaction is high for incumbents, 28% users find them still expensive. (Pawan Kalyani 2016) starts with the entry of the private companies as compared to the existing public companies. Then he discusses about the latest distortion in the equilibrium by the entry of Jio in the telecom industry. He further discusses about the various strategies and policies introduced by JIO. In this he is evaluates the effects and awareness about JIO and the strategies taken by other competitors like, Vodafone, Airtel, Idea, etc. He also mentions about all the possible effects after the entry of Rel-Jio in the market. (Sonu Singh and Shubham Bhardwaj 2017) they discussed the entry of JIO in the market, that how they created a lot of buzz and attracted the majority of the customers. They talked about the free sims and internet usage which was gives to the customers for more than a year. They made internet a necessity from a luxurious item. They mentioned about how fast they captured the market. Companies like Vodafone and BSNL took years to capture the market share of 50 million customers, they did it in a year. The research talks about how Jio is going to work for the common people and what are the different strategies behind it. (Dr. Gowthami Chinthala , Ms. H.Madhuri , Mr. Kranthi Kumar 2017) the study was done to analyse the know about the satisfaction of the

customers. This was done with done with SPSS. They took 100 respondents from the city of Telengana and Andra Pradesh. They concluded that majority of the customers are highly satisfied with services provided by Jio. They also did a gender wise analysis of the people and they concluded that there was not much difference in their opinions.

## **HISTORY OF JIO**

Previously the Reliance Jio company was registered in Ambawadi, Ahmedabad, Gujarat on 15 February 2007 as the name Infotel Broadband Services Limited (IBSL). In June 2010, Reliance Industries (RIL) bought a 95% stake in IBSL for ₹ 4,800 crore (equivalent to ₹ 91 billion or US\$1.1 billion in 2020). Although unlisted, IBSL was the only company that won broadband spectrum in all 22 circles in India in the 4G auction that took place earlier that year. Later continuing as RIL's telecom subsidiary, Infotel Broadband Services Limited was renamed as Reliance Jio Infocomm Limited (RJIL) in January 2013. The 4G services were launched internally on 27 December 2015. The company launched its 4G services commercially on 5 September 2016, offering free data and voice services till 31 December, which was later extended till 31 March 2017. Within the first month, Jio announced that it had acquired 1.6 crore (16 million) subscribers and has crossed 5 crore (50 million) subscriber mark in 83 days since its launch, subsequently crossing 100 million subscribers on 22 February 2017. By October 2017, it had commercially industry, Jio has made a name within very short time. Be it because of the previous brand value and name or be it because of the proper strategies. Giving competition to all the a new entrants and competed with the incumbent companies, making the market a Contestable Market.

In May 2016, Jio launched a bundle of multimedia apps on Google Play as part of its upcoming 4G services. While the apps are available for everyone to download, a user will require a Jio SIM card to use them. Some notable apps include:

- JioPages - a web browser for Android devices
- JioChat - instant messaging app
- JioCinema - online HD video library JioCloud - cloud-based backup tool
- JioHealth - health services app
- JioNews - e-reader for news
- JioMeet-video-conferencing platform
- JioMoney - online payments/wallet app
- JioSaavn - for online and offline music streaming in English and Indian languages
- JioSecurity - security app
- JioTV - TV Channels streaming service
- JioVoice - VoLTE phone simulator
- MyJio - manage Jio account and digital services associated with it

Some other Products and services launched and owned by Jio are JioFiber, JioBusiness, LYF Smartphones, JioPhone, Jionet Wi-Fi, JioPhone Next etc.

## **JIO AND ITS PARTNERSHIPS**

Reliance Jio Infocomm Limited, doing business as Jio, is an Indian telecommunication company and a daughter company of Jio Platforms, headquartered in Navi Mumbai, Maharashtra, India. Jio shares spectrum with Reliance communications. In September 2014, Jio acquired and disclosed stake in Airspan Networks for US dollar 5 million. In 2016, jio signed a pact with BSNL for intracircle roaming which would enable users of the operators to use each other's 4G and 2G spectrum in national roaming mode. In February 2017, Jio announced a partnership with Samsung to work on LTE- Advanced Pro and 5G. And also partner with Ciena to deploy transport SDN architecture. Reliance Jio also partnered with several OSS (Operations Support Systems) & BSS (Business Support System) companies for the deployment of services, like: SAP, HP, IBM, Ericsson, Rancore, Estel Technologies, Subex and Intec Telecom Systems. However, the finalized OSS firms were Ericsson, HP and Friendly Technologies. In September 2020, Jio partners with Cisco Systems for 5G deployment. In September 2020, Jio announces partnership with HFCL to deploy Fiber-optic communication to support the rollout of FTTx services. Summit Digital Infrastructure, formerly known as Reliance Jio Infratel Private Ltd) operates 136,000 telecom sites. This division has been divested to Tower Infrastructure Trust, which is owned by Brookfield Asset Management, for a consideration of 25,215 crore (US\$3.2 billion).

## V. FINDINGS AND ANALYSIS

The findings and interpretation has been divided into two sub-parts-

- IN CASE OF THE CUSTOMERS:

Table 1: Users of Different Sim before Jio

SIM CARDS	USERS	PERCENTAGE
AIRTEL	8	40%
VODAFONE	7	35%
OTHERS	5	25%

Table 2: Shift to Jio after its free data policy

SHIFT TO JIO SIM CARD	PERCENTAGE
YES	85%
NO	15%

Table 3: Shift to other networks after their cheap data policy

SIM CARDS	USERS	PERCENTAGE
JIO	12	60%
AIRTEL	2	10%
VODAFONE	2	10%
OTHERS	4	20%

Table 4: Reason behind attraction towards telephone service brand

REASONS	USERS	PERCENTAGE
Lower price	16	80%
Accessibility	1	5%
Quality	3	15%

From the above overall data, it can be analysed that the launch of Jio simcard and its 4G broadband services back in 2016 had greatly impacted the other incumbent companies. As we can see above, almost 85% of the users among the sample chose Jio over other sim cards after its introduction with the free data policy strategy. Also as we know human are rational so people always prefer lower prices over other variables.

- IN CASE OF MARKET OF TELECOMMUNICATION SERVICES: In September 2016, the Telecom Regulatory Authority of India (TRAI) summons Jio and the other existing telecom operators like Airtel, Vodafone, and Idea cellular to meet and discuss and issue regarding the interconnection between the operators. This was a result after Jio complained to TRAI and Department of Telecom(DoT) about other operators not honoring their commercial agreements to let Jio use their network resources. Jio further added that the operators are trying to sabotage its entry into the telecom scene. After having a handful of controversies, on 12 September,2016, Idea cellular agreed to allow Jio to use 196 of its interconnection access points. Some other controversies also happened with Jio. Another controversy took place with Jio, which was the breaching of subscribers' data. On 10th July 2017, Jio's customer data was leaked on the website magicapk.com by mistake. During the 2020-2021 Indian Farmers' Protest, farmers across multiple states in northern part of India boycotted and vandalized Jio's towers owing to allegations of Reliance Industries's support to controversial farm laws of India. Jio, later on, blamed its competitors Airtel and Vodafone for spreading rumours of "Reliance being an undue beneficiary in the farm bills", an allegation both the companies denied. The company saw a loss of around 25 lakh (2.5 million) subscribers in Punjab and Haryana between November and December 2020 because of the farmers' protest. In January 2021, several social media posts started circulating linkage between bird deaths and Jio's 5G network trials. The claims were found to be fake as 5G trials were not yet permitted. The cause of the death of the birds is determined as due to an outbreak of bird flu.

## VI. CONCLUSION

Initially the whole telecom industry was affected adversely and was facing fluctuating graphs because of Jio's entrance into the market, but with the incumbent companies' lowering prices, the imbalance was resolved to some extent. Still it can be said that the market of telecommunication and broadband services got affected heavily after Jio came in to play. The incumbent companies were not very happy and supportive about having a new competition in the market, but now it has become a little easier than it was in the earlier phase. From the consumers' point of view, cheaper prices would lead to higher demand (as the law of demand suggests), thus Jio's introduction along with lesser priced services(and free data offers) led to a huge shift in the number of broadband service users from other networks to Jio. But in the present date, we can see that almost every other

network is offering broadband services at prices which are lower than what they were charging earlier. So the balance has been restored. Although the existing incumbent companies had to face some sort of losses because of Jio(the new entrant).

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