

Reliance Jio: Ambition fuelled by technology

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The Indian telecommunications market has seen an unprecedented transformation since the launch of Reliance Jio Infocomm Ltd in 2016. Jio has created a massive disruption in the sector, which had for long lacked luster and growth. This paper argues how Jio's takeoff is crucial not just as an independent business vertical for its gigantic parent company, but also how the gift of technology empowered by Jio can benefit Reliance Industries massively and pay back the colossal investments it has made in the segment. It also talks about why the disruption is extremely opportunistic and what is in stake for Reliance and the remaining players in the years to come.

Mukesh Ambani, the richest Asian and Chairman of Reliance Industries, made news in September 2016 when he offered his telecommunication service platform Jio to the public in India. The offer came with free connections in lieu of voice calls and data packs. When the launch of Jio was formally announced at the end of 2015, there were ten players in the Indian market, including Bharti Airtel, Idea, Vodafone, Aircel, BSNL and Telenor. However, since the entry of Jio, the industry has significantly transitioned-- it witnessed the merger of Idea-Vodafone and the fallout of all other players except Airtel and Jio. In the two years since Jio came into existence, it has brilliantly captured market share and boasts of 250 million plus subscribers (Refer to Fig 1.1 and 1.2)¹.

¹ Srivatsava, Bhuma "How India's Richest Man Shook Up its Phone Industry". *Bloomberg*. Oct 17. 2018. Accessed March 20th 2019 <https://www.bloomberg.com/news/articles/2018-10-16/how-india-s-richest-man-shook-up-its-phone-industry-in-charts>



Fig 1.1 The disruption caused by Jio created huge decline in profits for the incumbents.

Jio's technological model, which - unlike its competitors - relied on data services instead of voice services enabled it to take on the telecom sector. . Moreover, since Jio was new to the market and had procured the 4G spectrum license, the company was able to create a pan India 4G network instead of upgrading the existing 2G or 3G infrastructure, like the incumbents in the domain. Jio's next generation all-IP(Internet Protocol) data network with the latest 4G LTE Tech also promised faster, wider and better data connectivity. Within months of Jio's launch, India became the world's largest consumer of mobile data. Jio also became the world's fastest growing mobile data network, boasting an unprecedented level of consumer engagement. According to their annual report of 2018, Reliance claimed that more subscribers were added to Jio's network in the last year than all other operators combined. As of March 2018 Jio subscribers on an average consumes 9.7 GB data, 716 minutes of voice calls, and 13.8 hours of video per month².

² Reliance Industries Limited. 2018 Annual Report of RIL. Accessed on 21st March 2019. <http://www.ril.com/ar2017-18/pdf/ril-annual-report-2018.pdf>.

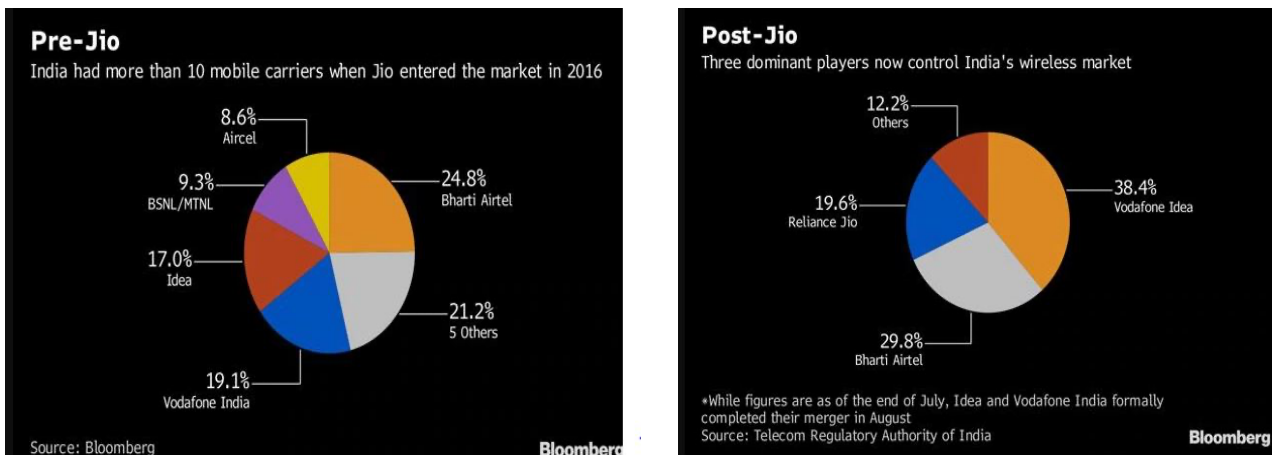


Fig 1.2. Market share of telecom players before and after the entry of Jio

The Jio model was built around inducing consumers to use more data than to spend more minutes on call, and to date, they have been successful in changing this trend³.

According to a 2019 report by Bernstein, an international brokerage firm Jio might suffer a loss of 15,000 crores in the current fiscal year, given the huge subsidies it offered in providing VoLTE enabled handsets to customers. However, these figures aren't reflected in its books of accounts as it follows a non-standard depreciation and amortization procedure. The report also predicts that by the end of 2019, Jio will have the largest subscriber base in India,⁴ which was Ambani's ultimate vision when he rolled out Jio. Although there have been several concerns regarding the way Ambani is excessively pumping money into the Jio business, which is also the group's self claimed 'start-up', Reliance industries will benefit exponentially if it reigns the subscriber base.

With the rise of Artificial Intelligence and Big Data Analytics, telecom companies across the globe have been transitioning their business model and Jio too stands to benefit from these new sources of revenue generation. In fact, Jio is a brilliant example of long term data play. By creating a massive subscriber base of millions of users, Jio will not just be controlling the gateway to internet for

³ KS Bhavadharini "All you wanted to about VoLTE". Business Line. Sept 18, 2017. Accessed on 21st March 2019. <https://www.thehindubusinessline.com/opinion/columns/slate/all-you-wanted-to-know-about-volte/article9864031.ece>

⁴ Sanjai P R. "India's Reliance Jio Could Lose \$2.1 Billion This Fiscal Year: Bernstein". Feb 26, 2019. Bloomberg Quit. Accessed on 21st March 2019. <https://www.bloombergquint.com/business/india-s-most-profitable-telco-may-be-losing-money-bernstein>

people, but will have a front row seat onto which apps people use and how they use their data⁵. This data can be extracted to massively benefit not just Jio but Reliance Industries itself, which has wide ranging operations in multiple segments, particularly in retail, digital, media and entertainment. The data extracted can be put into multiple uses to increase content proliferation, target advertising, product designing, identifying potential store locations and even be monetised by providing it to ad-service companies in the same way Google and Facebook mint money.

The Economist in 2017 had declared that the world's most valuable resource is no longer oil, but data: "Whether you are going for a run, watching TV or even just sitting in traffic, virtually every activity creates a digital trace — more raw material for the data distilleries⁶." The most profitable



companies on earth today, like Google, Amazon and Facebook, make a big chunk of their revenue through the use of data pertaining to human-generated information including but not limited to our browsing content, conversations with people, movements and location, online shopping preferences, payment gateways used, etc.

In 2016, during the launch of Jio 4G Services, Mukesh Ambani had stated that "For Reliance... data is the new oil, and intelligent data is the new petrol". Interestingly Jio's logo when flipped reads 'oiL' which seems to be no coincidence and proves how Reliance industries - that became immensely rich in 20th century through oil mining - is turning the tables in 21st century and exploring data mining--a segment vastly unexplored in India with huge opportunities to make profits⁷. Although ambitious, the Jio project will gradually make Reliance an unprecedented provider of

⁵ Tedx Talks. "Why 21st Century India Cannot do without AI| Arpan Shah. 31st May 2017. Accessed on 24th March 2019. <https://www.youtube.com/watch?v=bAQIOFiewmM>

⁶ "The World's most valuable resource is no longer oil, but data". The Economist. May 6th. 2017. Accessed on 23rd March 2019. <https://www.economist.com/leaders/2017/05/06/the-worlds-most-valuable-resource-is-no-longer-oil-but-data>

⁷ Mukherjee Promit. "From big oil to big data: inside Mukesh Ambani's \$20 billion start-up". Reuters. Aug 21st. 2016. Accessed on 24th March 2019. <https://in.reuters.com/article/reliance-telecoms-jio/from-big-oil-to-big-data-inside-mukesh-ambanis-20-billion-start-up-idINKCN11611V>.

telecom and internet services, giving it access to the country's vast amounts of 'big data' or the oil of the 21st century.

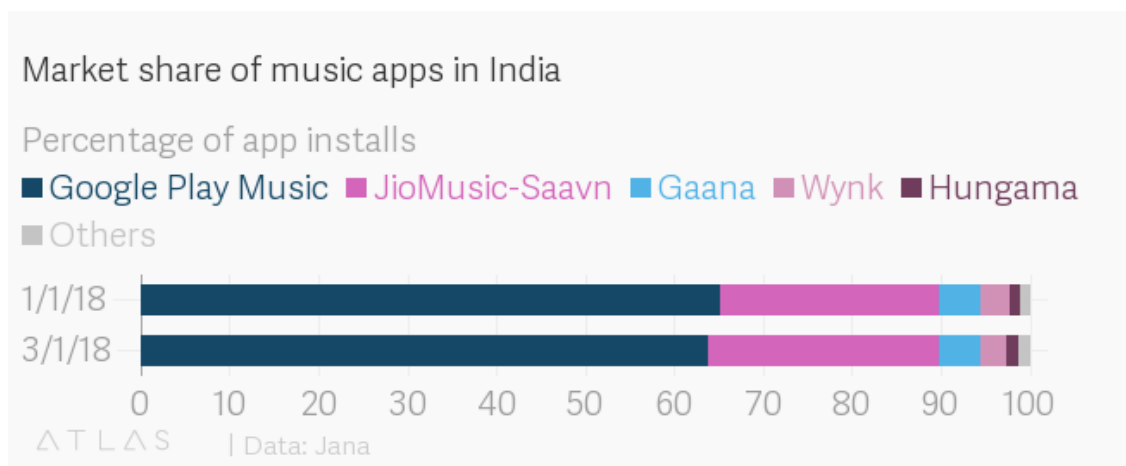
The Jio model does not end there, in fact it is only the beginning. The apps that come along with Jio Data services including Jio Chat, Jio Music, Jio TV, Jio Express and other allied services offer Reliance vast opportunities. These features together have designed a new ecosystem where Reliance can control not just data services, but what is pumped into it and what goes out of it.

One instance of this is the Jio's exploration of the OTT (Over The Top) segment in collaboration with Viacom 18, a broadcasting venture between Viacom Inc and TV 18--the latter is owned by Reliance. In an interview in 2017, the head of Viacom 18 mentioned how Voot (a digital channel owned by them) synergised the big data acquired from Network 18 and Jio to create and curate digital content for Jio TV.

Later, in December 2018, Jio was in news again for collaborating with Saavn, a very popular music app leading to the creation of JioSaavn, which is currently the second most popular music streaming app (Fig 2.1)⁸. And most recently Jio has acquired Haptik, a chatbot developer for Rs 200 crores further harnessing benefits acquired through Artificial Intelligence⁹.

⁸ ENS Economic Bureau. "Reliance Jio acquires Saavn, creates \$1-billion music entity". *The Indian Express*. March 24, 2018. Accessed on March 25th 2019. <https://indianexpress.com/article/business/companies/reliance-jio-acquires-saavn-creates-one-billion-dollar-music-entity-gaana-saavn-5109302/>

⁹ Pitchiah Vijayakumar. "Reliance Jio set to buy majority stake in Times Internet-owned chatbot firm Haptik". *VCCircle*. March 29, 2019. Accessed on 30th March 2019. <https://www.vccircle.com/reliance-jio-set-to-acquire-times-internet-backed-chatbot-maker-haptik/>



(Fig 2.1)

The existing verticals of Reliance industries, especially the retail segment also benefits from Jio. A 2016 survey conducted by Boston Consulting Group in 2016 found that post the launch of Jio in 2014, the number of online buyers rose seven-fold to between 80 million and 90 million. The bigger the online traffic that Ambani is able to generate, the greater the opportunity it provides to its retail segment, which is soon set to launch its online market presence. As optimism builds around the adoption of India's new ecommerce policy, India will see an unmatched online presence of companies like Reliance Retail Ltd in partnership with its mobile operator, Reliance Jio Infocomm. Using the vast datasets available, Ambani can easily monetise his investments in both through targeted online advertising, marketing and sales. A recent article Wall Street Journal claimed that Amazon's new challenge in India would not be the merger between Walmart and Flipkart but the upcoming online presence of Reliance Retail¹⁰.

It is important to understand how Reliance is trying to consistently evolve with changing times and is doing everything in its capacity to remain the leading player in Indian market. The company, which was started by Dhirubhai Ambani, was initially focussed on oil and gas exploration, and later, forayed into petrochemicals division. After inheriting Reliance Industries Ltd in 2002, post the death of his father Dhirubhai Ambani, Mukesh Ambani successfully diversified the business into various segments in light of the changing trends and consumption patterns. Currently, the key

¹⁰ Mukherjee Andy. "Amazon's real rival in India isn't Walmart, it's Reliance" Livemint HT. Aug 16th 2018. Accessed on 26th March 2019. <https://www.livemint.com/Companies/880Pt6EM2GrMlamY7uJMKP/Amazons-real-rival-in-India-isnt-Walmart-its-Reliance.html>

verticals of the business include Oil Refining, Oil and Gas exploration, Petro Chemicals, Retail, Digital Services, Media and Entertainment¹¹.

In conclusion, the Jio model is an unparalleled example of how an Indian conglomerate is vastly optimising the huge potential that technology can offer. None of the other established business groups in India like the Tata Group or the Birla Group envisioned such a monumental opportunity nor were they able to bear the huge risk appetite in doing something as massive as this. Regardless of how critics of Reliance might often try to discredit Ambani for his ambition, his business acumen and zeal certainly deserves due credit.

¹¹ Reliance Industries Limited. 2018 Annual Report of RIL. Accessed on 21st March 2019. <http://www.ril.com/ar2017-18/pdf/ril-annual-report-2018.pdf>.

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