



Reliance JIO'S 4 G Feature Smartphone "Jiophone": A Market Penetration Strategy in Feature Phone's Market in Indian Telecom Sector – A Case Study

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Abstract: Indian market is the world's market lucrative where every MNC wishes to come and make its presence, along with the biggest opportunity of business. It is a very price sensitive market. It has been again proven by the introduction of Reliance JIO earlier with yearlong "freebies" and 4G data communication. Now there is a new feather in the cap a "feature mobile" again "FREE" effectively for the Indian market. With this market penetration strategy Reliance Jio is trying to cover the untapped "feature phone" market with 4G data communication with effectively free JIO's feature smartphone. As the usage of data has been increased tremendously after "JIO" came in the market other competitors in the market are bound to take corrective actions and they have opted different marketing strategy to cope up with the situation by offering different data packages and mergers.

In this paper the author is going to analyze the current market scenario of telecom sector, strategic mergers and market penetration strategy in feature phone's market with Reliance JIO's feature phone costing "FREE" effectively, after three years the person can get back the deposited INR 1500/-.

Keywords: Reliance JIO, Jio phone, 1500/-, Feature Smartphone, India ka Smartphone, market penetration strategy, telecom mergers.

I. INTRODUCTION

India, one of the largest market in the world it has all the potential to attract the worlds organizations to put their footmark in Indian market. In this paper the author is concentrating upon the Indian Telecom sector, which is backed up by one of the largest populated country in the world. Telecom sector is at large supported and effected by the people and we have variety of people seeking different services as per their need. To full fill the need of the people many Indian and MNC's are operating in the Indian Telecom market. The Indian market is very price sensitive and loving the "free" goodies offered to them, this has been proved earlier by Reliance with introduction of JIO and LYF brand of 4G enabled smartphones.

The current research papers is focusing upon the latest introduction from Reliance Industries "Jio phone" a smart feature phone for the people who cannot afford high end smartphones it comes effectively "FREE" again as per the desire of the Indian market. This is a market penetration strategy to tap the untapped market of the people who are using feature phones but they desire to have or to use 4G data for their usage, this strategy will make them enable to use the 4G data on their smart "Jio phone".

II. MARKET PENETRATION STRATEGY

A market penetration strategy seeks to increase market share of the current product or services in the existing market. This strategy adopted by the firms to raise their sales revenue without making changes in the products or services. The other dimension of market penetration is the existing market which means firm already offering products or services to the customer but can forecast that the existing sales figures can be improved by working on marketing penetration strategy.

Market penetration strategy can be implemented by offering sales, increasing sales force, **increase distribution and promotion of products**, more **expenditure in marketing and advertising activities** will results in increasing sales. It is not guaranteed that market penetration fully works after investing in sales and marketing of products and services, a firm should go for this strategy only if any below of the desirable situation exists.

- Current market is not fully saturated.
- Market share of the competitors are decreasing whereas the industry growth rate is increasing.
- Existing buyers have the potential to purchase same products and services in more quantity.
- When economies of scale provides competitive edge.
- All the above conditions gives green signal to the firm to go ahead with market penetration strategy.

For e.g. Airtel promoting its services to penetrate in the Indian market.

Market penetration is one of the four alternative growth strategies in the Ansoff Matrix. A market penetration strategy involves focusing on selling your existing products or services into your existing markets to gain a higher market share. This



is the first strategy most organizations will consider because it carries the lowest amount of risk.

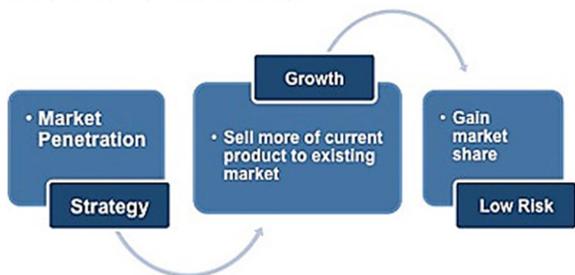


Fig. 1. Showing Market penetration Strategy.

This strategy involves **selling more to current customers** and to new customers who can be thought of as being in the same marketplace. For example, if your current customer base consists of men aged between 16 and 25 then this strategy would involve attempting to sell more of your existing products or services to this same group.

One key constraint is that you cannot allow anything in your drive to grow market share to compromise your existing success. You need to be aware of what has made the product a success so far and ensure that nothing you do will undermine it. You should give this strategy careful consideration if you are not in a position to invest heavily or are not comfortable with taking risks, as the amount of risk associated with this strategy is relatively low.

There are four approaches you can adopt when implementing this strategy:

- Market Penetration Strategy:
- Retain or Increase your product's market share
- Dominate growth markets
- Drive out your competitors
- Increase existing customer usage

Fig. 2. Showing Approaches in Market penetration Strategy.

Maintain or increase the market share of current products you can achieve this by adopting a strategy that is made up of a combination of competitive pricing strategies, advertising, and sales promotion. This would involve focusing on the areas of sales and marketing responsible for managing the pricing and promotion of the product.

Secure dominance of growth markets another approach you could take is identify a new demographic for your product, for example another age group. An excellent example of such a strategy would be for you to identify a change in the age distribution of your product users and to then aggressively market your product to this age group.

This was exactly what happened in the cell phone market when it was realized that teenagers were emerging as a key demographic. Previously it had been users in their 20s who were seen as the biggest group of first-time users. Substantial

growth in market share and dominance in this sector was achieved by ensuring cell phone companies' promotions met the needs of this younger group.

Restructure a mature market by driving out competitors Many organizations find themselves in a mature or saturated market and to achieve further market share requires a different approach. This strategy requires an aggressive promotional campaign, supported by a pricing strategy designed to make the market unattractive for smaller competitors.

With a mature market there are no more demographic sectors to exploit and the only way to attain market share is to take it from competitors. Examples of this strategy can be seen in the newspaper, **telecoms**, and cable TV industries, where the larger players now dominate. Another good example is the rapid growth of the supermarket chains, which have taken market share from small high street grocers who are unable to compete on price and product range. More recently there has been the introduction of loyalty campaigns, where the supermarkets compete for market share through customer loyalty programs.

Increase usage by existing customers another approach to market penetration is to persuade your existing customers to use your product or service more frequently. There are several tactics you could use to do this, including loyalty schemes, adding value to the current product, or making alterations to the product that encourage greater use.



Fig. 3. Showing Market penetration Strategy.

The tactics of this approach all aim to 'tie in' your customers to your product or service by making it more difficult for them to move to another supplier. The ability of your organization to achieve higher usage by customers can be greatly enhanced by rapidly changing technologies that encourage users to upgrade or that offer more reasons to use the product or service. A good example of this would be cell phones: models are now upgraded every six to 12 months with the addition of new features and capabilities.

A successful market penetration strategy relies on detailed knowledge of the market and competitor activities. It relies on you having successful products in a market that you already know well.



Fig. 4. Showing Market penetration Strategy.

For a successful market penetration strategy a company requires detail of market information about the customers, their preferences, liking disliking, competitor's strengths and weakness and the flow of market with technological changes.

III. INDIAN TELECOM MARKET

India is currently the **world's second-largest telecommunications market** with a subscriber base of 1.05 billion and has registered strong growth in the past decade and half. The Indian mobile economy is growing rapidly and will contribute substantially to India's Gross Domestic Product (GDP), according to report prepared by GSM Association (GSMA) in collaboration with the Boston Consulting Group (BCG). The country is the fourth largest app economy in the world.

The liberal and reformist policies of the Government of India have been instrumental along with strong consumer demand in the rapid growth in the Indian telecom sector. The government has enabled easy market access to telecom equipment and a fair and proactive regulatory framework that has ensured availability of telecom services to consumer at affordable prices. The deregulation of Foreign Direct Investment (FDI) norms has made the sector one of the fastest growing and a top five employment opportunity generator in the country.

The Indian telecom sector is expected to generate four million direct and indirect jobs over the next five years according to estimates by Randstad India. The employment opportunities are expected to be created due to combination of government's efforts to **increase penetration in rural areas and the rapid increase in smartphone sales and rising internet usage.**

International Data Corporation (IDC) predicts India to overtake US as the second-largest smartphone market globally by 2017 and to maintain high growth rate over the next few years as people switch to smartphones and gradually upgrade to 4G.

Market Size

The mobile industry is expected to create a total economic value of Rs 14 trillion (US\$ 217.37 billion) by the year 2020. It would generate around 3 million direct job opportunities and 2 million

indirect jobs during this period. The total number of telephone subscribers in the country rose by 11.13 per cent year-on-year to 1,151.78 million in the September-December quarter of 2016. According to a report by leading research firm Market Research Store, the Indian telecommunication services market will likely grow by 10.3 per cent year-on-year to reach US\$ 103.9 billion by 2020.

The revenue of mobile handset industry rose 22 per cent to Rs 1.36 trillion (US\$ 21.12 billion) in 2016. In 2017, around 200 million mobile handsets will be made out of India out of the 270 million mobile handsets to be shipped.

According to the **Ericsson Mobility Report India**, smartphone subscriptions in India is expected to increase four-fold to 810 million users by 2021, while the total smartphone traffic is expected to grow seventeen-fold to 4.2 Exabytes (EB) per month by 2021.

According to a study by GSMA, smartphones are expected to account for two out of every three mobile connections globally by 2020 making India the fourth largest smartphone market. India is expected to lead in the growth of smartphone adoption globally with an estimated net addition of 350 million by year 2020. # Total number of smartphone shipments in India stood at 25.8 million units in the quarter ending December 2016, and smartphone shipments during 2016 stood at 109.1 million units, up by 5.2 per cent year-on-year. Broadband services user-base in India is expected to grow to 250 million connections by 2017.

Investment

With daily increasing subscriber base, there have been a lot of investments and developments in the sector. The industry has attracted FDI worth US\$ 23.95 billion during the period April 2000 to March 2017, according to the data released by Department of Industrial Policy and Promotion (DIPP).

Some of the major developments in the recent past are:

- Reliance Industries Limited plans to invest an additional sum of Rs 18,000 crore (US\$ 2.79 billion) during April-June 2017 on its telecom arm, Reliance Jio, to expand its fiber network, thereby raising the total amount invested in the business to more than Rs 1.9 trillion (US\$ 29.50 billion).
- Nettle Infrastructure Investment Ltd, a wholly-owned subsidiary of Bharti Airtel, plans to acquire 21.63 per cent stake in Bharti Infratel Ltd. for an estimated sum of Rs 12,400 crore (US\$ 1.93 billion).
- Bharti Airtel Ltd, India's largest telecom operator, has decided to buy Tikona Digital Networks Pvt Ltd.'s 4G business for approximately Rs 1,600 crore (US\$ 248.43 million), which includes its broadband wireless access spectrum as well as 350 cellular sites in five telecom circles.
- Bharti Airtel will buy Telenor's India operations in seven circles to receive 43.5 megahertz (MHz) spectrum in the 1800 MHz band.



- Apple plans to produce iPhone SE at an upcoming facility in Bengaluru, owned by its partner Wistron.

- Ortel Communications, Odisha’s largest multi-system operator, plans to invest around Rs 300 crore (US\$ 45 million) over the next two years, for upgrading its infrastructure, along with strengthening its reach, efficiency and competitiveness in the market.

- Reliance Communications Limited (RCom) has signed a binding agreement with Brookfield Infrastructure Partners to sell a 51 per cent stake in Reliance Infratel, RCom’s tower unit, for Rs 11,000 crore (US\$ 1.65 billion).

- Private equity giant KKR & Co LP and pension giant Canada Pension Plan Investment Board (CPPIB) are in talks to acquire a significant stake in Bharti Infratel, which is expected at around US\$ 4 billion.

- Chinese smartphone manufacturers, Oppo and Vivo, have both planned to invest in setting up large scale manufacturing capacity in the state of Uttar Pradesh in India, with an aggregate investment size of Rs 4,000 crore (US\$ 600 million).

- Samsung India has expanded its service network to over 6,000 talukas across 29 states and seven union territories in India, by introducing over 535 service vans equipped with engineers, key components, diesel generator (DG) sets and key equipment, for providing quick response and on-spot resolution.

Government Initiatives

The government has fast-tracked reforms in the telecom sector and continues to be proactive in providing room for growth for telecom companies. Some of the other major initiatives taken by the government are as follows:

- The Telecom Regulatory Authority of India (TRAI) focuses on identifying issues that make it difficult to do telecom business in India like license acquisition and spectrum allotment among others, and review them in order to simply these processes to the maximum possible extent.

- The Government of India plans to auction the 5G spectrum in bands like 3,300 MHz and 3,400 MHz to promote initiatives like Internet of Things (IoT), machine-to-machine communications, instant high definition video transfer as well as its Smart Cities initiative.

- The Government of India has launched a phased manufacturing programme (PMP) aimed at adding more smartphone components under the Make in India initiative thereby giving a push to the domestic manufacturing of mobile handsets.

- The Government of India has allocated Rs 10,000 crore (US\$ 1.5 billion) for rolling out optical fiber-based broadband network across 150,000 cumulative gram panchayats (GP) and Rs 3,000 crore (US\$ 450 million) for laying optical fiber cable (OFC) and procuring equipment for the Network For Spectrum (NFS) project in 2017-18.

India will emerge as a leading player in the virtual world by having 700 million internet users of the 4.7 billion global users by 2025, as per a Microsoft report. Internet economy expected to touch Rs 10 trillion (US\$ 155 billion) by 2018, contributing around 5 per cent to the country’s GDP. With the government’s favorable regulation policies and 4G services hitting the market, the Indian telecommunication sector is expected to witness fast growth in the next few years. The Government of India also plans to auction the 5G spectrum in bands like 3,300 MHz and 3,400 MHz to promote initiatives like Internet of Things (IoT), machine-to-machine communications, instant high definition video transfer as well as its Smart Cities initiative.

IV. MAJOR PLAYERS IN INDIAN TELECOM SECTOR

This is a list of **mobile network operators of India** as on 30 June 2017. [2]

Table: 1 Table showing Mobile Network Operators in India

Rank	Operator's Name	Technology	Subscribers (in millions)	Market Share	Ownership
1	Vodafone-Idea	Vodafone India - GSM-900/1800 (EDGE) 2100 MHz UMTS, HSPA+, EVDO 1800 MHz LTE Idea Cellular - GSM-900/1800 (EDGE) 2100 MHz UMTS, HSPA+ LTE Band 3 (1800 MHz)	Vodafone India - 211.0 Idea Cellular - 196.2	Vodafone India - 17.87% Idea Cellular - 16.62%	Vodafone Group (45.1%) Aditya Birla Group (26%) Axiata Group Berhad Provident Equity
2	Airtel	GSM-900/1800 (EDGE) 2100 MHz UMTS, HSPA+ LTE Band 3 (1800 MHz), LTE Band 40 (2300 MHz), LTE Advanced	278.6	23.59%	Bharti Enterprises (64%) SingTel (36%)
3	Jio	LTE Band 5 (850 MHz), LTE Band 3 (1800 MHz),	125.6	9.94%	Reliance Industries



		LTE Band 40 (2300 MHz), Voice over LTE			
4	BSNL Mobile	GSM-900/1800 (EDGE) 2100 MHz UMTS, HSPA+ CdmaOne, EVDO WiMAX WiFi	103.2	8.74 %	Government of India
5	Aircel	GSM-900/1800 (EDGE) 2100 MHz UMTS, HSPA+ 2300 MHz TD-LTE	92.1	7.68 %	Maxis Communications (74%) Sindya Securities and Investments (26%)
6	Reliance Communications	GSM-900/1800 (EDGE) 2100 MHz UMTS, HSPA+ WiMAX	85.4	6.97 %	Reliance ADAG
7	Telenor India	GSM-1800 MHz (EDGE) 2300 MHz TD-LTE	52.3	4.07 %	Telenor Group
8	Tata DoCoMo	GSM-1800 (EDGE) 2100 MHz UMTS, HSPA+ CDMA, EVDO WiMAX	45.4	3.84 %	Tata Teleservices (74%) NTT DoCoMo (26%)
9	MTS India	CDMA2000, EVDO	4.4	0.37 %	Sistema (56.68%) Shyam Group (23.98) Government of Russia (17.14%)
10	MTNL	GSM-900 MHz (EDGE) 2100 MHz UMTS, HSDPA	3.6	0.31 %	Government of India

1. Airtel is acquiring Telenor.
2. Vodafone and Idea are merging
3. Reliance, Aircel, MTS are heading towards talks of merging. Tata DoCoMo may also join them.
4. BSNL and MTNL may merge.

Market share of wireless service providers as on May 2017 (in million)

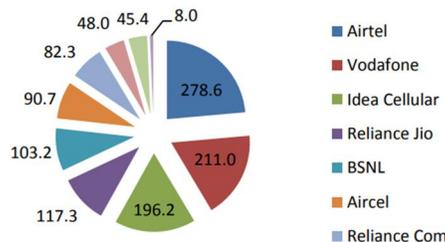
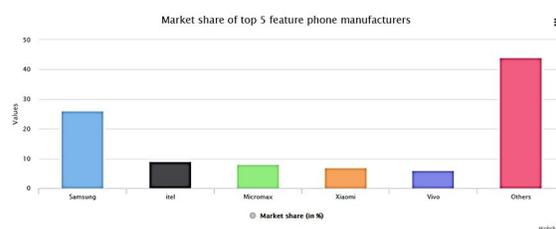


Fig. 5. Showing Market share of wireless service providers.

As it is very clearly depicted from the above mentioned graphic that Vodafone, Idea and Airtel are major stock holders and with the merger of Idea and Vodafone it makes the Numero Uno in the competition. All of these service providers are having 4G network to provide fast data and better voice usage. This tends to increase in the demand for smartphones as these network works better on 4G enabled smartphones.

Smartphone shipments in India grew 15 per cent to 29 million units in March quarter compared to the year-ago period, with top five brands capturing almost 70 per cent of total segment, research firm Counterpoint said. India is one of the world's largest and among the fastest growing smartphone markets. With sales slowing down in mature markets like the US and Europe, handset makers are expanding their presence in the Indian market, bringing in the best devices from their portfolio.

During the said quarter, Samsung continued to lead the market with 26 per cent share, followed by Chinese players Xiaomi (13 per cent), Vivo (12 per cent), Oppo (10 per cent) and Lenovo (8 per cent) the ASP (average selling price) of smartphones in India increased by Rs 2,000 during the March quarter compared to the year-ago period. The reason for the increase in ASP is the growing number of users that are upgrading to the high-end specifications offered by brands in the Rs 8,000-20,000 price segment. [3]



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Fig. 6. Showing Market share of Top 5 Feature phone manufactures.

V. MARKET OF SMARTPHONES IN INDIAN SCENARIO

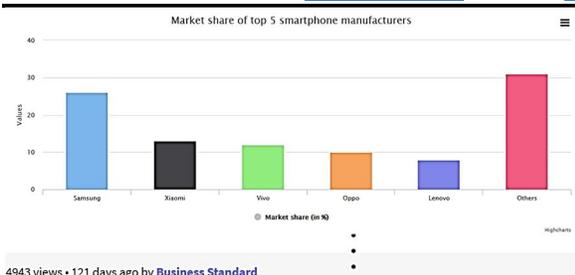


Fig. 7. Showing Market share of Top 5 Feature phone manufactures.

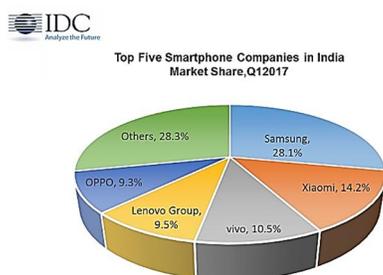


Fig.8. Showing the Market share of smartphones in 2017
<http://www.thenewsminute.com/article/chinese-brands-dominate-indian-smartphone-market-51-share-q1-2017-report-62166>

The smartphone segment grew at an annual average rate of 32% to about 95 million in 2015 from 77 million a year ago.

The mobile phone market in India is expected to grow by 4% to 250 million units this year and can see more handsets available for less than Rs 5,000, a research report has said.

"An examination of the present scenario, coupled with an analysis of historical trends tells us that the market for India mobile handsets will settle around 250 million units in 2016, a 4 per cent growth compared to 2015," the report, India Mobile Handsets Market, by CyberMedia Research (CMR) said.

The smartphone segment grew at an annual average rate of 32% to about 95 million in 2015 from 77 million a year ago. The report said it expects 4G shipments to cross 50 million units in 2016.

On the other hand, feature phones market continued to dip.

"The decline in feature phone shipments was 17% (from 180 million in 2014 to 144 million in 2015) on an annual average basis," the report said.

In 2015, 3 out of every 4 smartphones shipped were priced at less than or equal to Rs 10,000, the report said.

"Understanding this price sensitivity, handset vendors will continue to widen their portfolio for this sub Rs 10,000 segment. In 2016, we do not expect this structure to change broadly; however, the contribution of less than Rs 5,000 sub segment is likely to increase," the report said.

The CMR researchers also noted that average selling price for a smartphone in 2013 was Rs 13,000 (when 41 million units were sold), which has come down to Rs 10,700 by the end of 2015.

The depreciating value of rupee against US dollar can lead to pressure on margins of mobile phone companies making phone in India, the report said. [5]

VI. MARKET OF FEATURE PHONES IN INDIAN SCENARIO

In India, the second-largest mobile phone market in the world, it's not smartphones, but their quaint predecessors that still reign supreme. Feature phones – mobile phones that incorporate features such as the ability to access the internet but lack the advanced functionality of smartphones – surprisingly account for the larger share of the billion plus mobile phones currently in use. Feature phones accounted for 55.2 percent of the total mobile phones shipped in India in the third quarter of 2016, recording a four percent year on year increase.

With public demand showing no signs of waning, phone manufacturers continue to release a slew of low-end phones endowed with features necessary to keep them relevant in the rapidly evolving mobile industry. The likes of Reliance Jio Infocom and Micromax plan to release feature phones that support 4G VoLTE (Voice-over LTE) calls – keeping them at par with the latest range of smartphones at a fraction of the cost. The feature phone market is expected to dent the growth of smartphone sales in India with several research houses echoing this sentiment. And it's not hard to see why feature phones still command such popularity in the country.

VII. WHY THE FEATURE PHONE IS STILL KING



Fig. 9. Showing Feature phone user.

The first, and most obvious, contributing factor to the popularity of feature phones is their price. With the average price of one hovering around the Rs. 1500 mark, feature phones are far cheaper than their 'smart' counterparts and hence are more appealing to the income-strapped population in Tier-II and Tier-III cities and rural areas.

Another key feature that contributes to the prevalence of feature phones is their stellar battery life. Smartphones, for all their varied technological advancements, still haven't been able to come up with a battery that can go more than one day without needing a recharge. Feature phones, on the other hand, only need to be charged a couple of times a week – a boon for the people who live in areas with faltering electricity service.

And feature phone users don't miss out on much by not using a smartphone. They can still access the internet and hence use 'essential' apps like Facebook and Whatsapp. The Government



has also made sure that they do not fall behind as India surges towards becoming a digital economy. The National Payments Corporation of India (NPCI) has integrated the *99# messaging-based mobile banking service with its Unified Payments Interface (UPI), thereby allowing feature phone users to make money transfers digitally – a welcome feature following the demonetization move last year. Feature phones accord their users with all the functionality of a smartphone sans a large touch-screen and a noteworthy camera. Also, since most Indians still utilize pre-paid mobile connections, using a phone that doesn't passively consume bandwidth is a welcome blessing.

This popularity of feature phones is observable in many of the world's emerging markets. Countries in Africa, South America, and South East Asia are all reporting a surge in feature phone shipments over the past few years. And it's only a matter of time before mobile manufacturers the world over begin reinventing what they once thought was a done-and-dusted piece of technology.

Feature phones still form 59% of the mobile handset shipment market in India and cannot be wiped out anytime soon, according to CMR Research Report. Out of the total mobile phones shipments in 2016 at 262 million units, 145 million units were feature phones and the remaining 113 million units were smartphone sales.

The biggest player right now in the feature phone Samsung is the leading player with 24.5% market share, followed by Indian manufacturers such as Lava with 12.3% and Intex with 11% market share. The other 52.2% market share in feature phones is shared by other 103 brands.

In India, the bulk of the market yet to gravitate towards smartphones is in rural India. And these folks, perhaps with good reason, are not ready to shell out what for them are exorbitant amounts for something that they don't necessarily need right now. Average prices of smartphones at 8,857 rupees (\$139) are much higher than that of feature phones at 1,338 rupees (\$21).

Then there are questions about battery life and longevity. To spend a month's earnings on a phone that may see its screen cracked within a week of purchase is not exactly a winning proposition in the hinterland where tweeting and checking your Facebook page is hardly a priority. Moreover, anyone who ever owned the basic, indestructible Nokia model with the torch on top can attest to why feature phones so often trump their smarter brethren anywhere.

There is one other reason: the ferocious competitive drive of local players such as Micromax, Intex, and Lava, who are successfully propelling distribution of feature phones into the far reaches of the country where foreign players are less positioned to do.

Reaching the hundreds of millions in rural India and gaining their trust with solid feature phones is also part of a careful strategy honed by these players. After all, once 3G networks snake their way into the hinterland and price points come down a little, phone users that form India's humongous population will convert their old phones into sleek, smart ones.

And when they do, these players will be waiting eagerly to woo them with lucrative data plans that will more than make up for the small margins that they are forced to assume today. [6]

"Feature phones dominated total handset shipments in India in 2016 and we expect this trend to continue in 2017," JP Morgan said in a note to clients. "The continued relevance of feature phones makes India stand out as the biggest [feature phone](#) market globally (comprising about 30% of total volume)."

It said improved feature phone specifications and the fact that they are typically as much as half the price of good quality, low-end smartphones are among the key barriers preventing upgrades to smartphones.

"With support for mobile banking and 4G capabilities (likely in 2017), feature phones will remain popular in the Indian market even in 2017," JP Morgan said. [7]

VIII. COMPETITOR'S COUNTERMEASURE AGAINST RELIANCE "JIOPHONE"

Indian telecom market has gone through major shakedown due to introduction of Reliance JIO, 4G network, free voice and data etc. and now with the Reliance "Jiophone" a smart feature phone to serve the market need. The competitors are virtually forced to take corrective measures to counter the situation such as lowering the data packs amount, offering a high volume data with free voice and roaming facility, acquisition and mergers of the telecom companies etc. which were not there before the JIO storm.

Reliance hits the market with its own LYF brand smartphone giving the customer pleasure to surf on the 4G network at high speed, the consumption of data has been increased tremendously and effected other companies revenue and usage of data as the JIO data is free and for the yearlong offer. After trembling the smartphone market the feature phone market is on the target with low cost 4G enabled smart feature phone "Jiophone", that is virtually free with the security deposit of Rs. 1500/- refundable after three years.

Theses nearly unbeatable offers made by the Reliance Industries forced the competitors to give alternatives to the customers and bind them by offering more value for the money.

Idea to launch new cheap smartphone to take on Reliance Jio's Jiophone, Idea Cellular is taking Reliance Jio head on with plans to launch a low-price smartphone to compete with the Mukesh Ambani-led company's cheap 4G feature phones.

The AV Birla Group company, which is merging with Vodafone to form the country's biggest telco, has also raised the issue of net neutrality over rival Reliance Jio's feature phone saying it will only allow apps of the operator's choice.

Idea Cellular wants its new handset to come in at around Rs 2,500 a piece, but the company will not subsidize the phone, Himanshu Kapania, the managing director of Idea Cellular Limited, said. He said the Aditya Birla Group Company is working with handset makers to launch a phone that will be



slightly more expensive than the Jio phone, but offer customers the freedom of choice.

This new handset will give all the choices to a customer, including to choose the operator of his or her choice, popular applications like Google, Facebook or Whatsapp, Kapania pointed out. He further said it remains to be seen as to how the proposed Jio phone, which does not have features like a smartphone, serve those wanting to browse the Internet. "While clearly it has an appeal for customers with voice usage, what appeal does it have for customers who have an Internet requirement, we will have to wait to see," Kapania observed.

Smartphone priced at ₹2,500 will give Net access to users which Jio feature phone will not. Idea to take on Jio with cheap phone. The Jio offering, unveiled before the Reliance share-holders' annual general meeting earlier this month, comes virtually free for a customer by paying a security deposit of Rs 1,500. The deposit will be refunded after three years of usage.

The Mukesh Ambani-led company is offering unlimited voice and data to its customers with prices starting as low as Rs 153 per month. Kapania said the Jio phone comes with a new operating system, has a smaller screen-size and does not offer touchscreen, as against the prevalent smartphones where 97 per cent are on the Android operating system and have an over four-inch touchscreen. Kapania also claimed that "one of the concerns over Jio is about net neutrality.

It will not allow most of the apps which a customer prefers and the choice of apps may not work because it is forcing consumers to use an individual operator's apps." It can be noted that net neutrality is a very touchy subject when it comes to telecom services worldwide and had snowballed into a major controversy in the country last year.

"we are looking at how much features can be brought down, how much bill of material can be brought down (to reduce prices) and test consumer response in each of these, he said, adding market research efforts will also go into understanding if they are fine using any other operating system.

In the early 2000s, after the then Reliance Infocom launched an aggressive offering under the Reliance Mobile brand, the telcos had successfully worked with the handset makers to lower handset prices and abate competitive fears.

Both the handset manufacturers and telecom operators need each other to make sure that the offering to the consumer is strong enough when you have to make a choice between a bundled offer and a telecom operator with a locked handset, Kapania said. [8]



Fig. 10. Showing Feature phone range from Intex

Intex has launched its first 4G VoLTE-enabled feature phone called Turbo+ 4G along with eight 2G handsets in the price range of Rs 700 and Rs 1,500. This comes after Reliance Jio recently introduced its 4G VoLTE-based JioPhone to help connect 50 crore feature phone users to the internet.

The Intex Turbo+ 4G comes with a 2.4-inch QVGA display, has a 4G-Volte network support and is powered by 2,000mAh battery. The 4G device runs on KaiOS software having a dual-core processor with 512MB RAM and 4GB ROM. The 4G feature phone has a 2MP rear camera and VGA Selfie Camera, along with an expandable memory of up to 32GB. [9]

Navratna Series – ECO Models

The ECO models of the Navratna series will come equipped with a 1.8-inch QVGA display. The ECO 102 packs in an 800mAh battery, a wireless FM and a rear camera. The ECO 106 Plus will carry a 1000mAh battery, wireless FM and a memory card slot up to 32GB. Both will have a Phonebook memory of 500 contacts. The ECO Selfie will come with dual cameras (front and rear) plus a flash, and will support 22 Indian regional languages with GPRS and WAP facility for Internet. It will come with an 1800mAh battery, and 1500 contacts phonebook memory.

Navratna Series – Turbo Models

The Turbo models in this series will have a 2.4-inch display. The Turbo Shine will support 22 Indian languages and pack in a 1400mAh battery with wireless FM and memory card slot up to 32GB. The Turbo Selfie 18 will sport a dual camera (rear and front) with flash and will pack in a bigger 1800mAh battery with a 2000 contacts phonebook memory.

Navratna Series – Ultra Models

The Ultra models in this series will include Ultra 2400 Plus and Ultra Selfie. The Ultra 2400 Plus will come with a huge 2400mAh battery, a 2.4 inch display with rear camera and flash, with a Phonebook storage capacity of 2000 contacts and memory card slot expandable up to 64GB. The Ultra Selfie will get a bigger 2.8 inch screen with dual cameras and will pack in a huge 3000mAh battery

Head-To-Head comparison (Jio 4G VoLTE Feature Phone vs. Intex Turbo 4G+ Smart Feature Phone)

Since the Intex Turbo+ 4G will directly face off with the Jio phone, it is necessary for prospective buyers to know the differences, or similarities, between these two to make an informed decision.

Table:2 Head-To-Head comparison (Jio 4G VoLTE Feature Phone vs Intex Turbo 4G+ Smart Feature Phone)

	Jio 4G VoLTE Feature Phone	Intex Turbo 4G+ Smart Feature Phone
Display	2.4 inch QVGA display	2.4 inch QVGA display



Processor	KaiOS processor (will support HTML5-based Firefox OS too)	KaiOS dual core processor
Front Camera	VGA	VGA
Rear Camera	2 Megapixel	4 Megapixel
Software	KaiOS	KaiOS
Storage	4GB	4GB
RAM	512 MB	512 MB
Battery	2000 mAh	2000 mAh
Memory	Expandable memory of up to 128GB via an external memory card	Expandable memory of up to 32GB via an external memory card
Connectivity	4G VoLTE Support	4G VoLTE Support

As many as five 4G feature phones have been announced so far Jio Phone was not the first 4G feature phone announced in India Lava, Micromax, Intex have unveiled 4G feature phones too.

4G feature phones are the flavour of the month ever since Reliance Jio launched the JioPhone in late July. The JioPhone is expected to put a pause on the popularity of smartphones among feature phone users, and introduce millions to the Internet. However, it is not the only 4G-enabled feature phone in the market. In fact, it is not even the first 4G feature to be announced in the country. If you are looking for a low-end 4G-capable handset but don't want to be locked to the Jio network, there are several options out there.

IX. THE LIST OF ALL THE 4G VOLTE FEATURE PHONES ANNOUNCED IN INDIA

1. Jio Phone

JioPhone is the handset that has made 4G feature phones part of the mainstream, even though it is yet to hit the market. The feature phone has a 2.4-inch QVGA (240x160 pixels) display, single SIM that supports only on VoLTE networks, micro SD card support for storage expansion, torchlight, digital assistant, panic button, and support for 22 Indian languages as well as a phone-to-TV cable to mirror content to television screen. Qualcomm and Spreadtrum have confirmed their chips will be used in the JioPhone. There is no WhatsApp support for the phone at the moment.

As for the other hardware and software features, there is no official confirmation yet, but with the beta trials starting on August 15, we will probably know more in a week or so. The handset is free of cost, but you will have to make a refundable, upfront payment of Rs. 1,500; bookings for the device start August 24, and deliveries in September.

Jio Phone KEY SPECS

Display	2.40-inch
Processor	1.2GHz dual-core
Front Camera	0.3-megapixel
Resolution	240x320 pixels
RAM	512MB
OS	KAI OS
Storage	4GB
Rear Camera	2-megapixel
Battery Capacity	2000mAh

2. Idea 4G phone

Following the JioPhone unveiling, Idea Cellular has confirmed plans to launch a 4G feature phone of its own, priced around Rs. 2,500. Unlike JioPhone, the Idea 4G phone will come with support for apps such as WhatsApp, Facebook and Google. It won't be locked to Idea's network either. Idea Managing Director Himanshu Kapania said the company is looking at ways to reduce the bill of materials to bring down the price, as the device will be sold unsubsidized.

3. Lava 4G Connect M1

The first 4G feature phone to be announced in India was the Lava 4G Connect M1, which supports Reliance Jio's 4G VoLTE network. The Lava 4G Connect M1 has a 2.4-inch screen and is powered by a 1.2GHz quad-core processor (unspecified chipset) coupled with 512MB of RAM. It has 4GB internal storage, micro SD card support up to 32GB, 1750mAh battery, and a VGA camera on the back. Lava says that apart from 4G, the feature phone supports 2G voice calling and EDGE connectivity. It is listed online at Rs. 2,899 but is presently out of stock.

Lava 4G Connect M1 KEY SPECS

Display	2.40-inch
Processor	1.2GHz quad-core
Front Camera	No
RAM	512MB
Storage	4GB
Rear Camera	0.3-megapixel
Battery Capacity	1750mAh

4. Micromax Bharat 1

The Micromax Bharat 1 was the second 4G feature phone to be announced in India, though it hasn't hit the market yet. The handset has a 2.4-inch colour screen, 1.25GHz dual-core processor (make unknown), 1GB RAM, 8GB internal storage, and support for storage expansion up to 32GB. This 4G VoLTE phone has a 2-megapixel rear camera and 1500mAh battery, along with dual SIM support.

Micromax Bharat 1 KEY SPECS

Display	2.40-inch
Processor	1.25GHz dual-core
Front Camera	No
RAM	1GB
Storage	8GB
Rear Camera	2-megapixel
Battery Capacity	1500mAh

5. Intex Turbo+ 4G

The latest 4G feature phone to be announced in India is the Intex Turbo+ 4G, which is part of the company's new Navratna series. Interestingly, Intex told Gadgets 360 shortly before the JioPhone launch that it is in talks with Reliance Industries to contract manufacture the handset that will be marketed under the Jio name, and that the talks were in final stages. As for the specifications, the Intex Turbo+ 4G has a 2.4-inch QVGA display, dual-core processor, 512MB RAM, 2-megapixel rear camera, VGA front camera, 4GB internal storage, expansion



support up to 32GB, and 2000mAh battery. Intex has not announced the price and release date of the handset yet.

Intex Turbo+ 4G	KEY SPECS
Display	2.40-inch
Processor	dual-core
RAM	512MB
Storage	4GB
Rear Camera	2-megapixel
Battery Capacity	2000mAh

X. MARKET SHARE OF FEATURE PHONES IN INDIA

Feature phone definition - A mobile phone that is not smartphone. It has operating system firmware, but third party software support is limited to only Java or BREW applications. Recently feature phones have begun to offer similar features to those of smartphones, so the main difference between the two groups now is the third - party software support.

Taking into account the various definitions available in the market place, Kantar IMRB in consultation with MMA India have classified feature phones as:

“ A mobile phone that incorporates a fixed set of functions beyond voice calling and text messaging such as limited web browsing and e-mail, ability to play music but generally cannot download apps from an online market place.”

We realize that above definition leaves some room for overlaps between feature phones and smartphones. Hence in addition to the above we have automatically excluded from this study any mobile phones with the following operating systems:

- Android and any modified versions of Android (such as MiUI, Cyanogen, HTC sense, Touchwiz, Oxygen OS, Zen UI etc.)
- Additional exclusions include iOS, Windows, Tizen, Blackberry, BADA, Palm OS, EMUI, FireOS, Firefox OS, Sailfish, Ubuntu etc. [10]

As defined by the New Consumer Classification System (NCCS), the system used to classify consumers in India, constituted just 25% of users, the study found the transition from smartphone to feature phone has not happened at expected pace due to lack of vernacular language support and non-satisfactory battery life in entry-level smartphones, said Shobhit Srivastava, research associate with Counterpoint Research. Over 90 brands sell feature phones in India with Indian makers like Lava, Intex, Micromax and Karbonn contributing 57% of total shipments, according to data from the research firm.

"With a smartphone, it is one too many clicks and it is not as if feature phone users do not access the internet," Preeti said. "Data from the study shows that these users spend more money on their mobile plans with average revenue per unit (ARPU) almost 20% higher than the national average," she said. Mobile manufacturers like Lava and Intex see value in this segment. For Intex, the feature phone business has been growing consistently. The company, which offers over 60 models, sold more than 19 million feature phones in 2015-16.

"Companies are also focusing on ensuring that feature phones are equipped with new technologies." The launch of 4G

(VoLTE) capable feature phones will surely aid the growth of feature phones in 2017," added Srivastava.

Nidhi Markanday , director and business head, Intex Technologies, said, "Extending services like e-payments and banking through 4G on feature phones could be incentive enough for these users to stick to feature phones." [11]

XI. MARKET SCENARIO AFTER INTRODUCTION OF RELIANCE JIO/ 4G

Reliance Jio's subscriber base has crossed 10 crore. The question now is: How many of these subscribers will become paying customers? Most analysts put the number around five crore. "Our base case scenario is that 50% of subscribers will stay," says Mayuresh Joshi, Fund Manager, Angel Broking. Some experts say the number could be higher. "Since Jio is offering much higher data, retention rates could be more than 50%," says Amar Ambani, Head of Research, IIFL.

Impact on the competition

If more than 50% of the existing subscribers choose to stick with Jio, it will have serious repercussions for other telecom players. "Even Jio customers who retain plans from other companies may reduce usage, impacting their ARPU," says Ambani. It will become difficult for Airtel, Vodafone, Idea, etc. to grow their user base as Jio aggressively adds customers at their expense. Fall in subscribers is just one of the problems staring the other telecom players. Another key challenge is fall in pricing power. "Due to aggressive pricing by Jio, pricing power in the telecom sector has gone. Other telecom players have no option but to match, follow what Reliance Jio is doing," says Daljeet Kohli, Director and Head of Research, India Nivesh Securities. If others don't match Jio's offers, their market share will go and, if they cut prices, revenue will be hit. The fall in net profits will be more than the fall in revenues.

Despite the dangers, stock prices of other companies have not been negatively impacted because of long-term prospects of a more consolidated telecom sector. "Since data consumption is going to increase exponentially, everyone will benefit in the next 3-5 year period," say Joshi. Investors, however, should be cautious. "Since we don't know how long this madness will continue, it is better not to get into it now," adds Kohli.

Airtel, however, is likely to survive this phase and can be a good buy for the long term. "Airtel possesses the leanest cost structure and is improving its capital efficiency," says Pankaj Pandey, Head of Research, ICICI Direct. Its subscriber market share is expected to 29.1% and revenue market share to 33.3% due to its acquisition of Telenor. [12]

XII. MARKET SCENARIO WITH RELIANCE JIO'S 4G SMART FEATURE PHONE



Fig. 11. Showing Michael E Porter's Five Force Model.

Threat of New Entrant – RELIANCE Jio's impact on its competitors the entire Indian telecom sector redesigned by the new aggressive entrant of free R-Jio. The Reliance announcement of its free offers creates drastic changes not only on its rivalry competitors but also on subscribers, power of suppliers, and power of buyers and threat of substitutes. Here we can apply the Porter's model in Indian telecom market. Major market leaders Airtel, Idea and some others ready to dig new strategies to attack and protect by themselves. It is a time for structural alters exists. RELIANCE Jio strategies. As the Jio works only with 4G mobile, the impact of Jio on the competition in the segment of feature phone users is absent. However, Jio has come up with a device that upgrade 3G mobile to function 4G services. Jio competes even in the 3G mobile user segment.

Competitive rivalry Customers' - low switching cost intensifies the competition in the industry. Price sensitivity of customers also adds to this. Telecom sector in India is almost saturated. Almost every household possess a mobile network. In this case, every rival is fighting for the same share. There is no market left for new entrants. New entrant Jio must get significant share only from the competitors. This maximizes the rivalry in the industry. Exit barriers are also found in the industry. Hence, the players must fight against major competitor till the end.

Threat of substitutes - Hardly there are no substitute products for mobile services in the industry. Hence the impact of substitutes is insignificant in this case rather mobile devices as almost replaced many products like digital cameras, portable radio, digital phone book, calculator etc.

Bargaining power of buyers - bargaining power of buyers will be a major force in the industry. Customers are exercising high bargaining capacity. The reasons for high bargaining power of buyers would be switching cost is very low. Customers can switch their service through the option 'port' without changing their number. Customers in this industry is observed to be price sensitive. Therefore, customers expect superior quality service at lower cost. This made mobile giants Airtel and Idea to slash their tariff nearly 40%. Eventually it adversely affect industry profitability. Also become threat to the new entrant.

Bargaining power of suppliers - being supplier of mobile services such as messaging, calling, data and other value added services, the players have less bargaining power with the customers. This force the players to offer better services at reasonable price.

XIII. MERGER AND ACQUISITION IN INDIAN TELECOM MARKET

Merger and acquisition is a proven strategy to cut down the competition and to exist in the market when a single entity is not able to exist in the competitive environment and the threat from new entrant or existing competitors is increased. The very similar situation is there in the contemporary scenario of Indian Telecom segment where Reliance Jio has created a competitive environment by offering "free" data and voice services to the customer and had shown a rapid growth in the market. Many telecom companies are either merging to have a new face to compete the market or some are selling and making exit decision in time to cover the loss. The following graphic shows some of the merger and acquisition fact sheet like world's no.2 telecom giant Vodafone and Idea has merged to form a numero Uno telecom company in Indian market and on the other end the merger of Bharti – Telenor gives the picture of the side effect of the new entrant in the telecom sector "JIO".



Fig. 12. Showing Acquisition and Merger Scenario in Indian Telecom Sector.

Merge of Airtel with Telenor India Jio's free price war also opens new challenges all network providers. The Telenor was taken a strategy to join hands with Airtel. Telenor has on 23 February 2017 entered into a definitive agreement with Airtel will take full ownership of Telenor India. Airtel is India's largest wireless operator with over 269 million subscribers and a revenue market share of over 33 per cent. As the new owner, Airtel will take over Telenor India's spectrum, licenses and operations, including its employees and customer base of 44 million. Telenor's operations and services will continue as normal until the completion of the transaction. Telenor ASA has on 23 February 2017 entered into a definitive agreement with Airtel, whereby Airtel will take full ownership of Telenor India.



Merge of Idea cellular with Vodafone India Jio,s aggressive stabbing on market forced Vodafone to take \$5 billion write down on end of the last year. The Chief Executive Vitorio Colao to say at that the market would have to consolidate. “I think Consolidation is the answer” he said. Less than a year ago Vodafone was still planning to float Vodafone India on the local stock exchange, despite a long-running battle with the government over a \$2 billion tax claim related to its acquisition of the unit from CK Hutchison in 2007. For Vodafone a sale of the Indian business to Idea could reignite speculation about an eventual tie-up between Vodafone and John Malone's Liberty Global. The two have held merger talks before but analysts say Vodafone's ownership of numerous assets in emerging markets had complicated valuations for Liberty, which is mainly interested in the European market.

VODAFONE-IDEA MERGER TO CREATE A NEW NO. 1

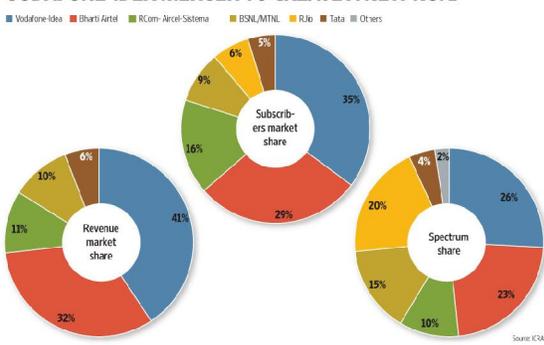


Fig.13 Showing Vodafone – Idea Merger. [13] <http://www.livemint.com/Industry/n021QV04A2ui4x37XKVzmL/Its-the-survival-of-the-biggest-in-Indias-telecom-industry.html>

The only option to become stronger to compete with Jio is to make strategic alliances with other competitors. Airtel merges with Telenor India and Idea with Vodafone. Airtel and Telenor together will have 316 million subscribers, while Idea and Vodafone together will have 400 subscribers and lead the market.

XIV. OFFER MADE BY COMPETITORS IN VOICE AND DATA

Reliance Jio's unbelievable offers have forced other service providers have introduced new plans at a much cheaper price in order to remain competitive

The launch of Reliance Jio has certainly changed the dynamics of the Indian telecom sector with its humongous scale and disruptive pricing. Small telcos like Bharti Airtel, Idea, and Vodafone are trying hard and are under pressure to retain their customers. In his ambitious plan of broadening the company's pan-India network, Reliance Industries Ltd.'s (RIL) telecom unit chairman Mukesh Ambani announced that voice calls will be free on the Jio network forever and data services would price as low as Rs. 51 per GB, thus creating an Internet landscape in India.

This announcement was a major blow for other telcos in India; but Bharat Sanchar Nigam Limited, an Indian state-owned telecommunications company came out with a plan to be in the war zone with Reliance Jio. BSNL said it is going to launch a very cost-effective and affordable promotional unlimited Broadband plan 'Experience Unlimited BB 249' from September 9, 2016. This plan would offer its customers to

download unlimited Broadband data without bothering about any data limit in GB with 2 Mbps speed. Coming up with fancy plans to lure users, BSNL said that if its users use the plan continuously in a month, they can download up to 300 GB data by just paying Rs 249.

Ever since Mukesh Ambani made the announcement of offering unlimited 4G LTE data for 3 months on trial basis, other telcos have cut their 3G/4G data rates by up to 80 percent.

With Reliance Jio 4G services launch, Ambani aims for 100 million customers in the shortest time possible. When prices of data services of Reliance Jio were compared to prices of existing telecom operators, it was found that Jio is all set to lure every section of the society with its mind-blowing data plans available at really cheap rates. Reliance Jio offers 4G preview offers where it gives access to free 4G internet, VoLTE voice-calling, video-calling and SMS for 90 days till December 2016. From January, voice calls will remain free but data services will be charged for rates as low as Rs. 51 for 1 GB, for **500MB** 4G LTE Data, Reliance Jio aggressively offers 300MB along with unlimited night time data for 28 days for just Rs. 149. Airtel, which is known for its premium data-voice plans offered 500 MB data valid for 28 days costing Rs. 144; while Vodafone offered 550 MB with 21 days validity for Rs 189, being the expensive one. Idea has no such data services that offer 550 MB.

Telecom Operator	Data Offered	Validity (days)	Cost in Rupees
Reliance Jio	300MB + Unlimited Night Time Data	28	149
Vodafone	550MB	21	189
Idea	-	-	-
Airtel	550 MB	28	144

Talking about **4GB** 4G LTE Data, Reliance Jio offers 4GB with unlimited night time data for Rs 499 that lasts for 28 days. On the other hand Airtel offers the same data for Rs 755 for 30 days. Vodafone, again being the most expensive one offers 4GB for Rs. 852 for validity just being 56 days. Idea, that has its 5G data plan, offers it at Rs.851 for a period of 28 days.

Telecom Operator	Data Offered	Validity (days)	Cost in Rupees
Reliance Jio	4GB + Unlimited Night Time Data	28	499
Vodafone	4GB	56	852
Idea	5GB	28	851
Airtel	4GB	30	755

Looking at the **Maximum data plan** offered by telecom companies as compared to Reliance Jio, Jio offers 75GB along with unlimited night time data for a period of 28 days that costs RS. 4999, being the highest price which is again affordable as compared to what the other telcos have to offer. For a period of 30 days, Airtel offers 10 GB for Rs 995 whereas Vodafone offers 40 GB for 28 days for a staggering amount of Rs. 3999. Idea on the other hand, offers 15 GB for a period of 28 days for Rs. 1849.



Telecom Operator	Data Offered	Validity (days)	Cost in Rupees
Reliance Jio	75GB + Unlimited Night Time Data	28	4999
Vodafone	40GB	28	3999
Idea	15GB	28	1849
Airtel	10 GB	30	995

Bharti Airtel has announced its biggest price cut since it began offering high-speed data services five years ago. The price of 1 GB of data has fallen from around Rs 190 to Rs 125, a decline of 35%. With this move, with the cuts, Bharti Airtel is now the second cheapest 4G operator in India after Reliance Jio, which offers a handset and 3 months of unlimited data and calls for Rs 2,999.

“These refreshed data packs will help drive consumption and boost the uptake of mobile internet in the country,” Ajai Puri, Director – Operations (India & South Asia), market leader Bharti Airtel said. Also to be in the competitive market, No. 3 telco Idea Cellular slashed effective data rates by offering up to 45% more data benefits for its prepaid users in India.

Over all this, Reliance Jio have plans ranging from Rs 19 up to Rs 4,999, covering almost every level of customer. Also, to provide wireless data connectivity to students, Ambani also mentioned to tie up with universities and other educational institutions in India and announced that students would get 25 percent additional data on the mentioned plans when they produce their Student ID card. [14]

Reliance Jio announced its new strategy recently for its customers where it is offering Jio Prime 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 trouble for other mobile network operators and as expected, they have responded. Airtel, Vodafone and Idea have announced their own offers to counter Jio's competitive offers.

Here is a comparison of the offerings: [15]

	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

XV. JIO EFFECT ON INDIAN FEATURE HANDSET MANUFACTURING MARKET

Indian feature phone players such as Micromax, Intex, Lava and Karbonn, and market leader Samsung, are expected to take

the maximum hit from the 4G device that Reliance Jio Infocomm launched on Friday, analysts and industry executives said.

Jio will supply its new phone effectively free of cost to users who are ready to deposit Rs 1,500 with the company for three years. This, industry experts expect, will force others to come up with similar offers to minimize damage.

In fact, most of these handset makers are already believed to be working on their own low-cost 4G devices, besides adding more features to basic phones, they said. They are now expected to form more partnerships with telecom service providers to take on Jio.

While the industry anticipates pressure on the current feature phone vendors, several experts see a better long-term for the overall market as the Jiophone would push more users towards smartphones — the expectation is that after having hooked to the Internet, users would go for better experience. That should boost the segment’s growth, they said.

The pace of smartphone growth has slowed over the last year or so, as feature phone users stayed away from upgrading due to reasons such as affordability.

“We definitely cannot rule out the fact that this will impact the feature phone industry, but difficult to figure out the scale of the impact. For instance, we don't know whether that Rs 1,500 upfront fee is being financed,” he added.

Reliance Industries chairman Mukesh Ambani launched the much-awaited 4G-enabled feature phone. It will come bundled with life-long free voice calls and data at a monthly recharge of Rs 153, in a bid to attract India’s massive 50 crore basic phone users. The Rs 1,500 that users pay upfront is refundable after three years, but for that time users cannot move to another operator or phone as the single-SIM device is locked with Jio services.

With a 2.4-inch screen and alphanumeric keypad, JioPhone will be available for user testing in beta form from August 15 and for pre-booking from August 24. The company said it will make available 5 million phones every week and manufacture all units in India from the “last quarter of this year”.

Rajan Mathews, director general of the Cellular Operators Association of India (COAI), expects the potential disruptive impact of Jio’s low-priced 4G phone to be “far greater” on handset makers, who would now be “under immense pressure to come up with similarly affordable 4G devices to remain in business”. COAI represents Bharti Airtel, Vodafone India, Idea Cellular and Jio among others.

Counterpoint Research’s Tarun Pathak said that in the short term, the new device might shorten the upgrade cycle of feature phones to another feature phone.

“It is one category which has seen least innovation over the years. There will be significant impact on Indian players,” he added. Experts and market players, however, are upbeat on the long-term impact.



“This will act as a long-term catalyst to the transition to smartphones,” said Pankaj Mohindroo, president of the Indian Cellular Association that represents handset makers including Apple, Samsung and Intex. The “well-crafted” package will be a catalyst also for spreading 4G networks into the deeper hinterland, and hence add to the adoption of 4G smartphones, he added.

“Going by the specs of the phone, I foresee it as a smartphone launched at an extremely consumer friendly price, rather than a feature phone. So it could bring consumers on this ‘feature phone’, but propel them to use smartphones later on,” Micromax’s Jain said

Major Handset Maker Companies in India

Acer	Micromax
Adcom	Microsoft
Alcatel	Motorola
Apple	MTS
Archos	Nokia
Asus	Obi
BlackBerry	Oppo
Blu	Panasonic
Celkon	Philips
Coolpad	Ringing Bells
Datawind	Samsung
Fly	Sony
Gionee	Spice
HTC	Swipe
Huawei	Videocon
iBall	Vivo
iBerry	Wickedleak
Idea	Xiaomi
InFocus	Xolo
Intex	Yu
Jivi	Zen
Karbons	Ziox
Lava	Zopo
LeEco	ZTE
Lenovo	
LG	
LYF	
Maxx	
Meizu	

XVI. ANALYSIS AND CONCLUSION

Indian Telecom market is in the phase of turbulence with the new entrant of Reliance JIO, with the market penetration strategy it has been proved that the Reliance understand the Indian Market. To tap the one of the world’s biggest market the market penetration strategy was successful with Jio and there is a new offer with Jiophone a smart feature phone to tap the untapped market of feature phone users with 4G data and free voice communication. This strategy has made many big changes in the balance sheets of the other telecom operators, all of them had taken the corrective measure to cope up with the

situation, mergers and acquisitions, joining hands for existence not only this the handset manufacturers are also bound to launch new range of 4G enable feature phone to compete in the market. Many Indian and Chinese companies are looking into this developing market of “smart feature phones”. Earlier, no one was focusing on the making a feature phone into a smartphone, handset manufacture companies were trying to lower down the cost by making different hardware changes in the handset or making different versions by changing specifications. Feature phones are offered in the market from the price range of less than 300/-[detel] to 3000/- rupees. Different price range and variety of handsets are flooded in the market, this current situation is very customer friendly and customers are having the benefit among the price war between telecom companies. This situation is very common in the turbulent environment but as the situation settles down the telecom companies will skim the customers but it all depends upon the market situation formed by the mergers and acquisitions, Indian market is price sensitive market it will go to the best lowest price if “free” is not available.

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