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Disruptive Business Innovation: A Case on Reliance JIO Telecom Services

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Abstract

The Indian wireless telecom sector stands to be the second-largest market in the world in terms of subscribers and data consumption after China. From being a voice-oriented to data-oriented service, the telecom business model has seen rapid adoption by consumers and capacity expansion throughout the Indian landscape. However, this sudden shift in the business model has been observed ever since the inception of Reliance Jio's disruptive digital platform. As a new entrant in an already dominated market, Jio's entry has ruptured the existing telecom incumbents and has resulted in market volatility in terms of declining profit margins and a shift in consumer base. While the incumbent telecom operators were successful to a certain extent to counter Jio, this, however, was marked by financial and capacity instability given the scale of Jio's disruptive offering. The industry has also witnessed the closure and amalgamation of many telecom operators, such as Vodafone-Idea, BSNL, and MTNL. This case study attempts to analyze the idea of disruptive innovation, impact on the consumer end, and challenges during the current pandemic and the future of telecom services with the current consumption and adoption levels.

Keywords: Disruptive innovation, disruptive business model, wireless telecommunications, Reliance Jio

INTRODUCTION

The theory of "Disruptive Innovation" was first discussed by Prof. Clayton Christensen in 1997 in his famous book titled "The Innovator's Dilemma: When New Technologies Cause Great Firm to Fail". He proposed that established firms tend to lose their market position, often by ignoring the priorities of market niche or smaller segments which would, otherwise, have the potential to create a new market or segment opportunities. Over the years, the concept of disruptive innovation has been reshaped with a fresh perspective on the marketing strategies or decisions of the firms [1].

Disruptive innovation is the process of offering affordable and simple products or services, methods, techniques, know-how, and other elements which successfully satisfy the latent needs and wants of the customer. A disruptive innovation (DI) may not necessarily be identified by breakthrough products or services but it is an offering that seeks to provide simple and cost-effective solutions for the customer. For any disruptive innovation to be possible, it has to ideally fulfill the following conditions:

- The DI should be cost-friendly at the consumer end.
- The DI should perform in its simplest and easy form.
- The DI should be acceptable by a vast section of the consumer segment.

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- The DI should be aimed at a long-term significance along with profitable margins.
- The DI should be able to satisfy the latent needs of the consumer segment.

ABOUT RELIANCE JIO

Jio was formed after the 95% (Rs. 4,800 Crore) takeover of Gujarat based Infotel Broadband Services Limited (IBSL) in the year 2010. As an unlisted internet service provider, IBSL was a successful bidder to bid the 4G spectrum across all the circles in India. Subsequently, IBSL was rebranded as Reliance Jio Infocomm Limited and started its 4G commercial services across India in 2015–16 after a series of capacity and quality testing. Jio is the first telecom operator to provide exclusively 4G-LTE (Long Term Evolution) and 4G-VoLTE (Voice over long term evolution) over its 850, 1800 and 2300 MHz network pan India. Currently, it has 410 million customers beating incumbents like Airtel, Vodafone-Idea, and state-owned BSNL. Jio's core offering of its premium services lies in its technology ecosystem named "Jio Digital Platforms" which offers premium value-added services across all budget segments of its subscribers [2]. The digital ecosystem encompasses a complete blend of hardware and software services (Figure 1).

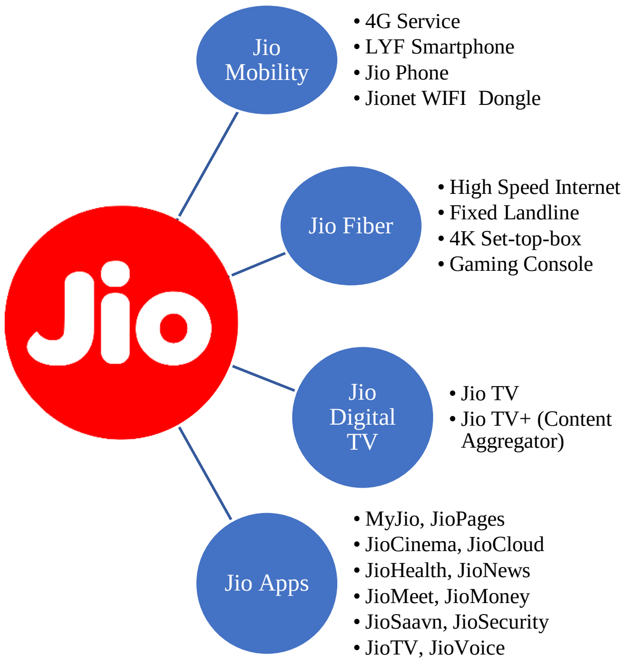

Figure 1. Offerings of Jio digital ecosystem.

IMPACT OF RELIANCE JIO

Jio's disruptive entrant strategy came with a clear vision of customer-centric offering across all budget segments. More importantly, the focus on high-speed internet data was at the crux of its ecosystem offering. This made Jio successfully garner 100 million subscribers in the shortest time of 170 days. The incumbent operators such as Airtel, Vodafone-Idea and BSNL who reigned the telecom sector, especially in the wireless segment, witnessed a quick acceptance by the masses when Jio offered complementary services to its new subscriber which was extended to almost a year. However, more than its affordable offering, Jio's high-speed internet data offering was successful in encapsulating the latent data needs of the subscribers which included the low margin markets as well [3]. The specific implications of Jio on the telecom incumbents are given below:

- The incumbents were made to offer similar tariff plans to match Jio's attractive offerings.
- Incumbents now focused on network capacity expansion in newer regions to attract new prospects.
- Focus on internet data than on voice services in terms of technology upgradation.

- Traditional network technologies such as 2G/3G were phased out to offer single and seamless connectivity.
- Over-the-top offerings and other Value-Added Services bundling are now offered on higher value recharge options.
- Subscribers are now asked to move to higher-value tariff plans ending the low margin recharge options.
- Incumbents are now focusing on retaining existing customers through constant brand reinforcements on loyalty, trust, and customer-centric services.
- Incumbents are now focusing on the in-house or third-party partnership to develop exclusive media content.

CHALLENGES OF DISRUPTIVE BUSINESS INNOVATION

As already discussed, disruptive innovation calls for a focused strategic implementation of innovation in terms of disruptive capability. Not all innovations can be termed as “disruptive” unless there is a positive response from the customer group and there is a scope for consumer adaptability and profitability on the said disruptive innovation. Disruptive innovation cannot be initiated as a defensive strategy by the incumbents as the concept holds that disruptive innovation has to begin as a separate business entity/unit focusing mainly on the latent needs of the customer. Not all disruptive innovations or business models guarantee success. The strategy of disruption is always in long-term envisioning and a high-risk of market acceptability [4]. In terms of Jio’s disruptive business model, the same strategy cannot be replicated by the existing incumbents for the following reasons:

- Disruptive innovation, in the case of Jio, comes with a large capital and capacity investment which was far-fetched to match with most of the incumbents.
- Jio’s disruption lies in its future-ready network that existing operators simply cannot readily implement to counter Jio.
- Jio’s disruptive model success is also credited to the strategic acquisition of more than a dozen technology startups which were later incorporated as part of the digital ecosystem platform.
- Keeping up with brand promises can be another major challenge for a disruptive business model. As disruptive innovation gets adopted by niche segments initially, its recognition in the mass market heavily depends on the feedback of the niche segments.
- Affordable disruptive innovation with latent need satisfaction can be challenging for many firms to implement.

CHALLENGES DURING PANDEMIC

The pandemic situation across the globe since the year 2020 has made and called for drastic changes in terms of technology dependence, availability, and demand. The Work-From-Home (WFH) norms are now part of corporate work culture and online education has given a wider scope for educational institutions and learners. The pandemic has increased the demand for telecommunication services, specifically for wireless internet data services. As per a recent report by Mobile Broadband India Traffic Index (MBiT) in 2021, the mobile data consumption during the pandemic has increased to 20% with increased demand for online and entertainment platform services. The present environment for the high demand for telecommunication services provides an opportunity for telecom services to better their service availability and service quality [5]. Yet the same environment poses a challenge for all service providers in terms of demand and customer satisfaction. Some of the possible challenges are given below:

- Service consistency becomes critical for wireless telecom when a significant percentage of subscribers simultaneously consume data.
- The possibility of customer dissatisfaction is high since service quality becomes a critical factor from the subscriber’s post-sales experience.
- Demand for a more-for-less value proposition can help garner more customers in the short run but may fail to maintain loyalty.

- Dependence on value-added services might increase since a large set of customers may consume services for OTT and other online content availability.

FUTURE OF DISRUPTIVE BUSINESS

With the advent of Reliance Jio through its technology-rich platform and innovation, it has enriched the pattern of digital consumption by the masses. Jio is widely credited for increased internet data consumption with its disruptive innovation and marketing strategy. The data consumption before Jio was a meager 700 MB per month which increased to a staggering 11 GB per month after the arrival of Jio, indicating a shift in competition and customer offering dynamics. Moreover, the same led to the increased consumption of OTT platforms such as YouTube, Netflix, and other content providers and aggregators paving the way demand for fixed internet services as well as annual tariff schemes with more data benefits which were a rarity before 2015–16 [6].

The competition landscape set by the incumbents has now come to a new phase of more-for-less service offerings which can be only possible if there is a disruptive business model strategized for the future or to address latent needs of the customer. The telecom incumbents who reigned for more than 20 years such as, Airtel, Vodafone-Idea, and BSNL made high-speed data services a premium offering with less benefits reserved only for select niche segments. They were taken aback when the competition dynamics called for focusing on affordable high-speed data. Although the incumbents started replicating the offerings similar to Reliance Jio their business model could not match with the scale and presence of Jio and as a result, the industry has witnessed the closure of more than a dozen operators, the amalgamation of BSNL-MTNL, Vodafone-Idea and increased financial loss for established market leader Airtel [7, 8].

DISCUSSION AND CONCLUSION

The main challenges surrounding the telecom operators presently is to match the operations with the new entrant Jio and ensure that subscriber loyalty is maintained and new customer addition will ensure a sound position in the market. Certain discussions and solutions to the counter future possible disruption may be as:

- Disruptive innovation is not a ready solution. The disruptive business innovation or strategy should be initiated as a separate unit of the business focusing on the needs and wants of the niche segment.
- Network expansion and upgradation have to be given priority regardless of market position.
- Innovation hubs at department level or organizational level can help provide solutions to sustain future trends.
- The strategic acquisition of new technology or startups can help nurture an in-house developed ecosystem.
- The right combination of affordable products and solutions is key to penetrate untapped and smaller segments.
- A dedicated or third-party OTT platform bundling can help sustain the competition.
- Strategic business units to handle customer's needs and satisfaction are essential in sustaining the competition.
- Realistic brand promises and commitment can revive customer trust and loyalty.
- Organizational vision should change from being a service provider to innovators enriching the lives of the masses.
- Defensive position during disruptive onslaught only cerates more damage, rather focus should be given on innovation as an organizational goal which can help retain customer loyalty.

TEACHING NOTES

Target Group

This case is suitable for discussion to both the undergraduate and postgraduate students studying under the management discipline.

Learning Objective

This case study should enable students to achieve the following:

1. Understand the concept of disruptive innovation.
2. Understand how disruptive innovation may be successfully used as a part of product or service marketing strategy.
3. Get acquainted with telecom service ecosystem, in context of Reliance Jio.
4. Understand the challenges faced in offering disruptive innovative services.
5. Apply the concept of disruptive innovation to sectors like Health Care, Airlines, Banking, Education, High Speed Railways, Electric Vehicles and other sectors to name a few.
6. To imbibe a hands-on perspective on critical decision-making during the times of disruptive advent.

Questions for Discussion

1. Discuss the concept of Disruptive Innovation.
2. Identify the disruptive innovations of Reliance Jio.
3. Why incumbents usually fail to face a disruptive advent?
4. Identify any recent disruptions especially during the pandemic.

Possible Answers to the Questions: (New inputs are encouraged as the concept is still evolving to date).

Discuss the Concept of Disruptive Innovation

Solution: Disruptive innovation (DI) is the process of offering affordable and simple products or services, methods, techniques, know-how, and other elements which successfully satisfy the latent needs and wants of the customer. A disruptive innovation may not necessarily be identified by breakthrough products or services but it is an offering that seeks to provide simple and cost-effective solutions for the customer.

For any disruptive innovation to be possible, it has to ideally fulfill the following conditions:

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- The DI should be able to satisfy the latent needs of the consumer segment.

Identify the Disruptive Innovations of Reliance Jio

Solution: With its aggressive disruptive innovation and approach, Reliance Jio, a newcomer, has wreaked havoc on the telecom industry. Examining Jio's strategy as a newcomer in a crowded market can help understand why it is such a successful disruptor.

- Seamless Network availability.
- Focus on data (Internet) driven business.
- Future proof and exclusive technology.
- Innovative premium value-added-services.
- In-house development of exclusive hardware and software device and services.
- Low cost value strategy.
- Investment into new emerging telecom and allied technologies.
- Exclusive product and service ecosystem.

Why Incumbents Usually Fail to Face a Disruptive Advent?

Solution: Incumbents fail due to the following reasons:

- Management undermining a disruption even at an initial stage.
- Failing to understand the latent demands of the consumer.

- Undermining customer focused benefits.
- No action plan to face sudden disruption.
- ‘Monkey-see, Monkey-do’ tactics leading to underwhelmed profits.
- No ecosystem platform or innovation.

Identify any Recent Disruptions Especially During the Pandemic

“Answers to this question are based on classroom discussion”

RELEVANT THEORIES FOR DISCUSSION

- “Clayton Christensen’s The Innovator's Dilemma: When New Technologies Cause Great Firms to Fail.”
- “Clayton Christensen’s The Innovator's DNA: Mastering the Five Skills of Disruptive Innovators”

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