



Jio's business model – Sustainable or Not?

Description

Theme :-

- Reliance Jio created mobile internet revolution in 2016, when it announced free voice calls and free data for a limited time. After that, it is providing 4G data at cheap rates.
- Recently, Reliance industries announced 4G feature phones at effectively cost zero.

In Favor :-

- As Jio is providing 4G data and 4G mobile phones at cheaper prices, most of the unconnected India will join Jio's customer base. Jio Phone customers will pay Rs.153/- per month, Other sim users will pay for 4G data. With more number of customers, Jio will be able to get more profits.
- In many remote parts of India, cable TV and high internet speeds have not reached yet. Jio took advantage of this and is now providing these benefits to rural areas. Jio already invested approx Rs.15,000 crores on fiber optical network. It is highly unlikely that other telecom companies will take this risk to compete with Jio services. Even if they take the risk, Jio will have the first-mover advantage.
- For telecom companies, initial investment is high and maintenance costs are fairly low. Reliance industries already invested a lot on Jio. Hence, it is now able to draw profits with low maintenance costs.
- Jio's competitor's data prices are very high comparatively. Hence people will choose Jio over other networks.
- Reliance industries have other sources for revenue such as Jio Apps, Lyf Smart Phones, 4G Broadband services etc.
- As Jio cable can be connected to any TV, people can save money on DTH connection. Through this step, JioTV will get huge customer base.
- Pre-order of Jio Feature phones will help them to mass produce phones. This leads to low manufacturing cost per piece, hence high returns.

Against :-

- If competitors of Jio start offering 4G data for cheap rates, price advantage of Jio will not exist. If that happens, this business model will not be sustainable.
- Only jio apps can be downloaded in the Jio 4G feature phone. This will limit the choices for customers. Hence they may prefer regular cable connection over JioTV.
- The present smartphone users may not prefer 4g feature phone. Because it is single sim and the one who is used to using smartphone may not want to keep jio feature phone as the main phone. Perhaps they will keep it as a second phone and may not recharge 153 rs every month.
- As monthly cost of JioTV and DTH services are almost similar, it's much easier to maintain set-top box instead of using mobile to watch TV. If DTH services reach remote areas of India, it will be a disadvantage to Reliance industries.

Conclusion :-

Providing 4g phones at such cheaper prices is a mobile internet revolution in India. By analyzing the current trends, we can say that Jio will rule the Indian telecom industry at least for the next few years.

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Afterwords :- What is your opinion on this topic? Express your thoughts in the comment section below.

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