RELIANCE INFOCOMM'S STRATEGY AND IMPACT ON THE INDIAN MOBILE TELECOMMUNICATION SCENARIO

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1.0. INTRODUCTION:

Recognising the crucial role that can be played by the telecommunication sector in India's development, the Government of India in 1999 initiated a number of changes in the telecommunication and regulatory and policy framework. Through these the Government hoped to facilitate an increase in telecommunication penetration, which stood at 1.3% in 1995. The reforms, with an eye on a telecommunication penetration of 15% by 2010, resulted in a flurry of private operators entering the market breaking the monopoly of the incumbent operator Bharat Sanchar Nigam Limited (BSNL). Reliance Infocomm was born in the year 2000 as a child of this market liberalisation process with a vision to provide the latest telecommunication facilities to every Indian at the price of a post card. Reliance Infocomm helped the mobile phone penetration in India to grow from 0.25 percent in early 2001 to about 5.7 percent in June 2005.

This paper[1] discusses the innovative strategies adopted by Reliance Infocomm to usher in the telecommunication revolution in India. Specifically the paper takes a look at the new paradigms in cost competence and marketing which helped Reliance Infocomm to drive down costs and drive up volumes. The first part of the report introduces the scale and complexity involved in shaping the Reliance Infocomm vision into reality. The second part looks at the cost strategies adopted by the company, while the third part looks at the creative ways in which the process of marketing value added to the process.

2.0. THE VISION, SCALE AND COMPLEXITY:

Reliance Infocomm was launched as a very ambitious project. The project was conceived at the convergence of communication and information technology. It was designed to connect every home and office in India with each other and the world through an overarching terabit optic fibre digital distribution system. It was developed to provide a range of services to every citizen, company and community. It was envisaged to earn for India leadership in the knowledge age. Reliance Infocomm aimed to create new paradigms in enterprise, entrepreneurship and engagement.

To achieve all these objectives Reliance Infocomm rolled out a complex architecture of domains, functions, facilities, coverage and services, through the latest technology, aiming to add value through messaging, facilitating business transactions, videoconferencing, music and movie download services. According to a comparison cited by Mukesh Ambani, former Chairman of Reliance Infocomm, the United States currently has only about 100 out of 700 cities with the CDMA2000 1X[2] technology that provides the benefit of mobile voice, data and video, while Reliance Infocomm by 2008 is expected to provide these services to 100% of Indian cities.

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[1] The paper has been produced as part of the project "Telecom Demand: measures for improving Affordability" in the Media and Communications Department (media@lse) at London School of Economics. The project is funded by the International Development Research Centre (IDRC), Canada and is a contribution to the World Dialogue on Regulation for Network Economies (WDR) programme on Diversifying Participation in Network Development at IDRC.

[2] The first of the of third-generation (3G) wireless standards to be commercially deployed, CDMA2000 1X laid the groundwork for the higher speed wireless data rates available today in many markets around the world.

According to the Chairman, Reliance Infocomm is building the largest infrastructure in the information and communications sector by any new entrant. To begin with, Reliance Infocomm networked 673 towns and cities. Currently it has a presence in 1,850 towns and cities and 75,000 villages touching about 550 million Indians. By end 2006, the company plans to connect two-thirds of all the 640,000 villages and 5161 odd towns and cities to each other and to the world in a seamless way. This gigantic effort involving more than 8,500 BTS (Base Transceiver Station) towers covering about 91% of the country's national highways and 85% of the rail routes is compared by the company officials to the scale of effort involved in building virtually the entire railway system in India.

3.0. PRICING STRATEGY

“My vision is to provide the latest telecommunication facilities to every Indian at the price of a post card” – Dhirubhai Ambani.

“A monthly telecom spend of Rs 250[3] (US$5.6) would usher in a telecom revolution in India. At that rate, the telecom market will be around 600 million lines,” said B D Khurana, group president, Reliance Infocomm.

Reliance Infocomm challenged conventional cost structures in the telecommunications industry. Historically, telecommunication services have been the privilege of a small section of society. Reliance Infocomm broke this mould with a tariff that can be described as the most ambitious ever listed by a telecom company in India. It aimed for prices as low as the cheapest alternative – the postcard. While other operators aimed for the higher value market, Reliance Infocomm realized that there is a market in driving volumes and aimed at creating a completely new market. “According to estimates, there are around 320 million [people in] households with an annual income of Rs 1.5 lakh (US$3,333) [and above]. Of that, half are in rural areas with similar purchasing power. And this segment is expected to grow to 478 million by 2007 and to 602 million by 2010” commented B D Khurana, group President, Reliance Infocomm, hinting about the market that Reliance Infocomm aimed to capture.

3.1. Dhirubhai Ambani Pioneer Offer – Democratizing Mobiles:

Announcing its launch of mobile services in December 2002 Reliance Infocomm offered an introductory scheme called the 'Dhirubhai Ambani Pioneer' offer. Under this scheme consumers were given a free digital mobile phone, unlimited free incoming calls, billing at 15-seconds pulse rate, for a one-time fee of Rs 3000 (US$66.7) as membership charges and Rs 600 (US$13.3) per month (paid in advance) as telephony charges. All incoming calls were offered free and outgoing calls were charged at 10 paise (0.2 US cents) for 15 seconds. The cost of a national long-distance call to any Reliance phone in the country was 40 paise (0.8 US cents) for a minute. In addition, the monthly charge included 400 minutes of outgoing calls. Only calls over and above this were charged extra. Value added services like voice mail, call waiting, call hold, call divert, call identification, call conferencing, dynamic locking and text messaging were offered for free. Internet access through the phones was also offered free initially.

[3] Exchange Rate 1 US$ = Rs 45

"The pricing system is in line with Dhirubhai Ambani's dream and directive of making phone calls affordable for every Indian. It has been made possible due to the significant capital productivity achieved," said Mukesh Ambani.

The Dhirubhai Ambani Pioneer offer unlocked the demand for telecommunication services in India by challenging many accepted practices. The biggest entry barrier till that point was the handset prices. The mobile handsets in the market were priced at Rs.7500 (US$166.7) upwards, which made them unaffordable for most Indians. Handsets were to be purchased separately since the operators until then offered only services, and never dealt with handsets. For a customer this meant dealing with two suppliers – one for the service and another for the handset. Reliance Infocomm, for the first time in India, offered handsets free of charge, along with the service. The phones offered were Java-enabled and multimedia ready with polyphonic sound and features like 3-way conferencing. For a customer this meant access to a fancy handset without the initial price barrier, and dealing with just one supplier.

Reliance Infocomm managed this free handset offer in three ways. Firstly, Dhirubhai Ambani Pioneer offer had a built-in contract of three years for every customer. This guaranteed cash flows and minimized churn allowing them to discount the cost of the phone. Secondly, Reliance Infocomm entered into exclusive agreements with handset vendors like LG and Samsung. For a guaranteed purchase of huge volumes (between 1 million and 8 million phones) the prices were negotiated down to rock bottom. Thirdly, Reliance Infocomm reduced the choice available to the customer to just two models per brand, thus ensuring mass production and further reduction in prices. Internal estimates say that the handset model which was available on the open market at a price of Rs.10,500 (US$233) was procured at a price of Rs.800 (US$17.8) by Reliance Infocomm. In addition, Reliance offered to exchange existing handsets for international long distance time valued between Rs 5,000 (US$111) and Rs 7,000 (US$155.6). Through this exchange offer Reliance ensured that many of the existing subscribers of the competitors could come into its fold, without having to bear the guilt associated with discarding a costly handset. By offering international long distance time, instead of cash or discounts, this ensured that the services were used for bringing in more revenue.

Reliance Infocomm challenged the practice of charging for incoming calls. The existing mobile players until then charged all the incoming calls at almost half the rates of outgoing calls keeping many potential users at bay. Through the Pioneer Offer, Reliance Infocomm made all the incoming calls free of charge. The competitors had been discussing the advantages of 'Calling Party Pays' (CPP) for the previous three years or so. But Reliance Infocomm was bold enough to put that pricing regime into practice.

Reliance Infocomm also reduced the rates of outgoing calls at a point of time when they were being charged at rates as high as Rs.7 (US$0.15) per minute. Three strategies helped in cutting call costs. Firstly, Reliance charged a higher rental – Rs.600 (US$13.3) per month – compared to the rest of the players. But it ensured that the user received about 400 minutes of free usage, while the competitors offered none. For a user this means that his or her outflow is fixed, while allowing the flexibility of a moderate amount of minutes. Secondly, Reliance Infocomm reduced the pulse rates to 15 seconds from the earlier one minute. For a user this meant more control over the costs, while for Reliance, it meant higher volumes of calls. The lower pulse levels allowed the low-income users to pass on information through short duration calls. Thirdly, Reliance Infocomm ensured that calls to any Reliance phone in India were charged at Paise 40

(0.8 US cents) a minute – a rate which people could not even imagine before that time. For Reliance Infocomm this meant faster adoption of Reliance services across India, because of the very low long distance rates, made possible by low costs, since the calls would be carried entirely through the Reliance owned network, thus avoiding profit sharing with any other carrier.

Value added services like voice mail, call waiting, call holding, call divert, call identification, call conferencing and dynamic locking were charged at a premium by all the other players in the market. Reliance Infocomm offered all these services free of charge. In addition all text messaging was offered free of charge. Access to RWorld - offering music, video and utilities – and access to the Internet through the phones – both a first in Indian mobile communications - were offered free of charge. Through these Reliance customers got a taste of the future, hooking them onto the service and paving the way for revenue streams in addition to plain vanilla telephony.

3.2. Monsoon Hungama Scheme - Showers of Mobiles:

In an attempt to further democratize telecommunication services, Reliance Infocomm followed up the Dhirubhai Ambani Pioneer offer with the Monsoon Hungama scheme on the 1st of July 2003. This unprecedented scheme allowed customers to get a mobile phone for an upfront payment of just Rs 501 (US$11), bringing down the entry barrier to a bare minimum. The scheme also permitted a low monthly spend, allowing the customer to restrict the fixed monthly outgoing (postpaid) to Rs.449 (US$10), inclusive of the Rs.200 (US$4.4) paid as club membership and privilege charges.

Reliance Infocomm's Monsoon Hungama offer of a phone for Rs 501 (US$11) was a runaway success. Monsoon Hungama pushed Reliance to the top of the telecom market in terms of subscribers. It was the biggest promotional success in the history of mobile telephony in India. 1 million subscribers joined Reliance Infocomm in just 10 days after the launch of the Monsoon offer. The ripples of the offer were not limited to Reliance. This offer led GSM handset prices to fall to as low as Rs 1,500 (US$33.3). In the footsteps of Reliance Infocomm, during the same period, many competitors started offering flexible pre-paid options at less than Rs 500 (US$11.1) per month for their GSM mobile services.

3.3. Pre-paid Offering - Market Consolidation:

As the market for post-paid mobile services started stabilizing, Reliance Infocomm launched its first pre-paid offer. The pre-paid offer marked a fundamental shift in Reliance's strategy where it had built a post-paid customer base of over 6 million through the Pioneer and Hungama schemes. At a time when Reliance was finding it hard to manage its post-paid customers, the new strategy offered two advantages. First, there was the obvious advantage that cash is collected beforehand. Second, the cost of collecting bills - which is 1 to 3 per cent of revenue - vanished.

In February 2004, Reliance Infocomm announced another set of prepaid schemes, quite different from the earlier schemes. The schemes gave customers free recharge vouchers worth nearly the cost of a Reliance IndiaMobile (RIM) prepaid handset that they buy. In simple terms it meant that customers were getting the phone free rather than having to buy it as they would if they opted for a GSM pre-paid scheme. Also, the customers were allowed to remain connected for a full year without having to buy new recharge vouchers. Under the Prepaid launch scheme, a customer had to pay Rs. 3,500 (US$77.8) for a Motorola C131 handset and received free Reliance Prepaid connection and recharge vouchers worth Rs. 3,240 (US$72) valid for six months and with additional six-month grace period. In this scheme, all local calls, intra-circle calls and inter-circle calls of less than 50 km to another mobile phone had a flat rate of Rs. 2.49 (US$0.06) per minute. All inter-circle calls of above 50 km to another mobile phone had a flat rate of Rs. 2.99 (US$0.07) per minute. All local calls, intra-circle calls and inter-circle calls of less than 200 km to a fixed phone had a flat rate of Rs. 2.99 (US$0.07) per minute and all inter circle calls of above 200 km had a flat rate of Rs. 3.99 (US$0.09) per minute. International calls were billed at Rs. 16.99 (US$0.38) per minute.

Other features of Reliance Prepaid included automatic roaming in the pan-India Reliance network at no extra charge, a nationwide recharge facility with any available denomination (starting from Rs.165 or US$3.67), a national long distance and international long distance facility, and call forward and voice message service at local mobile call rates from anywhere in the Reliance network. Also, customers with Java enabled handsets were able to use their phones as modems for RConnect Internet connectivity and to access RWorld data applications. This scheme was different from the earlier schemes in two ways. Firstly, though the handset came virtually free of charge, the entry barrier was definitely higher since the customer committed to a higher volume of calls. Secondly, the customers who were hoping that Reliance would bring prices substantially down, as in the past, were disappointed. Airtime tariffs (the price of calls per minute) of this scheme (discussed above) were almost the same as those offered by the GSM operators.

It is interesting to note the subscriber figures (in millions) provided by the Telecom Regulatory Authority of India during the same time period (see Table 1). These may differ from the Reliance Infocomm figures, since this is the officially released data.

Table 1 Subscriber numbers (million) by service provider

Service Provider	**June '03 After Pioneer scheme**	**Sep '03 After Monsoon Hungama**	**Dec '03 One year after launch**	**Mar '04 After pre-paid launch**	**Mar '05 One year after pre-paid**	**Sep '05 Latest scenario**
Reliance Infocomm	1.82	4.20	6.24	7.26	10.45	12.99
Bharti	3.75	4.62	5.50	6.50	10.98	14.07
BSNL	3.19	4.04	4.94	5.53	9.90	12.38
Hutch	2.62	3.22	3.77	5.15	7.80	9.71
MTNL	0.29	0.31	0.42	0.46	1.08	1.44
BPL	1.17	1.31	1.54	1.88	2.58	2.81
Tata	0.2	0.4	0.56	0.63	1.09	2.06
Total	**17.32**	**23.03**	**28.44**	**33.69**	**52.22**	**65.07**

Source: TRAI documentation

3.4. Cost Management - The Inside Picture

The Reliance Infocomm pricing system was always in line with Dhirubhai Ambani's dream and directive of making phone calls affordable for every Indian, and has been possible due to the meticulous planning, 'out of the box' thinking in touch with reality, and significant capital productivity achieved on the strength of Reliance's track record in project management.

Reliance Industries, the parent company of Reliance Infocomm, is the largest private sector corporation in India with stakes in Petroleum, Petrochemicals, Engineering, and Finance. This scale of operations provided great leverage as the company ventured into telecommunications. Reliance Infocomm, in the initial stages, shared all Reliance resources to ensure cost effectiveness in every service that it provided. Reliance Infocomm operated out of existing Reliance Industries offices and utilized the capital and personnel resources to the extent possible. Reliance Engineering Associates Ltd, an associate company, made sure that the engineering and manpower costs were maintained at the bare minimum. According to B D Khurana, the Group President of Reliance Infocomm "… in developed countries human resource costs account for 22 per cent of a telco's operating cost as against 5 per cent in India…But we utilize all our internal resources in large numbers which further reduces the cost". In addition Reliance centralized most of its operations. Citing Reliance Infocomm's strategy, Khurana said: "80 per cent of our administration and operation is centralised. Compared to the best telecom networks in the world we have deployed only half the number of people per 1,000 lines making our human resources the highest productive resource." Reliance also exploited the extensive petroleum distribution channels that it had set up in promoting and distributing Reliance Infocomm services.

A group company, Reliance Telecom Limited, which uses the GSM technology to provide services to seven telecom circles[4] across 11 North Eastern states of India, helped Reliance Infocomm in learning and managing cost structures during the initial stages. Reliance Telecom and Reliance Infocomm synergy helped in the optimum utilization of their networks in two ways. Firstly, Reliance Infocomm network started routing all the calls originating from Reliance Telecom, which guaranteed traffic and revenues from day one and, secondly, the network of Reliance Telecom helped Reliance Infocomm in gaining a foothold in the North Eastern market, where it did not possess telecommunication licenses.

Provision of multiple services is another strategy which Reliance Infocomm used to manage costs. When most other mobile operators focused exclusively on the provision of mobile services, Reliance Infocomm, in a phased manner, started offering all the services which could utilize their network and other resources optimally. Apart from the basic mobile services, Reliance Infocomm currently offers landline, broadband Internet, leased line, VPN (Virtual Private Network), IPLC (International Private Leased Circuit), Centrex and IDC (Internet Data Centre) services, thus achieving lower costs per service and more revenues.

Another factor that worked in favour of Reliance Infocomm was the state of the world economy. During the period of Reliance Infocomm start up, in 2000 to 2002, the world economy experienced a time of turmoil. There was a deepening and reinforcing of the global economic slowdown that had begun to set in from the end of 2000. According to the IMF estimates[5], world output recorded a mere 2.4 percent growth during 2001, compared to 4.7 percent during 2000. The growth in world trade volume also declined sharply to about 1 percent during 2001, as against 12.4 percent in 2000. The global slowdown was accentuated further by the terrorist attacks in the United States on September 11, 2001. These ripples were reflected in the telecommunication industry.

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[4] For licensing purposes India has been divided into 23 separate areas called 'circles'.
[5] Figures taken from International Monetary Fund World Economic Outlook database.

After a steady growth throughout the 1990s, the United States telecom industry saw a decline for the first time in 10 years in 2001. US imports of telecom equipment recorded a decline of 9 percent, and exports a decline of 7 percent in 2001 over 2000. But in the case of Reliance Infocomm these negative events had a positive impact. The world economic and telecommunication meltdown helped it to negotiate better prices for equipment. Since Reliance Infocomm placed huge orders they were in an advantageous position to command lower prices from nearly all vendors who were trying to push out equipment from their warehouses. According to internal rumors, Reliance Infocomm procured discounts of up to 90 percent on the market prices from vendors like Lucent and Nortel.

Since the global meltdown ensured rock bottom property prices across India, Reliance Infocomm was able to own, lease and rent property required for the offices, showrooms and equipment installation at minimum cost. Added to this, careful planning ensured that the structures including the telecommunication towers were made and erected at minimum cost. The fibre optic cables were procured from Reliance-owned factories resulting in further cost reduction. Mukesh Ambani claimed that Reliance Infocomm's "…capital costs per subscriber are about 50 to 70 per cent lower than those of all new global telecommunication deployments in recent times".

Reliance Infocomm also exploited loopholes in the Indian telecommunication policy to cut costs. This problematic episode is discussed further in section 5. The GSM licenses were offered for the four metropolitan cities and 18 circles after a tendering and bidding process. These licenses were procured by various mobile operators from the period of 1995-97 for a license fee as hefty as US$7 billion. The New Telecom Policy 1999 reduced this license fee significantly, incorporating a revenue sharing arrangement. In January 2001, a policy was announced for additional licenses in Basic and Mobile services. The entry fee for the basic services was fixed at US$0.2 million to US$25.5 million, while for the fourth mobile operator (since in most circles there were three operators already) it was fixed at US$0.2 million to US$ 45 million, depending on the area of service provision. According to this policy, WLL service was considered a by-product of basic service and could be provided by basic telecom operators at no extra license fee. As Reliance Infocomm studied the balance sheets of the existing mobile operators they found that the actual revenue realizations were far short of projections, leading to mobile operators being unable to arrange finance for their projects and complete rollouts. This created a vicious circle of high subscription charges and low penetration for the mobile operators. Reliance Infocomm, instead of applying for the fourth mobile license went for the Wireless Local Loop license (WLL) based on Code Division Multiple Access (CDMA) technology. While other GSM players took years to break even because of the high entry costs, Reliance Infocomm ensured this cost would be minimized. All these measures ensured that the capital and operating expenditures of Reliance Infocomm were minimized as compared to its competitors, helping it to offer cheaper services.

4.0. SALES AND MARKETING STRATEGY:

Reliance Infocomm radically redefined marketing models in India and engaged homes and enterprises directly by having the ability to deliver physical and virtual products and services as part of one system. Reliance Infocomm through its aggressive, unconventional tactics changed the rules of the mobile marketing game.

4.1. Customer Generation - Tapping in to Internal Resources:

Reliance targeted internally as it looked for the first set of customers. Officials of Reliance Infocomm realized that an employee base of more than 50,000 and a shareholder base of about 3.3 million was the best place to start as far as customers were concerned. Every employee was offered 10 connections at a discounted rate. While the normal monthly charges would be Rs.600 (US$13.3), for the employees they were offered at Rs.500 (US$11.1). Many employees bought Reliance connections for many of their relatives and friends. During the annual general meeting the Reliance Chairman offered shareholders a discount package. The company offered a Rs.850 (US$18.9) discount on initial payments on subscription per connection. In addition, the shareholders were offered free usage worth Rs.100 (US$2.2) for six months. This amounted to a total discount of Rs 1,450 (US$32.2) per connection. In addition the shareholders were encouraged to promote Reliance Infocomm connections in their circles of influence. If a shareholder subscribed to two connections, he or she would get free usage worth Rs.100 (US$2.2) per connection for 12 months, in addition to the Rs.850 (US$18.9) per connection discount. This amounted to a total discount of Rs.4,100 (US$91.1) for two connections.

4.2. Dhirubhai Ambani Entrepreneurship Programme – A New Way to Market:

In the case of marketing channels, instead of resorting to the tried and tested means, Reliance Infocomm created a completely new model. As a tribute to Dhirubhai Ambani, the acknowledged icon of a new entrepreneurial wave in India, Reliance Infocomm fostered a new breed of entrepreneurs, as channel partners. The Dhirubhai Ambani Entrepreneur Programme began with an aim of enrolling 200,000 individuals who are committed to acquiring new customers and creating a new experience for them, based on flawless service and feelings of satisfaction. About 50,000 individuals were recruited in a matter of weeks who were guided and supported by 900 Reliance executives across the country. In 673 towns and cities, Reliance trained these entrepreneurs in basic skill sets, so that they are able to deliver value to customers at their doorsteps. Reliance Infocomm envisaged spending over Rs.1000 million (US$22.2 million) per year in training and competency building programmes for these entrepreneurs. Through this programme, in addition to contributing to society by encouraging other enterprises, and creating economic opportunities for millions of young Indians, Reliance leveraged goodwill and networks.

To complement the Entrepreneurship Programme, Reliance Infocomm started retail outlets in prime commercial and residential areas. In retail spaces ranging between 800 and 2000 sq ft, in major Indian cities, district headquarters and towns that would number over 500, the company leased or purchased areas and set up WebWorlds. At the WebWorlds the customer could interface directly with the company officials, see, touch and try the products and then buy. At the phone stores, the customers could buy the phones directly across the counter. The company envisaged that ultimately there would be at least one WebWorld in all the towns where Reliance Infocomm has a presence.

The vision of Dhirubhai Ambani - a mobile phone in every Indian's hand - drove Reliance Infocomm further to reach out to places hitherto untapped by any telecom company in

India. Reliance Infocomm aggressively promoted its limited mobility telecom service by participating in or having partnerships at various shopping malls, book fairs, community functions, kiosks, letting people have a mobile phone connection. To build the customer base Reliance Infocomm went where the customers were going – to grocery stores, gas stations, music stores, departmental stores, street side vendors, bookshops and even hotels and restaurants. To ensure that the product was available at the customer's doorstep, Reliance stocked its handsets in about 15,000 outlets across the country, while 70,000 outlets sold the recharge coupons. It also appointed 600 exclusive distributors who sold only the pre-paid offering. Retailers like FabMall, PlanetM, HP, Music World and Timex started to bundle their products along with Reliance India Mobile. Phones were distributed at discount prices with many products the consumer bought. Additionally the company conducted nationwide product demonstrations and announced that the Pioneer Scheme would be a limited period offer, which further enhanced the interest of the consumers.

4.3. Advertising – Educating Masses and Evoking Passions:

Advertising was a marketing strategy which complemented the unconventional use of channels by Reliance Infocomm. The Reliance mobile brand was branded as IndiaMobile to cash in on patriotic feelings. Bundling of handsets along with the service – a first time in India – allowed Reliance Infocomm to resort to a co-branding exercise with the handset makers. The Reliance Infocomm brand name embossed on every handset gave it a unique cachet, while the costs of many of the advertisements were discounted since they were also borne by the handset makers. A mega advertising campaign was launched across the media to mark the launch. The blitzkrieg coincided with the world cup cricket tournament, ensuring a huge audience. The main theme of the first campaign built on the vision of Reliance Infocomm in bringing the power of telecommunications to every person. This campaign helped to educate people on the importance of telecommunication services. The next set of campaigns talked about the innovative product features which differentiated Reliance Infocomm from its competitors. The advertisements announced that Reliance IndiaMobile was '*Kabhi* mobile, *kabhi* computer' (Sometimes Mobile, Sometimes Computer). In the subsequent campaigns Reliance started riding on movies and cricket as themes.

Overall three observations emerge from the way Reliance handled the media. Firstly Reliance built a huge public relations exercise around the launch of the product. The public relations effort gave much leverage to the advertising and gave rise to a word of mouth campaign. Secondly, Reliance Infocomm utilized every media vehicle very effectively. It advertised on every TV channel available and in most newspapers, thus making sure that the product was being promoted across India – a nation very much divided by language and market conditions. At the peak Reliance Infocomm booked about 5,000 spots on 40 TV channels, 1 million sq ft of space on hoardings across the country and inserted ads in over 70 publications in national and regional languages. Thirdly, Reliance Infocomm capitalized on the passions of Indians when framing advertisements. The campaigns had an emotional pitch, piggy backing on Cricket and Bollywood (equivalent of Hollywood in India) thus effectively connecting with almost every Indian.

For marketing promotions Reliance again used unconventional strategies. The mobile service was promoted aggressively through every marketing channel. Huge signs were put up in front of every gas station and office space in addition to the prime spots booked across the nation. The bulk purchase of signboards ensured that the cost was lower as compared to that available to competitors. Reliance Infocomm also utilized their telecom towers by putting up glow sign boards on them which lit up during the night – an innovative, but cost effective, strategy since most of the towers were in highly populated and visible areas.

4.4. RWorld – Reliance Way of Putting the World in Your Hands:

Another important marketing strategy that Reliance Infocomm used was product differentiation by mixing data applications with voice. Through RWorld – an inbuilt Java enabled data feature of all Reliance phones - the company guaranteed download speeds of up to 144 kbps from an applications suite which has over 120 applications ranging from interactive Guides such as TV programme guides and City Guides, Live News and TV news clips from channels like NDTV, CNBC, Aaj Tak and India TV to contests, video songs, Ring Tones, Cricket Information, Women's World and KidzWorld. It introduced numerous applications like news, streaming audio and video of movies and music clips, city & TV guides, exam results, astrology and stock prices. Apart from these, data applications again rode on the passions of India – cricket, movies and festivals. RWorld launched specific festival services for the Durga Puja and Dusshera festivals. On 20 September 2003, the first day of introducing "Navratri" - a multi-media mobile service offering ring tones, greeting cards, pictures and video clips of Navratri Festival - in the R World, over 10 million Navratri specific content downloads were reported. Viral marketing and word-of-mouth references drove traffic buildup. In the world of movies Reliance Infocomm embarked on a mega movie promotion and tied up with the movies of many famous directors in the country. It heavily promoted Reliance mobile ShowTime – the first of its kind concerted movie promotion through Reliance mobile RWorld and Reliance WebWorlds. It aimed to bring the world of movies not only on mobile screens of Reliance mobile phones but also offered special outlets at its WebWorld stores across the country. The company joined hands with the producers of hit films for promotion of their latest blockbusters. This concept of movie promotion opened up many new marketing avenues for Reliance Infocomm. In the world of Cricket, Reliance Infocomm tied up with national and international Cricket tournaments and started providing real time scores.

Reliance Infocomm did not stop at this. Through the Dhirubhai Ambani Developers Programme (www.dadp.com), it aimed at opening the Reliance platform, on an open source basis, so that ideas can be converted into applications - where the power of thousands of minds could be harnessed to create unique products and services. These Dhirubhai Ambani Developers converted ideas into products as Reliance Infocomm provided the infrastructure, unlimited access to comprehensive technical documentation and support and special rate plans designed for the developer community. According to Reliance, this programme is aimed at creating wealth for 100,000 young developers who could leverage their success in India to win markets globally. Over 16,000 individual developers and 800 Independent Software Vendors (ISVs) in addition to scores of small and medium enterprises have so far enrolled in the programme.

4.5. Product Innovations - Connecting with Every Section of Society:

Reliance Infocomm leveraged its product innovation skills, applications development skills and partnerships to find new solutions to conventional and contemporary problems - from managing queues in temples, and connecting all police stations, to delivering e-governance solutions to citizens. Reliance Infocomm applications also facilitated the provision of education and health services to rural areas at an affordable cost. Reliance Infocomm attempted to offer something for every section of the society. In a significant initiative to connect with the huge farmer and trader community of India, communities that are traditionally left out of telecommunication strategies, Reliance Infocomm brought the Mandi (market) onto mobile handsets. The company tied up with National Commodity & Derivatives Exchange Limited (NCDEX) to disseminate its spot and future commodity prices through its RWorld suite of mobile applications. "This joint initiative is a major step taken by NCDEX and Reliance Infocomm in providing a convenient way to access commodity prices," said Mr Narendra Gupta, Chief Business Officer, NCDEX Limited. "Price information is very critical for all traders, and given that one would like to take advantage of price changes in a dynamic world, such real-time quotes will help to leverage such situations even while on the move." The innovative application "NCDEX Quotes" was made available on RWorld, to meet the needs of mobile users who want the ease and convenience of anywhere, anytime tracking prices of commodities.

To tap into the retailer community Reliance deployed India's first Wireless Point of Sale (POS) Terminal for processing credit card transactions in July 2003 in association with HDFC Bank - an important milestone in the history of retail credit in India. Wireless POS enabled banks to expand exponentially the number of merchant outlets accepting credit cards and speed up penetration of credit card services to smaller towns. To connect with vehicle drivers Reliance introduced the Vehicle Tracking System. Reliance Vehicle Tracking System provided real time tracking and monitoring of road consignments and vehicles across India from anywhere, anytime; consignment location display on Global Information Systems (GIS) map with assigned route data; routing and location finder capability; real time text messaging to remote vehicle from application interface; automatic exception alerts via e-mail; short messaging service (SMS) in case of geofence violation, speed, delay etc.

Through RConnect services, Reliance Infocomm offered India's only nationwide wireless Internet connectivity by leveraging its pan-India high speed CDMA2000 1X wireless network. RConnect helped it to connect to the growing community of Internet users, enabling it to gain over 300,000 subscribers in less than seven months. Subscribers could connect to Internet ‘on the move’ at data speeds of up to 144 Kbps from their laptops or other mobile computing devices using an RConnect Cable with their Reliance phones.

4.6. Customer Service – Icing on the Marketing Cake:

Reliance Infocomm followed up the product innovation and marketing tactics with good customer service. A 24 by 7, 365 days a year customer service was set up in a central location in Mumbai. Taking into consideration the languages and cultural diversity of India, service was offered in 10 languages. This ensured that many customers, who are primarily people without much fluency in English, have a smooth experience. Additionally the company set up customer service departments in every town and tied up with 10,000 retail chain services. While other mobile operators took more than two days for initial service provision, Reliance Infocomm ensured that customers could walk into any of the retail outlets and buy a fully provisioned mobile phone within 15 minutes.

5.0. TACKLING THE PROBLEM PHASE:

The success of Reliance Infocomm and its impact on the Indian mobile telecommunication scenario does not mean that the growth of the company was without problems. Control issues and performance problems forced Reliance Infocomm to phase down the Dhirubhai Ambani Entrepreneurs, who paid around Rs 10,000 (US$222.2) each to obtain dealerships, to a few thousands by April 2003, about a year after the launch.

Reliance was much criticized for circumventing many of the existing telecommunication policies in a ruthless manner. According to the Telecom Regulatory Authority of India (TRAI), WLL mobility should be within the local area, that is in a range of about 20-25 kilometers with no roaming. Reliance overcame the policy shackles and roaming problems associated with Limited Mobility by enabling the customer to use the same handset in areas other than where it was registered. Through a multiple registration scheme, it provided connection to the Reliance network in other areas. This led the Department of Telecom (DoT) to issue a notice to Reliance Infocomm to discontinue offering roaming-like services on its WLL mobile phones. Reliance Infocomm got into many more legal difficulties with the policy-making body, the incumbent operator and the other operators in the Indian telecommunication sector. But eventually strong political clout and lobbying saw it through. Though opposed by the GSM Cellular lobby, based on the recommendation of the TRAI, as approved by the group of Ministers on telecom and then the Cabinet, the Unified License was introduced in India, benefiting Reliance Infocomm the most. The Unified Licensing allowed Reliance Infocomm, which held the Limited Mobility license, to migrate to the new regime to offer both basic and mobile services, putting it on a par with the other operators in the country.

The Monsoon Hungama offer fetched one million applications within the first ten days of its launch, but this did not happen without problems. "This unprecedented response gave rise to logistics, billing and collection problems," said Mr Mukesh Ambani, at the Reliance Industries' annual general meeting. Reliance Infocomm's provisioning for bad debts for the year 2003-2004 amounted to 16 per cent of service revenues, among the highest in the industry, according to telecom experts. "This lends credence to the rumours in the market that many customers were cheating the company by disappearing, not paying up, not even receiving bills, and so on," said an analyst with a brokerage firm.

Reliance Infocomm also saw a leadership crisis emerge between the Chairman – Mukesh Ambani and Vice Chairman – Anil Ambani, when Anil Ambani claimed an independent stake in the running of Reliance Industries. The crisis emerged during March 2004 and assumed a high profile in media and public spaces during December 2004. April 2004 to June 2005 witnessed a situation where Mukesh Ambani, who until then led every decision at Reliance Infocomm, withdrew from day-to-day operations, focusing on untangling the crisis. As a result Reliance Infocomm slipped to the second position in terms of subscriber numbers among the Indian mobile operators.

Still, Reliance Infocomm played a major role in ushering in a new era in Indian telecommunications. Despite the problems, Reliance Infocomm remains one of the front-runners in the Indian telecommunication industry. The marketing channel problems have been tackled and the company currently has a strong mix of own and outside channels including Dhirubhai Ambani entrepreneurs, direct sales agents, retailers, WebWorlds and WebWorld Expresses. Reliance Infocomm has licenses to offer telecom services in 20 of the 22 circles under the Unified Access license. In addition, it has received a Letter of Intent for the Jammu and Kashmir circle. This has enabled the company to offer services across the length and breadth of India's vast geography through its next generation fibre optic network backbone spanning 60,000-route km. It has recovered a high percentage of the bad debts. Also the fact that Reliance Infocomm had taken out insurance on the handsets it was selling to customers on an instalment basis worked in its favour.

In January 2004, Reliance Infocomm acquired 100 per cent of the undersea cable company, FLAG Telecom, for US$ 211 million. This acquisition provided Reliance Infocomm with an international gateway to global markets. The FLAG acquisition also means that Reliance Infocomm is the only Indian operator to own an international undersea cable network with a global footprint.

The company, after running up losses for two years, has also turned a profit. It earned a profit of Rs. 510 million (US$11.3 million) for the fiscal 2004-05 reversing the loss of Rs. 3900 million (US$86.7 million) in 2003-04. Cellular Operators Association of India’s (COAI) 2004 report indicated that Reliance Infocomm’s monthly average revenue per user of Rs.523 (US$11.6) was substantially higher than the largest GSM player Bharti’s Rs.444.43 (US$9.9). Trust in the Reliance mobile brand was confirmed as it emerged as the most trusted telecom brand in the country. The control of the company has been taken by Anil Ambani who has confirmed Reliance Infocomm’s commitment to put the power of information and communications in the hands of all people at an affordable cost. He continues to believe that this will help empower them and overcome the handicaps of illiteracy and lack of mobility.

6.0. CONCLUSION:

Reliance Infocomm stimulated telecommunication growth in India by challenging many of the conventional practices in product design, distribution, sales, advertising and pricing. Reliance Infocomm fashioned a strategy which was conceptually simple but sweeping in its impact. While the competitors focused on the top segment of the market, by charging a premium, Reliance Infocomm sought to reduce the cost to the consumer, thus focusing on a market driven by volume. While others saw weaknesses of India as a market – widespread poverty and low levels of telecommunication penetration – and Reliance as an old economy firm focusing on oil production and business-to-business clients – Reliance Infocomm realized that these actually were strengths which it could tap into. Reliance Infocomm’s managers saw that telecommunications would be much valued by the poorer sections of society if it could be used to create opportunities and offered at affordable prices. The company tapped into its strong political and financial clout to build up a strong organization that could push it through the legal and regulatory system.

Reliance Infocomm is planning to consolidate its telecommunication revolution through three phases:

Firstly, the mobile revolution now reaching 17 million customers will expand to 640,000 villages and to over 5,000 cities and towns. This revolution will create the potential for every individual to talk, learn, shop, bank, transact, entertain and be informed, while on the move.

Secondly, an enterprise Netway revolution will bring the possibility to provide broadband experience to every desktop and device in half a million enterprise buildings initially and eventually to millions of commercial buildings. This will create the potential to empower every enterprise by making transactions efficient, functions seamless and new economic opportunities abundant.

And thirdly, a convergence revolution will provide high-speed networks to millions of homes. This revolution will offer every home access to a wide range of television channels, high-speed telephony, audio conferencing, videoconferencing and video on demand.

LIST OF ABBREVIATIONS:

BSNL – Bharat Sanchar Nigam Limited
BTS - Base Transceiver Station
CDMA – Code Division Multiple Access
COAI – Cellular Operators Association of India
CPP – Calling Party Pays
DoT – Department of Telecommunications India
GIS – Global Information Systems
GSM – Global Subscriber Mobile
IDC – Internet Data Centre
IPLC – International Private Leased Circuit
ISV - Independent Software Vendors
NCDEX – National Commodity Derivatives and Exchange Limited
POS – Point of Sale
RIM – Reliance India Mobile
SMS – Short Messaging Service
TRAI – Telecommunication Regulatory Authority of India
VPN – Virtual Private Network
WLL – Wireless in Local Loop

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* Sangeeth Varghese joined Reliance Infocomm in the year 2000 as a start up member. In 2001 he was selected to the coveted Young Leaders Programme, where he was mentored under the President, Reliance Infocomm to take on future business responsibilities. As part of the programme he served in the Planning Task Force, coordinating the functions of the technical, marketing and sales departments. He worked with the Chairman and Circle Heads to develop a Go-To-Market strategy for Reliance India Mobile, and helped launch the service. He prepared and presented several reports to the government officials to campaign for additional bandwidth provision in India. He developed two business plans “Mobile PCO” and “Video Conferencing for Small/Medium Enterprises” which helped revolutionize the Indian telecommunication scenario. In the year 2003 he took charge as the Lead, Marketing and Business Planning for the Enterprise Department, Reliance Infocomm, Bangalore. Here he helped coordinating the launch of the Reliance Enterprise Netway solutions. He resigned in September 2004 to pursue further studies at the London School of Economics. You can contact the author on sangeethv@gmail.com.
Claire Milne, Visiting Researcher with the Department of Media and Communications and Independent Consultant, directed the research for this paper. Professor Robin Mansell provided comments. We are grateful to all those who provided comments on earlier drafts. We bear full responsibility for any errors or omissions.