

The market that Reliance Jio seeks to tap

Updated: 26 Jul 2017, 07:13 AM IST Tadit Kundu

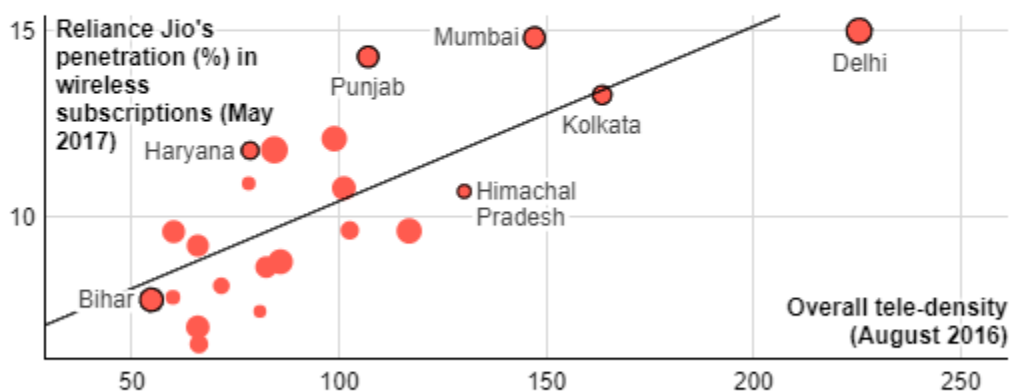
In a country with few smartphone users and low internet penetration, Reliance Jio's latest offering JioPhone seeks to capture a huge untapped market

Since its launch in September last year, Reliance Jio, the brand new mobile offering of the Mukesh Ambani-led behemoth Reliance Industries Ltd (RIL) has grown at a fast pace, already grabbing more than 10% of market share in the telecom sector.

However, its spread has been uneven with faster growth in metros, and slower growth in the relatively poorer eastern parts of the country where tele-density is relatively low, data from the Telecom Regulatory Authority of India (Trai) shows.

Jio's penetration has been relatively slower in areas with lower tele-density*

A dot placed higher in the chart shows greater market share of Reliance Jio in the circle / state; a bigger dot indicates more number of subscribers while a dot placed in the right indicates higher overall tele-density in the circle



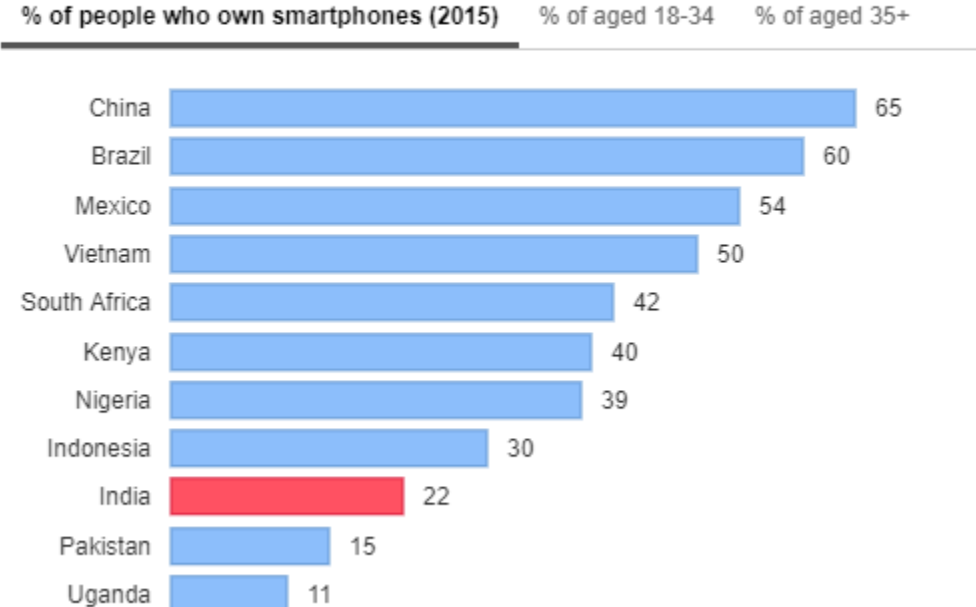
*Overall tele-density includes wireless and wireline connections; there were 1029 million wireless subscribers and 25 million wireline subscribers in August 2016, before Reliance Jio was launched in September 2016

But with its latest announcement of a new 4G-capable JioPhone that the company intends to distribute virtually for free, Reliance Jio's chances of penetrating this under-served market have risen dramatically. JioPhone would be available against a security deposit of Rs1,500 which would be refundable after three years. Moreover, Reliance promises to provide free voice and unlimited. The chief attraction of the latest offering is that it will enable even those customers who lack a smartphone to access 4G services.

The nature of Jio's 4G-only services mean that it could so far be sold only to smartphone users. This acted as a constraint on the firm's growth as the proportion of smartphone users in the country is low, even when compared to other developing nations. The low penetration of smartphones has led to a situation where the overwhelming majority of Indians have access to a mobile but only a minority access the

internet. Data from the 'Household Survey on India's Citizen Environment & Consumer Economy' (ICE 360° survey) conducted last year shows that roughly 90% of Indian households have a mobile phone but only 10% can access the internet. The survey covering 61,000 households is among the largest consumer economy surveys in the country, and captures data till July 2016.

India's smartphone penetration lower than most other developing countries

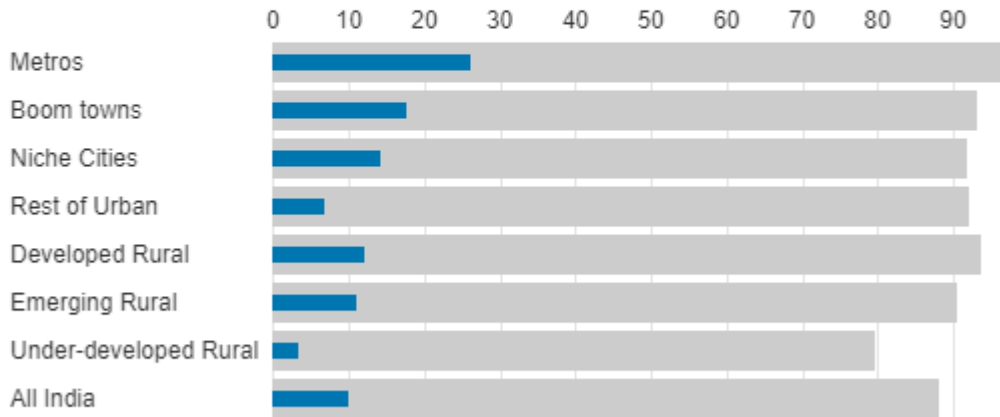


Source: [Pew Research Center's Spring 2015 Global Attitudes survey](#) • [Get the data](#) • Created with [Datawrapper](#)

Majority of Indian households have mobiles, but no internet: survey

% of households with...

■ Mobile phone ■ Internet connection



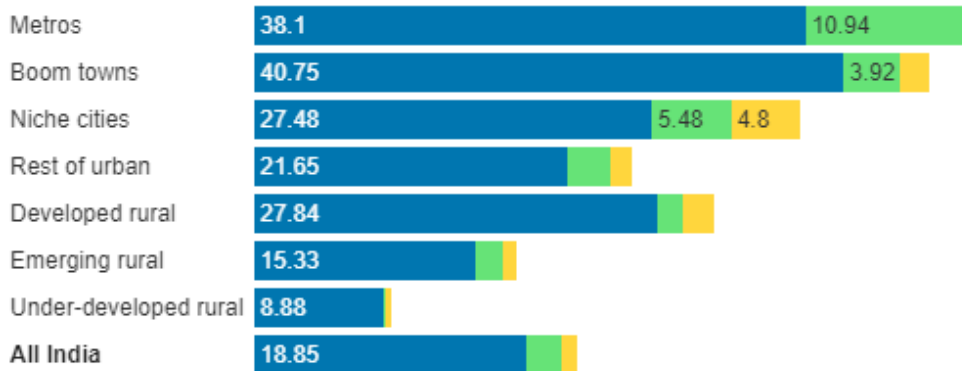
Internet connection in a household excludes cases wherein a household member may access internet from office or other places

Source: ICE 360° survey, 2016 • [Get the data](#) • Created with Datawrapper

Internet is mostly accessed through mobile phones in India

% Households where at least one member accessed internet (2016)

■ Through mobile only ■ Both mobile and laptop (or computer)
■ Internet access through laptop or computer only



"Metros" refer to urban areas of population more than five million; boom towns: 2.5-5 million; niche cities: 1-2.5 million; other urban towns: less than one million; "developed rural" includes districts such as Bathinda (Punjab) and Kangra (Himachal Pradesh); "emerging rural": Latur (Maharashtra), Kamrup (Assam), etc.; "underdeveloped rural": Kalahandi (Odisha), Bastar (Chhattisgarh), etc.

Source: ICE 360° Survey, 2016 • [Get the data](#) • Created with Datawrapper

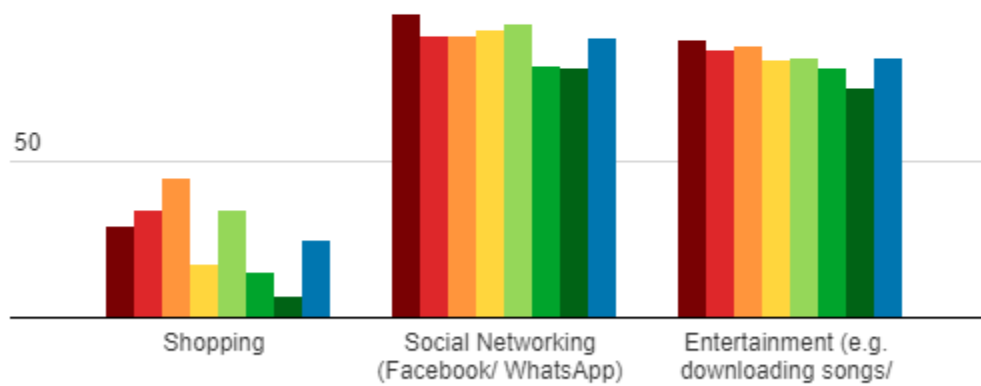
Reliance's 4G-enabled JioPhone can change all that very rapidly if it is able to offer decent data speeds to a huge untapped market for mobile internet in the country. Jio's gambit of offering a "feature phone" which would work in many respects like a "smartphone" could be the game-changer that could democratize access to internet, and hence to digital services, in India. After all, among those with access to internet, an overwhelming majority of households in both metros and under-developed rural areas access the internet only through mobiles.

The ICE 360° survey data also shows that most internet users in India use it either for social networking (through apps such as WhatsApp and Facebook) or for entertainment (to download songs, videos, or movies).

Indians use internet mostly for social networking and entertainment

Purpose of using internet (% of households which had access to internet)

■ Metros ■ Boom towns ■ Niche Cities ■ Rest of Urban ■ Developed Rural
■ Emerging Rural ■ Under-developed Rural ■ All India



"Metros" refer to urban areas of population more than five million; boom towns: 2.5-5 million; niche cities: 1-2.5 million; other urban towns: less than one million

Source: ICE 360° survey, 2016 • [Get the data](#) • [Created with Datawrapper](#)

RIL's investments in the media space including its latest investment in Balaji Telefilms seem to be in part an attempt to cater to the large market for mobile-based entertainment. It remains to be seen whether Reliance Jio succeeds in its audacious gambit but if it does succeed, it would have changed the digital landscape of the country fundamentally. Investors of RIL are certainly betting on that as they push the RIL stock price towards a lifetime high.