A SUCCESSFUL INDIAN TELCO JUST VANISHING AWAY ALONG THE EXPANSION PATH

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CASE SYNOPSIS

Strategic differentiation by the original promoters to go with the alternate technology i.e., CDMA when competition was building GSM networks across the country. Market and customer segmentation along with superior technology solutions and price competitiveness, led to a world record acquisition of customer base in a short time frame. However, change of ownership and strategies put CDMA technology in the back burner. Extensive expansion plans, loss of customer loyalty and constant changes in strategic plans resulted in the organisation going in to insolvency. A sad tale for all stake holders.

INTRODUCTION

A birth of an organisation Reliance Mobile (formerly Reliance India Mobile), launched its services on December 28, 2002. Reliance Communications had a reliable, high–capacity, integrated (both wireless and wire line) and convergent (voice, data and video) digital network. It was capable of delivering a range of services spanning the entire information and communication value chain, including infrastructure and services — for enterprises as well as individuals, applications, and consulting. Reliance Communications was revolutionising business encompassing a complete range of telecom services covering mobile and fixed line telephony. It includes broadband, national and international long-distance services and data services along with an exhaustive range of value–added services and applications. The company's constant endeavour was to achieve customer delight by enhancing the productivity of the enterprises and individuals it served (www.relainceada.com).

Business Areas of the Company

The company is mainly engaged into the businesses of,

1. Wireless
2. Reliance Mobile
3. Broadband
4. Rural Communication
5. IDC– Internet Data Centres
6. Reliance World – Retail outlet
7. Carrier Business
8. Infrastructure Business

The swot analysis of the company is depicted below as shown in Table 1 (Madhusudhan et al.)

Table 1
SWOT ANALSIS

Strength Arm of a Large, Well-Funded, Well-Connected and Ambitious Indian Conglomerate Economies of Scale from Large Subscriber Base Expertise in a Business Model That Allows It to Maintain High Profitability from Lower-Yielding Subscribers	**Weakness** Cost Structure Disadvantage with Subscribers Spread Across Two Different Mobile Networks Low ARPU Compared with Competitors Weakness in Rural Markets Brand Positioning Limited Availability of Value-Added Services
Opportunity Aggressive Move in to the Rural Market Use Upcoming Mobile Number Portability as "Launching Pad" to Grab Market Share of Higher ARPU Users — and Ramp Up Focus on Data Revenue Overseas Investments Lease Spare Capacity on Its CDMA Network to Mobile Virtual Network Operators	**Threat** Quicker Than Expected Slowing of Growth in the Indian Marketplace Mobile Number Portability Risks Accelerating Churn of Subscribers from CDMA to GSM New Competitors Implication for Company Being Profiled Company Overview Methodology

The licences allocated to the various operators is depicted below in Table 2 (trai.gov.in).

Table 2
LICENCES OF RCOM AND COMPETITION

BSNL	21 Circles (Except Delhi & Mumbai)
MTNL	21 Circles (Delhi & Mumbai Circles Only)
Reliance Communications Ltd.	21 Circles (Andhra Pradesh, Bihar, Chennai, Delhi, Gujrat, Haryana, Himachal Pradesh, Karnataka, Kerala, Kolkata, Madhya Pradesh, Maharashtra, Mumbai, Orissa, Punjab, Rajasthan, Tamil Nadu, UP(E), UP(W) and West Bengal
Tata Tele Services Ltd.	20 Circles (Assam, Andhra Pradesh, Chennai, Delhi, Gujrat, Haryana, Himachal Pradesh, Jammu & Kashmir, Karnataka, Kerala, Kolkata, Madhya Pradesh, Maharashtra, Mumbai, Orissa, Punjab, Rajasthan, Tamil Nadu, UP(E), UP(W) and West Bengal
Bharti Airtel Ltd.	17 Circles (Andhra Pradesh, Chennai, Delhi, Gujrat, Haryana, Karnataka, Kerala, Kolkata, Madhya Pradesh, Maharashtra, Mumbai, Punjab, Rajasthan, Tamil Nadu, UP(E), UP(W) including Uttaranchal and West Bengal
Shyam Telelink Ltd.	Rajasthan Circle
HFCL Infotel Ltd.	Punjab Circle

On consideration of the number of licences granted to RCOM for operating in multiple geographies and Circles as shown in Table 2 (trai.gov.in) and also on evaluating its strengths as per the SWOT analysis shown in Table 1, it goes without saying that RCOM was posed for growth and expansion to leap frog as a market leader in the Wireless – mobility services space.

Table 3
SUBSCRIBER BASE IN MILLION 2002 TO 2009 (SOURCE TRAI WEB SITE)

Service Provider	2002	2003	2004	2005	2006	2007	2008	2009
Bharati	1.35	3.07	6.5	10.98	19.58	37.14	62	93.9
BSNL	0.04	2.29	5.53	9.9	17.65	30.99	40.8	52.2
Reliance	0.38	0.54	7.26	10.45	17.31	28.01	45.8	72.7
Hutch	1.27	2.16	5.15	7.8	15.36	26.44		
TATA	0.05	0.16	0.63	1.09	4.85	16.02	24.3	35.1
Idea	0.81	1.28	2.73	5.07	7.37	14.01	24	38.9
Escotel	0.5	0.59	0.99					
Aircel	0.54	0.73	1.29	1.76	2.61	5.51	10.6	18.5
MTNL	0.22	0.35	0.46	1.08	2.05	2.94	3.53	4.48
SPICE	0.47	0.64	1.21	1.44	1.93	2.73	4.21	4.13
BPL	0.9	1.13	1.88	2.58	1.34	1.07	1.29	2.16
HFCL	0.01	0.03	0.03	0.05	0.06	0.15	0.3	0.6
Shyam	0.004	0.03	0.03	0.03	0.03	0.1		
Vodafone							44.1	68.8
Systema							0.11	0.39

Table 4
SUBSCRIBER BASE IN MILLION 2010 TO 2019 (SOURCE TRAI WEB SITE)

Service Provider	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19
Bharti Airtel	162.2	181.28	188.2	205.39	226.02	251.24	273.65	304.19	325.18
Vodafone	134.57	150.47	152.35	166.56	183.8	197.95	209.06	222.7	394.84
Idea	89.5	112.72	121.61	135.79	157.81	175.07	195.37	211.21	
Reliance	135.72	153.05	122.97	110.89	109.47	102.41	83.5	0.19	0.02
BSNL	91.83	98.51	101.21	94.65	77.22	86.35	100.99	111.68	115.74
Aircel	54.84	62.57	60.07	70.15	81.4	87.09	90.9	74.15	
Tata	89.14	81.75	66.42	63	66.32	60.1	48.99	31.19	15.85
Unitech/Telnor	22.79	42.43	31.68	35.61	45.62	52.45	50.49	37.98	0
Systema	10.06	15.68	11.91	9.04	8.86	7.69	4.91		
Vediocon	7.11	5.95	2.01	4.99	7.13	6.56	0		
MTNL	5.47	5.83	5	3.37	3.51	3.56	3.63	3.56	3.45
Loop	3.09	3.27	3.01	2.9	0	0			
Quadrant	1.47	1.33	1.37	2.17	2.73	3.16			
Stel	2.82	3.43	0						
Etisalat	0.97	0.78	0						
JIO							108.68	186.56	306.72

Source : Service Providers

1. M/S Reliance Jio Inforcomm Ltd lauched their commercial Services in 2016-17
2. M/S Loop Services were discontinued since 2014-15
3. M/S Videocon and M/S Quadrant discontinued its services in 2016-17
4. The services of M/S Sistema Shyam Ltd Have been taken over by M/S RCOM/RTL in 2017-18
5. M/S Vodafone and M/S Idea Cellular merged their commercial service w.e.f 31st Aug 2018
6. M/S Telnor Merged with M/S Bharati Airtel w.e.f 14th May 2018

Table 5
FINANCIAL REPORTING- FACTS AND FIGURES ON REVENUE AND DEBT SOURCE MONEYCONTROL.COM

	Mar-20	Mar-19	Mar-18	Mar-17	Mar-16	Mar-15	Mar-14
EQUITIES AND LAIBILITIES							
SHAREHOLDERS FUND							
Equity Share Capital	1383.00	1383.00	1383.00	1244.00	1244.00	124400.00	1021.00
Total Share Capital	1383.00	1383.00	1383.00	1244.00	1244.00	124400.00	1021.00
Reserves and Surplus	-34329.00	11003.00	7933.00	22840.00	26206.00	34627.00	30359.00
Total Reserves and Surplus	-34329.00	11003.00	7933.00	22840.00	26206.00	34627.00	30359.00
Total Share Holders Fund	-32946.00	12386.00	9316.00	24084.00	27450.00	35871.00	31380.00
Equity Share Application Money							
Non-Current Liabilities							
Long Term Borrowings	0.00	0.00	9359.00	18629.00	24334.00	25977.00	22795.00
Other Long Term Liabilities	156.00	83.00	83.00	1763.00	4488.00	43.00	194.00
Deferred Tax Liabilities (Net)							
Long Ter Provisions	5.00	22.00	18.00	31.00	23.00	43.00	3288.00
Total Non-current Liabilites	161.00	105.00	9460.00	20423.00	28845.00	26063.00	26277.00
Current Liabilities							
Short Term Borrowings	28340.00	28335.00	18595.00	7928.00	3656.00	1189.00	7332.00
Trade Payables	3014.00	2730.00	3110.00	2435.00	3877.00	4385.00	2076.00
Other Current Liabilities	45429.00	17309.00	14249.00	17797.00	9010.00	6596.00	5653.00
Short Tern Provisions	1219.00	1217.00	1219.00	1222.00	1222.00	1248.00	4159.00
Total Current Liabilities	78002.00	49591.00	37173.00	29382.00	17765.00	13418.00	19220.00
Total Capital and Liabilities	45217.00	62082.00	55949.00	73889.00	74060.00	75352.00	76877.00

The financial reports have been captured from money control (2020) a web site that collects information from the stock exchange disclosures by companies.
The details of the financial disclosures of the company are depicted in Table 5 & 6. Financial Report downloaded & consolidated source moneycontrol.com (Amt in Lakhs).

CASE OVERVIEW

An organisation which started with a bang acquiring a large customer base in a very short time frame with the launch of CDMA services at a call cost less than the cost of an Indian postal post card (relianceada.com) expanded horizontally and vertically in all the market segments with a range of products and services attracting a wide spectrum of retail and corporate customers just drifted away into the oblivion in about 15 years.

It began with the launch of CDMA 1X services and provided data services through data cards -dongles. It entered the already established GSM services market when the spectrum was auctioned. Huge investments and re-orientation and change in focus from CDMA to GSM were considered a game changer.

The public offering of shares (IPO) was a great success and the shares were moving north based on the growth plans of the organisation (www.moneycontrol.com).

Suddenly, ownership changes rattled the organisation and the old loyal guard moved out resulting in building the leadership bench strength all over again by sourcing from the market which increased the costs, time to acclimatize, perform, gain respectability and sustain and grow in the organisation.

Large investments in spectrum allocation and equipment purchases (trai.gov.in) followed by training and deployment of human resources was a big challenge and make over during the transition.

Table 6
FINANCIAL REPORTING-FACTS AND FIGURES AND DEBT SOURCE MONEYCONTROL.COM

	Mar-13	**Mar-12**	**Mar-11**	**Mar-10**	**Mar-09**	**Mar-08**	**Mar-07**
EQUITIES AND LAIBILITIES							
SHAREHOLDERS FUND							
Equity Share Capital	1032.00	1032.00	1032.00	1032.01	1032.01	1032.01	1022.31
Total Share Capital	1032.00	1032.00	1032.00	1032.01	1032.01	1032.01	1022.31
Reserves and Surplus	32110.00	43866.00	47112.00	49466.88	50658..31	23808.02	19503.23
Total Reserves and Surplus	32110.00	43866.00	47112.00	49466.88	50658..31	23808.02	19503.23
Total Share Holders Fund	33142.00	44898.00	48144.00	50498.89	51690.32	24840.03	20525.54
Equity Share Application Money				0.00	0.00	0.00	0.00
Non-Current Liabilities							
Long Term Borrowings	22891.00	23365.00	13606.00	19047.81	22650.94	12045.20	13917.47
Other Long Term Liabilities	143.00	169.00	60.00				
Deferred Tax Liabilities (Net)				0.00	0.00	0.00	0.00
Long Ter Provisions	4370.00	4339.00	3223.00				
Total Non-current Liabilites	27404.00	27873.00	16889.00	19047.81	22650.94	12045.20	13917.47
Current Liabilities							
Short Term Borrowings	7436.00	4506.00	9530.00	5430.47	8252.67	8241.23	650.37
Trade Payables	1478.00	1150.00	1029.00	2971.61	2999.80	5986.16	4021.20
Other Current Liabilities	3612.00	4707.00	11628.00	2864.92	2774.94	1228.15	2288.13
Short Tern Provisions	2864.00	2572.00	2784.00	3386.84	3590.72	4023.85	4422.81
	15390.00	12935.00	24971.00	14653.84	17618.13	19479.39	11382.51
	75936.00	85706.00	90004.00	84200.54	91959.39	56364.62	45825.52

Immediately after 2G spectrum was received and licences to operate were given, work commenced at a rapid pace and in few years, technology evolved and 3G spectrum auction and allocation process began. Another long-drawn project execution and implementation process began with another round of huge investments were made for spectrum, equipment purchase and upskilling of resources.

Multiple projects, expansion plans and huge investments were running parallel and the organisation was going through one transition to another and huge stress all around.

While Mobility projects were being rolled out, wire line, carrier services were being expanded both in the retail and enterprise segment. Internet Data Centres (IDC) was being built for offering storage, server and cloud services (relianceada.com).

In the interim, the DTH business was rolled after receiving licence and entertainment solutions were being bundled to retail customers.

In the evolution process the Public call office solution (PCO) telephone booths blossomed and perished in a very short span owing to the wide spread expansion of mobility services.

Fixed wireless phones installed as a mobility solution came and went with the expansion of the mobility network (trai.gov.in).

Fixed wired phones began to provide Voice-Data and Video on demand and effort was made to enhance the foot print with IP telephony.

WiMAX as a solution for broadband last mile was attempted but was soon abandoned.

Retail Broadband and enterprise broad band solutions soon gained momentum and the company leap frogged to gaining major share in the IDC and few enterprise segments such as IPLC, Data connectivity for corporates etc.

Retail stores as a one stop shop for telecom solutions for customers i.e., the launch and expansion of retail services across the counter through Reliance Web World was a novel idea. It had a coffee shop, video conferencing facilities, internet connectivity and a host of attractive offerings which distinguished the brand from other competition. Robust CDMA network in Semi-urban and rural markets was a big advantage in the early days. But with the launch of GSM networks focus was on urban markets and in acquisition of post-paid customers which really did not take off as expected. While the old work horse CDMA was doing miracles in the rural and semi urban markets gaining huge share of prepaid customers. While the service offerings, pricing was considered best in class the customer service never gained prominence in relation to competition and hence disgruntled customers left the network for operators providing seemingly better offerings and service.

In the enterprise segment the basket of solutions attracted and retained large sturdy customers keeping the revenue flowing smoothly. Mobility customers were encouraged to move to GSM network for the sake of device neutrality and options over the counter since the CDMA ecosystem did not provide for high end or variety of devices.

The strategy to move from CDMA to GSM after huge investment and transition ensured nearly 70% of the customers migrating to the alternate GSM network and losing or retaining the rest.

The big-ticket reforms came in the interim in the form of Mobile number portability and customers had a choice to retain the number but migrate to competition network in the first phase within the circle thereafter across the country resulted in losing a huge chunk of customers (Refer table 3&4).

In the process of extending the foot print of telecom services the government of the day doled away licences to many new operators in the GSM segment. This resulted in a major price war and consequently losing customers to new entrants. The market became much segmented. What was once the company’s ace strategy- pricing - was adopted by the new entrants to gain market share resulting in beating the company with the same strategy.

In the meantime, costs spiralled owing to acquisition of high-profile talent to handle the complex environment prevailing on the ground. Huge debt started mounting owing to the expansion plans, spectrum costs, equipment costs etc. (Refer table 5 & 6). The once cash cow CDMA, slowly began to decline owing to the shift in focus. What was once considered the game changer was left to die on its own and customers had only GSM 2G and 3G as an option? Leadership changes, exodus of talent to the new operators and inability to hold on to talent were a continuing nightmare in the organisation for its management.

Remote management, micro management and incoherent leadership styles at all levels had an adverse impact in the productivity and performance in the organisation.

Organisation Mission and Vision followed by the strategy went through numerous changes in short time frames and quick succession which rattled the internal and external customers resulting in the organisation perennially in transition and fire- fighting mode.
Steady inflows from CDMA services over the years were not being ensured despite greater investments in the GSM 2G and 3G Networks. Competition and new operators were taking their share from the market resulting in drop in market share, wallet share of customers and drop in revenues (Refer Table 5 & 6).

Acquisition of Flag and Falcon projects resulting in submarine cable network business gained traction during this period along with sturdy growth in the enterprise business.

While employee costs were raising the average performance in the organisation was deteriorating and employee attrition was reaching abnormal heights.

Effort to acquire MTN failed. Selling of Infrastructure assets to prospective buyers failed owing to high expectations on the asset sale to defray the mounting debt. Failing efforts towards acquisition and merger had an impact on employee morale.

Subsequently merging the CDMA network with Systema and effort to acquire Aircel failed and many other attempts to revive the business through M&A strategy did never take off and resulted in the organisation slowly sliding month on month and none of the business were able to meet their business targets. This put a lot of pressure in the management and its employees to increase the business top lines and bottom lines. Profitability and growth were eluding the company and employee morale was at its lowest ebb.

The network was outsourced Ericsson and Alcatel in 2013-14 for operations and maintenance since the organisation wanted to focus only on sales and marketing/customer service and outsource all non-core activities including the BPO, IT function etc. (relianceada.com).

Finally, the company began to share its assets for revenue sharing and thereafter sale of its Fibre, CDMA and other mobility assets to reduce its mounting debt and falling business. Shutting CDMA services and letting the GSM network die on its own was the last step.

Currently, the company has been going through liquidation process with multiple suits for recovery of dues initiated by banks, financial institutions, suppliers and other vendors.
The share price of the company that had once reached Rs.750.00 is less than a rupee now! (moneycontrol.com).

Competition Landscape

The telecommunication industry in India is rapidly growing and witnessing many developments. It has gone through several transformations that have led to severe competition in the industry (Borah 2014).

The telecom sector has gained massive growth in India and is the world's second largest telecom sector. Currently, telecom sector has drastically changed their structure and technology. The 4G spectrum has changed the customer's perception and motivation (Natarajan 2019); Reddy et al. (2019).

The country offers robust growth opportunities driven by strong growth fundamentals, increasing urbanization, rising income levels and favourable demographics. The majority of new customers are likely to come from the rural areas with inadequate basic infrastructure and limited or no connectivity, demanding lower tariffs for voice calls and value added services like information about market and commodity prices, weather updates, health updates coupled with vernacular support at the user interfaces (Raghu 2013).

India ranks as the world’s second largest market in terms of total internet users. The number of internet subscribers in the country increased at a CAGR of 45.74 per cent during FY06-FY19 to reach 636.73 million in FY19. The internet subscribers reached 687.62 million by September 2019. Total wireless data usage in India grew 10.58 per cent y-o-y to 19,838,886 terabytes between July-September 2019.

India is also the world’s second largest telecommunications market. It’s total telephone subscriber base and tele-density reached 1,177.02 million and 87.45 per cent, respectively, as of January 2020.

Gross revenue of the telecom sector stood at Rs 121,527 crore (US$ 17.39 billion) in FY20 (April-September 2019).

Over the next five years, rise in mobile-phone penetration and decline in data costs will add 500 million new internet users in India, creating opportunities for new businesses (ibef.org).

The Telecommunication has been recognized the world-over as a powerful tool of development and poverty reduction through empowerment of masses. It is one of key element of the Sustainable Development Goals (SDGs) of the United Nations Agenda for Sustainable Development for 2030, reflecting its growing reach, better networks and adoption of tools and solutions that enhance digitisation of systems, processes and interactions across key sectors like agriculture, banking and healthcare in developing and middle- income countries. India is currently the world's second-largest telecommunications market with a subscriber base of 1.18 billion. India's growing mobile economy now constitutes about 98% of all telephone subscriptions (Dot.gov.in).

The vision of telecommunications in 2020 is a vision of information society built on an edifice where IT and telecommunications merge. Rapid technological convergence has already implied a symbiotic overlap between the development strategies of IT and telecommunications (Manas 2019).

Bharti Airtel Limited is a leading global telecommunications company with operations in 18 countries across Asia and Africa. Headquartered in New Delhi, India, the company ranks amongst the top 3 mobile service providers globally in terms of subscribers. In India, the company's product offerings include 2G, 3G and 4G wireless services, mobile commerce, fixed line services, high speed home broadband, DTH, enterprise services including national & international long- distance services to carriers. In the rest of the geographies, it offers 2G, 3G, 4G wireless services and mobile commerce. Bharti Airtel had over 423 million customers across its operations at the end of March 2020, and a leading player in India (airtel.in).

Merger of Idea Cellular and Vodafone India completed and created India's largest telecom service provider. Over 408 million subscribers, broadband network of 340,000 sites, widest distribution reach with 1.7 million retail outlets, another leading player in the country (vodefoneidea.com).

On careful analysis of the trends in the customer growth (refer Table 3 & 4) Reliance growth phase in comparison with competition can easily be spotted between the years 2005 and 2012 and the drown trend is visible during the period 2013 to 2019 (trai.gov.in).

Also, while referring to the financial performance of Reliance as shown in Table 5 & 6. The total reserves and surplus during the years 2009 to 2012 is noteworthy. In contrast the years 2018 to 2020 are a virtual disaster. The trend in the current liabilities would tell the story when one evaluates the facts and figures depicted in Tables 5 & 6.

It is during these year's competition in the form of Bharti Airtel consolidated its position in the market with acquisition, market expansion, strategic sale of assets to focus on core business, international acquisition, tie-up with Sing Tel to bring in best practices, funding and brand building. The customer service and focus on acquisition of post-paid customers by providing value added services was the game changer for Bharti Airtel.

On the other side of the spectrum Spice telecom was acquired by Idea Cellular and expanded rapidly to gain prominent space in the market. Subsequent, merger with Vodafone however did not take off and currently the combined proposition is also languishing in distress.

Vodafone entered the market with its innovative branding, marketing strategies and customer service and generated a huge share of customers in the urban markets and with the youth and the new millennial opting for this brand. However, the merger with Idea cellular in the recent past did not take off and the merged entity as stated earlier is in dole drums.

CONCLUSION

The change of ownership and revisiting strategic plans, while the current strategy was firing with all cylinders could have been the start of the downfall. There was surely lot of room or further scope for expansion and possibilities to increase the foot print through the CDMA technology. Building a new leadership team after change of ownership and shunting the old guard was detrimental to the progress, stability and growth of the enterprise.

Changes in leadership postings, hiring leaders in large numbers than investing in the development and progress of the current crop of leaders did not yield. Too many projects, expansion plans without letting existing plans mature was too much of a load on the system, which finally gave way. Venturing into new businesses without leadership bench strength or functional experts was a huge constraint in the system.

Not being able to close deals for sale of assets, unable to strike deals on M&A was a poor rendition of strategy. Following a cost reduction approach than nurturing a revenue model was a flaw. Cutting costs beyond desirable limits paved way for many activities be it customer facing or sales related priorities not being addressed.

Low morale and motivation of the employees, the average performers staying back and the top talent moving out in regular intervals was a huge challenge in attracting and retaining talent. Leadership approach of short-term results vs long term advantage paved way to the employees pleasing the managers than delivering on the promise.

Borrowing beyond the ability to generate cash from the business was the last nail in the coffin. The businesses, which delivered sturdy cash inflows, were tinkered around and the rest seems history. Misplaced priorities vs pragmatic approach was a disaster in the making.

What shook the world with a record customer acquisition unique business model just withered away in a decade with many unfulfilled dreams and aspirations across the spectrum of stakeholders? What could have been one of the biggest success stories of this generation just disappeared into the oblivion. A tale that will have many tears and anger besides disappointment when shared in the inner circles of the community of interest.

End of an era of a CDMA telecom operator! "*A successful Telco just vanishing away from the Indian Horizon: Losing employees, customers and business along the expansion path*"

What went wrong with Reliance Communications, for an organisation which was a trend setter, market leader and dominator in its own class?

Q1: Was moving from CDMA to GSM a big mistake? (Jean-Paul M.G.Linartz, Agilent Technologies}

Q2: Did the ownership change have an impact in the long-term vision and strategy of the organisation?

Q3: Was lack of focus on customer service a big driver for the exodus of customers and drop in revenue?

Q4: Did Frequent leadership changes, management style and employee attrition have a bearing in the organisations progress?

Q6: Did expansion projects and multiple transitions in a short time frame have an impact in the revenue drop?

Q 7: Whether the huge borrowings to expand the network rather than increasing the revenue inflows a strategic blunder?

Q8: Corporate governance standards dented the morale of the employees and customers?

Q9: Government policy on irrational spectrum charges and entry of new operators in a fragmented market place cause the decline of many players?

TEACHING NOTES

A. Brief Summary Describing the Case Setting and Key Issues: The Indian telecom industry opened up to the private telecom operators in the early 1990's. What was once a monopoly of state- runs operators that are BSNL, MTNL and VSNL, now fully controlled by private telecom operators both in the wireless and wire line segments?

Privatisation began initially with licences for two operators per telecom circle excluding the government owned enterprises. Thereafter, it was enhanced to more than six operators which created fierce competition.

Initially, two technologies i.e., CDMA and GSM co-existed as unique selling proposition. Over the years GSM emerged as a preferred technology over CDMA and hence only GSM services are available to customers as a choice.

Reliance began its operations in CDMA and builds a viable alternative network and customer base in the country and leapfrogged to the top as a preferred operator of choice.
Somehow owing to various reasons explained in the case study the company lost its shine and lost its market share, customer base and revenues eroded.

Heavy capital investments in various projects and expansion programs resulted in huge debts which couldn't be serviced owing to low cash flows and fragmented market conditions.

Change in Government policy opening up of the market for multiple players in an already crowded market resulted in fragmentation of customer base and drop in revenues.

Finally, the company shut operations and is in the process of winding up and banks are overseeing debt recovery proceedings.

Name of the organisation: Reliance Communications Ltd
Industry: Telecom and Communication {Wireless and Wire line}
Country: India
Time span of the case study: 2004 to 2019
Case Design: The case is designed to teach strategy, go to market, financial prudence and leadership decision making in the telecommunications sector

Target Audience

1. Possible courses where the case can be used for: MBA Students
2. {Marketing/Finance/HR/Strategy/ Techno-commercial students}
3. Level of difficulty: Medium Complexity
4. Specific pre-requisites: Understanding of Telecom technologies, users, markets, interpretation of financial statements and Balance sheets.

Learning Objectives

1. Strategy for market and customer segmentation
2. Investment, Financial strategy and Treasury management
3. Project expansion, Rollout of services, market intelligence and consumer preferences/behaviour
4. Leadership Decision making

Teaching Plan and Objectives

A. Suggested class time, broken down by topic.
A1: Time for reading and understanding the case study: 20 mins
A2: Comparative study of customer base operator wise: 10 mins
A3: Analysis of financial statements 10 mins

B. Suggested student assignment: Analysis of balance sheet and understand the trends.
B1: Brief description of the story: 10-15 minutes.
B2: Challenging discussion questions: 30 mins

C. Three questions aligned to the learning objectives that students should prepare before class
Q1: Scenario before privatisation of telecom industry in India
Q2: Launch of GSM and CDMA services in India parallelly
Q3: Customer base in India and average revenue per customer in all market segments in the country

D. Questions to create discussion
Q1: Was moving from CDMA to GSM a big mistake?
Q2: Did the ownership change have an impact in the long-term vision and strategy of the organisation?
Q3: Was lack of focus on customer service a big driver for the exodus of customers and drop in revenue?
Q4: Did Frequent leadership changes and employee attrition have a bearing in the organisations progress?
Q5: Did expansion projects and multiple transitions in a short time frame have an impact in the revenue drop?
Q6: Whether the huge borrowings to expand the network rather than increasing the revenue inflows a strategic blunder?
Q7: Corporate governance standards dented the morale of the employees and customers?
Q8: Government policy on irrational spectrum charges and entry of new operators in a fragmented market place cause the decline of many players?

E. Brief description of the closing (10 minutes)

Reinforcement of learning objectives
Change of ownership, shift in focus and huge investments in the makeover of technology and network, multiple projects, customer segmentation and loss of revenue the last nail in the coffin for the operator. Constant changes in leadership and low morale of employees a huge setback for stability and growth.

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