

SWOT Analysis of India's Largest Telecom Service Providers – Vodafone Idea Limited

Amit Kumar Maurya*

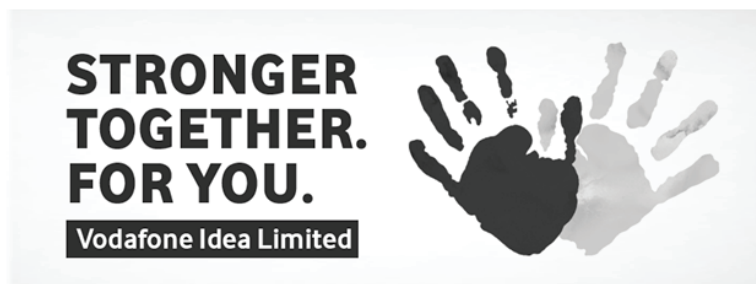
ABSTRACT

On 31st August 2018, the merger of Vodafone India and Idea Cellular completed and a new entity called "Vodafone Idea Limited" was created and it becomes India's No.1 Telecom Company. India's second and third largest telecom company i.e. Vodafone India and Idea Cellular announced their merger on March 20th, 2017 to form India's No. 1 telecom company. Vodafone Idea Limited displaced Bharti Airtel from the No.1 position which was held by Bharti Airtel for about 15 years. The last hurdle in the merger of Vodafone India and Idea Cellular was cleared by National Company Law Tribunal (NCLT). Now, the Telecom Industry has 3 major players – Vodafone Idea Limited, Bharti Airtel and Reliance Jio Infocomm. The present research paper describes the Strength, Weaknesses, Opportunities and Threats of Vodafone Idea Limited after its Merger on 31st August 2018.

Keywords: Revenue Market Share (RMS), TRAI

INTRODUCTION

The partnership between Vodafone Group and Aditya Birla Group formed Vodafone Idea Limited which has become India's No.1 telecom service providers. Vodafone India and Idea cellular declared their merger on March 20th, 2017 and the merger completed with the approval of NCLT on August 31st, 2018. So, we can say the merger process took 17 months. Currently, Vodafone Idea Limited has 408 million customers and has a Revenue Market share (RMS) of 32.2%. Vodafone Idea Limited has a debt of over Rs. 1.09 lakh crore. Kumar Mangalam Birla is the non-executive Chairman and Balesh Sharma is the Chief Executive officer (CEO) of the Vodafone Idea Limited. Akshaya Moondra is the Chief Financial Officer (CFO) of the merged entity. Vodafone will have a 45.1% stake and Idea will have a 54.9% stake in the Vodafone Idea Limited. Vodafone Idea Limited dethroned Bharti Airtel from the No.1 position and become itself as India's largest telecom operator.



*Research Scholar, Faculty of Commerce, Banaras Hindu University, Varanasi, Uttar Pradesh.

Share of Idea-Voda Ltd. (30.6.18) and presented in the following table:

Parameters	Idea-Voda combined (June 30, 2018)	Idea-Voda combined (March 31, 2017)
Revenue	Rs.63,000 crore	Rs.78,536 crore
Revenue Market Share (RMS)	37%	41.60%
Debt	Rs.1,25,000 crore	Rs.1,10,272 crore
Subscriber Number	430 million	404.4 million
Customer Market Share (CMS)	38.6%	34.57%
Average Revenue Per User (ARPU)	100-102	142

Source: TRAI

From the above table, we can see that the Revenue market share and average revenue per user is decreasing. The above decrease is caused by the cut-throat competition introduced by the Reliance Jio which entered the telecom sector in September 2016. Reliance Jio has totally disrupted the telecom sector by introducing a price war. The fierce competition in the telecom sector forced Vodafone India and Idea Cellular to merge their operations. Currently, Reliance Jio has 215 million subscribers and has an RMS of 22.4%.

OBJECTIVES OF THE STUDY

1. To study the profile of the merged entity.
2. To analyze the Strengths, Weakness, Opportunities and Threats to Vodafone Idea Limited.
3. To compare the performance of Vodafone Idea limited with Bharti Airtel, Reliance Jio and BSNL.

Vodafone Idea Limited:

Vodafone India and Idea Cellular have merged to create India's No.1 Telecom operator named "Vodafone Idea Limited." Kumar Mangalam Birla, the chairman of the Aditya Birla group and Vittorio Colao, the CEO of Vodafone Group decided to merge Vodafone India and Idea Cellular. According to (Q1FY19) result, the company has 408 million customers and the revenue market share is 32.2%. The company's vision is to create a world-class digital experience for its customers. Competition Commission of India (CCI) cleared the first hurdle in the merger process on 24th July 2017 and also it gave Unconditional Nod to Voda-Idea consolidation. Department of Telecommunications (DoT) gave a nod for consolidation after receiving payment of Rs.7, 268 crores as spectrum and related charges from Vodafone and Idea. The last hurdle was cleared by NCLT on August 31, 2018, and Vodafone Idea Limited become India's largest telecom operator by subscriber base and revenue market share. The company has already decided on the management team of Vodafone Idea Limited. Kumar Mangalam Birla is the non-executive chairman of the Vodafone Idea Limited.

Vodafone Idea Limited has also decided on the circle heads of the merged entity. Nine executives each from Vodafone India and Idea Cellular will be the circle head.

SWOT Analysis:

SWOT Analysis includes Strengths, Weaknesses, Opportunities and Threats to any organization. In SWOT Analysis, Strength and Weaknesses come from the internal environment and Opportunities and Threats come from external factors. Strengths and Opportunities are positive whereas Weaknesses and Threats are negative for the organizations.

	Positive	Negative
Internal	Strength	Weaknesses
External	Opportunities	Threats

Strength and Opportunities of Vodafone Idea Limited:

Strengths and Opportunities show a positive sign. With the merger completed, Vodafone Idea limited became India's No.1 telecom company. Bharti Airtel was dethroned from its No.1 position by Vodafone Idea Limited. Vodafone Idea Limited has 408 million active subscribers and a revenue market share of 32.2%. Vodafone Idea has 15,000 branded stores and 1.7 million retail outlets in the country. As of March 31st, 2018 Vodafone Idea limited had a net worth of Rs. 25,670 crore. Vodafone Idea limited will be chaired by Kumar Mangalam Birla, a very reputed business tycoon and will have a strong management team. The management team will include Balesh Sharma as Chief Executive Officer, Akshaya Moondra as Chief Financial Officer, Ambrish Jain as Chief Operations Officer and many others. Vodafone India and Idea Cellular is a very popular brand. So, Vodafone Idea Limited will be benefitted by both brands. The merger of Idea Cellular and Vodafone India will generate Rs.14, 000 crore in annual synergies. It has the No.1 position in revenue market share in 9 circles. The broadband network of Vodafone Idea limited will cover 840 million customers. The strong Balance Sheet will give power to Vodafone Idea limited to compete with its rivals like Bharti Airtel and Reliance Jio. The consumer will be benefitted from the expertise of both the merged entity. Currently, some 15000 people are working for the merged entity. This large workforce will help Vodafone Idea Ltd. to earn profits and a large no. of subscribers. The top officials of Voda-Idea said that the "Voda-Idea will remain Competitive" amid the razor-edged competition and continuing price wars.

Table showing the subscriber additions and Market share in June 2018:

Telecom Operator	Total Subscribers(in crore)	New Customers	Market Share (%)
Airtel	34.5	10,689	30.05
Vodafone India	22.3	2,75,000	19.43
Idea	22.1	63,60,000	19.24
Reliance Jio	21.5	97,10,000	18.78

From the above table, we can see that Vodafone India added about 2,75,000 customers and Idea Cellular among the older telecom players added the highest no. of new subscribers i.e. 6.4 million whereas Reliance Jio added 9.7 million subscribers in June and Tops the list. Bharti Airtel added the least no. of subscribers i.e. only 10,689 customers. According to TRAI, the market share of Idea increases from 18.9% to 19.2% over the previous month.

As per data showed by TRAI in the month of July 2018, Vodafone added 6,09,074 subscribers which are also the highest no. of subscribers among the older Telco. Idea added 5,469 subscribers. The no. of subscribers added by Bharti Airtel and BSNL was 3,13,263 and 2,25,962 respectively. Reliance Jio added 11.7 million subscribers.

Weaknesses and Threats to Vodafone Idea Limited:

There are also some challenges before Vodafone Idea Limited. Reliance Jio has posed a greater challenge to the telecom sector and to the telecom players. Revenue of the telecom industry is decreasing due to the cut-throat competition from Reliance Jio. Reliance Jio brings price wars among Telcos with its entry in the telecom sector in September 2016. Vodafone Idea will have to maintain its leadership position from Airtel and Reliance Jio. The Combined debt of Rs. 1.09 lakh crore which is also a great challenge for the merged entity. The erosion in Earnings before interest, taxes, depreciation and amortization (EBITDA) is a big challenge before the Vodafone Idea. The Average Revenue per User (ARPU) of the merged entity is decreasing.

Table showing the Adjusted Gross Revenue of Telecom players:

Telecom operator	March 2018	December 2017	(%) Change
Airtel	7,086.49	7,825.36	-9.4
Jio	6,217.64	5,407.19	14.99
Vodafone	4,937.26	5,656.48	-12.71
Idea	4,033.39	4,746.13	-15.02
BSNL	2,128.67	1,800.28	18.24

Source: TRAI

From the above table, we can clearly see that the revenues of Vodafone and Idea go down by 12% and 15% respectively in the quarter ended March 2018. The Airtel also incurred losses and the revenues go down by 9.4%. Only Jio and BSNL were able to earn profit and the revenues of Reliance Jio go up by 15% and BSNL's revenue go up by 18%.

Table showing the Subscriber market share, number of subscribers and additions in the number of subscribers in the month of July 2018 by different telecom service providers as per data showed by Telecom Regulatory Authority of India:

Telecom Service Providers	Total number of Subscribers at the end of July 2018 (in millions)	Subscriber market share	Additions in the number of subscribers in the month of July 2018
Reliance Jio	227	19.62	11.78 million
Bharti Airtel	345	29.81	3,13,283
Vodafone India	223	19.30	6,09,074
Idea Cellular	220	19.07	5,489

So, from the above table, it is clear that Reliance Jio added the highest number of subscribers whereas the Idea added the least number of subscribers. Only 2 years old telecom player i.e. Reliance Jio, now has a 19.62% subscriber market share which is also ahead from both Vodafone and Idea individually. This is a big threat to the newly merged company because more number of subscribers mean more revenues or vice-versa.

Given below is the Revenue Market Share (%) (Including national long-distance revenue) of Telecom operator for the 3rd and 4th quarter of Financial Year 2018:

Telecom company	Q4 FY18	Q3 FY18
Bharti Airtel	31.8	30.9
Vodafone India	21	20.3
Reliance Jio	19.8	15.4
Idea Cellular	16.5	16.6

From the above table, we can see that Reliance Jio dislodged Idea Cellular from its Third position and has become India's third-largest telecom operator by revenue market share. Bharti Airtel remains at No.1 position with a 31.8% revenue market share. Both Reliance Jio and Bharti Airtel are giving cut-throat competition to Vodafone Idea.

FINDINGS OF THE STUDY

1. Vodafone Idea Limited has become the largest telecom service provider of the telecom industry after the merger of India's second and third largest Telco's.
2. It holds the highest number of subscribers and revenue market share. The merged entity has 408 million customers.
3. But the rival Reliance Jio is a big threat to the merged entity. Reliance Jio is adding subscribers at a very fast speed.
4. The ARPU of the industry is also decreasing.
5. The debt of the industry is nearly 7 lakh crore and of the merged entity is 1.09 lakh crore.

SUGGESTIONS FOR THE VODAFONE IDEA LIMITED

1. Vodafone Idea should integrate their business as soon as possible.
2. They should provide good network coverage to increase the 4G speed.
3. They should provide a good tariff plan to attract customers and pay more attention to customer satisfaction.
4. They should give focus on branding. Creating more brand value will fetch more revenues for their company.
5. Customer satisfaction must be the highest priority for Vodafone Idea Limited.

CONCLUSION

Vodafone Idea Limited has become the No.1 telecom operator after the merger of Vodafone India and Idea Cellular. The chairman of the newly merged entity is Kumar Mangalam Birla. The merger was completed on 31st August 2018 with the approval of NCLT. After this merger, only 4 players remain in the telecom market i.e. Vodafone Idea Ltd., Bharti Airtel, Reliance Jio and BSNL. Vodafone Idea displaced Bharti Airtel from its No.1 position with the highest number of subscribers and revenue market share. Bharti Airtel was at No.1 position for 15 years. Vodafone Idea has good strength and has opportunities to capture the market and remains at No.1 position. But on the other hand, there are also some challenges before the newly merged entity which they will have to overcome. Reliance Jio and Bharti Airtel is a challenge for the newly merged entity. Reliance Jio is improving its services day by day and Bharti Airtel is also improving its network day by day to attract new customers. So, Vodafone Idea limited should focus on its network expansion and pay attention to customer additions and satisfaction. So that they will remain at the No.1 position in the telecom market.

BIBLIOGRAPHY

- *DoT gives Conditional Nod to Voda, Idea Merger.* (2018, JULY 10). *THE ECONOMIC TIMES*.
- *Jio adds Record 11.78 Million Mobile Subscribers in July.* (2018, September 19). *THE ECONOMIC TIMES*.
- *Jio pips Voda to Become No.2 by Revenues.* (2018, June 28). *THE ECONOMIC TIMES*.
- *Jio Tops with 9.7m Subscribers Additions in June.* (2018, August 21). *THE ECONOMIC TIMES*.
- *NCLT Gives Go-ahead to Idea-Voda Merger .* (2018, August 31). *THE ECONOMIC TIMES*.
- *Reliance Jio Now 3rd Big Telco by Revenue Market Share.* (2018, June 12). *THE ECONOMIC TIMES*.
- *Vodafone, Idea name circle heads for merged entity.* (2018, June 8). *Live mint*.
- *Voda-Idea Set to Begin operations Next Week .* (2018, August 3). *THE ECONOMIC TIMES*.