

Why Mukesh Ambani is doling out free 4G phones to everyone

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Why does Jio consider data as oil? That is because Ambani has come to realise the market potential of the two-third of unconnected India.

The logo of Reliance Jio reveals more than meets the plain eye. It is actually a mirror image of the word 'oil', a sign of what company seeks to find in its new foray into telecom. For Reliance chairman Mukesh Ambani data is the new oil. "Data is the new natural resource. We are at the beginning of an era where data is the new oil," he said a few months ago, addressing a Nasscom conference. Why does Reliance Jio consider data as oil, a product that has turned Reliance IndustriesNSE -0.92 % into India's biggest business?

Ambani has come to realise the market potential of the two-third of unconnected India. Its latest offering of a 4G-capable feature phone, JioPhone, which would be given only for a security deposit of Rs 1,500 refundable after three years, makes his strategy clear: to capture India's vast underserved mobile phone market.

According to ICE 360° Survey conducted by research centre PRICE last year, 90% of Indian households have a mobile phone but only 10% can access the internet. It shows India's smartphone penetration is lower than most other developing countries such as China, Brazil, Nigeria and Indonesia. Most of those who have access to internet connect only through mobiles. If you consider this information, it will be clear why Ambani sees data as now oil.

The vast potential of crores of people connecting to Reliance Jio internet are not just telecom consumers. They will also consume entertainment, news and, of course, products. If Ambani captures such a huge market with a free phone, he would have captured vast oil fields of a new kind which he can drill for decades, and create something bigger than Reliance Industries.

Transition of feature phone users — the majority of the already connected Indians — to smartphone could have been long. Ambani will hasten this transition with JioPhone, a feature phone with essential benefits of a smartphone. Mobile phone companies body Indian Cellular Association calls it a disruptive move that will expand scope of 4G technology in the country.

"It is a very well crafted package to enable entry-level subscribers to step into the digital data revolution. This package will be a catalyst also for spreading 4G networks into the deeper hinterland," ICAN president Pankaj Mohindroo says.

Samco Securities CEO Jimeet Modi said that considering the size and scale of Reliance it will capture a

lion's share of the market and therefore will disrupt many other ancillary businesses also.

"The bigger threat will be the dominance that the company will enjoy over many business processes which will be offered digitally... (It) will be a cause of concern from the country's point of view," Modi said.

He said that the bargaining power that the company will enjoy once the competition is marginalised would be immense which is good for the investors in their long term wealth creation journey but may not be appreciated by the government.

Reliance Jio will not only capture the transitioning mobile phone users but also create new ones with the free phone.