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JAIPURIA INSTITUTE OF MANAGEMENT, NOIDA
PGDM / PGDM (M) / PGDM (SM)
TRIMESTER-III (Batch 2016-18)
MID TERM EXAMINATIONS

Course Name	STRATEGY MANAGEMENT-1	Course Code	GM-301
Max. Time	1 Hour	Max. Marks	20

INSTRUCTIONS: Answer **All** the Questions.

1. 'The general environment and the industry environment are highly related'. How can such interrelationship affect or/and contribute to the profitability of a firm? Discuss taking an example of a firm from airlines or automobile industry. (5 Marks)

2. Gaining popularity in 1990 and continuing even today, the Resource Based View (RBV) approach contends that internal resources are equally if not more important to a firm than external factors in achieving and sustaining competitive advantage. Enlist strategic capabilities of a firm in the banking industry and undertake an analysis to explain your position using empirical indicators. (5 Marks)

3. Read the given case on '*Behind Voda-Idea Merger Looms Ambani*' and answer the following questions.
   A. Undertake an external audit of the environment of the telecom industry to determine key environmental influences on Airtel using EFE Matrix (6 Marks)
   B. Viewing this industry through the eyes of Airtel, sketch out Porter's Five Force model to assess the competitive dynamics for the company. (4 Marks)

It takes an exceptional businessman to change an industry once, it takes a Mukesh Ambani to do it twice. Back in 2002, the Reliance Industries chief paved the way for incoming calls to become free, and for mobile phones to proliferate. Now, having exited the business in a 2005 settlement with his brother, and entered it again last year with Reliance Jio, Ambani is nudging the consumers towards more data than voice. Since the launch of RJio on September 5 -- free under a plan that now extends to March -- the average consumption of data by a mobile phone user has increased four times from 300 MB to 1.2 GB, show industry figures. For Jio, it is more than 6 GB. In the interim, Jio has acquired about 80 million customers -- it claims to have one in every three persons in the National Capital Region on its network.

No wonder, everyone sees Ambani's hand in the intent to merge declared by Vodafone India and Idea Cellular. Every service provider, say analysts, now needs to make a much larger investment, and therefore needs a much larger share of the market to be profitable. Gopal Vittal, chief executive of

Airtel, issued a statement to say the merger, if it happens, would be a "forced one", triggered by an "unfair playing field" granted to one company. If the merger goes through, the combined Vodafone-Idea entity will vault ahead of Airtel to lead the market on all the parameters that matter: market share, revenue share, and spectrum.

Vittorio Colao, Vodafone Group chief executive, very nearly agreed with Vittal's assessment. Talking about his company's performance and its merger talks with Idea, he said: "Our strong organic performance in South Africa and Turkey was partially offset by India, where the sector is affected by free services from the new entrant." Neither Vittal nor Colao named RJio in the statement, but Morningstar, an equity research house, had no such qualms. Its most recent report says: 'We think this merger also demonstrates the difficulty that RJio's entrance has caused for the Indian wireless telecom market.' More than a dozen analysts and brokerage houses have come out with reports that see a clear role played by RJio in triggering the merger talks. 'With the entry of Reliance Jio, the investment levels have skyrocketed, necessitating a minimum 25% revenue market share for profitable operations. We see a three-player mobile market more sustainable in the long-term,' says JM Financial.

The consolidation will benefit everyone and ensure profits for the few that remain at the end of it. However, as Credit Suisse points out, the gains may not come in a hurry: 'We do not see competitive pressures from Jio's entry… abating till the company reaches its targeted market share. Thus, we see reported financials continue to drag lower for telcos in the coming 15-18 months.' RJio won't comment officially, but one of its senior executives says it is doing no wrong by not charging for its services for now. "To cause a behavioural change, such as making consumers use more data instead of voice, you have to pay a price. We are paying that price by not charging the consumer, and yet paying the government all our fees, and we pay the other operators for connecting our calls," said this executive.

To RJio's credit, a survey by Bank of America Merrill Lynch in December showed nearly a third of respondents saying they loved the RJio service not just for because it was free but also for its high speed and the content on its eco-system. This, therefore, is just the beginning of the cataclysmic changes the industry may see this year. CLSA tells us to expect for a sharp increase in data capacities of about 35%, RJio's starting to charge for its services, more plans by other service provide offering free voice and cheap data, and faster consolidation.

Expect more rumble soon. 'In the longer term,' says Morningstar, 'we view RJio's position as unsustainable, as it has spent billions building its network and acquiring spectrum and licences. At some point, it needs to generate a return on that investment.' Not surprisingly, it is a thought that has occurred to the RJio management, which is geared to start charging from March. But what the analyst community needs to take grater note of is one of Jio's other plans: To launch feature phone that would work on its 4G network and cost about Rs 1,500 -- give or take a few. That will be the time to look at the health of, and consolidation in, the handset making industry.