

### **Examiner's commentary**

This Extended Essay exemplifies effective application of source material and the correct use of subject-specific terminology. What is particularly commendable is the way the candidate did research and reading beyond the syllabus. The Extended Essay is a form of specialization in a domain, so advanced research is necessary; in this case, the SPACE matrix was most appropriate to evaluate the extent to which the strategy of the merger adopted by Vodafone-Idea would result in a competitive advantage. Another strength is its overall presentation and the depth of reflections in the RPPF ("Reflections on Planning and Progress Form" at the bottom of each essay), notably about the shift in focus and the change in the research question (see Interim Reflection). This work inspires because the candidate wanted "to try new things" (to quote the supervisor) and carried out an impressive amount of research (see footnotes and bibliography) which enabled them to write an excellent Extended Essay, remarkably well presented.

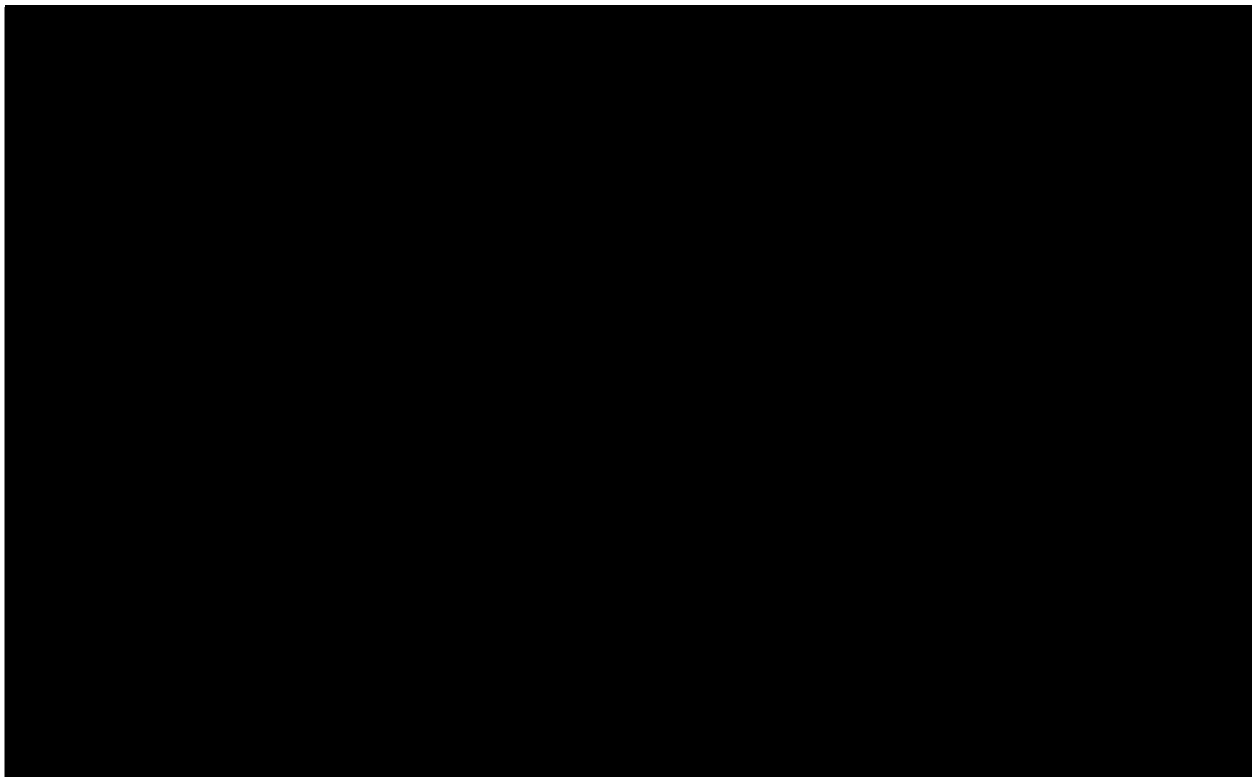
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## **IB Business and Management (HL) Extended Essay**

**Title:** An Analysis of the Impact of a New Competitor in an Industry

**Subject:** Business and Management (HL)

**Research Question:**



**Word Count:** 3947 Words

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<sup>1</sup>Chakraborty, Anish. "Idea Vodafone Merger: A Deal of Necessity Rather than Luxury." *NewsBytes*. NewsBytes, 08 Aug. 2017. Web. 1 Nov. 2018. <<https://www.newsbytesapp.com/timeline/Business/5607/34201/idea-vodafone-merger-know-all-about-it>>.

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## A. Introduction:

Since its launch in the early 1990s, mobile telephony in India has witnessed rapid growth with almost 1.2 billion subscribers in May 2018<sup>2</sup>. Following almost a decade of consolidation, wherein the smaller players were bought out, in 2016 the top three market players – BhartiAirtel, Vodafone India and Idea Cellular – had a concentration ratio<sup>3</sup> of 91.5%<sup>4</sup>. 2016 saw the launch of a low price offering by Jio bolstered by the deep pockets of its parent, India's most profitable private sector company, Reliance Industries. A blood bath followed, and in less than 18 months of Jio's launch, the key players with respect to market share had changed to BhartiAirtel, Vodafone, Reliance Jio and Idea by 2018<sup>5</sup>. It is perhaps not a coincidence that the market leader:<sup>6</sup>Airtel also reported its first loss in 15 years<sup>7</sup>.

In response to Jio, Vodafone and Idea combined forces and announced their merger to become 'Vodafone-Idea Limited'(VIL). Vodafone India is a SBU<sup>8</sup> of its UK based parent<sup>9</sup> Vodafone Group and Idea Cellular is a SBU of Indian based conglomerate, Aditya Birla Group<sup>10</sup>. The financial dimension of the merged entity was expected to strengthen as Vodafone-Idea would enjoy a 34.7% revenue share of a market estimated at INR<sup>11</sup> 60,000

<sup>2</sup>Telecomlead. "Mobile Operator Market Share for May 2018." *TelecomLead*. Telecom Lead, 18 July 2018. Web. 1 Nov. 2018. <<https://www.telecomlead.com/telecom-statistics/mobile-operator-market-share-for-may-2018-85350>>.

<sup>3</sup> Defined in Glossary

<sup>4</sup> "Meet the 3 Big Players Making Waves in Telecom Space." *Rediff.com India News*. Malini Bhupta, 28 Aug. 2015. Web. 1 Nov. 2018. <<https://www.rediff.com/business/report/meet-the-3-big-players-making-waves-in-telecom-space/20150828.htm>>.

<sup>5</sup> "Reliance Jio Third-largest Telecom by Revenue Market Share." *The Economic Times*. Economic Times, 12 June 2018. Web. 1 Nov. 2018. <<https://economictimes.indiatimes.com/industry/telecom/telecom-news/reliance-jio-third-largest-telecom-by-revenue-market-share/articleshow/64550327.cms>>.

<sup>6</sup> Defined in Glossary

<sup>7</sup> *Www.ETTelecom.com*. "Airtel's India Ops Post First Loss in 15 Years - ET Telecom." *ETTelecom.com*. N.p., 24 Apr. 2018. Web. 1 Nov. 2018. <<https://telecom.economictimes.indiatimes.com/news/bharti-airtel-q4-profit-slumps-78/63897790>>.

<sup>8</sup> Defined in Glossary

<sup>9</sup> "Vodafone Finalises India Mobile Subsidiary Buyout." *BBC News*. BBC, 01 July 2011. Web. 1 Nov. 2018. <<https://www.bbc.com/news/business-13996525>>.

<sup>10</sup> *Aditya Birla Group Idea*. Rovi Corporation, n.d. Web. 1 Nov. 2018.

<[https://web.archive.org/web/20101123144523/http://ideacellular.com/IDEA.portal?\\_nfpb=true&\\_pageLabel=IDEA\\_Page\\_AboutIdea](https://web.archive.org/web/20101123144523/http://ideacellular.com/IDEA.portal?_nfpb=true&_pageLabel=IDEA_Page_AboutIdea)>.

<sup>11</sup> USD 1=INR 71



crores<sup>12</sup>. Yet, there were differing opinions on the extent to which the merger was likely to create a competitive advantage.

A review of literature to assess the success of the merger also indicates that there are differing opinions as well. An Oxford University Press (OUP) research paper,<sup>13</sup> concluded that in the American Telecom market, the merger of new entrants, MCI Worldcomm with Sprint, helped break the monopoly of the incumbent firm, AT&T. A Harvard Business Review (HBR)<sup>14</sup> research paper explored options for incumbents when new entrants compete on price. They cited the strategy used by Ritz-Carlton to compete with other hotel chains who reduced the price for their offerings. Ritz-Carlton simply led the market by improving the quality of their services and charged a higher price.

Given that the existing research has varied views on the best strategy to combat a price cutting competitor, it becomes interesting to understand the outcome of the merger. Thus, excited by the varied outcomes of this merger, the Research Question (RQ): **‘To what extent does the Vodafone-Idea merger provide it a competitive advantage in the Indian Telecom?’** seemed ideal to explore the different dimensions of the merger.

Answering the Research Question is significant to the Indian community because Telecom services such as mobile telephony and the Internet are becoming more of a necessity, rather than a nice to have. More importantly, dependable and affordable telecom services are crucial for India’s development. Therefore, by analysing the impact of the Vodafone-Idea merger on competition in the Indian telecom space, a fair assessment of their

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<sup>12</sup>"NCLT Gives Go-ahead to Idea-Vodafone Merger." *The Economic Times*. Economic Times, 31 Aug. 2018. Web. 1 Nov. 2018. <<https://economictimes.indiatimes.com/industry/telecom/telecom-news/nclt-gives-go-ahead-to-idea-vodafone-merger/articleshow/65616161.cms>>.

<sup>13</sup>Pelcovits, Michael D. "The Long-Distance Industry: One Merger Too Many? MCI WorldCom and Sprint (2000)." Oxford University Press, n.d. Web. 1 Nov. 2018. <[http://global.oup.com/us/companion.websites/fdscontent/uscompanion/us/pdf/kwoka/9780195322972\\_04.pdf](http://global.oup.com/us/companion.websites/fdscontent/uscompanion/us/pdf/kwoka/9780195322972_04.pdf)>.

<sup>14</sup>Akshay R. RaoMark E. BergenScott Davis. "How to Fight a Price War." *Harvard Business Review*.N.p., 07 July 2017. Web. 1 Nov. 2018. <<https://hbr.org/2000/03/how-to-fight-a-price-war>>.

ability to survive competition can be deduced. Furthermore, the high market share enjoyed by the merged entity Vodafone-Idea also points towards the development of an oligopolistic marketplace<sup>15</sup>, which may impact consumers negatively in the long run. Hence, the research will also help local policy makers to ensure that consumers are not disadvantaged.

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<sup>15</sup> Defined in Glossary

## B. Methodology:

To collect information for the construction and analysis of tools that answer the research question, online **Case Studies** from 'Slideshare' and 'IMCR' were examined. While the approach helped in achieving an in-depth insight into the industry, the articles may have an author bias. Therefore, articles from various **Business Magazines** like 'Business Today', 'Live Mint' and 'The Economist' were explored to assess the validity of the data used in the case studies. However, the risk is that multiple perspectives may limit the ability to evaluate the information in any meaningful manner. Apart from the aforementioned magazines, 'Live Mint' was explored to analyse Vodafone's and Idea's financial performance before and after the entry of Jio into the industry. However, the varied statistics across multiple magazines may add discrepancies to the study and the rapidly changing Indian Telecom Industry will increase the difficulty in finding centred trends.

**Porter's 5 Forces Model** was adopted to assess the change in the marketing environment before and after the merger and also help analyse Vodafone-Idea's change in competitive advantage through the merger. One limitation envisaged, which may limit the application of this tool for this case, is the constantly evolving strategies adopted by Jio that can make the model redundant before the completion of the study. The Strategic Position and Action Evaluation (**SPACE**) **Matrix** was also constructed to understand if the strategy of the merger adopted by Vodafone-Idea will help it gain competitive advantage. This will help evaluate the effectiveness of the strategy. It should be pointed out that the dynamic nature of the external environment skews the results and adds limitations because the relative strengths of the different factors will change during the construction of the model, leading to inaccuracies.

## C. Research and Analysis:

### C(i) Porter's 5 Forces:

Porter's Five Forces is a strategic management tool used to assess the attractiveness of an industry by investigating the competitive strength and industry forces. It is often used to assess the extent to which the introduction of a change is likely to affect the overall competitive strength of a business<sup>16</sup>, by studying the five forces viz. Competitive Rivalry, Supplier Power, Customer Power, Threat of Substitutes and New Entrants. The application of Porter's Five Forces will help understand the Indian competitive environment in which Vodafone-Idea is operating and the extent to which the merged entity has improved its competitive advantage.

#### **Competition in the Industry: Strong Force**

While there were sixteen competitors in the Indian telecom<sup>17</sup>, the established players were Airtel, Vodafone, Idea and Jio. The competition in the Indian telecom intensified due to Jio using predatory pricing<sup>18</sup> that pulled customer traffic and doubled its subscriber base to 225 Million<sup>19</sup> in 2018. Idea's market share fell from 17.17% to 16.2% in a year after Jio's entry<sup>20</sup>. Similarly, Vodafone's share decreased from 19.31% to 17.68%<sup>21</sup>. Consequently, prior to the merger, the threat of competition was very high for both the companies. However, after the

<sup>16</sup>Porter's Five Forces of Competitive Position Analysis." *CGMA*. N.p., 11 June 2013. Web. 5 Nov. 2018. <<https://www.cgma.org/resources/tools/essential-tools/porters-five-forces.html>>.

<sup>17</sup>"Brand India." *IBEF : India Brand Equity Foundation*. India Brand Equity Foundation, 12 Oct. 2018. Web. 5 Nov. 2018. <<https://www.ibef.org/industry/telecommunications/showcase>>.

<sup>18</sup> Defined in Glossary

<sup>19</sup>"Reliance Jio Growth in Numbers: Just How Much Has Jio Grown in One Year?" *News18*. News18, 05 July 2018. Web. 5 Nov. 2018. <<https://www.news18.com/news/tech/reliance-jio-growth-in-numbers-just-how-much-has-jio-grown-in-one-year-1801733.html>>.

<sup>20</sup>"In Numbers | Here's How the Telecom Sector Has Fared since Reliance Jio's Entry." *Moneycontrol*. MoneyControl, 6 Sept. 2018. Web. 5 Nov. 2018. <<https://www.moneycontrol.com/news/telecom/in-numbers-heres-how-the-telecom-sector-has-fared-since-reliance-jios-entry-2921341.html>>.

<sup>21</sup> Ibid.



merger, Vodafone-Idea now enjoys 37% market share, making it the largest service provider in India.

Yet, this high market share does not mean that threat of competitors for Vodafone-Idea has decreased. Jio continues to compete with Vodafone-Idea and Airtel through a price war. Moreover, in the broadband space, Jio remains the undisputed market leader with almost 50% market share as against Airtel's 21% and 24% of Vodafone-Idea<sup>22</sup>. Also Airtel has announced an integration with the consumer mobility division of Tata Teleservices<sup>23</sup>, which is likely to help it gain subscribers and regain its position. Therefore, the *threat of competitive rivalry has not decreased* significantly for Vodafone-Idea and despite its high market share, it continues to be affected by Jio's aggressive promotion and pricing. However, due to the integration of costs and spectrum liberalisation<sup>24</sup>, the merged entity is expected to get synergies worth USD 10 billion, which can be used to fight a price war.

### **Potential of New Entrants into the Industry: Weak Force**

The high investment cost and significant regulatory hurdles make it difficult for a new entrant to be established in India. Also, the Indian telecom is largely an oligopolistic market that makes entry unprofitable for new entrants because of the low priced goods and services offered<sup>25</sup>. As a result, profitability in the initial years for new entrants is likely to be non-existent. So, unless the new entrant is sponsored by a rich parent company like Jio was, penetrating the Indian telecom will be very difficult. Unlike the established players such as

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<sup>22</sup>Telecomlead. "India Broadband Market Share April 2018." *TelecomLead*. Telecom Lead, 26 June 2018. Web. 5 Nov. 2018. <<https://www.telecomlead.com/telecom-statistics/india-broadband-market-share-april-2018-84941>>.

<sup>23</sup>"Airtel Keen to Reclaim Tag of Country's Largest Telco from Vodafone Idea." *Business Today*. Business Today, 07 Sept. 2018. Web. 5 Nov. 2018. <<https://www.businesstoday.in/sectors/telecom/airtel-may-snatch-back-tag-of-country-largest-telco-from-vodafone-idea/story/282151.html>>.

<sup>24</sup>"In Jio Price War Era, Analysts See Limited Benefits for Voda-Idea in Short Term." *The Economic Times*. Economic Times, 22 Mar. 2017. Web. 5 Nov. 2018. <<https://economictimes.indiatimes.com/news/company/corporate-trends/deal-conclusioncost-synergies-challenge-for-idea-vodafone-experts/articleshow/57757000.cms>>.

<sup>25</sup>Khokhar, Tariq. "Where Are the Cheapest and Most Expensive Countries to Own a Mobile Phone?" *Jobs and Development*. World Bank, 20 Jan. 2016. Web. 5 Nov. 2018. <<http://blogs.worldbank.org/opendata/where-are-cheapest-and-most-expensive-countries-own-mobile-phone>>.

Vodafone-Idea, Airtel and Jio, the new entrant may not have other sources of revenue, making its survival almost impossible. Hence, the *threat of new entrants which was considered to be low before the formation of VIL, has declined further after the merger*. The merger has strengthened Vodafone-Idea and the nature of the price competition in the market has further decreased the likelihood of new entrants.

### **Power of Suppliers: Weak Force**

In India, there are approximately five organisations that engage in providing passive telecom goods and services to the Indian Telecom providers. For this study, Indus Towers is a relevant organisation as it provides services to Vodafone, Idea and Airtel. Indus Towers was jointly owned by BhartiInfratel (Parent company of Airtel), Vodafone Idea and Providence<sup>26</sup>. Hence, the threat by Indus Towers is low due to it being obliged to supply resources to its owners in preference to other companies. As far as Jio is concerned, it has its own supply of optic cables bought from RComm<sup>27</sup> and other investments into purchases of telecom capital<sup>28</sup>. After the merger, Vodafone-Idea decided to exit the contract with Indus Towers, in an attempt to decrease debt. Besides, Airtel with 42% stake in Indus Towers will now have a stronger control in Indus Towers<sup>29</sup>. Consequently, the largest supplier of Telecom towers in India will be owned by BhartiAirtel and this may *marginally increase the threat of provision of new telecom towers suppliers* to Vodafone-Idea, unless it can speedily create a tie up with a new supplier.

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<sup>26</sup>Www.ETTelecom.com. "BhartiInfratel, Indus Towers to Merge for a New \$15 Billion Entity with 1.63 Lakh Telecom Towers - ET Telecom." *ETTelecom.com*. Economic Time, 25 Apr. 2018. Web. 5 Nov. 2018. <<https://telecom.economicstimes.indiatimes.com/news/bharti-infratel-indus-towers-merge-to-create-telecom-infrastructure-giant-with-1-63-lakh-towers/63904644>>.

<sup>27</sup>Www.ETTelecom.com. "RCom Sells Optic Fibre Assets to Reliance Jio for Rs 3,000 Crore - ET Telecom." *ETTelecom.com*. Economic Times, 27 Aug. 2018. Web. 5 Nov. 2018. <<https://telecom.economicstimes.indiatimes.com/news/rcom-sells-optic-fibre-assets-to-jio-for-rs-3000-crore/65558828>>.

<sup>28</sup>Livemint. "Reliance Jio Invests in 8,100km Undersea Cable Network." *Https://www.livemint.com/*. Livemint, 18 Apr. 2016. Web. 5 Nov. 2018. <<https://www.livemint.com/Industry/1HPa3MP7PVnvoDgyStMZxI/Reliance-Jio-invests-in-new-8100km-undersea-cable-network.html>>.

<sup>29</sup>Www.ETTelecom.com. "BhartiInfratel, Indus Towers to Merge for a New \$15 Billion Entity with 1.63 Lakh Telecom Towers - ET Telecom." *ETTelecom.com*. N.p., 25 Apr. 2018. Web. 5 Nov. 2018. <<https://telecom.economicstimes.indiatimes.com/news/bharti-infratel-indus-towers-merge-to-create-telecom-infrastructure-giant-with-1-63-lakh-towers/63904644>>.

## **Power of Customers: Moderate Force**

In any industry, customers are essential for its survival and so hold high bargaining power. Such is the case in the Indian telecom wherein all the firms are fighting to increase their customers in the form of subscribers. After all, the subscriber base is what will lead any Jio or Airtel to become the Market Leader – Jio’s ultimate organisational objective and Airtel’s mission i.e. to retain that tag<sup>30</sup>. Indeed, Jio is on its way to continue the price war it commenced, until it doubles its customer base<sup>31</sup>.

Although in March 2018, the Indian telecom subscriber base grew at a monthly rate of 2.2% in terms of new subscribers, Jio led the market with a gross addition of 9.42 million subscribers, followed by Vodafone-Idea with 9.14 million<sup>32</sup>. Here, it can be observed that the merger allowed Vodafone-Idea to actively compete with Jio for new subscribers. Apart from the increase in telecommunication service subscribers, there has also been an increase in brand switches<sup>33</sup> due to the price sensitive nature of customers who adopt Jio’s connections for the purpose of cheaply connecting to their family in the rural or passing time by watching videos. Consequently, despite a decline in the number of operators offering telecommunication services, the bargaining power of customers seems to have increased due to the aggressive pricing strategy used by Jio. However, it may be possible that the strategies adopted by Jio may be short to medium term because once they reach their stated goal of 400

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<sup>30</sup>"Airtel Keen to Reclaim Tag of Country's Largest Telco from Vodafone Idea." *Business Today*. Business Today, 07 Sept. 2018. Web. 5 Nov. 2018. <<https://www.businesstoday.in/sectors/telecom/airtel-may-s snatch-back-tag-of-country-largest-telco-from-vodafone-idea/story/282151.html>>.

<sup>31</sup>Bloomberg. "End to India's Telecom Price War May Be a Year and 18.5 Crore Users Away - Times of India." *The Times of India*. Business, 25 July 2018. Web. 5 Nov. 2018. <<https://timesofindia.indiatimes.com/business/india-business/end-to-indias-telecom-price-war-may-be-a-year-and-18-5-crore-users-away/articleshow/65129513.cms>>.

<sup>32</sup>"Indian Telecom Subscriber Base Goes beyond the 1.2 Billion Mark with 26 Million Additions in March: TRAI Report- Technology News, Firstpost." *Firstpost*. Firstpost, 24 May 2018. Web. 5 Nov. 2018. <<https://www.firstpost.com/tech/news-analysis/indian-telecom-subscriber-base-goes-beyond-the-1-2-billion-mark-with-26-million-additions-in-march-trai-report-4481217.html>>.

<sup>33</sup>Defined in Glossary



million subscribers, they are likely to revise their prices<sup>34</sup>. Consequently, *the bargaining power of customers may decrease. Hence, though the bargaining power of customers has not declined immediately after the merger, in the long run it may decline due to the change in Jio's strategies and a fewer number of service providers.*

### **Threat of Substitute Products: Weak Force:**

The increased need for connectivity in today's world has made mobile connectivity an essential service with no perfect substitutes. Moreover, the ongoing price war in the Indian telecommakes the ownership of high quality goods and services such as mobile phones more cost effective. On this basis, due to the clear lack of viable substitutes, the threat of substitutes is negligible. Thus, *the merger between Vodafone-Idea did not alter the force pertaining to the threat of substitute products.* Yet, Vodafone-Idea can further weaken this force if it invests their resources into R&D for innovation and survival in the rapidly evolving Indian telecom.

A quick review of all the five forces indicates that there is *no significant change in the marketing environment for Vodafone-Idea after the merger.* While the threat of suppliers, substitutes and new entrants continues to stay weak, the bargaining power of customers did not weaken primarily due to the pricing and promotion policies adopted by the major players i.e. Vodafone-Idea's competitors: Jio and Airtel. Similarly, the threat of competitors declined marginally only as both, Jio and Airtel, have formulated policies that will make it difficult for Vodafone-Idea to hold on to its market share in the long run. Hence, *it is concluded that the merger did not give Vodafone-Idea a significant and long term competitive advantage.*

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<sup>34</sup> Livemint. "End to Reliance Jio's Price War May Be 185 Million Users Away." <https://www.livemint.com/>. Livemint, 24 July 2018. Web. 5 Nov. 2018. <<https://www.livemint.com/Companies/vsZm9LNYG6G5IApcqXQOAL/End-to-Reliance-Jios-price-war-may-be-185-million-users-awa.html>>.

## C(ii) Space Matrix:

Space Matrix is a Management decision-making tool that analyses a company's position to assess the appropriate strategy for the company facing a changing environment. It involves the identification of *internal strategic dimensions* against *external dimensions* to help map the merger onto one of the SPACE strategies: Aggressive, Conservative, Defensive or Competitive<sup>35</sup>. The approach adopted to analyse the merger is to assess the change in SPACE strategies, if any, prior to and after the merger. The matrix was constructed using the data available from Vodafone and Idea websites, business analyst reports on the mergers and news articles. A variety of sources were taken to ensure the reliability of the data and in turn increase the validity of this research. Additionally, research papers on construction of Space Matrix were perused to ensure accuracy of the model constructed. However, despite the precautions taken, it is possible that the Space Matrix may be skewed as the grading of individual factors may have an element of bias.

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<sup>35</sup>Radder, L. (1998). The SPACE matrix: A tool for calibrating competition. *Long Range Planning*. 31. 549-559. 10.1016/S0024-6301(98)00053-3.

To assess the change in **Internal Strategic Dimension**, the *financial and competitive positions* were evaluated.

**Competitive Advantage:**

<b>Internal</b>			
<u>Competitive Advantage (CA)</u> Vodafone-Idea [-6 Worst, -1 Best]		<u>Competitive Advantage (CA)</u> Vodafone and Idea (Prior to the Merger) [-6 Worst, -1 Best]	
		Vodafone	Idea
Brand Image:	-3	Brand Image:	-1
Customer Loyalty:	-2	Customer Loyalty:	-4
Government Interaction:	-3	Government Interaction	-4
Market Share by Customers:	-3	Market Share by Customers:	-2
Market Share by Revenue:	-3	Market Share by Revenue:	-3
Product Quality:	-4	Product Quality:	-4
Speed of Innovation:	-1	Speed of Innovation:	-4
<u>Average: - 2.71</u>		<u>Average: -3.36</u>	

Sources: In Appendix 1 (Page 36)

**Figure 1: Competitive Advantage Grid**

For the *competitive advantage* grid, factors from Marketing were considered because they are essential in building a brand and creating a competitive advantage<sup>36</sup>. A review of the Competitive Position shows that it's average score has changed from -3.36 to -2.71 i.e. from a weaker to a stronger position. This can be attributed to the following:

While the '*Customer Loyalty*' rating was -4 for Vodafone and Idea before the merger, it has increased to -2 for Vodafone-Idea. This is due to 82% of the Jio subscribers opting to

<sup>36</sup>Vorhies, Douglas W., and Larry Yarbrough. "Marketing's Role in the Development of Competitive Advantage: Evidence from the Motor Carrier Industry." *SpringerLink*. Springer, 23 Feb. 1998. Web. 5 Nov. 2018. <<https://link.springer.com/article/10.1023/A:1009763920828>>.

have Jio as a secondary connection, while maintaining their current Vodafone-Idea network<sup>37</sup>. Similarly, there was a clear improvement in Vodafone-Idea's market share by customers and revenue that stood at 34.7%<sup>38</sup> representing INR 60,000 crores in revenue, respectively. Consequently, '*Market Share*' rating improved from Idea's -4 and Vodafone's -3 to -3 for the combined entity. Furthermore, this merger has allowed Vodafone-Idea to combine forces and focus on innovation that will improve quality and capture more market share, while improving the '*Speed of Innovation*' to -1. Prior to the merger, the ratings for Speed of Innovation for both entities were at -3 because they were focusing on defending their market share rather than creating innovative services.

Despite the aforesaid improvements, '*Brand Image*' is a component that has worsened from -1 for Vodafone and -4 for Idea to a rating of -3 for Vodafone-Idea. Such is because consumers thought Vodafone-Idea to be in crisis and incompetent<sup>39</sup>, thereby calling for a rating of -3. The incompetency was a result of Vodafone-Idea's '*Product Quality*' being inferior to Jio's high speed network and connectivity. Consequently, Vodafone-Idea's product quality has remained the same at -4.

Interestingly, while the merger enhanced Vodafone's '*Government Interaction*' from -4 to -3, it declined Idea's '*Government Interaction*' from -2 to -3. Such is the case because even though the Vodafone CEO and the Idea CEO met Indian Prime Minister Modi for the merger, the process was fraught with regulatory hurdles. Yet, the '*Government*

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<sup>37</sup> NewsDesk, Digit NewsDeskDigit. "82 Percent Jio Subscribers Use Service as Secondary SIM: Study." *Digit*. Digit Wwww.digit.in, 21 June 2017. Web. 5 Nov. 2018. <<https://www.digit.in/telecom/82-percent-jio-subscribers-use-service-as-secondary-sim-study-35705.html>>.

<sup>38</sup> "NCLT Gives Go-ahead to Idea-Vodafone Merger." *The Economic Times*. Economic Times, 31 Aug. 2018. Web. 5 Nov. 2018. <<https://economictimes.indiatimes.com/industry/telecom/telecom-news/nclt-gives-go-ahead-to-idea-vodafone-merger/articleshow/65616161.cms>>.

<sup>39</sup> "Vodafone-Idea May Find It Tough to Protect Market Share: Analysts." *The Economic Times*. Economic Times, 01 Aug. 2018. Web. 5 Nov. 2018. <<https://economictimes.indiatimes.com/industry/telecom/telecom-news/vodafone-idea-may-find-it-tough-to-protect-market-share-analysts/articleshow/65222954.cms>>.



*Interaction*' rating was worse for Vodafone prior to the merger because it had to pay large fines for tax evasion charges<sup>40</sup>.

### **Financial Strength**

<u>Financial Strength (FS)</u> <u>Vodafone-Idea</u> [+1 Worst, +6 Best]		<u>Financial Strength (FS)</u> <u>Vodafone and Idea Communication (Prior to the Merger)</u> [+1 Worst, +6 Best]		
			Vodafone	Idea
Debt Ratio:	2	Debt Ratio	4	4
Debt Reduction Rate:	3	Debt Reduction Rate:	4	4
Growth Rate:	6	Growth Rate:	3	3
Leverage Ratio:	2	Leverage Ratio:	4	4
Savings:	5	Savings:	3	3
Turnover:	4	Turnover:	3	3
Average: 3.67		Average: 3.5		

Sources: In Appendix 2 (Page 37)

Figure 2: Financial Strength Grid

A review of the Financial Dimension suggests that there has been a marginal improvement in the average financial strength from 3.50 before the merger to 3.67 after the merger. Such was primarily due to the fragile market prices that are below a profitable level. Consequently, Vodafone and Idea were increasing their debt<sup>41</sup> prior to the merger. It was expected that through the merger, Vodafone-Idea could reduce their debts gaining significant savings. The EBITDA<sup>42</sup>, which stood at roughly 30% for both organisations, was expected to

<sup>40</sup>"All You Need to Know about Vodafone Tax Case." *Zee Business*. Zee Business, 12 Dec. 2017. Web. 5 Nov. 2018.

<<https://www.zeebiz.com/companies/news-all-you-need-to-know-about-vodafone-tax-case-33349>>.

<sup>41</sup>Press Trust of India. "Telecom Debt Woes Because Airtel, Idea, Vodafone Not Investing in Business: Reliance Jio." *https://www.hindustantimes.com/*. Hindustan Times, 12 June 2017. Web. 5 Nov. 2018. <<https://www.hindustantimes.com/business-news/telecom-debt-woes-because-airtel-idea-vodafone-not-investing-in-business-reliance-jio/story-gjhZXrky3JDDyQl6fizmJ.html>>.

<sup>42</sup> Defined in Glossary

increase by 10% to 40% for the combined organisation – Vodafone-Idea<sup>43</sup>. All in all, the ratio of Net Debt and EBITDA which was at roughly x4.5 for both organisations was speculated to fall to x3 for the combined organisation<sup>44</sup>. However, a review of the actual performance showcases that the EBITDA margin has fallen from 29.9 % in 2016 to 13.5% in 2018. As a result, the Net Debt/ Equity ratio has increased to 15 indicating a high level of leverage. (Fig 3<sup>45</sup>) Consequently, all the benefits expected from the deal as aforementioned may be negated. Hence, the '*Debt Ratio*', the '*Debt Reduction Rate*', the '*Leverage Ratio*<sup>46</sup>' factors have all deteriorated from 4 to 2, 3, 2 respectively for Vodafone-Idea.

Yet, Vodafone-Idea's financial strength has marginally increased because it was estimated that after the fourth year of operations, Vodafone-Idea would save approximately \$2Billion annually. In fact, the net present value of total savings is \$10.5 Billion, which could very well be invested to decrease debt and have interest bearing investments<sup>47</sup>. These savings arose from the synergies that the combined entity can enjoy from selling assets leading to better margins. Consequently, the '*Savings*' rating was increased from 3 to 5 after the merger. The improved turnover of the merged entity at 60,000 Crores also enhanced its rating from 3 to 4. As a result, the overall growth predictions increased from 3 to 6 as the synergies, combined revenues and cost savings are expected to improve the growth prospects of Vodafone-Idea.

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<sup>43</sup> Philipose, Mobis. "The Rationale behind Idea-Vodafone Merger in Five Charts." <https://www.livemint.com/>. Livemint, 20 Mar. 2017. Web. 5 Nov. 2018. <<https://www.livemint.com/Companies/liVpiwdNALGfOgccApI6sK/The-rationale-behind-IdeaVodafone-merger-in-five-charts.html>>.

<sup>44</sup> Ibid.

<sup>45</sup> Ibid.

<sup>46</sup> Defined in Glossary

<sup>47</sup> Philipose, Mobis. "The Rationale behind Idea-Vodafone Merger in Five Charts." <https://www.livemint.com/>. Livemint, 20 Mar. 2017. Web. 5 Nov. 2018. <<https://www.livemint.com/Companies/liVpiwdNALGfOgccApI6sK/The-rationale-behind-IdeaVodafone-merger-in-five-charts.html>>.

### Diminishing returns

The Vodafone-Idea combine's Ebitda has fallen to about a third of the levels at the time of the merger announcement, and has made leverage ratios go haywire.

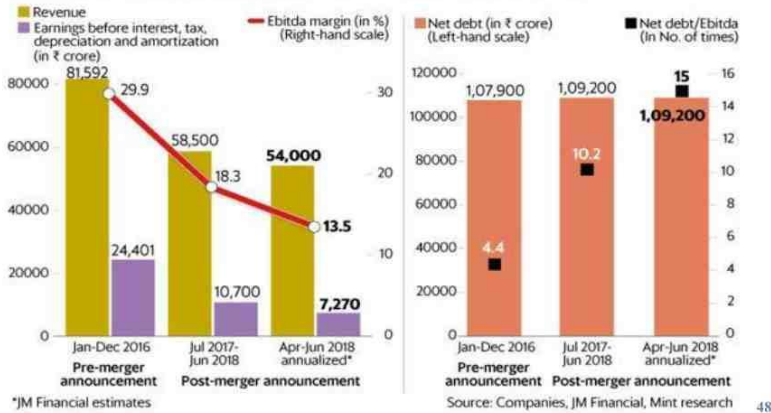


Figure 3: Vodafone-Idea Earnings Pre and Post Merger

Hence, it can be concluded that despite a decline in Earnings and increase in debt ratio, the long term financial strength of the company will increase, leading to stronger financial position.

<sup>48</sup>Livemint. "Vodafone Idea Is India's Largest Telco and Also Its Most Vulnerable." <https://www.livemint.com/>. Livemint, 04 Sept. 2018. Web. 5 Nov. 2018. <<https://www.livemint.com/Money/PssIzuVDRs9zQXwXLiZR7O/Vodafone-Idea-is-Indias-largest-telco-and-also-its-most-vul.html>>



In order to review the external dimensions, the Industry strength and environmental stability were assessed prior to and after the merger.

### **Industry Strength**

<b>External</b>				
<u>Industry Strength (IS)</u> Vodafone-Idea [+1 Worst, +6 Best]		<u>Industry Strength (IS)</u> Vodafone and Idea [+1 Worst, +6 Best]		
		Vodafone	Idea	
Access to Finance:	<b>4</b>	Access to Finance:	2	2
Ease of Entry:	<b>1</b>	Ease of Entry:	1	1
Financial Stability:	<b>3</b>	Financial Stability:	2	2
Growth Potential:	<b>4</b>	Growth Potential:	2	2
Profit Potential:	<b>1</b>	Profit Potential:	1	1
Price Range of Competitive Products:	<b>1</b>	Price Range of Competitive Products:	1	1
Resource Availability:	<b>6</b>	Resource Availability:	3	3
<u>Average: 2.86</u>		<u>Average: 1.71</u>		

Sources: In Appendix 3 (Page 38)

**Figure 4: Industry Strength**

In the Industry Strength grid, '*Profit Potential*' was rated as 1 due to the destructive pricing adopted by Jio that severely cut margins. As a consequence of the destructive pricing, entry becomes nearly impossible and calls for the '*Ease of Entry*' rating to be 1. There was no change in the aforesaid ratings prior to and after the merger because they were already at the lowest end of the rating scale and the aggressive pricing strategies by the competitors have limited the ability to improve this rating.

Despite the decline in profits, Vodafone-Idea's '*Financial Stability*' was given a rating of 3 on the heels of the '*Financial Strength*' analysis, thereby slightly increasing the

rating from 2 to 3 after the merger. Consequently, it is easier for Vodafone-Idea to have 'Access to Finance'. Furthermore, given that Vodafone-Idea is a larger entity with 395 million subscribers, and approximately 40% market share<sup>49</sup>, the ease of obtaining external finance and attaining finance from Vodafone International is amplified<sup>50</sup>. Hence, 'Access to Finance' was given a rating of 4 against the rating of 2 prior to the merger. However, the financing power of Vodafone International was not given much weightage as there have been reports that Vodafone International did not intend to increase investments in India prior to the merger<sup>51</sup>.

The world's increasing dependence on telecom services and their abundant nature makes them easily available and leads to the 'Availability of Resources' having a rating of 6 after the merger as against 3 before. The merger created duplication of resources like telecom towers and other infrastructure, thereby allowing the sale of these excess assets by Vodafone-Idea to make the combined entity financially stronger. Furthermore, Vodafone-Idea will also experience significant economies of scale that can be capitalized on while dealing with the principal telecom infrastructure provider, Indus Towers. The gross impact of all the factors aforesaid is that Vodafone-Idea can increase supply and have a marginally higher 'Growth Potential' thereby improving the rating to 4 as compared to 2 earlier. Hence, Industry Strength has clearly improved for Vodafone-Idea as its average rating has increased from 1.71 to 2.86.

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<sup>49</sup>"Vodafone-Idea Merger." *The Risk Analyst*. The Risk Analyst, 31 Jan. 2017. Web. 5 Nov. 2018. <<http://theriskanalyst.in/vodafone-idea-merger/>>.

<sup>50</sup>Pti. "Vodafone to Invest Rs 8,000 Cr in India." *@businessline*. The Hindu BusinessLine, 09 June 2018. Web. 5 Nov. 2018. <<https://www.thehindubusinessline.com/info-tech/vodafone-to-invest-rs-8000-cr-in-india/article24120263.ece>>.

<sup>51</sup>Livemint. "In Building War Chest, Idea Vodafone Can Take a Leaf out of Singtel's Books." *Https://www.livemint.com/*. Livemint, 27 Feb. 2018. Web. 5 Nov. 2018. <<https://www.livemint.com/Money/ui7D3ARRBqGsaRw68JDa1N/In-building-war-chest-Idea-Vodafone-can-take-a-leaf-out-of.html>>.

## Environmental Stability

External			
<u>Environmental Stability (ES)</u> Vodafone-Idea [-6 Worst, -1 Best]		<u>Environmental Stability (ES)</u> Vodafone and Idea [-6 Worst, -1 Best]	
		<u>Vodafone</u>	<u>Idea</u>
Barriers to Entry:	-6	-6	-6
Competitive Pressure:	-6	-6	-6
Inflation:	-2	-2	-2
Price Elasticity of Demand:	-3	-4	-4
Technological Changes:	-2	-2	-2
Taxation:	-5	-5	-5
Average: -4		Average: -4.16	

Sources: In Appendix 4 (Page 39)

**Figure 5: Environmental Stability Grid**

To assess the Environmental Stability of Vodafone-Idea, the ‘*Barriers to Entry*’ and ‘*Competitive Pressure*’ were assessed first. As discussed earlier, due to the severe price war by Jio that makes entry impossible and competition fierce, *Barriers to Entry* and *Competitive Pressure* prior to and after the merger remained unchanged and had a rating of -6. In addition, the high rates of the Goods and Service Tax (GST) led to entry becoming less lucrative, thereby calling for a rating of -5 for ‘*Taxation*’. Furthermore, Vodafone-Idea having to pay various types of fee in the processing of the merger further resonates the rating<sup>52</sup>.

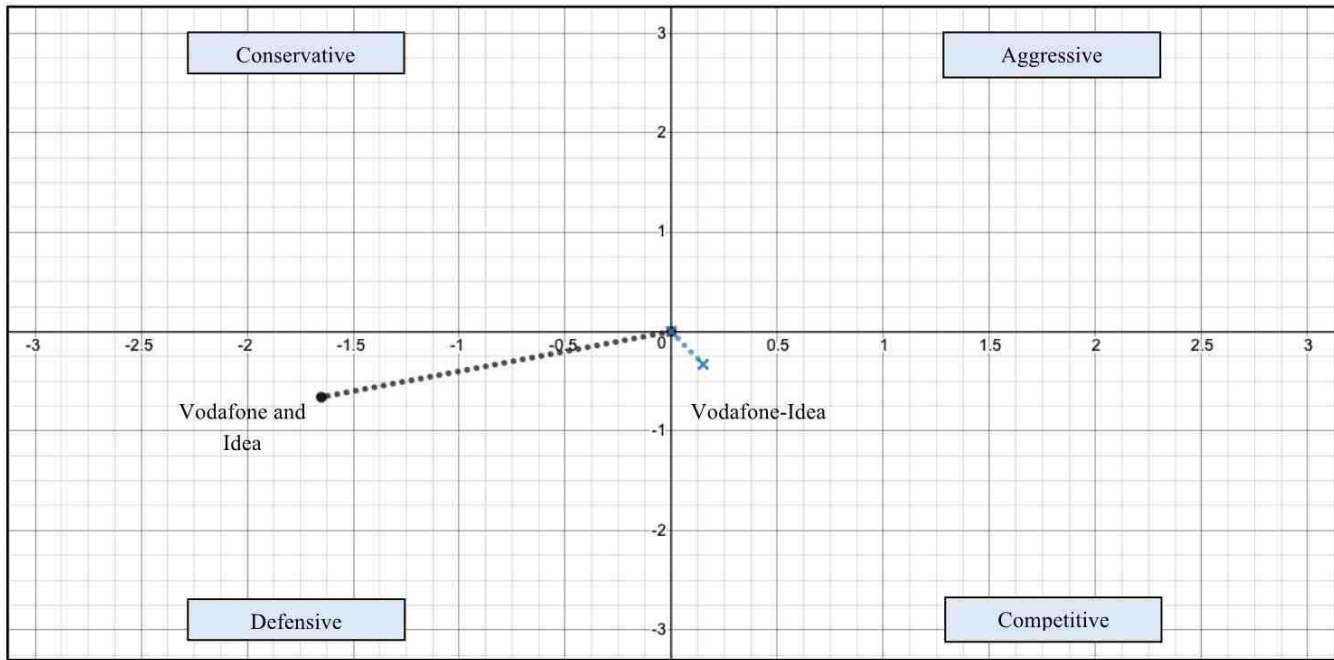
<sup>52</sup>"Vodafone, Idea Submit to DoT Demand, Pay Rs 7,268 Crore." *The Economic Times*. Economic Times, 24 July 2018. Web. 5 Nov. 2018. <<https://economictimes.indiatimes.com/industry/telecom/telecom-news/vodafone-idea-submit-to-dot-demand-pay-rs-7268-crore/articleshow/65111824.cms>>.

Contrary to Taxation, 'Inflation' is one economic factor that supports Vodafone-Idea because India ranks 14<sup>th</sup> in the world by yearly inflation rate<sup>53</sup>. This suggests a steady upward growth and explains the 'Inflation' rating of -2 prior to and after the merger. The steady growth has improved business confidence and attracted FDI<sup>54</sup> that leads to rapid technological changes thereby allowing the rating for 'Technological Change' to be unchanged at -2. However, the rating for Price Elasticity of Demand did change from -4 to -3 after the merger because the switching hassle makes it difficult for price sensitive consumers to make the swap. Consequently, they prefer to buy a new connection that is virtually cost free. So, after the merger Vodafone-Idea marginally benefited due to consolidation of services. As a result, the merger has marginally improved the Environmental Stability from -4.17 to -4.

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<sup>53</sup> "Inflation Rate in the Republic of India, 2018." *Inflation Rate in the United States, 2018*. StatBureau, n.d. Web. 5 Nov. 2018. <<https://www.statbureau.org/en/india/inflation>>.

<sup>54</sup> Defined in Glossary



Sources: Space Matrix Table in Appendix 5 (Page 40)

**Figure 6: Space Matrix Mapped to Vodafone-Idea position after the Merger**

Based on the analysis of the internal and external strategic dimensions and Figure 6, it is evident that Vodafone-Idea's position on the SPACE Matrix has moved from Defensive to Competitive. Figure 6 also indicates that although marginal, Vodafone and Idea have gained a competitive advantage in the Indian telecom through its merger.



#### D. Conclusion:

To conclude, the Vodafone Idea merger did *provide marginal competitive advantage to Vodafone-Idea in the Indian Telecom*. The review of Porter's Five Forces showcased that the marketing environment had slightly been affected from the merger and so altered the level of challenges for Vodafone-Idea. In addition, the SPACE Matrix helped in concluding that the merger had created short term synergies and had helped the merged entity: Vodafone-Idea had a *competitive position* rather than a *defensive* one that Vodafone and Idea utilised to survive the heightened competition.

However, the research study also indicates that the level of competitive advantage that had been expected by Vodafone-Idea had not materialized due to the aggressive strategies adopted by Airtel and Jio. Furthermore, while Vodafone-Idea had significant gains in market-share and consumer subscription, it was found that the profit margins and debt ratios had not matched up to the industry leader Airtel. Consequently, it is envisaged that Vodafone-Idea will be unable to hold onto the competitive position in the long, run unless it adopts other strategies to combat the competition.

Yet, for now, the research concludes, that the merger has been successful in giving Vodafone-Idea a marginal competitive advantage in the Indian Telecom. A *limitation* of the research is that while constructing the Space Matrix, the effect of different elements on Vodafone and Idea prior to the merger was considered together, which may marginally impact the analysis. Another aspect which has not been considered in depth is the change in strategies adopted by the market leaders during the same time frame of writing this study. Hence, a combined study may help answer the research question more effectively. Therefore, if the study is conducted in future, a clearer picture of the level of competitive advantage that

Vodafone-Idea has truly achieved may be derived if changes in the competitor's strategy in line with Vodafone-Idea's strategy is mapped.



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## F. Glossary:

- Brand Switches: a situation in which someone changes from buying one brand of a product to buying a different brand.<sup>55</sup>
- Concentration Ratio: The percentage of market share taken up by the largest firms. It could be a 3 firm concentration ratio (market share of 3 biggest) or a 5 firm concentration ratio<sup>56</sup>.
- EBIDTA: EBITDA stands for Earnings Before Interest, Taxes, Depreciation, and Amortization and is a metric used to evaluate a company's operating performance. It can be seen as a proxy for cash flow from the entire company's operations.<sup>57</sup>
- FDI: Foreign direct investment (FDI) is an investment from a party in one country into a business or corporation in another country with the intention of establishing a lasting interest.<sup>58</sup>
- Leverage Ratio: Leverage ratios are used to determine the relative level of debt load that a business has incurred. These ratios compare the total debt obligation to either the assets or equity of a business. A high ratio indicates that a business may have incurred a higher level of debt than it can be reasonably expected to service with ongoing cash flows.<sup>59</sup>

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<sup>58</sup>"Foreign Direct Investment (FDI) - Overview, Benefits & Disadvantages." *Corporate Finance Institute*. Corporate Finance Institute, 6 Sept. 2018. Web. 10 Nov. 2018. <<https://corporatefinanceinstitute.com/resources/knowledge/economics/foreign-direct-investment-fdi/>>.

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- Market Leader: A market leader could be a product, brand, company, organisation, group name which has the highest percentage of total sales revenue of a particular market.<sup>60</sup>
- Oligopolistic Market: Market where commodity supply is controlled by a small number of producers each having the ability to influence prices.<sup>61</sup>
- Predatory Pricing: Predatory pricing is the illegal act of setting prices low in an attempt to eliminate the competition.<sup>62</sup>
- Price War: A price war is a competitive exchange among rival companies who lower prices to undercut one another.<sup>63</sup>
- Strategic Business Unit (SBU): An autonomous division or organizational unit, small enough to be flexible and large enough to exercise control over most of the factors affecting its long-term performance.<sup>64</sup>

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<sup>60</sup> "Market Leader - What Is Market Leader? Market Leader Meaning, Market Leader Definition." *The Economic Times*. Economic Times, 25 Feb. 2016. Web. 5 Nov. 2018. <<https://economictimes.indiatimes.com/definition/market-leader>>.

<sup>61</sup>"What Is Oligopolistic? Definition and Meaning." *BusinessDictionary.com*. N.p., 19 July 2011. Web. 5 Nov. 2018. <<http://www.businessdictionary.com/definition/oligopolistic.html>>.

<sup>62</sup>Kenton, Will. "Predatory Pricing." *Investopedia*. Investopedia, 1 Dec. 2017. Web. 5 Nov. 2018. <<https://www.investopedia.com/terms/p/predatory-pricing.asp>>.

<sup>63</sup>Kenton, Will. "Price War." *Investopedia*. Investopedia, 23 Apr. 2018. Web. 5 Nov. 2018. <<https://www.investopedia.com/terms/p/price-war.asp>>.

<sup>64</sup>"Strategic Business Unit (SBU)." *BusinessDictionary.com*. Business Dictionary, 27 July 2011. Web. 5 Nov. 2018. <<http://www.businessdictionary.com/definition/strategic-business-unit-SBU.html>>.

## G. Appendices:

### G1. Appendix 1- Competitive Advantage Cited:

Internal			
Competitive Advantage (CA)		Competitive Advantage (CA)	
Vodafone-Idea		Vodafone and Idea (Prior to the Merger)	
[-6 Worst, -1 Best]		[-6 Worst, -1 Best]	
		Vodafone	Idea
Brand Image:	-3	-1	-4
Customer Loyalty:	-2	-4	-4
Government Interaction <sup>65</sup> :	-3	-4	-2
Market Share by Customers <sup>66</sup> :	-3	-3	-4
Market Share by Revenue <sup>67</sup> :	-3	-3	-4
Product Quality:	-4	-4	-4
Speed of Innovation:	-1	-3	-3
<u>Average: - 2.71</u>		<u>Average: -3.36</u>	

<sup>65</sup> "Vittorio Colao, Kumar Mangalam Birla May Have Met PM NarendraModi to Seek Support for Speedy Merger." *The Economic Times*. Economic Times, 23 Mar. 2017. Web. 5 Nov. 2018. <<https://economictimes.indiatimes.com/tech/internet/vittorio-colao-kumar-mangalam-birla-may-have-met-pm-narendra-modi-to-seek-support-for-speedy-merger/articleshow/57780713.cms>>.

<sup>66</sup> Press Trust of India. "Vodafone, Idea Merge in All-share Deal: Key Highlights You Should Know." *Business Standard*. Business-Standard, 20 Mar. 2017. Web. 10 Nov. 2018. <[https://www.business-standard.com/article/companies/vodafone-idea-merge-in-all-share-deal-key-highlights-you-should-know-117032000349\\_1.html](https://www.business-standard.com/article/companies/vodafone-idea-merge-in-all-share-deal-key-highlights-you-should-know-117032000349_1.html)>.

<sup>67</sup> Ibid.

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<sup>70</sup> Ibid.



## G2. Appendix 2-Financial Strength Cited:

<u>Financial Strength (FS)</u> <u>Vodafone-Idea</u> [+1 Worst, +6 Best]		<u>Financial Strength (FS)</u> <u>Vodafone and Idea Communication (Prior to the Merger)</u> [+1 Worst, +6 Best]		
			Vodafone	Idea
Debt Ratio <sup>71</sup> :	2	Debt Ratio	4	4
Debt Reduction Rate <sup>72</sup> :	3	Debt Reduction Rate <sup>77</sup> :	4	4
Growth Rate <sup>73</sup> :	6	Growth Rate <sup>78</sup> :	3	3
Leverage Ratio <sup>74</sup> :	2	Leverage Ratio <sup>79</sup> :	4	4
Savings <sup>75</sup> :	5	Savings <sup>80</sup> :	3	3
Turnover <sup>76</sup> :	4	Turnover <sup>81</sup> :	3	3
Average: 3.67		Average: 3.5		

<sup>71</sup>"Vittorio Colao, Kumar Mangalam Birla May Have Met PM Narendra Modi to Seek Support for Speedy Merger." *The Economic Times*. Economic Times, 23 Mar. 2017. Web. 5 Nov. 2018. <<https://economictimes.indiatimes.com/tech/internet/vittorio-colao-kumar-mangalam-birla-may-have-met-pm-narendra-modi-to-seek-support-for-speedy-merger/articleshow/57780713.cms>>.

<sup>72</sup>"Vodafone-Idea Merged Entity Won't Succumb to Debt Pressure: Citi." *The Economic Times*. Economic Times, 04 June 2018. Web. 5 Nov. 2018. <[https://economictimes.indiatimes.com/industry/telecom/telecom-news/vodafone-idea-merged-entity-wont-succumb-to-debt-pressure-citi/articleshow/64455285.cms?utm\\_source=contentofinterest&utm\\_medium=text&utm\\_campaign=cppst](https://economictimes.indiatimes.com/industry/telecom/telecom-news/vodafone-idea-merged-entity-wont-succumb-to-debt-pressure-citi/articleshow/64455285.cms?utm_source=contentofinterest&utm_medium=text&utm_campaign=cppst)>.

<sup>73</sup> Ibid.

<sup>74</sup> Ibid.

<sup>75</sup>Livemint. "Savings from Idea-Vodafone Merger Deal to Cross \$10 Billion: Aditya Birla Group." <https://www.livemint.com/>. Livemint, 16 Feb. 2018. Web. 5 Nov. 2018. <<https://www.livemint.com/Companies/uNatJtmsMv4ra9gLnKz7FK/Savings-from-Idea-Vodafone-merger-deal-to-cross-10-billion.html>>.

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<sup>77</sup>"Vodafone-Idea Merged Entity Won't Succumb to Debt Pressure: Citi." *The Economic Times*. Economic Times, 04 June 2018. Web. 5 Nov. 2018. <[https://economictimes.indiatimes.com/industry/telecom/telecom-news/vodafone-idea-merged-entity-wont-succumb-to-debt-pressure-citi/articleshow/64455285.cms?utm\\_source=contentofinterest&utm\\_medium=text&utm\\_campaign=cppst](https://economictimes.indiatimes.com/industry/telecom/telecom-news/vodafone-idea-merged-entity-wont-succumb-to-debt-pressure-citi/articleshow/64455285.cms?utm_source=contentofinterest&utm_medium=text&utm_campaign=cppst)>.

<sup>78</sup> Ibid.

<sup>79</sup> Ibid.

<sup>80</sup>Livemint. "Savings from Idea-Vodafone Merger Deal to Cross \$10 Billion: Aditya Birla Group." <https://www.livemint.com/>. Livemint, 16 Feb. 2018. Web. 5 Nov. 2018. <<https://www.livemint.com/Companies/uNatJtmsMv4ra9gLnKz7FK/Savings-from-Idea-Vodafone-merger-deal-to-cross-10-billion.html>>.

<sup>81</sup>Press Trust of India. "Vodafone, Idea Merge in All-share Deal: Key Highlights You Should Know." *Business Standard*. Business Standard, 20 Mar. 2017. Web. 5 Nov. 2018. <[https://www.business-standard.com/article/companies/vodafone-idea-merge-in-all-share-deal-key-highlights-you-should-know-117032000349\\_1.html](https://www.business-standard.com/article/companies/vodafone-idea-merge-in-all-share-deal-key-highlights-you-should-know-117032000349_1.html)>.



### G3.Appendix 3-Industry Strength:

External			
Industry Strength (IS) Vodafone-Idea [+1 Worst, +6 Best]		Industry Strength (IS) Vodafone and Idea [+1 Worst, +6 Best]	
		Vodafone	Idea
Access to Finance <sup>82</sup> :	4	2	2
Ease of Entry:	1	1	1
Financial Stability:	3	2	2
Growth Potential:	4	2	2
Profit Potential:	1	1	1
Price Range of Competitive Products:	1	1	1
Resource Availability:	6	3	3
<u>Average: 2.86</u>		<u>Average: 1.71</u>	

<sup>82</sup>Pti. "Vodafone to Invest Rs 8,000 Cr in India." @businessline. The Hindu BusinessLine, 09 June 2018. Web. 5 Nov. 2018. <<https://www.thehindubusinessline.com/info-tech/vodafone-to-invest-rs-8000-cr-in-india/article24120263.ece>>.

## G4. Appendix 4-Environmental Stability:

External				
Environmental Stability (ES)		Environmental Stability (ES)		
Vodafone-Idea		Vodafone and Idea		
[-6 Worst, -1 Best]		[-6 Worst, -1 Best]		
			Vodafone	Idea
Barriers to Entry:	-6	Barriers to Entry:	-6	-6
Competitive Pressure:	-6	Competitive Pressure:	-6	-6
Inflation <sup>83</sup> :	-2	Inflation:	-2	-2
Price Elasticity of Demand:	-3	Price Elasticity of Demand:	-4	-4
Technological Changes:	-2	Technological Changes:	-2	-2
Taxation <sup>84</sup> :	-5	Taxation:	-5	-5
Average: -4		Average: -4.16		

<sup>83</sup>"Inflation Rate in the Republic of India, 2018." *Inflation Rate in the United States, 2018*. StatBureau, n.d. Web. 5 Nov. 2018.  
<<https://www.statbureau.org/en/india/inflation>>.

<sup>84</sup>"Vodafone, Idea Submit to DoT Demand, Pay Rs 7,268 Crore." *The Economic Times*. Economic Times, 24 July 2018. Web. 5 Nov. 2018.  
<<https://economictimes.indiatimes.com/industry/telecom/telecom-news/vodafone-idea-submit-to-dot-demand-pay-rs-7268-crore/articleshow/65111824.cms>>.

## G5.Appendix 5-The Space Matrix Table:

	<b>Internal</b>	<b>External</b>
<b>Axis X</b>	<u>Competitive Advantage (CA)</u> [-6 Worst, -1 Best]	<u>Industry Strength (IS)</u> [+1 Worst, +6 Best]
	Brand Image: -3	Access to Finance: 4
	Customer Loyalty: -2	Ease of Entry: 1
	Government Interaction: -3	Financial Stability: 3
	Market Share by Customers: -3	Growth Potential: 4
	Market Share by Revenue: -3	Profit Potential: 1
	Product Quality: -4	Price Range of Competitive Products: 1
	Speed of Innovation: -1	Resource Availability: 6
	<u>Average: - 2.71</u>	<u>Average: 2.86</u>
Total X Axis Score: 0.15		
	<u>Financial Strength (FS)</u> [+1 Worst, +6 Best]	<u>Environmental Stability (ES)</u> [-6 Worst, -1 Best]
<b>Axis Y</b>	Debt Ratio: 2	Barriers to Entry: -6
	Debt Reduction Rate: 3	Competitive Pressure: -6
	Growth Rate: 6	Inflation: -2
	Leverage Ratio: 2	Price Elasticity of Demand: -3
	Savings: 5	Technological Changes: -2
	Turnover: 4	Taxation: -5
	<u>Average: 3.67</u>	<u>Average: -4</u>
Total Y Axis Score: -0.33		



## Extended essay - Reflections on planning and progress form

**Candidate:** This form is to be completed by the candidate during the course and completion of their EE. This document records reflections on your planning and progress, and the nature of your discussions with your supervisor. You must undertake three formal reflection sessions with your supervisor: The first formal reflection session should focus on your initial ideas and how you plan to undertake your research; the interim reflection session is once a significant amount of your research has been completed, and the final session will be in the form of a viva voce once you have completed and handed in your EE. This document acts as a record in supporting the authenticity of your work. The three reflections combined must amount to no more than 500 words.

The completion of this form is a mandatory requirement of the EE. It must be submitted together with the completed EE for assessment under Criterion E. As per the 'Protocols for completing and submitting the Reflections on planning and progress form' section of the EE guide, a mark of 0 will be awarded by the examiner for criterion E if the RPPF is blank or the comments are written in a language other than that of the accompanying essay.

**Supervisor:** You must have three reflection sessions with each candidate, one early on in the process, an interim meeting and then the final viva voce. Other check-in sessions are permitted but do not need to be recorded on this sheet. After each reflection session candidates must record their reflections and as the supervisor you must sign and date this form.

### First reflection session

Candidate comments:

An Economic Times articles that explored the loss made by Airtel, the Indian telecom market leadersparked my curiosity. My initial investigation involved reading Business Today and the Business Insider, which seemed to point at the entry of a new competitor Jio. Therefore, I decided to study the entry of Jio as a topic for my extended essay. I faced difficulty in condensing the abundance of information available to form an analytical RQ. Hence, by mixing several, penned ideas, I decided to study the impact of Jio's entry on the market leader Airtel. For analysis, I plan on reading various case studies from Google Scholar and browsing financials from Yahoo, thereby mastering the area of my focus. I also intend to conduct interviews of Managers of Airtel and Reliance stores. While it's not a requirement for the EE, these will help me deepen my understanding of the market situation.

Date: 18th May 2018

## Interim reflection

Candidate comments:

While looking for credible research and newspaper articles, I realized that due to Airtel's position as a market leader, a number of analysis was already present. As a result, no research seemed to give me a new direction and aid me in formulating my own, unique analysis. Hence, I shifted my focus to Vodafone and Idea – the second and third market leaders. During my research, another Economic Times article explored a new dimension: Vodafone and Idea proposing a new merger. Discovering an article on a renowned local website, I comprehended that the merger was an attempt to survive the competition and become more competitive. Hence, I decided to conform to this new direction and begin my analysis to evaluate whether the merger entitled Vodafone Idea – the new merged entity – to a competitive edge. By this stage, research papers and news articles became my reference sources to glean meaningful information related to my research question. My tendency to describe the events rather than evaluating them was another challenge, which I have overcome by redrafting the introduction for the essay several times.

Date: 26 Oct 2018

## Final reflection - Viva voce

Candidate comments:

After the completion of my Extended Essay, I felt a sense of triumph. Such was the case because through my EE, I was able to expand my knowledge by utilizing tools such as the Space Matrix that are beyond the syllabus. Construction of Space Matrix had appeared like a daunting task, and my supervisor suggested changing it. However, I persevered and after several errors, I was able to understand and apply the Matrix successfully. My sense of achievement was boundless as I had successfully challenged myself. Furthermore, I understood the different strategies adopted by Vodafone and Idea to fight competition. A greater insight into the strategies such as efficiently allocating merged resources and understanding the logistics of implying competitive strategies has allowed me to comprehend these skills that have consider considerable application in my future. To conclude, the essay journey has been an exceptional journey for me: unnerving at times when the task seemed too difficult, but providing a sense of triumph at the end.

Date: 28th Jan 2019