

A Journey of Thousand Miles: From Hutch to Vodafone-Idea

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Abstract-

Objectives: The present study explores how a brand like Hutch came into Indian market and rose to become one of the leading brands in telecommunication industry by becoming Vodafone Idea Limited.

Methods/statistical Analysis: secondary data was used to analyze the varied strategies of Hutch are thereby studied as a case highlighting the challenges faced by it and how it rose towards the top.

Findings: According to the present study, all factors are significant as every factor has something or the other to add on to this major change. The study concludes that no matter how much difficulty Hutch faced in Indian Market it proved to rise as the leading brand in telecommunication as of September 2018.

Application/improvements: Entering a new market is a great deal but staying in the market, facing losses yet not losing hope and rising to become the leading brand is what a true marketer does.

Keywords: Hutch, Brand Image, Strategies, Idea, Loyalty, Vodafone, Market analysis.

I. INTRODUCTION

Hutchison Max Telecom Ltd. (HMTL), a joint venture between Hutchison Whampoa and the Max Group was

established on 21st February 1992. The globally popular brand came to India in November 1994 when they got the licence to operate in Mumbai circle by the department of Telecommunication. Gradually their market vision expanded and they started entering into more regions. In December 1999, Hutchison Max entered into Delhi followed by Kolkata in July 2000 and Gujarat circle in September 2000.

The brand was then renamed as Hutchison Essar limited in August 2005. After acquiring about 6 mobile telecommunication operators it targeted business users and high end post paid customers which helped Hutchison Essar to consistently generate a higher Average Revenue per User than its competitors.

Hutchison Essar Limited, a Hong Kong based company was renamed as Vodafone in July 2007 as Vodafone acquired 67% in Hutchison Essar from Hong Kong based Hutchison Whampoa, in a bid to enter the fast growing Indian Market (Sengupta, 2018).

With the change of name and take over by Vodafone, it touched over 35 million customers across 400,000 shops and thousands of Hutch's own employees, as well as employees of its business associates. ("Hutch is now Vodafone - Times of India", 2007)

Selling and buying of the company helped it to reach the position where it is today in the Indian Market. Strategies taken in consideration by the company are as such that it is now finally becoming the largest telecommunication brand in India.

II. LITERATURE REVIEW

An attempt is made to review various studies undertaken in context of Mergers and Acquisitions in India in Telecom Sector. Some of the studies are as:

Khemani (1990)	Both internal and external factors are very much responsible for mergers and acquisition.
Scherer (1988)	This study concluded that mergers doesn't always result in profitability of the company.
Mueller (1980)	This study said that more profits are earned in conglomerate Mergers & Acquisitions as compared to horizontal and vertical Mergers & Acquisitions.
Kruse, Park and Suzuki (2003)	It reveals that post-merger operating performance increases as compared to between pre and post-merger performance.
Prahalad and others (1977)	More number of companies in private and public sector in India has so much diversity, which results in more number of mergers and acquisitions.
Beena (1998)	Study shows that no significant difference can be found in the profit margin and return between the pre and post mergers.
Mantravedi and Reddy (2008)	No matter of the diversity of industries India has there is no significant change in the profitable index of subsequent mergers.
Kumar and	Most of the study on

Rajib (2007)	merger and acquisition is because of the competition in the market.
Aggarwal and Jaffe (1996)	Technique designed to study the shareholder's return via Mergers and Acquisitions.
George (2007)	Nil evidence found on the time limit to study the impact of mergers and acquisitions.
Krishnamurti and Vishwanath, (2010)	Need for practical measures so as to study impact of mergers and acquisitions as the ratio of these are increasing at a higher rate in India.
Dasgupta (2004)	Most of the reforms in India are cause of mergers because of the economic reforms initiated in 1990's.
Kale and Singh (2005)	MNC's acquirer in India in 1998-2002 have higher return in equity market than those of domestic Indian market.
Rani et al. (2010)	Observed that the main objective of mergers in India during 2003-2008 was to take benefit of synergies including expansion, increased profitability, etc.

The literature reviewed for the purpose of present study highlights various factors related to profit earning as well as market expansion due to Mergers & acquisitions. Hence, it becomes inevitable to study the case of Hutch that first transformed into Vodafone and now to Vodafone Idea.

III. OBJECTIVE OF THE STUDY

Keeping in mind the merger and the market of telecom industry the objective of this case study is as follows:

1. To understand strategic reason behind the merger of these two brands
2. To understand the impact of the same on the share & stock prices, profitability of the merger etc.

To go through the challenges these brands may face in the market.

IV. JOURNEY OF HUTCH TO VODAFONE-IDEA LTD

The strategies of the company helped it reached the top within a span of 10-12 years where it started from scratch in Indian telecommunication market. With the brands like Jio and Airtel ruling the telecommunication sector in India, it seemed Idea and Vodafone will just vanish into thin air. However, the decision by Aditya Birla Telecommunication Ltd to join hands with Vodafone and become Vodafone-Idea Limited proved to be very fruitful. This has allowed the company to push back Airtel and reach the top position which was ruled by Airtel for past 15 years. With advent of Jio and call rates becoming cheap and 4G internet services it had become quite important for such company to take out a new strategy to not get ruled out by the market sphere and make a long lasting impact.

The company already had many customers and with this merger both users of Vodafone and Idea has made the company top brand. This shows the loyalty of the consumer towards these brands that even after the advent of Airtel and Jio they didn't back down from usage of these sims or their network for that matter. Earlier in 2005 Hutchison Whampoa and Essar Telecom acquired BPL Mobile and BPL Cellular proving that from the beginning the company's main focus was to establish itself in the telecommunication industry of India and to make its mark at the top position of any cellular brand.

Even though the company has gone through so many changes and acquiring,

dissolving and takeovers and mergers, the image of the brand has not changed in the market sphere. As of current scenario the competition in the cellular industry has increased to reach its peak, the brand image of Hutchison hasn't changed a bit instead the loyalty of the consumer remains same till date as well as new consumers are joining the family on daily basis in return helping the brand maintain its position and boost the growth and increase their stake in the stock market.

As per the Economic Times, the latest merger of both the telecom giants assisted them to form a new and big telecom venture to reach the top spot.

V. VODAFONE-IDEA MERGER

Idea cellular previously known as Birla AT&T came into existence in the year 1995 and from then onwards the brand hasn't looked back and slowly and steadily it has climbed the stairs to success and in 2018 finally achieved its dream of becoming the Number 1 cellular service provider. It is not long back that in 2013 the brand came to be known as the 3rd largest mobile operator in India in terms of subscribers and within a span of 5 years company has climbed the ladder to become the number 1 largest mobile operator ("Idea - Company History", 2018).

This could happen because of the merger with Vodafone group as the same become available pan India providing services to each and every corner of the country.

As per times of India, Vodafone Idea Ltd with nearly 430 million customers would overtake Bharti Airtel, which currently has 344 million users. Department of Telecom (DoT) approved the merger of Idea Cellular and Vodafone, after the companies paid ₹7,268.78 crore as spectrum liberalisation charge and one-time spectrum charges, to create India's largest telecom company.

Even though the merger took the company to top spot it was criticised a lot specially

after its announcement as the share price of Idea dropped from March 2017-September 2017 which only meant more challenging as this merger (two separate brand) was fighting against two major brands Airtel and Jio.

VI. RESEARCH METHODOLOGY AND ANALYSIS

The present study is descriptive in nature as it gives a deep insight into the journey of the concerned company along with its various strategies. The design followed is case study design focussing particularly on the specific company only. The data is based on secondary sources collected through various websites, articles, TRAI report, COAIreport, leading newspapers and Companies websites.

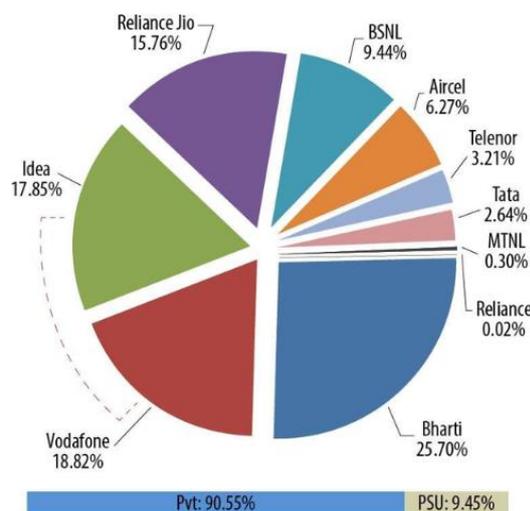


FIGURE 1 MARKET SHARE OF VARIOUS TELECOM COMPANIES

According to figure 1 we can see that the shares Idea and Vodafone has in the market is equivalent to 36.67% which is quite large as compared to any other telecom brand in Indian market. This proves that the company has finally reached the place where it had dreamt of reaching. With this merger coming into effect the prices of call rate and even the price for cellular internet will fall drastically bringing a huge change in the telecommunication industry.

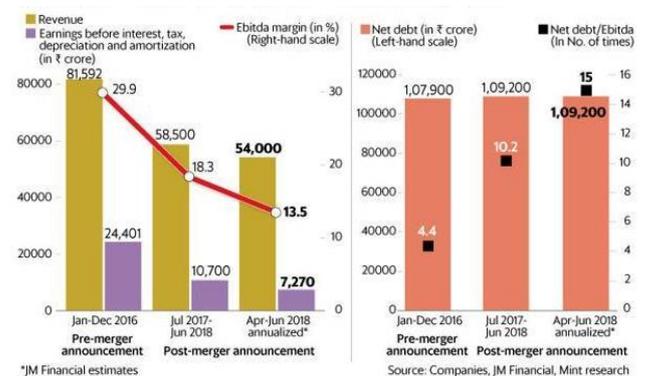
TABLE 1 NUMBER OF MOBILE TELCOS

METRIC	FY10	FY18
Number of mobile telcos	14	10
Subscribers	584.31 million	1183.41 million
Mobile internet subscribers	117.87 million	394.19 million

As on March 31, 2018 India had 10 telcos; with the Vodafone-idea merger and Airtel-Telenor Merger the number is cut down to 8. It is said that this number can reduce to some extent as Aircel and Reliance Communication (RCom) are also up for the merger. With such major mergers going around in the telecom industry, it is not far that the call and data chargers will fall down, as it is the Vodafone- Idea Ltd is planning to slash the price down.

With this merger, Reliance Jio has shown continuous aggression and in return, it meant Vodafone Idea is in a far more precarious position than anyone envisaged at the time of merger.

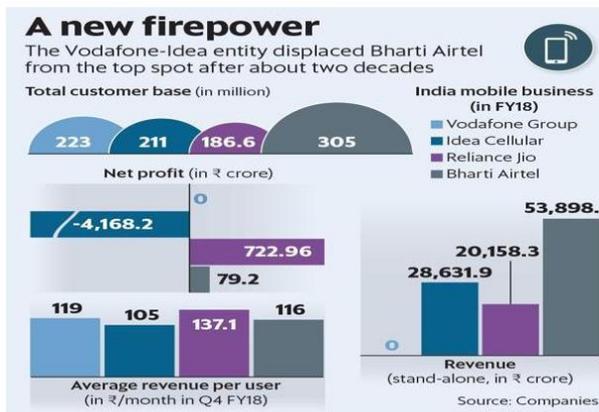
As per The Economic Times, the Vodafone-Idea combine’s Ebitda has fallen to about a third of the levels at the time of the merger announcement and has made leverage ratios go haywire.



Source: JM Financials, Mint Research

FIGURE 2 EBITDA RATIO FOR THREE YEARS

Figure 2 shows how the EBITDA has fallen in a span of three years.



Source: Economic Times; JM Financials, Mint Research

FIGURE 3 NEW FIREPOWER IN INDIA

Figure 3 by The Economic times shows how Vodafone-Idea becomes the new firepower and how it displaced Bharti Airtel from the top spot after like 2 decades. As well as it shows the revenue, it has earned and the estimated revenue it can earn in the coming time.

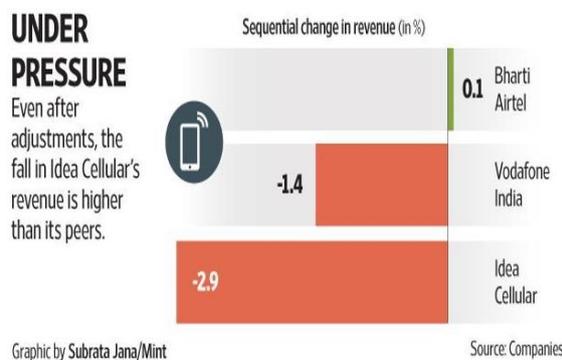


FIGURE 4 PRESSURE FACED BY IDEA

Even though Idea was running is loss and was under pressure to have its share prevailing in the market or to retain its customer, the company is slowly coming back in the market with the merger. So yes the company will grow as it is, it has made to the top spot.

VII. CHALLENGES

As now the company has reached the highest position, it is no doubt that the

journey was smooth for them. Below mentioned are some of the major challenges faced by the company:-

- Criticism by the population of India regarding the merger of two major brands.
- Advent of Jio phones, sim, and its low tariff.
- People porting their number to different brand.
- Issues with network connectivity
- Tariff prices going high

VIII. STRATEGIES

Various strategies that the company took into consideration to reach the top notch are as follows:-

- Change in the colour of the sim to red to attract more customers.
- Add made so well that it made people go to market and buy the sim.
- Tariff in the beginning were quite eye catchy
- Expansion to pan India
- Merger with Idea to take up the top position in the market of telecom industry.
- Making tariff rates to fall soon to compete with existing strong brands like Bharti Airtel, Jio etc.
- Changing features of the physical sim.

IX. SWOT

STRENGTH

- Consumers are aware of the companies in question for merger.
- Loyalty of existing consumers towards the brands.
- Presence of strong network of cellular towers.
- Long term market presence of both the companies.

WEAKNESS

- Company has to be more strategic so to maintain the top position.
- Changing market trends.
- .Comparative high price plans & tariffs in comparison to JIO.

OPPORTUNITY

- Growing needs of the consumers
- Need for change is the ultimate opportunity.
- Research & Development for 5G network in India.
- Rural markets.

THREAT

- Jio and Bharti Airtel major competitors.
- Attractive tariffs and plans by competitors, especially by JIO.
- Competitors working on 5G technology.
- Acquisition of Tata Docomo by Airtel.

X. CONCLUSION

After the study we can easily say that no matter what sort of merger the telecom industry face Jio will remain to be a threat to other brands. Only way out of this circle can be when the merged company makes an effort to change the tariff plan in such a way that it is able to give competition to the existing one i.e Jio.

XI. ACKNOWLEDGMENT

We hereby grant the research is solely our work and the data are taken from reliable sources. It gives us pleasure to present to you how the brand like hutch rose to a position of being called Vodafone- Idea Ltd and snatched the top spot form Bharti Airtel who was ruling the Indian Telecom Market.

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