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| Good Counsel College |
| Consumer Financial Decisions |
| Buying a mobile phone plan |
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| |  |  | | --- | --- | | Name: | James Macgillivray | | Subject: | Business | | Teacher: | SNGT | | Due Date: | 16/08/2022 | | Word Limit: | 400-600 | |

**1.0** **purpose**

When consumers make financial decisions of any kind, they are subject to consequences of those decisions. These consequences can be positive or negative, major or minor, and long or short. Short term consequences are immediate and typically clear to the consumer at the time of purchase. For example, eating at a restaurant having the consequence of relieving you of short-term hunger. Long term consequences however have lasting impacts on the consumer. Whether an outcome is considered positive or negative can vary from person to person. An example being whether spending more money on a higher quality product would result in a better outcome than spending less and purchasing a lower quality product. The circumstances of the consumer would change whether these consequences are positive or not. These circumstances can be represented as factors which influence purchasing decision in varying ways. These factors can be split into different types: personal, social, economic, psychological, cultural and ethical. This report will discuss the economic factors when choosing a phone plan and select a suitable plan for our client Sophie.

**2.0 factors to consider when purchasing a mobile phone plan**

In Sophie's interview, she outlines a variety of required parameters outlined as needs and wants for her ideal mobile plan. Her phone plan needs to have the following features: a maximum cost of $50, appropriate coverage for where she lives, and having enough mobile data available to her for to use the social media outlined in the request. Sophie also wants her plan to have the lowest cost for a suitable plan while able to message others with other mobile carriers freely. Additionally, she wants to have the flexibility to switch mobile carrier if needed and to not experience extra charges on her mobile plan. This information can be found in Appendix A. In summary, Sophie wants a mobile phone plan with a high cost to value ratio which will fulfil the needs and wants of her lifestyle.

When choosing a mobile plan, one of the important decisions to consider is whether the plan is pre-paid or part of a post-paid contracted plan. In the case of pre-paid mobile plans, the consumer pays upfront at the start of each period (typically one month) to receive credit to use for that period. This credit comprises of the amount of data that can be used in the period and the amount of overseas calls and texts the consumer can make. In this system, once the consumer has used all their available credit, they cannot use anymore without making a further payment for extra credit, which can be quite expensive. This differs from a post-paid plan, where the consumer pays at the end of the period. This is important because it prevents the customer from losing access to data or international calls and texts because the excess becomes automatically billed to their account, making it more convenient for some users (Bradstock, 2021).

**3.0 mobile phone options**

Consumers have many options in the telecommunications industry, which all come with their own pros and cons. Consumers first must choose which company to purchase from, then select the option which is right for them and their circumstances. Appendix B contains the following alternatives: A Telstra post-paid plan and a Kogan Mobile prepaid plan. The national phone and texting aspects of the plans are practically identical, with unlimited of both with each provider. Where the products differ is in price, international communication, mobile network, payment scheme and data allocation. Kogan Mobile is vastly cheaper than the Telstra alternative, costing only $25 per month and has a new-customer discount of $5 for the first 6 payments (Kogan, 2022). Telstra however is $58 with no new-customer discount. The Kogan plan does not include international calls or texts, and Telstra does (Telstra, 2022). Kogan Mobile also allocates more data at 45Gb per month compared to Telstra who allocates 40Gb. Telstra uses their own network and supports 5G speeds. Kogan however uses the Vodafone network, which has less coverage around Innisfail and does not support 5G speeds. Boost mobile is another alternative which is similar to the Telstra pre-paid plan but has a slightly different data allocation of 30Gb (Boost Mobile, 2022).

**4.0 evaluation of mobile phone plan options**

Each option in appendix B has its own costs and benefits. Since most of the payment to the carrier is for the allocated data, having more data for less price would be a large benefit over the competition. The major cost of the plan chosen is clearly the price of the plan, but there are some less obvious costs such as opportunity cost. The two selected plans in appendix B have differing benefits and costs of various importance due to Sophie's situation. Significant benefits of the Telstra plan would be being on the same plan as her parents, as they could give her advice on how to manage her Telstra plan and having access to better customer support. Benefits of the Kogan Plan are being significantly cheaper and having more data. The costs of each plan would be their price and the opportunity cost of not having the other’s benefits.

**5.0 recommendation of proposed course of action**

After assessing the available options in appendix B, Sophie should clearly choose the Kogan Mobile plan. The Telstra plan is too expensive to fit in her budget and includes features that she wouldn’t use. These features include overseas calling which she does not require, as she uses Facebook Messenger, and the plan’s included 5G speeds. The 5G speeds included in the plan do not function in Innisfail making it redundant unless she is travelling to another city. These two features make up a large portion of the price of the plan and creates unnecessary cost. The factors influencing this decision are purely economic as the cost of the price of the phone plan has great importance over whether a phone plan is good or not. If Sophie were to purchase the Telstra plan, she would be spending $32 per month more than if she were to purchase a plan with the same critical features for her situation. This price difference is more than 20% of her total income, making it a mistake if she were to buy the Telstra plan. Paying this excessive amount of money would have negative short-term consequences, as she is a teenager and has a low paying job. It then will turn into a long-term consequence if she continues to pay this amount over a long period.

**Reference list**

Bradstock, E. (2021). Prepaid vs postpaid: Which plan is better value? https://www.canstarblue.com.au/phone/which-is-better-value-plan-or-pre-paid/

Prepaid Plans (2022). Boost Mobile. https://boost.com.au/pages/prepaid-plans

Prepaid Plans For Your Mobile (2022). Kogan. https://www.koganmobile.com.au/plans/mobile/

SIM Only Plans from Telstra (2022). Telstra. https://www.telstra.com.au/mobile-phones/sim-only-plans

**Appendicies**

Appendix A Needs and Wants of Sophie

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| Needs | Wants |
| Enough data for social media | Lowest price for suitable plan |
| Plan to be below $50 per month | To use messenger within Facebook |
| Must have appropriate coverage | A plan to communicate with friends who use different carriers |
|  | Flexible phone plan – not locked into optimal |
|  | To not experience bill shock – extra charges |

Appendix B Mobile Phone Plan Alternatives

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| --- | --- | --- |
| Name of Carrier/Plan | Plan - Telstra | Prepaid Option – Telstra |
| Price | $58/mo | $40/mo |
| Included Calls and texts | Unlimited Australia, 30 min overseas | Unlimited Australia, International 500-10 mins depending on country (USA, 500 min) |
| Included Data | 40Gb | 20Gb, 40 four first 3 months |
| Bonus Options | Telstra Plus | Continuous data rollover |
| Critical Summary Information | Over Budget |  |

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| --- | --- | --- |
| Name of Carrier/Plan | Plan - Boost | Prepaid Option - Boost |
| Price |  | $40/mo |
| Included Calls and texts | Unlimited Australia, International unlimited-300mins depending on country (USA, unlimited) |
| Included Data | 30Gb, 50 first 3 months |
| Bonus Options | Continuous Data rollover |
| Critical Summary Information |  |

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| --- | --- | --- |
| Name of Carrier/Plan | Plan – Kogan Mobile | Prepaid Option – Kogan Mobile |
| Price |  | $25/mo, $20/mo for first 6 months |
| Included Calls and texts | Unlimited Australia |
| Included Data | 45Gb |
| Bonus Options | Continuous Data rollover |
| Critical Summary Information |  |