Hi Elisse,

This is my report for our client, Company X, regarding the proposed introduction of handset leasing as a means of driving profitability for Company X. I recommend the team should proceed with this project as handset leasing has been successfully adopted in similar

markets in the US, Singapore, and Australia.

There is a projection that the telecom industry will experience an annual contraction rate of around 4% between 2018-2022. Consumer sentiment and trends observed in other markets suggest that handset leasing will minimize net losses in revenue and share value.

**The following is the research based on which I support this project:**

**Market has expanded SIM-only Plans to allow for handset leasing and recycling old phones**

* Higher adoption of SIM-Only Plans has had a negative effect on revenues in southeast Asian markets (Singtel, Starhub & M1)[[1]](https://internetfileserver.phillip.com.sg/POEMS/Stocks/Research/SectorStrategy/SG/Telc%20oSector20190104.pdf) . Companies have started to offer handset leasing services to accommodate consumer preferences for SIM-Only Plans due to lower costs.
* Singtel and Star Hub witnessed year-on-year declines of 10% and 8% in post-paid

ARPUs. [[2]](https://ink.library.smu.edu.sg/cgi/viewcontent.cgi?article=7205&context=lkcsb_research)

* There has been a contraction in legacy usage (phones less likely to be passed down in the family) and the used Smartphone market was valued at $17 billion in 2016 with 50% year-on-year growth. [3]

**Consumer sentiment shifts towards low upfront costs & being up-to-date with technology**

* Handset leasing lowers the initial upfront costs for consumers and customers can up to 70% of the retail price for the phone through handset leasing. [4]
* Popular among youth (aged 20s) who do not have as much disposable income.
* Consumers are interested in having the 'latest and greatest' technology. Being able to switch phones every year or two allows customers to stay up to date.

**Competitors have adopted handset leasing to raise revenues & create new revenue stream**

* Singtel shows customers can save SGD578 over one year and SGD358 over two years. [[4]](https://marketrealist.com/2017/04/why-sprint-is-focusing-on-handset-leasing-to-%20accelerate-growth/)
* Handset leasing was adopted by Singtel and SKT after suffering a 5.7% and 3.5% year-on-year drop in revenue respectively. SKT has seen 25% of customers prefer leasing phones.
* Sprint saw an increase of 43% in profits in the US, being 1 of 4 major providers. Handset leasing provides an opportunity to re-sell and recycle older phones as 10% of new phones (2016) will have 2 or 3 more users after re-sell, [[3]](https://www.mobileworldlive.com/devices/blogs-devices/blogs-handset-rentals-offer-%20surprising-value/) which can act as future revenue streams.

Handset leasing is appealing to younger customers and SIM-Only users. The low up-front

costs will make Company X more competitive, attract customers, and could open up new

revenue streams such as recycling and re-selling old phones under new plans.

This is an attractive business model the team should consider.

Kind Regards,

Deepanshu Gond

**Sources**

1. https://internetfileserver.phillip.com.sg/POEMS/Stocks/Research/SectorStrategy/SG/Telc oSector20190104.pdf
2. https://ink.library.smu.edu.sg/cgi/viewcontent.cgi?article=7205&context=lkcsb\_research
3. https://www.mobileworldlive.com/devices/blogs-devices/blogs-handset-rentals-offer- surprising-value/
4. https://marketrealist.com/2017/04/why-sprint-is-focusing-on-handset-leasing-to- accelerate-growth/