



This is my report for our client, Company SamOdenTech, regarding the announcement of the new product, handset leasing, as a means to increase the profitability and decrease the loss of our customers for our company. The product has led to many successes within the market scope (US, Singapore and Australia), based on that I recommend the team should proceed in this project.

The US and Canadian markets in particular are seeing a shift from subsidized smartphones on two-year contracts to a one-year lease/upgrade program: one survey found that a fifth of a new iPhone device purchasers in the US intended to lease it¹. Consumer sentiment and trends observed in other markets suggest that handset leasing will minimize net losses in revenue and share value.

I have created my research project based on the following arguments:

- Rising trade-in values may be a further incentive. In the UK market, the average price of a used handset increased from \$30 in 2007 to \$165 in 2013². Some models may retain 70% of their value nine months post launch³.
- Singtel reported a 5.7% year-on-year drop to SGD302 million in its fiscal Q4 ending 31 March. SKT's Q1 overall revenue was dragged down by a 3.5% drop in mobile service turnover to KRW 2.57 trillion⁴.
- Higher adoption of SIM-Only Plans has had a negative effect on revenues in south-east Asian markets (Singtel, StartHub & M1).⁵ Companies have started to offer handset leasing services to accommodate for consumer preferences for SIM-Only Plans due to lower costs.
- There has been a contraction in legacy usage (phones less likely to be passed down in family) and the used Smartphones market was valued at \$17 billion in 2016 with 50% year-on-year growth.⁶
- Handset leasing lowers the initial upfront costs for consumer and customers can up to 70% of retail price for the phone through handset leasing.⁷
- Popular among youth (aged 20s) who don't have as much disposable income.

Competitors have adopted handset leasing to raise revenues and create new revenue streams:

- Singtel shows customers can save from SGD578 over one year and SGD358 over two years.⁸
- Handset leasing was adopted by Singtel and SKT after suffering 5.7% and 3.5% year-on-year drop in revenue respectively. SKT has seen 25% of customers prefer leasing phones.

Handset leasing is appealing to younger customers and SIM-Only users. They prefer it because it gives them comfort while doing their daily tasks while using their mobiles. The low up-front costs will make Company SamOdenTech more competitive, attract customers, and could open new revenue streams such as recycling and re-selling old phones under new plans.

This is an attractive business model that the team should consider.

Sources:

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