

Hi Elisse,

This is my report for our client, Company X, in an account of the proposal of the introduction of handset leasing as a means of driving profitability for Company X. I recommend the team to go forward with this project as this model of Handset leasing has been successfully adopted in similar markets in the USA, Canada, Singapore, and Australia.

There has been a contraction of 5% in the mobile sector in 2019 which may further worsen, but the Trends suggest that handset leasing will minimize net losses in revenue and share value.

I support this project based on the following research:

The market has expanded SIM-only Plans to allow for hand leasing and recycling of old phones.

- The Sim-only plans had a negative impact on revenues in southeast Asian markets(Singtel, Starhub & M1)¹. Companies have started to offer handset leasing services to accommodate consumer preference for SIM-only due to lower costs
- Singtel and Star Hub witnessed a year-on-year decline of 10% and 8% in postpaid ARPUs.
- With the introduction of 5G, major populations have to shift to new technology making old phones outdated, hence contraction in legacy usage and the used smartphone market to touch \$10bn by FY26².

Consumer sentiment is getting shifted towards lower up-front costs and being up to date with technology

- Popular among Technology Enthusiast and Youth as new smartphone giants are rising like OnePlus, Nothing phone, and Xiaomi.
- Consumer is interested in having the “Latest and greatest” technology. Being able to switch phones every year or two allows them to stay up to date.
- Handset leasing lowers the initial upfront costs (which are rising with every emerging technology) for consumers and customers can up to 70% of the retail price for the phone through handset leasing.

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

- Sprint saw profits grow 43% in the US and was one of the top 4 carriers. Handset leasing provides an opportunity to resell and recycle older phones, as 10% of new phones (2016) will have 2 or 3 more users after resale,³ which can serve as a future source of income.
- Singtel shows customers can save from SGD578 over one year and SGD358 over two years.⁴
- 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 that 25% of customers prefer leasing phones.

Handset leasing appeals to younger customers and SIM-only users. The low start-up costs will make X more competitive, attract customers, and can open up new revenue streams such as recycling and reselling old phones on new plans.

As per the opportunities which this project provides, this is an attractive business model the team should consider.

Thanks and regards

Jaskarandeep Singh

Sources:

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3. <https://www2.deloitte.com/content/dam/Deloitte/global/Documents/Technology-Media-Telecommunications/gx-tmt-prediction-used-smartphones.pdf>
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