Hi Elisse,

This is my report for our client, Company X, regarding the proposed intraduction 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:

1. **The 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 south- east Asian markets (Singtel, StarHub & M1)1.- Companies have started to offer handset leasing services to accommodate for 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
* 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.3

1. **Consumer sentiment shifts towards lower up-front costs and being up to date with technology.**

* Handset leasing lowers the initial upfront costs for consumers and customers can up to 70% of 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.5 Being able to switch phones every year or two allows customers to stay up to date.

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

* Sprint saw an increase of 43% in profits in the US, being 1 of 4 major providers. Handset leasing provides opportunity to re-sell and recycle older phones as 10% of new phones (2016) will have 2 or 3 more users after re-sell, 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.

**Sources**

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