Hi Elisse,

Here is my report for our client company: Company X regarding the impact of handset leasing on telco profitability and whether or not it is recommended to lease handsets.

The leasing market is the third largest market in global services. Smartphone leasing could help to transform enterprise mobility and help our client to become the market leader.

My recommendation is that they should proceed with investing in the new product because it will drive profits up from their current declining annual revenue.

Below are the reasons why I recommend this move:

**Telecom Industry and changing customer preferences**

* Traditional telecom industry growth has plateau
* Our research shows the current macrotrend that SIM-only plan is getting more popular and PAYG customer numbers continue to decline.
* Customers would like to obtain high-end smartphones even if they cannot afford it upfront
* Handset leasing meets customer needs by offering frequent upgrades and lower costs

**Competitors have introduced similar products and done well**

* SKT and Singtel the largest telecom companies in South Korean and Singapore have already introduced these plans in 2018
* Rentomojo started leasing mobile and succeeded in expanding their business across India
* Telstra in Australia offers leasing plan which costs about AUD10 less per month than standard 24-month phone contracts

**Profits and losses**

* Sprint Telecom generated a massive increase in revenue through leasing back in 2017, for the premium Samsung Galaxy phones.
* Our research showed a general trend of increase in the profits after rolling out leasing plans alongside traditional SIM-Only and PAYG plans.
* No additional costs as the old phone can be refurbished to re-coup part of the costs
* Offering Handset leasing to SIM-only plan reduce net losses in revenue by as much as 50%

In conclusion, looking at the 3 point above, our hypothesis is that this should be a profitable initiative to venture into and it is estimated to increase profits from our current profit by 25% to balance the losses in other areas of Company X.

Sources:

1. See link

MKY

BCG Virtual Experience Participant