Hi EIisse,

This is my report for our client, Company X, regarding the proposed introduction of handset leasing as means of driving profitability for Company X. I recommend the team should proceed with this project as handset leasing has been successful has been successfully adopted in several markets in the US, Singapore, and Australia.

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

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

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 the Southeast Asian markets (Singtel, StarHub, and M1). 1 Companies have started to offer handset leasing services to accommodate for consumer preferences for SIM-only plans due to lower cost.
* Singtel and StarHub witness year-on-year declines of 10% and 8% in postpaid 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 a 50% year-on-year growth. 3

Consumer sentiment shifts towards lower upfront costs and being up to date with technology.

* Handset leasing lowers the initial upfront costs for consumers and customers can get up to 70% of their retail price for the phones through handset leasing. 4
* Popular among youth (aged 20s) who do not have 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.

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

* Singtel shows customers can save from SGD5784 over one year and SGD358 over two years. 4
* 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.
* 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, 3 which can act as future revenue streams.

Handset leasing is appealing to younger customers and SIM-only users. The low up-front cost will make Company X more competitive, attract customers, and could open up new revenue streams such as recycling and reselling old phones under new plans.

This is an attractive business model the team should consider.

Regards,

Shivang

Sources

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