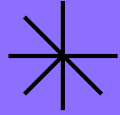
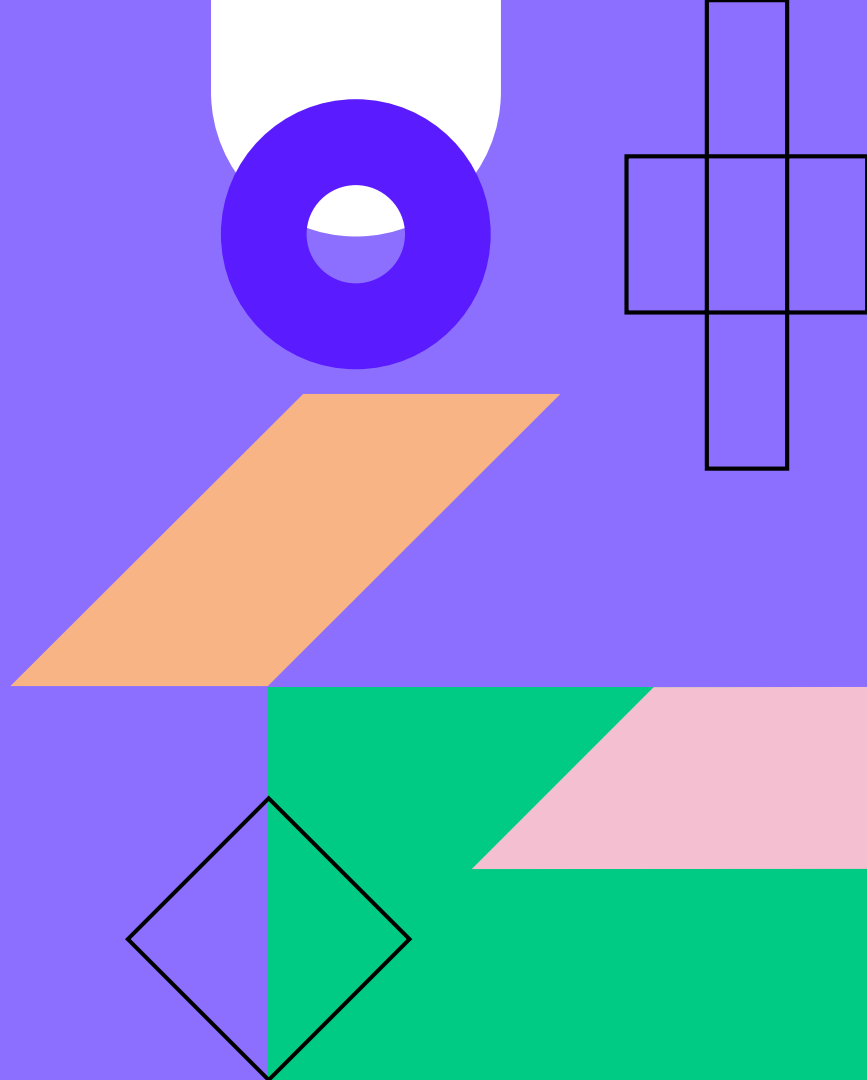


HANDSET LEASING



Profitability

Takshyak Petkar



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Introduction

Company X is a local telecom company and is facing a decline in profits over the past few years. They have decided **to enter Handset leasing market.**

Handset leasing works by renting new phones to customers for a monthly fee instead of selling phones to customers at a discounted upfront cost



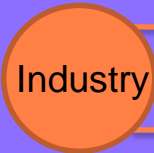
Telecom Industry



Five major value centers:

- Tower Infrastructure
- Network Equipment
- Device Manufacturers
- Network Operators
- Customers

India has the second largest telecom network in the world with close to 118 cr.



Wired
(2.9% Share)

Wireless
(97.1% Share)



Revenue Streams:

- fixed voice and data services
- subscription based mobile services
- wireless services
- connectivity with other telco firms in the industry.



Cost drivers:

- Infrastructure development
- Network installation and maintenance
- License costs
- IT upgradation



Porter's 5 Forces Analysis

Barriers to entry

High. Due to complex regulations, high capital investments, licensing fees and evolving technology.

Bargaining power of suppliers:

Low. As many telecom players have adopted backward integration or 3rd party collaborations

Competitive rivalry:

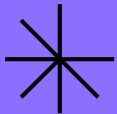
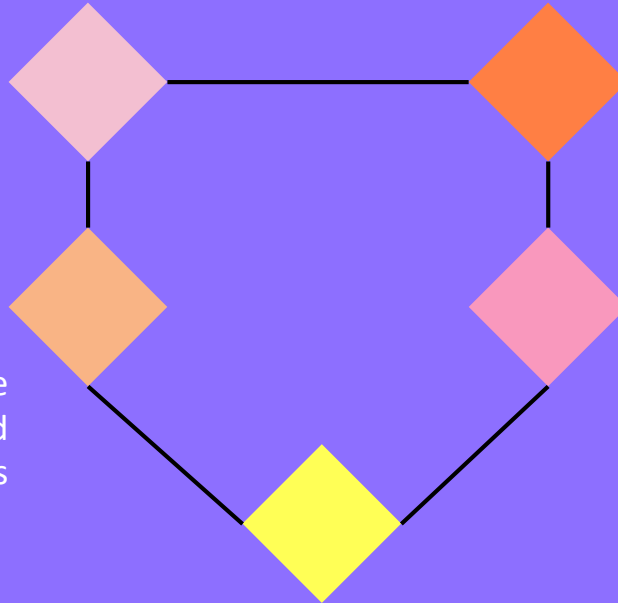
High. Companies are forced to operate with lower prices due to intense competition. This drives down industry profitability.

Bargaining power of customers:

High. Due to low opportunity for product differentiation, low switching cost and wide variety of options available to customers.

Threat of substitutes:

Moderate. From products and services from non-traditional industries



Key Drivers of Growth



Increase in internet and smartphone penetration.



Relatively low tele-density in the rural market representing a potential untapped market.



Reduction in tariffs leading to an increase in affordability.

Demand and Supply Analysis



Increase in mobile network coverage, tariff reductions, growing internet access and smartphone penetration have led to an increase in demand.



A surge in the subscriber base has also necessitated network expansion, thereby creating a need for significant investment in telecom infrastructure.

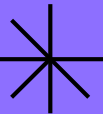
Covid-led Impact

Rising demand and current infrastructure:

Increased pressure on cellular infrastructure due to spike in wireless traffic. Switch in network usage to residential networks also presented challenges in managing network load.

Addition of new subscribers: There was a fall in the average net addition of subscribers from 3 million to below 1 million. It also led to a delay in 5G Spectrum auctions.

Impact on Manufacturing of hardware: ICEA estimated a loss close to INR 15000 crore due to suspension of production, disruption of global supply chains and increased costs.



The Service

Need:

5G phones will almost certainly be even costlier to produce than 4G models, by up to 20–30 %.

At a time when smartphone-related expenses already strain their profit margins, most operators can't afford to shoulder the further financial burden of improving smartphone affordability for consumers.

Transferring more cost to customers won't be a viable option because handset already occupies 50% share of customer's telecom wallet.

Advantages:

The replaced phone can again be leased or sold in second hand market.

higher ARPU equipment and services.

leasing removes the upfront cost

reduce the need to offer discounts to attract subscribers

One stop-Shop

The approach:

E2E device life-cycle management

Fund

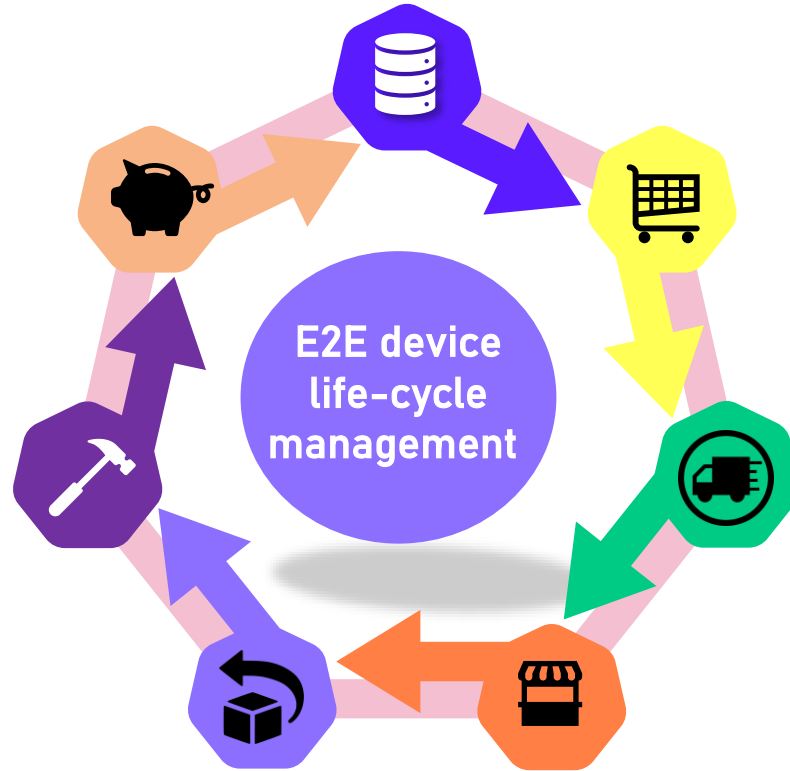
Finding innovative way to reduce capital burden from smartphones

Repair/Resell

Driving financial gains from smartphone's 2nd and 3rd lives.

Return

Improving the returns process from both a consumer and operational standpoint..



Range

Remaking smartphone portfolios/offers as a source of competitive advantage

Buy

Developing a next-gen procurement partnership model with strategic OEMs

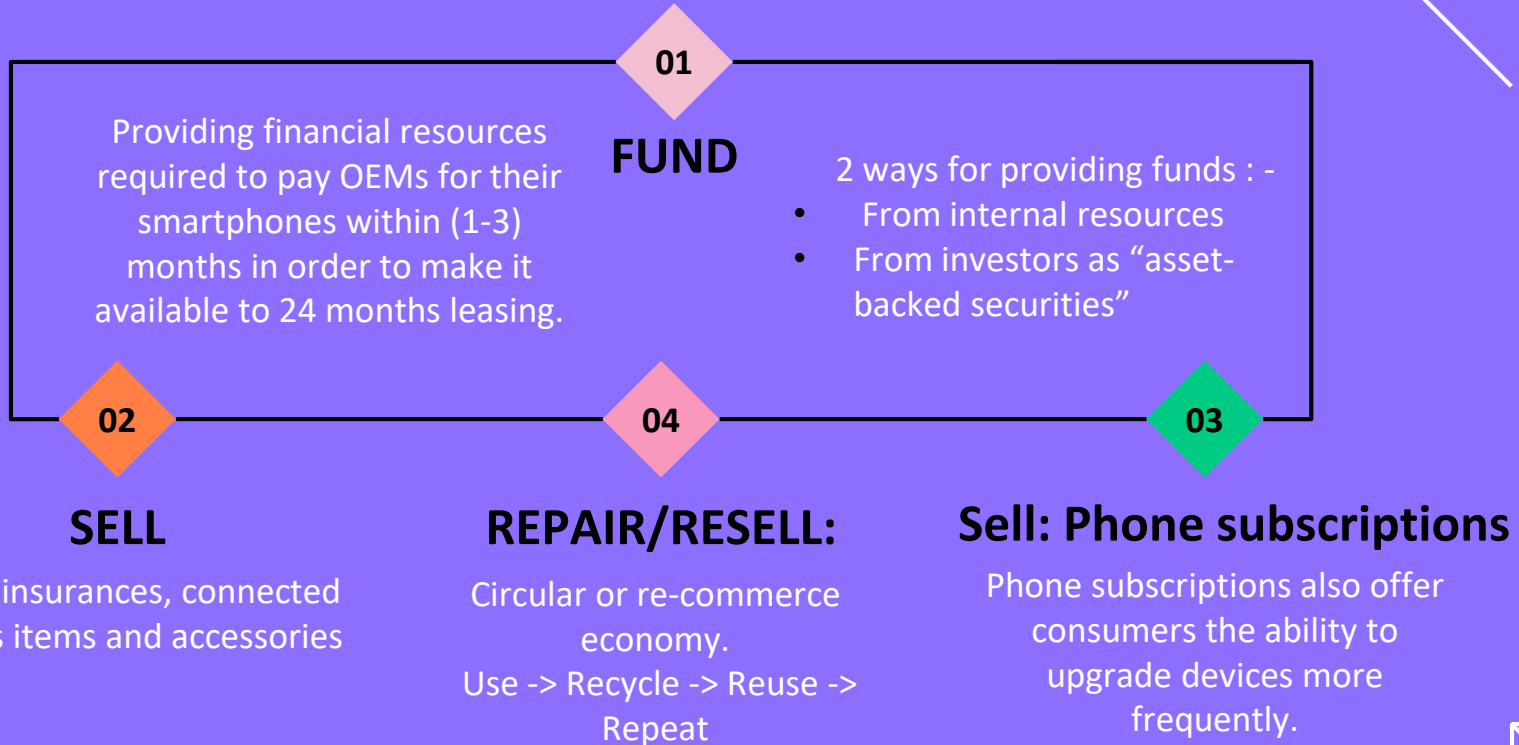
Distribute

Increasing overall CLV and ancillary revenue while delivering on consumer affordability.

Sell

Increasing overall CLV and ancillary revenue while delivering on consumer affordability.

Handset Leasing Industry



Customer

Who are the customers?

- Technology enthusiasts.
- Luxurious smartphone lovers
- 2nd hand handset market

Macro trends affecting customers decision:

- 5G network compatibility –
- Fast charging
- More rear camera lenses
- High quality photo shooting/recording
- Screen refreshing speed

Advantages:

Low or no
upfront costs

Upgrade Phone

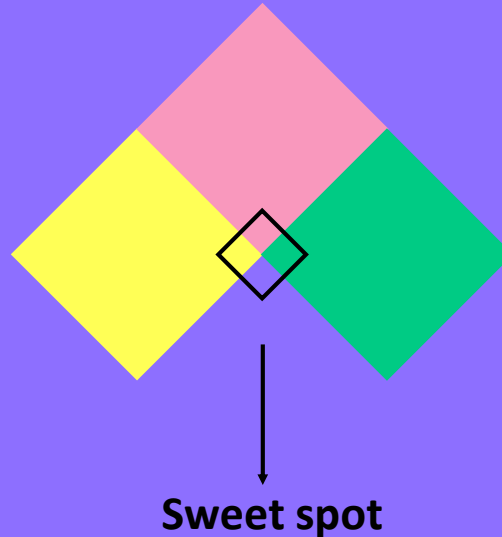
Additional
services

Choice to
Upgrade or
continue leasing

Saves money in
long run

The Sweet Spot for Innovation

Profitability
It increases profitability and due to increasing prices of technology and services, it can prove to be a long term solution.

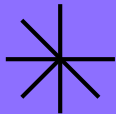


Desirability

Customers can get their desired handsets for a relatively lower costs. Scope of product is high

Feasibility

Less amount of resources and manpower needed



Corporate strategies



Launch Campaigns

Identify ways to raise awareness of leasing mechanism and benefits even prior to launch, e.g., through influencers, online content, etc.



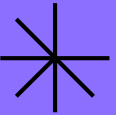
Target Customers

Between 20-40 years old, who upgrade their phones every 24 months.

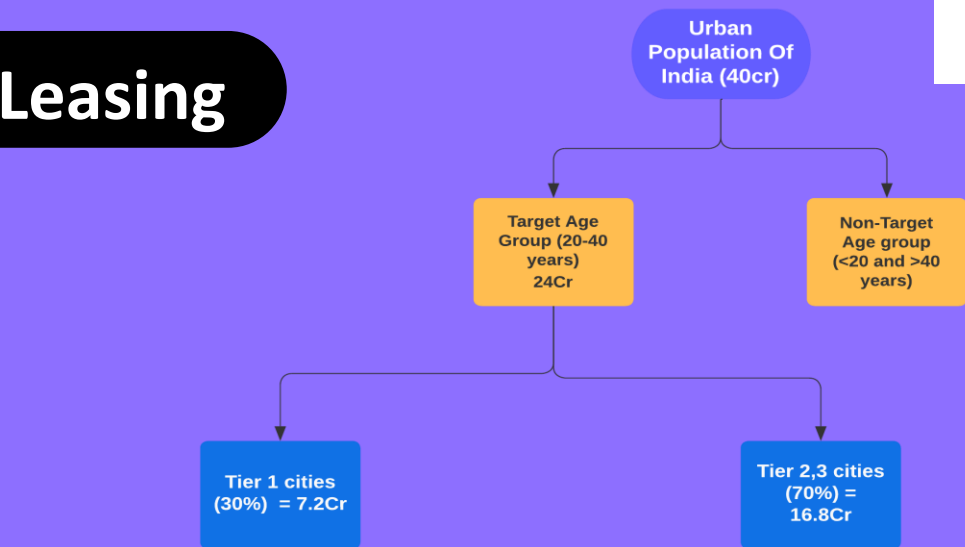


Marketing

Low upfront and total costs, Cost savings with frequent upgrades, providing insurance.



Market-Size of Handset Leasing



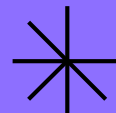
Types	Upper Class	Middle Class	Lower Class
Tier 1	40%	40%	20%
Tier 2,3	30%	40%	30%

% Conversion	Upper Class	Middle Class	Lower Class
Tier 1	10%	15%	10%
Tier 2,3	20%	15%	10%

Weighted Avg.	Upper Class	Middle Class	Lower Class
Tier 1	0.04	0.06	0.02
Tier 2,3	0.06	0.06	0.003

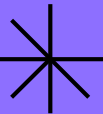
Overall Conversion
Tier-1 Cities = 0.9 cr
Tier 2,3 cities = 2.5 Cr

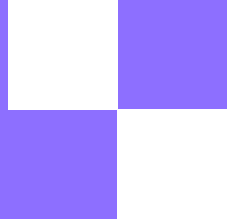
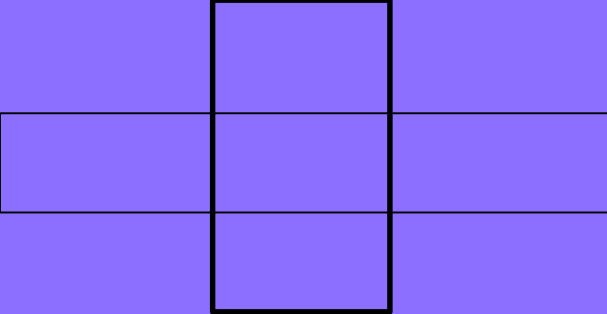
Type of Handsets	Tier-1	Tier-2,3
Premium	40%	30%
Normal	40%	50%
Cheap	20%	20%



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Thank You!

