Hello Elisse,

Here is my report for our client company: Company X regarding whether or not they should

expand their product offerings to include leasing handsets gum. My recommendation is that

they should proceed with investing in the new product because incremental profits will increase by 32%.

Below are the reasons why I recommend this move:

1) Changing customer preferences

* Our research showed that our customers in the European region have shown increasing affinity for rental plans for handsets.

2) Competitors have introduced similar products and done well

* Increasing number of adoptions of rental plans seen amongst our competitors in the market
* I found that the largest mobile operators in South Korea and Singapore – SK Telecom (SKT) and Singtel – introduced two-year handset leasing plans in early June for a number of iPhone and Samsung Galaxy models.
* According to their financial report, after a successful completion of plan the customer pays about 70% of what he would pay if he purchased the phone and the silver lining is the company gets to keep the phone back.

3) This shows significant potential as 28% is composed of youth renting the plan.

* Further research showed that this growth could be attributed to their new products because their growth rate showed a clear spike just this year.

4)Small increase in cost.

* The new plan will not significantly increase costs.
* Our client will not need to invest in buying new products for maintaining loads of inventory.
* However, the maintenance after every successful completion will add to our annual costs.

Overall, the unit cost will probably increase marginally.

In conclusion, looking at the 3 point above, our hypothesis is that this should be a profitable business

to venture into and it is estimated that the 3-year Net Present Value of this project will be positive.

Sources:

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4. BCG, Playbook for accelerating 5G- <https://image-src.bcg.com/Images/BCG-A-Playbook-for-Accelerating-5G-in-Europe-Sep-2018_tcm9-202394.pdf>

5. Market Realist, Why Sprint Is Focusing on Handset Leasing to Accelerate Growth <https://marketrealist.com/2017/04/why-sprint-is-focusing-on-handset-leasing-to-accelerate-growth/>