Hello 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. My recommendation is that they should proceed with investing in handset leasing because it will help in increasing profits in their current state of declining revenue.

Below are the reasons why I recommend this move:

**Telecom Industry and changing customer preferences**

* The traditional telecom industry has been experiencing a plateau in the growth
* The research observed a re-allocation of pre-paid customers to post-paid as the popularity of SIM-only plan increases
* We can expect the number of pre-paid customers to continue its decline in the near future, explained by the removing of inactive numbers and lower foreign workers use
* Consumers prefer them as this helps them to use premium range smartphones at affordable costs
* I found that roughly 28% of SKT subscribers in South Korea in their 20s chose to lease, of which men accounted for 64%

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

* SKT and Singtel, the largest telecom companies in South Korea and Singapore introduced these plans in early June 2018
* Both the firms introduced these plans after they observed a decline in their revenues (5.7% year on year drop for Singtel and 3.5% drop for SKT)
* Telstra in Australia also offers leasing plans, which generally cost about AUD10 less pm than regular 24-month phone plan contracts

**Regarding Profits**

* I found that Sprint Telecom saw leaps in revenues generated through leasing, which it introduced in 2017 offered for “Samsung Galaxy” premium phones
* Further research showed that in FY 3Q16, the take rate of Sprint’s leasing plans reached ~43% - which shows the success of this strategy
* The research showed a general trend of increase in the profits of the firms which had introduced these plans alongside traditional SIM-only and prepaid plans
* Singtel observed a net revenue from the bundled plans to be $980, as compared to only $480 from the SIM-only plans over a period of 24mths.

In conclusion, looking at the analysis above, my hypothesis is that this should be a profitable strategy to venture into and it is expected to increase and stabilize the currently declining state of profits faced be the Company X.

Sources:

1. <https://internetfileserver.phillip.com.sg/POEMS/Stocks/Research/SectorStrategy/SG/TelcoSector20190104.pdf>
2. <https://www.mobileworldlive.com/devices/blogs-devices/blogs-handset-rentals-offer-surprising-value/>
3. https://marketrealist.com/2017/04/whats-sprints-capex-estimate-for-fiscal-4q16/