Hello Ellise,

Here is my report for our client company: X, regarding whether or not we should continue to explore handset leasing as an initiative for the client. My recommendation is that we should definitely explore handset leasing further, as it can prove to be a profitable initiative.

Here are the reasons for my recommendation:

**Change in customer preferences: falling revenue from SIM-only plans1**

* I found that customer spend is substantially lower in the lifetime of a contract under the SIM-Only plan as compared to traditional handset plans. As such, net revenue will be weighed down by the higher adoption of SIM-Only plans.
* A countermeasure to this would be the introduction of handset leasing plans to cope with this change. This will be attractive to customers as it can prove to be cost saving.

**Attractive from consumer’s perspective: cost saving and up to date with new releases**

* Looking at the handset leasing plans issued by the company SKT, in terms of cash outlay, the customer pays about 50 per cent less over two years for a mobile plan and a rental than for a similar plan with a handset they end up owning after two years.2
* SKT’s monthly rental fees are also substantially lower than purchasing a premium phone with a contract plan.
* Customers can also stay up to date with new phone releases through leasing plans, without the monetary investment pf having to purchase one at full price every few years.
* For these reasons, handset leasing plans have become extremely attractive to consumers, particularly the youth.

**Other companies have implemented this and done well**

* Apart from SKT, Sprint has successfully occupied significant market share from handset leasing plans.3
* Sprint leveraged the introduction of the new Samsung Galaxy phones, and introduced a two-for-one deal enabling users to pay $31.25 a month to lease two devices when they activate a new line, with the option to upgrade to a new Galaxy device any time after 12 lease payments.
* In fiscal 3Q16, which ended December 2016, the take rate of Sprint’s leasing plans reached ~43%.
* In fiscal 3Q15  net leased devices were valued at ~$3.3 billion, which shot up to ~$4.5 billion at the end of fiscal 3Q16.

**Benefits to company: Can monetize the devices multiple times**

* Can sell the phones, or can recycle the phones
* Can also put the phones got back back into the market for prepaid plans, with different types of levels of guarantee.
* This can cut costs for the company, and improve profits

In conclusion, from the reasons stated above, handset leasing can prove to be a profitable venture for the client, and should be explored further, starting with a demographic study of the client’s current subscribers.

Sources:

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2. Blog, Are smartphone rentals value for money?- https://www.mobileworldlive.com/devices/blogs-devices/blogs-handset-rentals-offer-surprising-value/
3. 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/