

ASIA PACIFIC OPERATORS SINGTEL JUNE 21, 2018

Blog: Are smartphone rentals value for money?



BY JOSEPH WARING

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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.

Singtel said its rental programme is designed to “make premium handsets more affordable” and is available to customers on SIM-only plans. The monthly charge for ten different iPhone and Galaxy models runs from SGD35 (\$26.42) to SGD62. Customers have the option to upgrade the handset after a year by paying SGD200.

SKT’s leasing service, launched on 1 June, is proving popular in South Korea, with 25 per cent of its new customers opting to rent, *Yonhap News Agency* reported. The

Galaxy S9 (64GB) costs KRW34,872 (\$31.40) per month, while the iPhone X (64GB) is KRW47,746.



The question is how does the combined cost of leasing a handset and a SIM-only plan compare with a typical two-year post paid plan which includes a phone?

Total cost

A Singtel customer renting a Galaxy S9 64GB, for example, will pay SGD840 to use the device for two years, which is nearly 70 per cent of the retail price (SGD1,198), but then must return the handset.

A 10GB plan at Singtel is SGD36 a month, so adding SGD35 for the S9 rental, the monthly cost is SGD71. The total cost over 24 months is SGD1,704.

The Singapore operator charges SGD95 a month for a 24-month combo plan comprising the S9 and 6GB of data (the closest comparable plan: a 12GB option was more than twice as much, but included a handset upgrade voucher), in addition to a SGD346 one-time fee for the device. That will set the customer back SGD2,626 over two years, but the subscriber keeps the phone.

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.

SKT's monthly rental fees are also substantially lower than purchasing a premium phone with a contract plan.

No wonder they are so popular in Korea, particularly among the youth, with 28 per cent of SKT subscribers in their 20s choosing to lease, *Yonhap News Agency* said. Men accounted for 64 per cent of those signing up for lease plans.

Telstra in Australia also offers leasing plans, which generally cost about AUD10 (\$7.38) less per month than standard 24-month phone plan contracts. Customers can upgrade after 12 months for AUD99.

Save versus spend

In a statement Singtel surprisingly claimed customers can “save” up to SGD578 off the retail price of the Galaxy S9 if they lease the handset for a year and SGD358 over two years.

Phil Marshall, chief research officer at Tolaga Research, said while leasing is common practice, “it is absurd to suggest that it is a saving”, noting it is a loan with strings attached.

“For example, at the end of 12 months a subscriber will have spent SGD420 for the right to use a device which is essentially owned by Singtel. One might argue that if a subscriber ordinarily replaces their phone every 12 or 24 months then they are saving. However, normally the phone would go to someone else [for example] a family member, and therefore it still has plenty of intrinsic value that would be lost if the subscriber had opted for the leasing programme,” he explained.

While new subscribers may not be saving the sums stated, their total spend on the device and mobile plan over two years will be significantly lower than typical data and handset bundled packages.

For those not looking to pass on devices to a friend or relative, or sell it, leasing is a cost-effective option. But customers should consider purchasing handset insurance, which will reduce some of the savings. (A device service plan at Singtel is about

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to SGD302 million in its fiscal Q4 ending 31 March. SKT's Q1 overall revenue was dragged down by a **3.5 per cent drop in mobile service turnover** to KRW2.57 trillion.

Look for more mobile players to introduce leasing plans, particularly in markets where mobile revenue growth has plateaued.

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