**Accelerating Prepaid**

It is **August 2020**, and Q2 results have just been reported by the industry. Your director has received a request from the President of Mobility to evaluate strategies to accelerate prepaid gross subscriber additions. Your director has asked you to put together a business case to evaluate the best strategic decision for Bell, including a 3 year monthly discounted cashflow analysis and a 15 minute presentation (5 slides maximum).

In your presentation to the President, you will need to discuss your rationale for your conclusions and discuss any assumptions you have made. You will also want to call out the opportunities and risks you believe exist in the marketplace. Your director asks you to do some research online and leverage any publicly available information from any of the carriers to help with your assumptions, including quarterly earnings reports and news releases. You may also qualitatively evaluate other options not outlined.

Briefly, there are two options being considered but it is unclear which is better – option 1: partner with a leading retail chain that has approximately 2,000 locations; or option 2: build stores directly. Due to overall capacity and resource constraints, Mobility will only be able to deploy 1,500 stores over 8 months. Bell stores are typically more efficient than partner locations, and it is expected that 50 units will be sold monthly at a Bell location vs. approximately 38 at a partner’s store. However, the prepaid market is difficult to predict and each estimate could vary by 10 units.

Due to the large size of the partner, they have requested a special compensation package, including a $95 commission per sale and 20% share of revenue generated. By contrast, Bell plans to pay lower commissions internally ($10) but incur salaries and benefits of $30,000 annually. Rent at each Bell location is expected to cost an average of $40,000. Fixtures are estimated at $10,000 per store.

To assist you, your Director has acquired the following information / KPIs from the Analytics team:

|  |  |  |
| --- | --- | --- |
| Data points | Partner | Acquire Directly |
| Prepaid avg. revenue per user | $25 | $28 |
| Monthly churn | 3.34% (Q2’18) | 3% |

Links:

<http://www.bce.ca//investors/financialperformance/quarterly-documents-archive/bce/2018>

https://www.bce.ca/investors/financial-reports/archives/quarterly/2019

<https://www.bce.ca/investors/financial-reports/archives/quarterly/2020>

Any other external research you may wish to conduct