

Hello Elisse,

Here is my report for our client company: Company X regarding whether or not they should adopt the model of handset leasing. My recommendation is that they should adopt this scheme along with integrating it with the provision of digital services.

Below are the reasons why I recommend this move:

#### **Changing customer preferences**

- Our research showed that the youth customers have shown increase liking towards leasing luxurious mobile devices rather than opting to pay huge upfront cost to buy new one.
- Customers today expect faster and more reliable connectivity, as well as access to a wide range of digital services and content.

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

- **Sprint's Equipment Rentals** contributes to almost 15% of 2020 revenues. Qualified subscribers can lease a device for a contractual period of time. At the end of the lease term, subscribers have the option to return the device, continue leasing the device, or purchase the device.
- In fiscal 3Q16, which ended December 2016, the take rate of Sprint's leasing plans reached ~43%. As you can see in the above chart, net leased devices were valued at ~\$4.5 billion at the end of fiscal 3Q16. During fiscal 3Q15, this figure was ~\$3.3 billion.
- **Globe Transformation-** the company has rolled out 5G technology in select areas of the Philippines, providing customers with faster download and upload speeds and lower latency. Additionally, Globe Telecom has partnered with various content providers to offer music and video streaming services to its customers.
- As a result, consolidated operating revenue rose 3 per cent to PHP118 billion, driven by growth in mobile, enterprise and non-telecoms services.

Considering these factors, we can infer that this growth could be attributed to their scheme of hand leasing devices and provision of digital services and access to various OTT platforms at lower cost.

#### **Significant Investment is required**

- Globe invested more than US\$400 million into its IT systems— with capabilities beyond just billing and business support in 2018.

Overall, based on the above points, I highly recommend that Company X should adopt a handset leasing model and integrate it with digital services. This model has the potential to be highly profitable and meet customer expectations. I have provided sources for further information and evaluation.

Sources:

1. The transformation of Globe Telecom
2. Why Sprint Is Focusing on Handset Leasing to Accelerate Growth
3. Sprint Remains Focused on Handset Leasing to Accelerate Growth
4. Are smartphone rentals value for money?