

The team should further explore the idea of handset leasing for Company X, as handset leasing has been successfully launched in similar developed markets, including Singapore, US, and Australia.

The telecom industry is projected to contract by 4% annually between 2018-22, and comparable telecom incumbents have shifted their operating models towards handset leasing to minimize their net losses of revenue and shareholder value.

- Handset leasing meets consumer needs by offering frequent handset upgrades and lower overall costs.
 - Consumers no longer want to be committed to their mobile devices for the duration of their 2-year contracts, as new phone models get released with improved features as frequently as once a year.
 - The growth in mobile data traffic has driven the development of 5G networks, and yearly release of new phone models with improved features has amplified the demand for handset leasing plans.
- Competition from MVNOs is forcing the hand of incumbents.
 - Lower priced SIM-Only plans have been introduced by ‘mobile virtual network operators’ (MVNOs) and gained massive popularity amongst consumers.
 - Increased competition from asset-light and low-cost MVNOs has compelled telecom incumbents to engage in price wars and reduce their prices of mobile services.
 - As a result, most of them have formed partnerships with MVNOs operating in their markets, to offer the lower-priced and highly popular SIM-Only plans, with take up rates as high as 43% for Sprint in 2016.
- Offering handset leasing to SIM-Only customers is estimated to reduce net losses in revenue from 54% to just 5%
 - Each conversion of mobile contract to SIM-Only plan results in estimated net loss of 54% in revenue per customer.
 - Offering handset leasing plans reduces the net loss to as low as 5% per customer.

Hence, my hypothesis is that handset leasing is an attractive business model which the team should consider.

Sources

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- 2 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/>
- 3 A playbook for accelerating 5G in Europe, http://image-src.bcg.com/Images/BCG-A-Playbook-for-Accelerating-5G-in-Europe-Sep-2018_tcm9-202394.pdf

