Hi Elisse,

This is my report for our client, Company X, regarding the proposed introduction of handset leasing as a means of driving profitability for Company X. I recommend the team should proceed with this project as handset leasing has been successfully adopted in similar markets in the US, Singapore, and Australia.

And here are my researches and opinions to encourage company X to transform:

**Telecom Industry has changed according to customer preferences**

- Traditional telecom industry growth has plateau

- 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.

- Higher adoption Of SIM-only Plans has had a negative effect on revenues in the Singapore market (Singtel, Stark-Hub & MI). Both Singtel and Star Hub witnessed y-o-y declines of 10% and 8% in post-paid ARPUs over 3Q18, respectively, largely owing to the growing adoption of SIM-only plans.

- The telecom companies have reacted to these shifts by offering greater options in the SIM-Only space and handset leasing services to cope with the change in consumer preference

**Consumer needs to offer 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.

- Handset leasing lowers the initial upfront costs for consumers and customers can up to 70% of retail price for the phone through handset leasing

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

- Lower-priced SIM-Only plans have been introduced by 'mobile virtual network operators' (MVNOs) and gained massive popularity amongst consumers.

- Handset leasing was adopted by Singtel and SKT after suffering 5.7% and 3.5% year- on-year drop in revenue respectively. SKT has seen 25% of customers prefer leasing phones.

**Profits and losses**

- Sprint's net leased devices were valued at —$4.5 billion at the end of fiscal 3Ql16. During fiscal 3Q15, this figure was —$3.3 billion. Overall, they amassed —4500 increase in leased devices.

- No additional costs as the old phone can be refurbished to re-coup part of the costs.

- Offering Handset leasing to SIM-only plan reduce net losses in revenue by as much as 50%

In conclusion, handset leasing is appealing to younger customers and SIM-only users. This leads me to believe that the result will be that X gains profits and also acquires a decent market share.

Source:

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- 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/>

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