**Subject**: Recommendation on Exploring Handset Leasing for Company X

Dear Elisse,

I trust this email finds you well. Following our team meeting and the identified need to explore initiatives that can improve Company X's profitability, I have conducted some research on the introduction of handset leasing in telecom markets. *Based on the findings, I recommend that the team should certainly further explore the idea of handset leasing for Company X.*

Handset leasing has proven to be a successful business model in similar developed markets, including Singapore, the US, and South Korea. Reports indicate that the telecom industry is projected to contract by 5% annually for the next 5 years, and the size of the US telecom services industry, $412.4 billion in 2021, is projected to increase at a CAGR of around 1% from 2021 to 2026.  Also comparable telecom incumbents in these markets have shifted their operating models towards handset leasing. This strategic shift has played a pivotal role in minimizing net losses of revenue and shareholder value. For those not looking to pass on devices to a friend or relative, or sell it, leasing is a cost-effective option.

Here are key points summarizing the impact of handset leasing on telecom companies:

**Meeting Consumer Needs:** Handset leasing meets consumer needs by offering frequent handset upgrades and lower overall costs. In today's dynamic market, consumers no longer wish to be tied to their mobile devices for extended contract durations, and the annual release of new phone models with improved features has intensified the demand for handset leasing plans.

**Competition from MVNOs:** The telecom landscape has witnessed increased competition from Mobile Virtual Network Operators (MVNOs), leading to price wars and reduced prices of mobile services. In response, telecom incumbents have formed partnerships with MVNOs to offer lower-priced and highly popular SIM-Only plans, with take-up rates as high as 43% observed in 2016 for certain operators like Sprint.

Consumer sentiment while considering being up to date with technology also shifts towards lower up-front costs.

With the arrival of Artificial Intelligence (AI), Big Data, 5g and 6g, Internet of Things (IoT), machine learning and much more, it is even more important to try innovative approaches. There's always potential for a mere challenger to overtake the incumbent.

In conclusion, considering the success of handset leasing in comparable markets and its alignment with evolving consumer preferences, my hypothesis is that handset leasing is indeed an attractive business model for Company X to explore further. This approach not only addresses the demand for frequent handset upgrades but also positions the company to navigate the challenges posed by industry contraction and increased competition.

I look forward to discussing this recommendation further and exploring the potential implementation of handset leasing as part of our strategy to drive improvements in Company X's profitability.

Regards,

Suryadeep Khungar