



## This Revolutionary New Wireless Tech Could Help Shaw Communications Inc. (TSX:SJR.B) Gain Ground on the Big Three Telecoms

### Description

I think the general public is severely downplaying the [disruptive potential of Freedom Mobile](#), the wireless business of **Shaw Communications Inc.** ([TSX:SJR.B](#))([NYSE:SJR](#)).

The Big Three players have just begun to feel a bit of pressure from Freedom Mobile, but as of now, none of the Big Three incumbents have felt the need to lower prices as a preemptive response. Over time, I do believe this will change, however, especially over the next three years as the next generation of wireless tech emerges.

While Freedom Mobile's continued wireless growth momentum, value proposition and commitment to network improvement are something [to be bullish about](#). I believe the rise of embedded SIM (eSIM) mobile devices is going to accelerate Freedom Mobile's subscriber growth at the expense of the Big Three incumbent players.

What is eSIM and why is it beneficial to Shaw?

You're probably familiar with the SIM cards that you need to insert into your device to be able to communicate with your wireless providers' towers. The technology is quite old; it's been around since the early 1990s, back when only the wealthiest could afford those bulky cellphones with their ridiculously long antennas.

An eSIM is essentially a SIM card that's soldered onto a device's motherboard, and unlike today's traditional SIM cards, it allows users to switch between different service providers without swapping out physical provider-customized SIM cards.

That essentially means that you'll be able to connect with any wireless tower as you would a Wi-Fi network! So, depending on the strength of a signal in your area, you can switch providers at a whim (even if you're abroad) and just get charged for what you use!

In theory, this means hefty roaming charges, lengthy contracts and forced monogamous relationships with wireless providers could be going the way of the Dodo Bird. The rise of eSIM will allow users to

switch from **Telus Corporation** to Freedom Mobile with the flip of a switch.

Curious in trying Freedom Mobile's value-conscious network? It'll be pain-free to at least try it out, and if it's not to your liking, you can jump to another provider and determine the best value given the strength of signals in your location.

What does this mean in the context of the Big Three incumbents?

Well, switching costs essentially will fall to zero (or at least next to zero) and the value of today's retained subscribers will have little to no value once eSIM devices become the norm, thereby allowing wireless users to use the provider that's right for them.

The Big Three incumbents are probably engaging in collusion efforts in order to find ways to make it harder to switch even after eSIM becomes the norm, but given that Canadian regulators are stepping in to foster genuine competition in the wireless market, I suspect such efforts will not do anything to counteract potential subscriber losses.

The eSIM will have a profound impact on subscriber fluctuations and could severely exacerbate future subscriber losses that the Big Three incumbents may be faced with as Freedom Mobile continues to rise.

At current levels, Freedom Mobile accounts for under 5% of the Canadian wireless market. Once eSIM devices become the norm, I think it's only natural to believe that the equal 25% wireless market share equilibrium will be obtained by Freedom Mobile much sooner than many analysts believe.

Sure, the Big Three incumbents will likely adjust prices to counteract moves made by peers, but in the end, we'll have a Nash equilibrium amongst players in the space.

### **Foolish takeaway**

The eSIM has been used in the most recent model of the **Apple Inc.** watch and the **Alphabet Inc.** Google Pixel Phone. Over the next few years, I suspect most devices will have made the switch to eSIM, which will likely change the face of the entire telecom market. With no artificial boundaries or switching costs, wireless users can switch wireless providers as they would Wi-Fi networks.

I've been a pretty huge bull on Shaw over the past year, and this move strengthens my bull case.

Stay hungry. Stay Foolish.

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