



WHITEPAPER

More Buyers, Higher Profits, Less Fuss.

Why MNOs are using B2B auctions
to unlock the \$65 billion market for
used mobile devices

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Introduction

Not so long ago, the market for used phones was a rounding error. Consumers observed the annual improvements in smartphones, and most wanted to buy only new devices.

Then something changed. Actually, lots of things. Those annual improvements slowed down. Top-end phones hit \$1,000. The subsidy model in many markets was replaced by the trade-in.

These factors combined to make consumers think again about pre-owned devices. Demand exploded. Consumers bought 225.5 million used phones in 2020.

Clearly, the market for used phones is now huge. In fact, it's on target to be worth \$65 billion by 2024.

Despite this, many MNOs still use an 'old-school' approach to selling their traded-in stock of pre-owned devices. They send emails to existing contacts, and hope for some interest.

The B2B auction offers a much better alternative. Today, dozens of MNOs list their inventory on these enterprise-only marketplaces. The benefits include:

- A fast and automated listing process
- Expert advice on auction strategy to boost unit prices/revenue on lots
- Worldwide qualified buyers
- Automated transaction trails
- Business analytics and insights
- Outsourced customer care
- Outsourced money transfers

And ultimately, B2B auctions deliver higher prices. Indeed, on the B-Stock auction platform, clients can achieve between 30 percent and 80 percent better returns on their inventory.

In this whitepaper, we will dive deeper into the dynamics of the secondary market for smartphones and explore the benefits of the B2B auction model.

The Secondary Mobile Market

The dynamics of a sector on target for \$65bn

In 2019, the tech website CNET ran a headline which said: “We’re just not that into paying \$1,000 for a phone anymore.”

The story described the reaction of consumers to the emergence of new ultra-premium devices such as the iPhone X and Galaxy S. It noted that consumers were upgrading less often – about every three years instead of every two.

It also outlined the growing acceptance of used devices. “Software updates make old phones feel new,” it said. “And hardware designs aren’t changing much from year to year.”

Anyone working in the secondary market for mobile phones will be aware of these changing consumer sentiments.

According to IDC, demand for refurbished smartphones has been surging for years. Its estimates are as follows:

Worldwide Used Smartphone Shipments

2018	175.8 million
2019	206.7 million
2020	225.5 million
2024	351.6 million (estimate)

IDC believes the boom in sales will increase total market value from \$25 billion in 2019 to \$65 billion by 2024.

So what other dynamics are driving this market – beyond the high prices of top-tier handsets?

It is actually a number of factors. They include:

- **The decline of the subsidy model – and the rise of the trade-in.** In many markets, MNOs have switched away from subsidising new devices. As a consequence, consumers have become more aware of the value of their ‘legacy’ handsets. They have embraced the trade-in – which increases the supply of used phones. In fact, in 2020, all three major US carriers offered \$800+ in credits for recent model trades. It’s estimated that customers received more than \$2.3 billion for their trade-in devices in 2019.
- **Longer upgrade cycles.** Phones are more reliable than ever, which means they retain their resale value for longer. Reports say the average price for a secondary market phone is \$360.
- **Environmental concerns.** Consumers are more conscious of the need to recycle. Meanwhile lawmakers are launching regulations to make it easier for customers to repair products.
- **Rising demand for recycled phones from developing countries.** Customers all over the world are moving on from feature phones.

This is fuelling a market for affordable smartphones.

- **Rising demand from credit-excluded customers.** Every market includes a segment of customers who cannot take advantage of carrier repayment deals on new phones. The pre-owned market gives these customers a way to access premium devices.

Needless to say, MNOs have embraced the new market for refurbished handsets. Trade-ins have increased their supply of used devices, which they need to sell for the best possible margin.

As a result, many MNOs have created ‘asset monetisation’ teams that actively promote secondary devices online and in-store.

But carriers are not the only participants in the space. Others include handset manufacturers, retailers and insurance companies.

Clearly, the market is buoyant. But it is not without challenges.

Sellers need to:

- Grade used devices accurately
- Wipe all personal data – and ensure the process is compliant and secure
- Know who is buying and ultimately reselling the devices
- Understand the regulations associated with the transactions

Above all, they need to **move their inventory fast and for the best possible price**.



The Secondary Handset Market

Why email, spreadsheets and RFPs are not fit for purpose

We've established that many MNOs now have departments dedicated to the secondary market for smartphones. It raises the question: how do these teams sell their growing stock of devices?

Many use surprisingly 'old school' techniques. They might release a request for proposal (RFP) to a

small cohort of existing buyers. They might simply email this same client base with an attached excel document that lists the inventory.

They might just make a few phone calls.

Arguably, these methods were appropriate in a nascent market. But, as we have established, 225.5 million used phones were sold in 2020. The secondary market demands a more professional approach.

Emails and RFPs do not maximise value for the following reasons:

- They target a limited number of known buyers

- They are time consuming to set up – stock has to be listed in a manually prepared spreadsheet
- A sale is not guaranteed
- There's always a negotiation, which adds time and uncertainty to the process
- The seller is usually at a disadvantage. It has to clear its inventory, which strengthens the hand of the buyer

The shortcomings of this ad-hoc approach have pushed many buyers and sellers to a more efficient process: the B2B auction.



The B2B Auction

More buyers, transparent process, higher prices

In the consumer space, the online auction concept is well-established. eBay launched in 1995. Today, its 185 million active customers purchase goods worth \$26 billion every quarter.

The online auction is self-evidently an efficient mechanic for matching buyers and sellers.

Inevitably, the model has been adapted for B2B markets.

Companies such as B-Stock today offer auction marketplaces that are tailored specifically for the needs of enterprise buyers and sellers.

The company launched its first mobile device auction (for a Fortune 500 consumer electronics retailer) in 2013. Today, B-Stock's marketplaces sell over 3 million phones and over 5 million mobile accessories a year.

So why are sellers migrating away from a system of emailed spreadsheets and towards electronic auctions? Here is a list of the most compelling reasons.

B2B auctions command higher prices

Price is a function of competition. When more buyers are interested in a product, the price goes up. This is what an online auction does. Auctions require no offline negotiating. Instead, sellers extract a buyer's highest willingness to pay.

Ultimately this makes auctions more reflective of the true value of a product. It delivers the true market price, thereby maximizing return for the seller.

B-Stock currently has tens of thousands of registered buyers active all over the world. It estimates its auctions increase average selling prices by between 8 to 13 per cent.

Speedier sales, more throughput

For sellers, margin is obviously important. But so is the ability to move inventory fast. Thanks to trade-ins and returns, MNOs and other sellers have to manage a

constant turnover of stock. They need to divest it. Selling stock over the phone or by email is a shot in the dark. Auctions virtually guarantee to move inventory – regardless of volume, time of year or product category.

They make it as easy to accept bids from thousands of buyers as from a small handful. And do so at a pace that suits the seller.

Know your buyers – more channel control

Trust is a recurring issue in consumer auctions. The ratings system helps, but unreliable buyers and sellers are always present. B2B auctions reduce this risk.

In a B-Stock marketplace, for example, all buyers are vetted. Meanwhile sellers can further control who sees and buys their excess inventory by filtering auctions to reach only a specific cohort of buyers.

Automation makes the process more efficient

The beauty of the auction set-up is that it quickly becomes a routine. Sellers become familiar with the

listing process, and can schedule auctions to take place at regular times and for the same fixed duration.

No more spreadsheets. No more faxing. No more negotiating over the phone.

Even better, the auction dynamic eliminates many time-consuming elements. Sellers do not have to find and vet new buyers. They do not have to issue purchase orders and invoices (the auction intermediary handles the money transfers).

An end to compliance issues

One way to drive up demand (and prices) is to reach buyers in overseas markets. But this comes with a compliance risk. Sellers must be careful to meet local regulations. B2B auction specialists know these rules and can set up auctions accordingly. They can therefore devise strategies that reach the broadest buyer base possible – while maintaining platform controls to ensure the right inventory goes to the right buyer.

All transactions are tracked and recorded

Another major challenge of the email/fax/phone process is keeping track of the transactions. By contrast, auctions have the 'paper trail' built in. It's one less thing to think about. Meanwhile, sellers can scrutinise their results over time. They can track the best selling items, average selling costs and so on to optimise for the future.

The B-Stock Platform

The set-up for buyers and sellers, and how auctions work

Today, B-Stock runs the world's largest B2B online auction platform for the secondary mobile market. It is only eight years since the company launched its first auction for used mobile devices. But today, its service reaches tens of thousands of qualified businesses in 150 countries. More than 8 million phones and accessories every year are bought and sold on the B-Stock platform each year.

The numbers keep growing because B-Stock simplifies what can be a complicated process. In so doing, it maximises revenue for sellers while providing a constant source of new (and diverse) stock for buyers.

In most cases, sellers can turn inventory into cash in fewer than seven days.

Let's dive into how the process works.

Buyers

Any potential buyer can visit a live auction, but only registered buyers can see item details and make bids.

The registration process is straightforward. The buyer simply fills in an online form, chooses a password, and (electronically) signs. B-Stock checks the details for proof that the business is a registered reseller within their specified geography. This typically takes one working day. Once approved, the buyer can register for a specific auction.

B-Stock buyers include:

- Major exporters
- Refurbishment companies
- B2C resellers
- Mobile Virtual Network

Operators (MVNO)

- Retailers
- Buyers in 130+ countries

Sellers

Registered B-Stock sellers run their own white-labelled auctions. They can specify which buyers can bid on their lots.

To start the process, sellers submit an inventory/manifest in a spreadsheet to the B-Stock account managers, who then create listings based on it.

The B-Stock team develops a custom auction strategy to fuel interest in the marketplace, defining variables such as:

- Whether to sell lots together or separately
- How big a lot should be
- Which images to use
- How long an auction should run
- What day it should close
- Optimum start prices

When an auction is over, B-Stock takes care of the money. Buyers pay by wire transfer, and when the funds are cleared, B-Stock pays the seller and instructs it to ship the inventory.

B-Stock doesn't handle stock or do shipping. However, it can help. It has a number of third-party logistics partners that can tackle warehousing, data-wiping, shipping and or other inventory processing needs on an as-needed basis.

Another benefit of B2B auctions is the data they generate. B-Stock account managers can monitor bid activity over time to develop a better understanding of how to maximise demand and prices.

And then there's customer support. B-Stock's in-house team handles all buyer inquiries, payment services, education, disputes, and other correspondence.

The auction process

The B-Stock auction process will be familiar to anyone who has used a consumer service such as eBay.

Lots are displayed with an image and description. Buyers can filter listings by a number of variables including device type, model, condition etc. Auctions have a set start and end date, and buyers can see the history of bids so far. Bidders submit their maximum price, and the system will automatically bid for them thereafter.

However, there are some key differences with consumer markets. Obviously, every listing in a B2B auction is not just for one item but for many – anything from a few dozen to hundreds of thousands. For this reason, it's possible for buyers to download a complete manifest if they wish.

There's an important difference at the end of the bidding process too. If a bid comes in during the last five minutes, the auction is extended by three minutes. This means that no buyer can be suddenly 'defeated' by a rival in the final seconds – and ensures that the best possible price is always achieved.

A word on standards... to R2 or not to R2?

The mobile secondary market brings with it unique security and privacy risks. Sellers must take care to data-wipe all devices prior to resale – and do so in a trusted and transparent manner.

To standardize this process, the industry created the R2 (Responsible Recycling) Standard. At its most basic level, R2 identifies and monitors best-practices in electronics repair, reuse, and recycling.

It takes months for a business to become R2 certified. But obviously, there are rewards. For sellers, R2 certification provides a framework for safely trading in the mobile secondary market; for buyers, it can help them access more product. This is because some B-Stock sellers can specify that their lots are only available to R2 certified bidders.

R2 is one of many industry standards that B-Stock supports. It also helped to create the CTIA's Reverse Logistics & Service Quality (RLSQ) Program. This program lays out a set of codes to define condition grades for used mobile devices.

Your next step

The market for used devices is booming. New premium device models are more expensive than ever. Product life cycles are getting longer. The trade-in model is fuelling a constant supply of refurbished stock.

As a consequence, consumers are now buying more than 300 million refurbished phones every year.

And yet, many MNOs sell their used devices using an ad-hoc system of emails, fax and phone calls. They are leaving money on the table.

The B2B auction offers a compelling alternative. Listing on a B2B marketplace reduces the administrative burden, and guarantees to put stock in front of a global audience of qualified buyers. Selling prices can be up to 80 per cent higher.

B-Stock offers the world's leading B2B marketplace for used phones. If you are new to the concept, it's easy to explore.

To find out more, contact Ed Hugener, mobile@bstock.com



B-Stock is the world's largest online recommerce marketplace for returned, excess, and trade-in inventory. Our customers range from the world's largest brands and retailers (including nine of the top 10 U.S. retailers) to hundreds of thousands of small businesses. B-Stock believes there is tremendous value in and demand for this inventory – no matter the category, condition, or location. We pride ourselves on empowering the entrepreneurs and innovators of commerce. Having completed over 210,000 transactions in 2020, we give buyers a simple and direct way to buy valuable products and offer sellers a better way to liquidate, boosting pricing and operational efficiency.

Discover more <https://bstock.com/sellers/mobile/>



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