

A monthly view of the wireless consumer marketplace

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**Service providers have an opportunity to create an online handset exchange program to capitalize on the secondary market's interest in handsets**

Nearly 20 million consumers will interact with a service provider site each month. The providers they evaluate, and products they research, are indicative of future buying and switching decisions. Compete's wireless services analyze millions of wireless consumers as they research products or manage accounts online. These services provide clients with strategic guidance to make more informed tactical decisions.

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## HANDSETS DRAWING INTEREST ON EBAY, BUT FEW ARE BIDDING

Like almost everything under the sun, wireless handsets have found their way onto eBay. On any given day, U.S. shoppers can find approximately 20,000 handsets available for auction. Handsets attracted over one million eBay consumers in July, yet in spite of this initial interest, few are bidding or buying handsets on eBay. In July, less than 4% of eBay consumers viewing a wireless product made a bid or began to move through the purchasing process. It's likely that handset locking and quality assessment/verification are limiting the appeal of making a purchase through secondary markets like eBay.

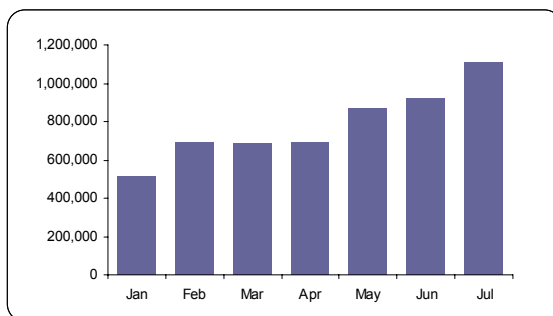
Historically, leveraging the web as a direct sales channel has proven challenging to the wireless industry. Today, service providers' branded websites convert just over 1% of online prospects into online buyers. Recently, improved shopping flows and the introduction online exclusive deals, are yielding major improvements, but the inability to touch or test the device still presents a major hurdle to the online wireless shopping experience. Obvious online hurdles, in concert with the unique complications of activating phones purchased on sites like eBay, make the secondary market for phones a difficult sales proposition.

## OPPORTUNITY TO CREATE AN INTERNAL EXCHANGE FOR HANDSET TRADE-UPS

Handset locking is a challenge to the secondary handset market, but it presents an attractive opportunity for service providers. Service providers could facilitate loyalty and maintain their inventory of refurbished devices by setting up an **online exchange for customers to "trade-up"** to new phones (similar to the automotive dealer practice of receiving trade-ins and certifying them as sanctioned "pre-owned" vehicles).

One of the major consumer complaints revealed by Compete is that existing customers are often frustrated that they do not have access to the same handset deals as new customers. Initiating a trade-up program would enable providers to stimulate customer loyalty and provide a pipeline of last year's popular models. Depending on the condition of a handset, service providers could offer money to subscribers and then offer these same handsets to other in-market prospects or existing subscribers. With this trade-up program, service providers would be able to capture and manage secondary market interest, reduce dependence on large handset subsidies and eliminate the activation burden for consumers.

**HANDSET INTEREST ON EBAY**  
 (Consumers viewing a handset on eBay, 2004)



**HANDSET CONVERSION FUNNEL ON EBAY**  
 (Consumers reaching specified steps in the bidding/purchasing process, July 2004)

