

# Digital Trade-in Programs: **Unlocking Additional Revenue Streams**

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# Abstract

## Electronic products are a constant in our lives



From the time we wake up to the sound of an alarm on our phone, till the time we sleep reading a book on an e-reader, electronic products are a constant in our lives. The proliferation of consumer electronics occurred over time, owing to a number of factors like falling component costs, intense market competition, development of newer technologies and so on.

Apart from the new products, there is an increasing demand for pre-owned electronics goods, especially from low income consumer segments, thereby helping further penetration of these products.

Consumers want to get the best value of their existing smartphone when they upgrade. And the top destination for these consumers in India tends to be the unorganised re-commerce sector.

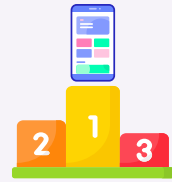
Here's a look at the deeper issues and suggestions for brands and their partners.

# Smartphone market in India

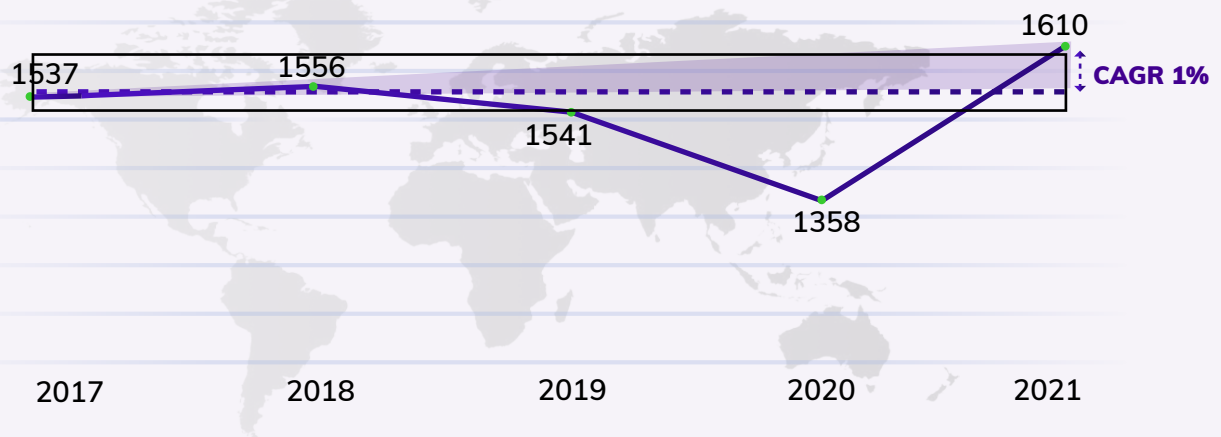
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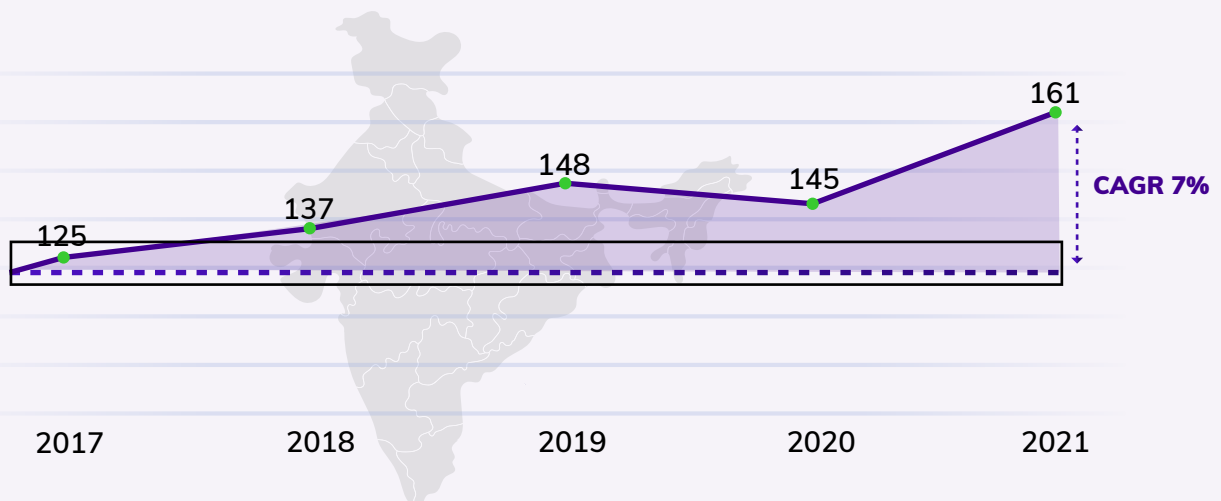
While nearly all consumer electronics have seen a surge in adoption in recent years, smartphones have been the category leader across multiple countries.



## New Smartphones shipped Globally (in Mn)



## New Smartphones shipped in India (in Mn)



Global smartphones shipment grew at a CAGR of 1% in last 5 years (2017 to 2021), while the India smartphone shipment grew at a CAGR of 7%

# Comparative Smartphone Costs



ASP of a new Smartphone is **\$204**



which is 33 days of income\*



ASP of a new Smartphone is **\$645**



which is 4 days of income\*



ASP of a new Smartphone is **\$781**



which is 7 days of income\*

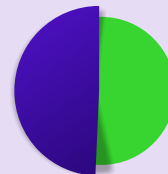
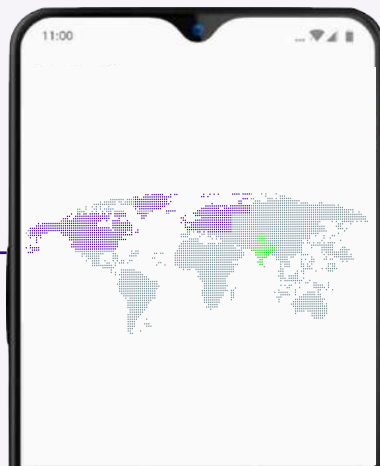
\*Based on 2021 IMF data on GDP per capita of that country  
ASP- Average Selling Price

While ASP for the smartphones in India is **1/4<sup>th</sup>** compared to the West, there is still a huge gap in the ownership

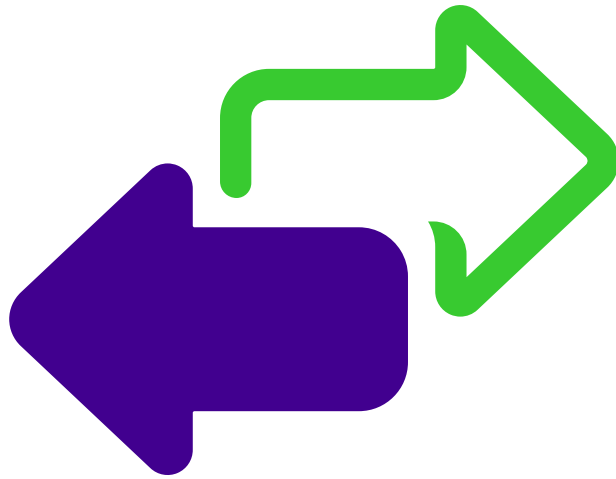
## Smartphone Market Ownership Stats



**80% People**  
own a smartphone  
in the US & UK



**54% Indians**  
own a smartphone



**Replacement cycle times are  
(surprisingly) increasing**

# 2017

A study found that smartphone users in India replaced their devices on average every **20 months**

Counterpoint research



# 2021

In contrast, Servify data shows that devices offered for trade-in in 2021 had an average age of **42 months**



The largest percentage of users trade-in their devices between 24 and 48 months

# 2022

A recent study by Deloitte showed that the average lifespan of a smartphone in the urban sector is **36 months**



# Replacement Cycle: Major Smartphone Brands



3.5  
years



3.1  
years



3.5  
years



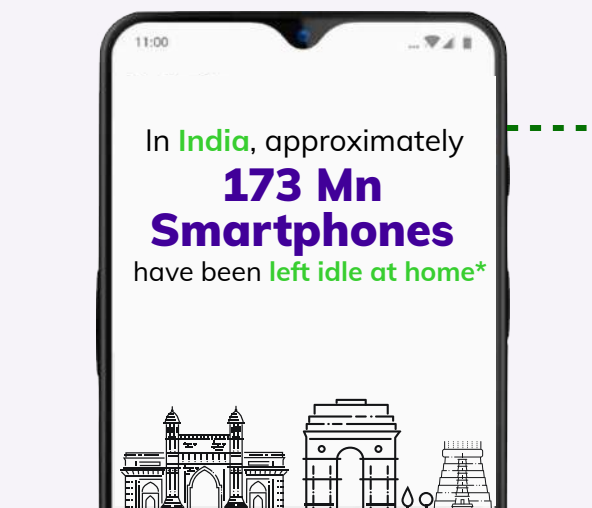
3.5  
years

As seen above, the replacement cycle for most of the smartphones is 3+ years, yet most OEMs offer device protection and extended warranty plans for only the first couple of years after a device is sold, driven by the logic of a 20-month replacement cycle.

Generally speaking, people are replacing their old smartphones after a much longer period of time. This opens an opportunity for OEMs to offer protection and EW plans for a longer period of time.



# Smartphones are great when new, unloved when old



\*Based on Servify data, till Dec 2021



Not sold

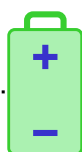


Not refurbished



Not used at all

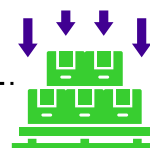
## The Old Phone in Your Drawer is a National Problem



Each smartphone battery  
contains 0.9 to 1.1 gms of Lithium

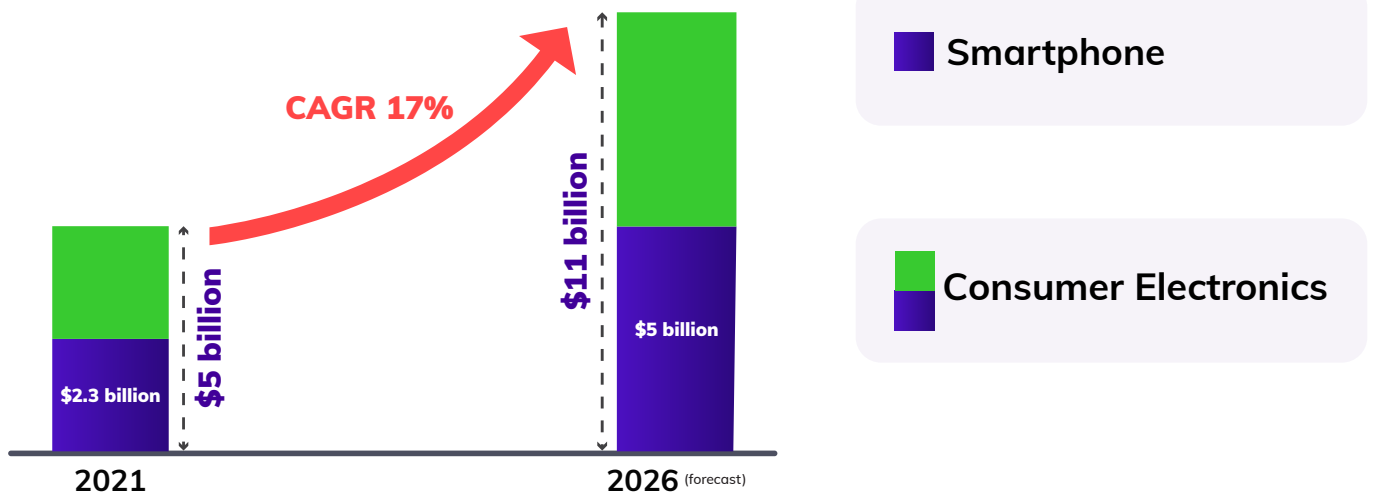
India does not produce Lithium domestically  
and imports finished batteries

India imports **516 million** batteries valued at  
~ ₹ **9,000 crores** each year

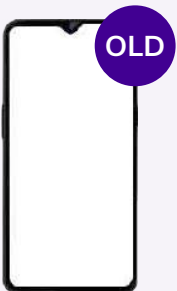


Effective recycling process could significantly reduce this dependence

# Pre-owned Consumer Electronics & Smartphone Market Potential in India

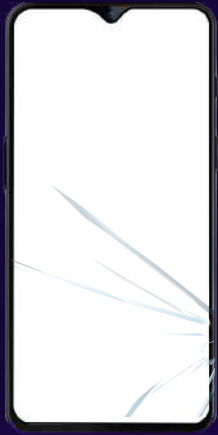


Source: Redseer



Pre-owned certified smartphones trade around 30-70% of the ASP of a new smartphone and hence an opportunity for brands to acquire the aspirational customers to try the brands

# Accurate determination of quality and age is key to the success of **trade-in** programs



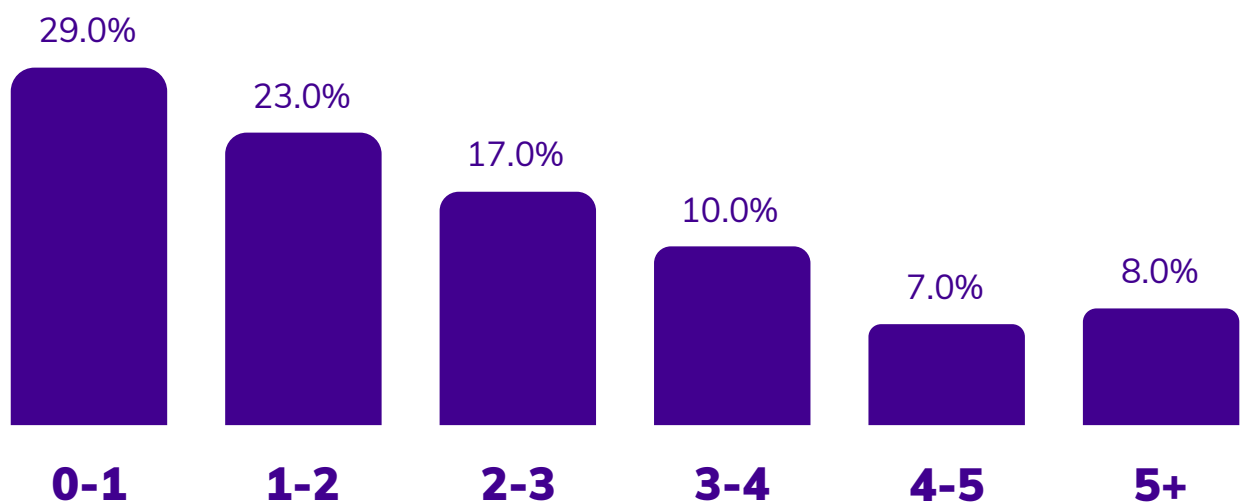
While we've talked about the increased holding period, we've not really discussed the crux of the matter yet: in what condition do consumers offer their pre-owned smartphones for trade-in?

Since the holding period of smartphones is increasing, it is imperative to assess the quality of a device both internally and externally to determine the fair price as our study suggests



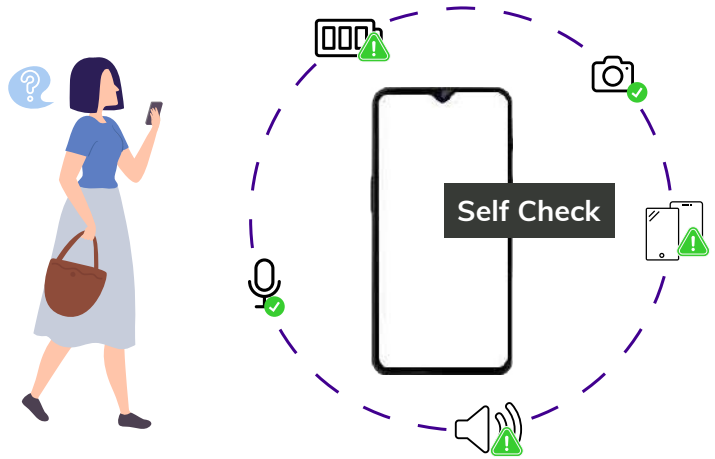
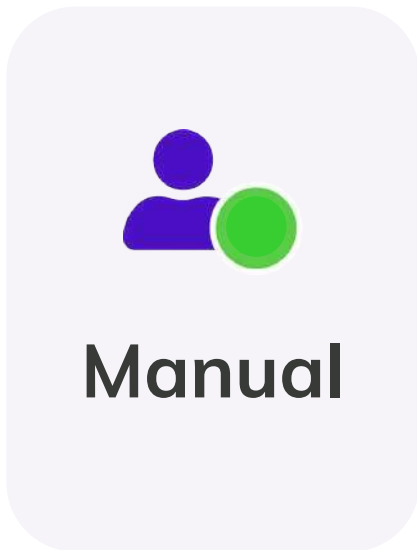
**Only 13% of devices are in 'flawless' condition.**

Below is the age wise distribution of **flawless smartphones** out of the total devices offered for trade-in

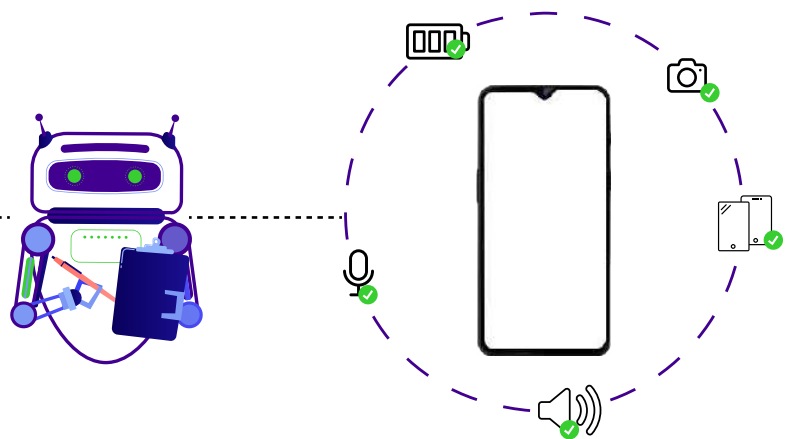
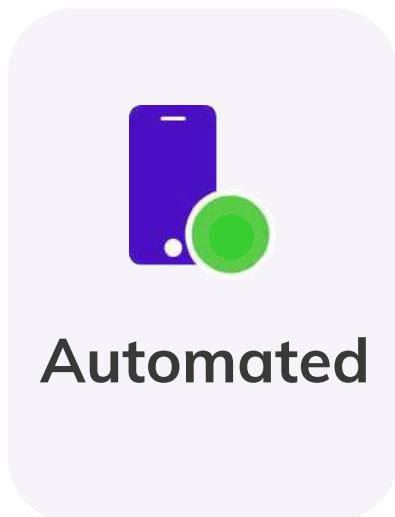


Source: Internal study

# There are two types of **diagnostics**



A manual diagnostic is where a customer needs to self-certify the condition of a device, which is prone to errors leading to inaccurate assessment of device condition.

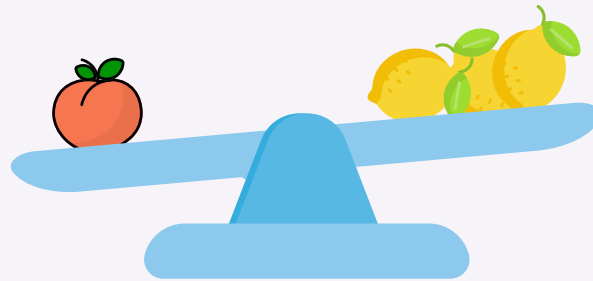


Automated diagnostic is where the entire diagnosis is done with the help of technology to achieve more accurate determination of the quality of the devices traded-in. A good solution should include age verification technology (to determine exactly how old the phone is), device functional diagnostics (to understand the functional condition) and technologies such as cracked screen detection that allow a proper assessment of the device's screen condition.

Customers who take good care of their devices will want better rates. This is why it becomes vital to assess the health of every device, both internally and externally which is only possible through a digital diagnosis to distinguish between Peaches (well-maintained devices) and Lemons (those devices with greater wear & tear).

- Excellent physical condition
- Reliable hardware/software
- Genuine components

- Scratches & dents
- Unreliable hardware/software
- Fake components



## But who runs these **trade-in** programs?

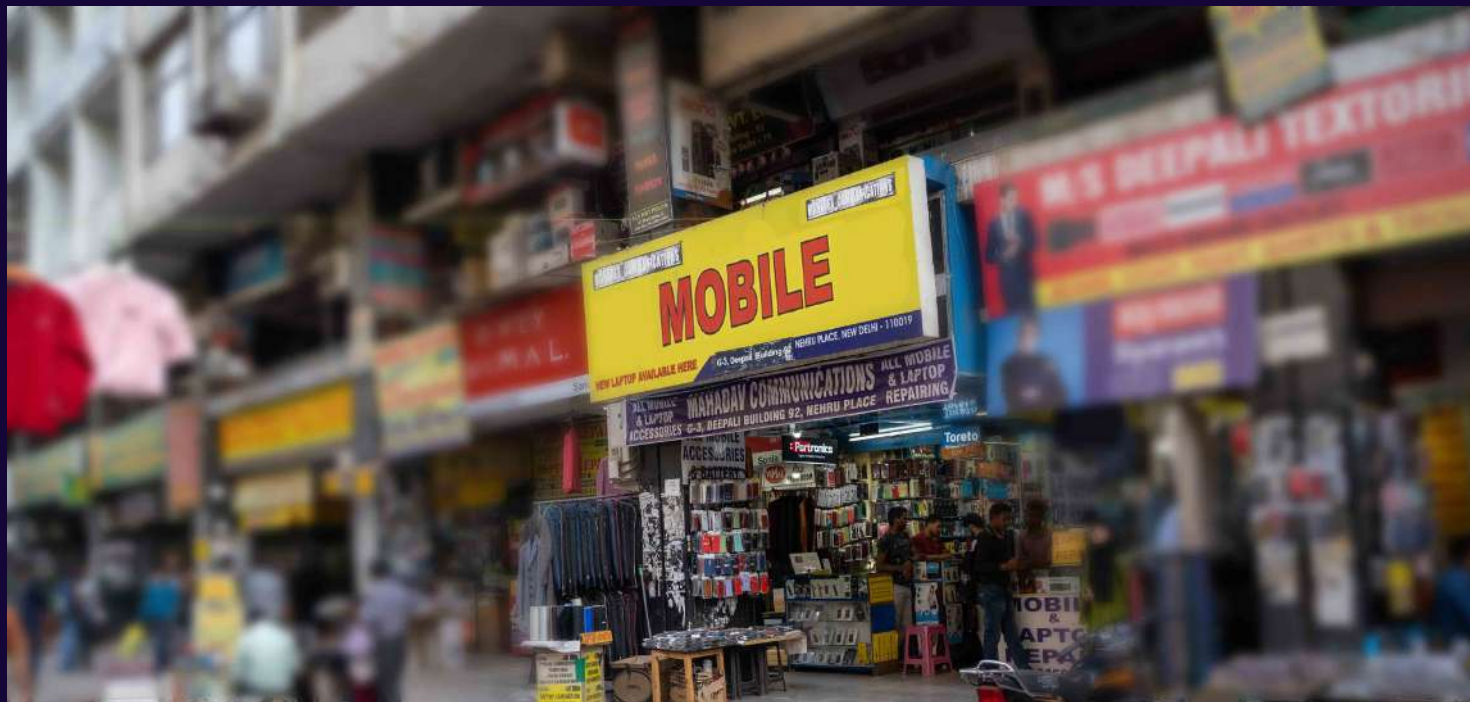
As of today, many of the trade-in and exchange programs are run by the retail stores. Once the store buys the device from the consumer, the store owner has to sell it to a liquidator. This requires tie-ups with liquidation partners. Many retail outlets, especially in the general trade or multi-brand outlet channels, rely on local, unorganized players to handle liquidation.

A liquidation partner, on the other hand, has to provide a price for a device, often without actually inspecting the device in question. As a result, the partner has to rely on the retail store executive's assessment, which may be prone to human errors.



# **Benefits of Brand authorised trade-in programs**

In a country where the unorganised sector still sees a majority of such transactions, brands can lead the way in setting-up lucrative programs which benefit their ecosystem, as well as consumers.



## Trade-in programs run with digital diagnostics have multiple advantages



Acquire aspirational consumers



Reward right consumers with sweeteners



Retain consumers



Drive significant reduction in e-waste

# Another characteristic of a digital diagnostic

OEMs and their distribution partners can get real-time insights using analytics and use them to refine positioning and price points. One of the KPI measures offer effectiveness which ensures that the customers are targeted with the right kind of offers.



This season coincides with major launches for several brands and trade-in programmes can help the OEMs position their launches in a manner which is more effective in driving up the exchanges and sale of new devices

Brands can enable the option to locate the nearest trade-in centre, where there is a brand authorized salesperson or an exchange partner. Making this information easily accessible to the consumers can often drive them to use the brand's preferred channel when the time comes to trade in the device.



# Challenges to **trade-in** programs & opportunities

## For OEMs

A modern-day smartphone is typically made of dozens of components, **examining** each is laborious and labour intensive.



Relying on customer's **declaration** can backfire, resulting in unnecessary losses, especially if there is no way to re-evaluate the device later



Post pandemic world has seen a lot of **uncertainty** with staff. In-store assessments can be highly inconsistent, plus there are logistical challenges from a store that need better solutions.



## For Consumers



They might go to a different retail outlet from where they purchased their phone



They most likely will meet a different salesperson (retail sector attrition is the highest in India)



Inability to receive a fair price for their products



## The Solution

The best way to address issues such as these is via a detailed assessment at multiple stages, governed by digital diagnostics.

Implementing this product, especially at scale, might be another challenge but can be overcome by deeply integrated ecosystem players. When run optimally, the opportunity to explore the untapped pre-owned smartphone market in India is huge.



# What can companies do?

While the OEMs can run trade-in programs with their ecosystem partners, the value proposition of running a digital diagnostics solution to estimate the true value of a smartphone is undeniable. The questions of reliability and adaptability should always be addressed by solution providers who have shown the capability of running diagnostics on a range of smartphones - from the cheapest with the fewest components, to the most expensive with an elaborate set of parts.

Once this trust dynamic is established, companies can see how beneficial these programs can be. If the question of engaging or winning trust from consumers remains unaddressed - then again, the solutions provider should be able to offer varied solutions from marketing email campaigns to push notifications on the OEM Care app and a lot more.

# Conclusion

If users are holding on to their smartphones longer than before, then there are ways to support and encourage the consumers to really look after their devices. One immediate and effective step that OEMs can implement is by providing extended warranties and accidental protection plans for beyond the standard single (or 2-year) year period(s). Offering a multi-year comprehensive warranty & protection plan not only supports the longer replacement cycle for smartphones, it also encourages users to take good care of their devices - to ensure the best value during their next upgrade.

And to encourage more trade-ins, consumers being offered a better value when they look after their devices will certainly drive the positivity around the practice. At the heart of driving such a change, lies the idea of implementing a digital diagnostic solution in the trade-in journey. Bringing objectivity and fairness into the journey benefits OEMs and retailers both, who can also cut down losses that arise due to human errors and pass on the benefits to consumers.

Lastly, a successful trade-in program can be elevated manifold, if the solution provider already has solution integrations with various ecosystem players like logistics partners, retailers, liquidation partners and OEMs themselves. As end-to-end integrated digital solutions reduce overheads significantly and minimize effort while driving efficiencies in the process, all of which benefits the consumer ultimately.

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