

Global market

GsmExchange is a specialist handset trader's version of eBay, enabling the industry to shift excess stock and plug shortfalls in supply. In a tough market, it is also a way to new routes to market. James Blackman reports

Dublin-based handset trading site gsmExchange operates in a sector in turmoil. The old mobile phone trade is broken; part of it uprooted by HM Revenue & Customs' campaign against VAT fraud and the rest struggling as competition is driving margins down and middle-men out.

But this idea of a market eating itself is really a parochial UK vision of dodgy dealers and box shifters, according to Essam Bishara's assessment of the global distribution sector. The import/export market in the first half of 2009 has been buoyant, reckons the gsmExchange boss.

The grey market has been cleaned up by the clampdown on VAT carousel fraud, and the economic climate has encouraged traders to find new international routes to market. GsmExchange, set up by Bishara in 1999, is the conduit for this new trade.

And business is good for it in these changing times. Its last audited accounts, for 2007, show growth in turnover and profitability of over 50 per cent. Bishara wants the precise figures held back, but the business is profitable, and increasingly so.

Its 2008 accounts, due to be filed September, will show further growth, he claims - although the leap will be lesser as new opportunities are more scarce. Membership is up 30 per cent annually in the first half of 2009, to 33,625. "People are turning to us as a way to increase, and at least to maintain, levels of business in times like these," says Bishara.

Global scale

GsmExchange is the largest auction house of its kind, reaching 30,000 handset traders in 200 countries across Europe, the Middle East, Africa, Asia and the Americas.

It is not a venue for market or eBay traders to pick up a few phones on the cheap. One hundred units is a guideline minimum (and typical only of trade in exclusive devices like the Apple iPhone) and members are rigorously vetted, and reviewed - they are required to show a bonafide trading history, along with two references from existing gsmExchange members.

"We could have grown numbers more, but we are careful about who we invite onto the platform. And there is little viral marketing for the platform because members keep it secret. They don't want their competitors to know their methods," says Bishara.

The essential gsmExchange trading platform is a global industry clearing house for handsets. It enables registered members from across the globe, typically distributors and wholesalers, to dispense of excess stock or plug shortfalls in portfolios. Requests and guide prices are visible to all members but, crucially, transactions close in private. Nevertheless, the site provides a live-time feed of trends in the global supply and demand of mobile phones.

Bishara says: "There are a few other platforms like ours - a couple in the UK, a couple in Central Europe, a few in the US and the Far East. But we are the longest-established and our customers tell us that we are the best. We charge a little more but it's a better service."

Typically, gsmExchange members recover their investment in their first transaction, suggests Bishara. Two thirds



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complete deals within four weeks of joining.

Bespoke platform

New platforms have been created to ringfence the process for certain clients, so manufacturers and network operators, global businesses, can control the flow of surplus inventory between markets.

Specifically, it has developed a bespoke online market place at Vodafone's request, to run separately of the open trading floor and exclusively to subscribers. It is pitched primarily at network operators looking to run down stock inventory by trading between group business units, rather than offering it out to the wider gsmExchange platform.

"It is a bespoke platform, so every operator can market, reduce and streamline inventory," explains Bishara.

The idea is that, if demand for the Nokia 6300, say, outruns supply at Vodafone UK,

say, it can search for excess stock holdings within other Vodafone units. "Vodafone India, for instance." An operator can thereby keep its trade private. Regional purchasing units, which number more than 40 in Vodafone's case, get full view of holdings and shortages within sister operations, and are not forced to enter bidding wars when handset forecasts run short.

Operator partners can also hand pick participants in certain private auctions, and invite bids for excess stock or urgent supply from trusted clients in the distribution sector. There is an upfront fee for the Internal Market Place that covers adaption of the original platform, plus an annual licence and a subscription.

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clearing house

ments in different countries. This enables that," explains Bishara.

Controlled auctions

GsmExchange also launched gsmAuctions last year, which represents another controlled sales channel for regional manufacturer and network operator units. It is a kind of half-way house between the open platform and the Internal Market Place.

It is a way for regional vendor divisions to redistribute surplus inventory into non-competing markets. In particular, it works around vendors' fundamental dislike of grey market trading, gsmExchange's essential interest. Regional manufacturer units fight against imported stock because it compromises divisional sales, and thereby risks marketing funds to support future channel activity. Both Samsung and Nokia have been particularly hot on grey market trading in the UK.

GsmAuctions enables them, as well as distribution companies working within such constraints under the terms of their supply contracts, to exclude from the tender process trading companies that might sell stock back into home markets, or into markets where it will affect the activity of a parallel division. Unlike Internal Market Place, which is managed by the operator, the company runs gsmAuctions itself.

It takes instruction on acceptable minimum price, geographic distribution and the profile of buyers, and issues the tender out to appropriate gsmExchange members. Bishara points out it will select operations with indigenous infrastructure or retail operations of their own in destination markets, so stock reaches end-users and is not turned over to some "Hong Kong trader and then shipped back home again next week".

It is a commission-based model, and gsmExchange takes a percentage of the transaction only if it is successful. "No success, no fee," says Bishara.

Market data

The company has also expanded its market data resource, which it has run on request since launch.

Now, its PriceWatch service, available for a per-user fee of "a few thousand", offers clients data on average selling prices of handsets, giving them an insight into the value of the deals they are signing. Bishara makes clear no confidential client information is divulged.

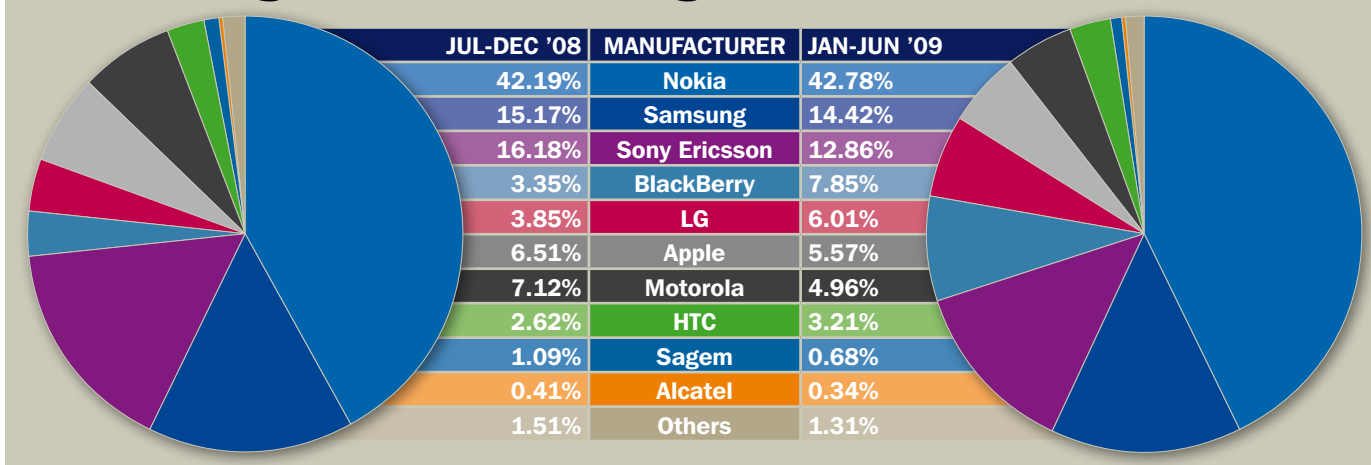
Deals remain private, between buyer and seller. Even gsmExchange is not privy to transactions - only to the reserve price and the bidder information, and it only makes the trade volumes and average sales prices available.

The PriceWatch data, a snapshot of which *Mobile News* publishes in Data Centre each fortnight (see page 44), offers an average guide price for wholesale transactions, and drills down into supply/demand for individual handsets by time and by region.

It throws up certain paradoxes. The two-year old Nokia 6300, for instance, closed 2008 with an average trade price of €92, and increased in value through the year to a high of €97, with 1,000 live requests against 600 offers of stock at one stage, before it eventually dropped again. It is typical of pricing behaviour in the recession, observes Bishara, because manufacturers cut production at the back end of last year in expectation of slow footfall, starving indirect channels of product.

"It gives an extremely good indication of the supply, demand and price of handsets, according to time and region, and it

Percentage share of trading for handset manufacturers



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tracks inflation and deflation according to demand," says Bishara.

"It doesn't reveal anything about anyone but customers get visibility of the market and an insight into the competition, so they can do things in a better way. It is the only place you can get wholesale pricing - which manufacturers, operators and distributors don't want to issue

themselves because it is valuable information to rivals."

New markets

Bishara disputes the idea gsmExchange is appealing to network operators and handset vendors as the traditional trade shrinks. Vodafone came to it because it wanted its procurement units across the

globe working together, he points out.

"It was not part of some grand scheme, or a planned expansion to the platform. But it is valuable, and makes sense for us to make it available to other clients also. Operators tend to be careful about how they sell stock because it is personalised with their logos, which is reason to keep trade in-house."

He accepts gsmAuctions is appropriate for operations that take a dim view of grey market trading, on the grounds it sets strict parameters for the forward trade of goods. "Manufacturers want to control their distribution channels. Which is why we launched gsmAuctions, because it solves any problems around the supply of stock into certain markets."

But he takes issue with the concept of a failing trade sector. "There might be consolidation in certain markets, but the trade is really buoyant. The first half of 2009 has seen a lot of activity. Membership is up - especially in emerging markets. And there is a lot of stock being imported into the UK, and a lot going out."

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GsmExchange is recruiting members at pace in Latin America particularly. There is good trade activity in Eastern Europe, the Middle East and Asia as well, and Bishara is closely monitoring India, which he describes as "unstructured" in terms of distribution but possessed by huge demand for mobile phones.

Internally, the business is recruiting heavily, particularly in marketing, at its Dublin base - to add to its multinational 12-strong team and support its drive into new markets.

Bishara says: "We want to see how we can increase membership within these growing markets - and make sure that we catch those opportunities as they grow up. Traders rely on us to do that for them, but at the same time we don't really get any kind of viral marketing from them. Because they want to keep it to themselves. They don't want to share knowledge with competitors."

It is also working on new platforms, to extend its appeal beyond the traditional hardware supply chain of manufacturers, operators, distributors, wholesalers and retailers.

Bishara is vague: "We are working on two new sister websites to cover other products within the mobile industry; parts of the market we felt needed servicing. I really can't say much more. They will be ready in a couple of months."

Average handset trade prices 2009

(Prices in €)	JAN	FEB	MAR	APR	MAY
Nokia 6300	95.73	97.62	91.83	90.66	88.89
Apple iPhone 3G 16Gb	509.77	501.73	496.14	519.6	491.42
BlackBerry Bold 9000	380.06	372.19	377.35	369.96	382.31
Apple iPhone 3G 8Gb	441.88	440.99	432.4	438.62	430.54
Nokia N95 8GB	311.03	312.85	296.02	290.79	294.81
BlackBerry Curve 8900	341.88	350.5	314.14	297.82	281.09
Nokia 5800 Tube	272.49	262.96	241.81	236.39	218.86
Samsung SGH-E250	48.69	50.37	47.11	46.14	46.34
Nokia N96	401.14	405.5	366.33	347.02	340.79
Nokia 1208	20.89	21.01	20.14	19.41	19.14

Models of consistency

The Nokia 6300 and the iPhone 3G have performed well over long periods of time, with the two-year-old 6300 fluctuating between €88 and €97, and the iPhone 3G between €491 and €519. Prices of both have gone up and down, demonstrating their longevity



Models of depreciation

The BlackBerry Curve and Nokia 5800 have fluctuated significantly in price over the past months, between €350 and €280 in the case of the former and €272 and €218 in the case of the latter. Both have dropped steadily month-on-month

