

Retailers want to sell you gadgets, buy them back later, and then sell them again

March 28 2011, By Gus G. Sentementes

You know that shiny smart phone you bought six months ago? There's an even better one hitting the market right about now. Or how about that flat-panel TV you bought last year. Now they come in 3-D.

With the ever-quickenning pace of [technological advances](#), you can be left in the digital dust.

Retailers now have a solution for consumers - and for themselves. They will buy back your old gadget in hopes that you turn around and buy the next best gadget on their shelves.

Under these "buyback" programs, big-box retailers and online merchants give cash or credit for a piece of used electronics. Best Buy, the world's largest [consumer electronics](#) retailer, launched its program earlier this year.

"Technology is changing so fast that the consumer a lot of times feels they're being left behind, so they'll postpone buying," said Cynthia Jasper, an expert in buying behavior and chair of the consumer science department at the University of Wisconsin-Madison. "So it's a way to make the consumer feel at ease."

For retailers, buyback programs are another way to lure customers into stores to spend on pricey gadgets such as [smart phones](#), laptops, tablet computers and televisions. Retailers also see buyback programs as an alternative [revenue stream](#) because they can sell used products through

online outlet sites.

One California start-up has put its own twist on the concept. Its [vending machine](#) model, called the "ecoATM," is an automated kiosk that accepts used gadgets and pays the consumer in cash or gift cards. The company behind the Redbox movie rental kiosks, Coinstar, has invested in ecoATM, which has already deployed some of the machines in California.

Retail industry experts say the consumer electronics market is evolving the way markets in used cars or used textbooks did. And if consumers believe their gadgets will retain some value, they might be more willing to upgrade sooner rather than risk the device becoming outdated and worthless, industry experts said.

For years, early adopters of gadgets have used eBay and other online outlets to eventually sell them and use the cash to defray the cost of the latest models. With the new buyback programs, that kind of electronics consumerism could become the norm.

Many consumers already trade in - and up - their cell phones, as those who lock into contracts are often given credit to upgrade to newer models. Sprint, AT&T and Verizon have introduced their own buyback programs, some of which aim to lure customers from other carriers.

"The electronics business is built on people upgrading their products," said Stephen Baker, vice president of industry analysis at NPD Group, a technology research firm. "Anything to increase the turnover is a benefit to the industry."

Consumer electronics retailers typically have thin profit margins, but some are finding a lucrative market in buying and reselling lightly used gadgets.

Dale S. Rogers, a logistics and supply chain expert and professor at Rutgers University, estimates that the secondary market for consumer electronics is worth about \$13 billion in annual sales - or about 10 percent of the total consumer electronics market in the United States.

Rogers said that brick-and-mortar retailers increasingly feel threatened by online commerce and are strategizing ways to keep consumers coming through the doors. Best Buy's program, for one, requires customers to come into the store to sell back products.

"The brick-and-mortar, big-box retail store is experiencing some difficulty these days," said Rogers. "It's real easy to buy online, so these buyback programs are really a great way to get you into the store."

Under Best Buy's program, the consumer who buys a gadget pays an upfront fee, which varies on the type of product, to participate and is guaranteed a resale price of 10 percent to 50 percent of the item's original price. Most gadgets, except for televisions, have to be sold back within two years to qualify for a resale. Televisions have a four-year window for re-sale.

Best Buy then resells the products through its outlet center, through other online channels, or recycles them.

Robin Wilson of Frostburg, Md., who purchased a buyback plan from the Best Buy store in Timonium, Md., when she purchased a new laptop recently, said it was the first time she had ever considered selling back a gadget. She liked knowing she would get at least some money back. She and her husband bought a used Apple MacBook Pro for \$975 and a one-year warranty for \$139. Buying the warranty allowed them to get a discount on the usual "buyback" rate of \$69.99 for laptops, for \$25, she said.

With the buyback plan she purchased, Wilson is guaranteed to get back anywhere from \$195 to \$487.50 in Best Buy store credit, depending on when she trades in the laptop over the next two years.

"You usually can't do anything with (computers) because they're not worth anything after a couple years," Wilson said. "This seemed like a pretty good deal."

Some consumer advocates are critical of Best Buy's program, saying consumers have other options for selling their used electronics without paying an upfront fee.

Best Buy officials say that with the fee, consumers are guaranteed a minimum return. The company also promotes the convenience of in-store resales as a key benefit.

"Let us take care of it for you," said George Creighton, operations manager at the Best Buy store in Glen Burnie, Md.

TechForward, a start-up company in California, has been offering this "guaranteed buyback" model for several years, partnering with clients such as Radio Shack and CompUSA, which offer the option to consumers. The terms of TechForward's program are similar to Best Buy's.

It had partnered with Best Buy to develop the retailer's own program, a federal lawsuit filed last month in California alleges. TechForward contends that Best Buy stole its trade secrets and launched its own program - with a major commercial on Super Bowl Sunday this year - and ultimately cut out the small company.

[Best Buy](#) representatives declined to discuss the lawsuit.

As part of the lawsuit, TechForward revealed that one of the ways it makes money is by closely tracking the rate of return for different gadgets. The company can turn a profit from those who never take advantage of the buyback plan.

Gazelle.com, a Boston-based company founded in 2006, gives consumers the going market price for a gadget, whether it's a smart phone or an Apple iPad.

It has also developed its own technologies for quickly assessing the worldwide market for electronics. Gazelle users can get an online price quote for their equipment, ship the product for free to the company and get paid within two weeks.

Some of Gazelle's retail partners include Costco and Kmart. Consumers can trade in electronics through these retailers' websites and get store credit, or they can opt for cash back.

Kristina Kennedy, a Gazelle spokeswoman, said the company calls the nascent industry "recommerce." The March 2 announcement of the Apple iPad 2 led to a watershed moment for the online service. Owners of the original iPad flocked to the website and sold 2,400 units on the day that Apple CEO Steve Jobs announced the second version.

"That became the biggest day of business for us in the company's history," Kennedy said.

"What's really spurred our business is the pace of innovation," Kennedy said. "The last couple years have seen some very exciting products to come out in consumer electronics."

Baltimorean Dawn Ward has sold two smart phones, including an iPhone 3G in October for \$80, through Gazelle.com. She's excited about all the

options she now has to sell her gadgets.

"For the consumer, it's awesome," Ward said.

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Citation: Retailers want to sell you gadgets, buy them back later, and then sell them again (2011, March 28) retrieved 18 May 2024 from <https://phys.org/news/2011-03-retailers-gadgets.html>

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