

Smartphone trade-ins will matter more as subsidies go away

April 12 2013, by Maria Halkias

Taking a cue from the auto industry, phone sellers are tempting consumers with trade-in offers. In fact, there's probably a good-size down payment on a new smartphone in your pocket now.

[Phone](#) retailers and wireless carriers are stepping up offers, training store employees and developing online trade-in pricing tools as spring blossoms into a season of [new smartphones](#).

The Blackberry Z10 came out in March. The [HTC](#) One and [Samsung](#) Galaxy S 4 are due as early as this month, based on industry chatter. Rumors are already swirling about an iPhone 6, which is bound to happen sometime.

[Best Buy](#), RadioShack and [GameStop](#), along with carriers AT&T, Verizon and Sprint, offer cash or gift cards for phone trade-ins in stores. Apple has an online-only option. There are several online businesses devoted just to trade-ins, including Flipsy.com and Gazelle.com.

The average trade-in value for a [smartphone](#) is \$100 to \$125, but some models fetch up to \$400. (Thieves beware: There's a database of stolen phones, and proof of ownership and identity is required to complete a transaction.)

Fort Worth, Texas-based RadioShack pioneered the practice. It tested phone trade-ins in 2009 and has bought 1.5 million phones so far.

Best Buy said it's making trade-ins a priority and has doubled its trade-in volume this year.

Grapevine, Texas-based GameStop extended its used merchandise expertise to tablets and smartphones a year ago. Now all of its stores buy phones.

GameStop likes the phone business so much that it has started selling prepaid wireless service as well.

Subsidies from [wireless carriers](#) in exchange for one- and two-year contracts have masked the real price of smartphones. That's beginning to change.

T-Mobile USA will become the first major carrier to drop smartphone subsidies when it starts selling Apple iPhones on April 12. The fourth-largest U.S. wireless carrier, which has a pending merger with Dallas-based MetroPCS, was the last major carrier to get Apple devices.

T-Mobile said it will sell the iPhone 5 for \$579, payable with \$99.99 down and \$20 monthly payments for two years. That's in addition to a rate plan.

If subsidies go away and consumers pay \$600 up front for a new iPhone, trade-ins will become the consumer's own subsidy, said Sammy Saloum, RadioShack's vice president of merchandising.

Those trade-ins may also help RadioShack regain consumers it has lost to the stores of major carriers.

RadioShack has already given customers more than 10 million phone appraisals.

"People start thinking about a new smartphone three to six months before they decide to trade in," Saloum said. "The trade-in value allows the customer to bridge the price gap of smartphones."

The industry estimates that \$10 billion worth of smartphones are sitting in drawers unused, GameStop President Tony Bartel said. "I know there are some in our house."

About 62 percent of Americans say they have old phones and don't know what to do with them, said Michelle Smith, Best Buy's director of trade-in programs.

Getting \$200 for a phone can help people who worry about trading in a phone that still works, said Scott Anderson, Best Buy's vice president over phones and tablets.

In the U.S., consumers keep their smartphones an average of 18 months, Anderson said. "Smartphones are upgraded so rapidly, and a lot of people always want to have the latest technology."

"We're all pretty competitive," said Smith, but at Best Buy "we offer the convenience of in-store trade-ins vs. mailing it in and waiting for a check" from online buyers.

Best Buy and RadioShack don't resell the phones they take as trade-ins. But there is an aftermarket catering to those who don't care about having the latest model and families that can't afford for everyone to have the newest smartphone.

Some trade-ins are taken apart for parts to fix phones covered by insurance plans. Buyers promise that all phones are wiped clean of personal information and that broken phones are recycled properly.

Retailers and carriers push the green aspect of their trade-in programs while acknowledging that it's become a necessary customer service.

In AT&T stores, the protocol for dealing with people buying new phones includes asking "What are you doing with your old phone?" said Matt Palmer, a director of sales operations at Dallas-based AT&T.

"There are no basic phones anymore; people have really nice phones," Palmer said. "Now it's a small hand-held computer, and it has financial value."

And it pays to shop around.

Recently, an [iPhone](#) 4S with 16 gigabytes of memory fetched as much as \$266 from Best Buy and \$220 online from Apple. [RadioShack](#) was paying \$142.80 for a Samsung Galaxy Note 2, while on the same day Verizon offered \$100 on its website.

Few were giving much of anything for older [Blackberry](#) models like the 8300 that's been in recent photos with President Barack Obama. The White House declined to comment about whether Obama has upgraded.

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