



# Fonebank account

Being incredibly lucrative and environmentally friendly, the business of buying and selling disused mobiles is a win-win, as Michael Garwood discovered

**B**uying and selling second hand mobile phones has become a multimillion pound business in recent years, with a number of key players collecting hundreds of thousands every month.

One of those companies is Fonebank. Based in Holborn in central London, it typically makes its money by buying handsets from consumers and selling them abroad at a higher margin. But the process in which it procures these devices is anything but simple.

Fonebank is a year old, but has been in business since 2003 under the collective name of Corporate Mobile Recycling Ltd, which was set up by its three current directors, who started off recycling printer cartridges with mobile phones playing second fiddle.

Five years on, however, it's all about mobiles and handset numbers have increased from 15,000 to 70,000 per month, with the Christmas period proving once again to be its busiest time of the year; increasing that figure to more than 80,000.

So busy in fact that its 30 staff are struggling to cope with the workload, prompting one of its own directors to step onto the factory floor and help reduce the load.

"I wish we had come back from Christmas sooner," joked Fonebank marketing director Oly Tagg. "Christmas is an extremely busy time for us and volumes have been phenomenal. We are receiving close to a million handsets a year now. It's a fair old market."

"In January we expect to issue between £350,000-£400,000 in cheques, but in the months building to Christmas we were sending out cheques totalling around £200,000 a month."

In most cases handsets collected from customers are sold on in bulk to various

companies around the world, with the majority based in Africa.

"A typical customer will buy 400-500 phones, but we get orders for more than 5,000 from some. We sell a lot to Ugandans, Ghanaians and South Africans and we have typically sold to the same people for a number of years," says Tagg.

A £200 handset will provide around £12 or £15 in profit once sold. The average payout, based on three devices, is £50.

Fonebank also sells a number of devices through auction site eBay, allowing for smaller orders and meaning devices from Fonebank are distributed around the globe on a daily basis.

But Tagg admits that selling the devices on holds few barriers, but receiving them is not as simple as it sounds; it requires a substantial amount of skill and resource.

"On the surface it's a reasonably simple business, but the skill is in the selling - to sell it skilfully and with a decent profit margin you need volume, and you only really know what you are doing when you have done it for a few years."

## Online tools

Fonebank's main communication tool is through its website, which allows people to simply type or search the make and model of their handset to receive a maximum price Fonebank will pay. Fonebank then sends out a self-addressed collection bag for the customer within 24 hours.

All devices are sold as 'category B' meaning second hand. Minor repairs and reconditioning is carried out either on site or via a third party. Phones which do not work may still be given a value.

"We expect it to have scratches and scuffs, but provided its nothing major like a bleeding screen we can use it. We try and make it as simple as possible for the con-

sumer and have had very few complaints regarding it," says Tagg.

"It surprises me how honest customers are. We get the odd one or two sent in claiming to be working when they don't, but 99 per cent of the time we have no problems."

Any handset deemed to have a value is accepted, ranging from £1 for a Nokia 3310 to £200 for a 3G 16GB iPhone.

Turnover for Fonebank in 2007 was £7million. Although more up to date figures were not revealed, Tagg claims business is up and expects more of the same going forward.

"I expect the actual overall business turnover to grow. I will be astonished if there isn't good growth this year for us, as everything we are doing is growing very quickly," says Tagg.

"We have always been profitable, we have no outstanding debts or borrowings

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Oly Tagg, marketing director, Fonebank

in loans, we have money in the bank and are in a position where we can expand.

"There's still a lot of growth for recycling mobile phones, a huge world out there that hasn't been penetrated yet and still a lot of people that do not have mobile telephony, so there will always be an outlet and a market for good second hand mobiles."

The competition is tough. Type 'mobile recycling' into Google and Fonebank and its two closest rivals (Envirofone and Mazuma Mobile) appear at the top of the page, making it even more important to offer the customer the best experience.

This is an area in which Tagg believes Fonebank holds an advantage, and with

its high prices and turn around time consistently around the 24-hour mark, he sees no reason why the company should not expand further.

"There are a lot of people doing this now, so if you're not tip-top on your prices you're simply not going to get the volume," says Tagg.

"We have always focussed on giving fantastic customer care, because if you do that you will automatically be referred to friends and family and they will come back to you regardless of price.

"People don't like waiting around for their cheques, so from the outset we make sure we respond to mails and calls straight away and send out cheques within 24 hours to cut down on the burden of people chasing, which is time consuming.

"If you look on the comparison website mobilephonerecycling.com we look to be one of the highest payers 50-60 per cent of the time."

## Future proof

However, despite the competition effectively beating Fonebank to millions of devices a year, Tagg believes the business has a big future in dealing with just mobile phones and is not tempted to add anything else to its recycling portfolio.

"It's easier for us to grow the company more organically and not to try anything too hastily," says Tagg.

"It's all about what you know. It's very easy to get sidelined and add MP3 Players, laptops and digital cameras, but mobile phones is collectively what the three of us (directors) have always worked with, and things have gone well.

The business has recently expanded into Europe, having set up an office in Spain. It collects devices with help from the Red Cross, one its charity organisations, and employs three people.

The company is averaging an extra 15,000 handsets per month as a result, and the company aims to open two other European offices during 2009, but refused to confirm where.

"It's important we do it correctly and we are targeting the countries we believe we can manage best and where there's a decent market," says Tagg.

"We have re-invested the money made back into the business and are in a really healthy position."

Fonebank is also working with a number of charities including Amnesty International and Oxfam who, under a white label, collect on average 200,000 devices a year, accounting for almost 20 per cent of all handsets received by Fonebank.

Tagg claimed the business paid more than quarter of a million pounds to Oxfam last year.

"We have eight or nine good partners. And what they want is someone that will pay them as much as possible with a turnaround as quick as possible," says Tagg.

Another competitive space for collections is with schools, and Fonebank has more than 3,000 on its books collecting on average 11,000 devices per month.

As with the charities, the money for handsets is paid directly to the school, or to the organisation they are collecting for.

"The teachers and head teachers are quite involved and the kids enjoy it. We have kept it all as simple as we can, encouraging them to collect and providing them with the tools they need."

Tagg also claims the company is helping the environment and has received numerous accreditations for its work, in reducing the number of wasted handsets. However, Tagg admits that although being green is important, it's all about making money.

"A lot of handsets end up in landfill and do have an impact on the environment. But let's be honest, the biggest reason people recycle through Fonebank is for the money, and that's what we focus on." ■