

Forallphones

How can Forall Phones, a Portuguese SME operating in the thriving market of refurbished smartphones, successfully expand through Europe?

5.2. Switzerland In-Depth Country Analysis

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Professor Emanuel Gomes
Professor Pedro Teixeira



Switzerland has a robust performance regarding governance indicators, a strong capacity for innovation and a sustainable vision concerning environmental aspects. Moreover, Swiss people benefit from a strong purchasing power: one of the highest in the world.

5.2. In-Depth Switzerland Analysis

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5.2.1. PESTEL Analysis



Political¹

Switzerland has a robust performance concerning governance indicators, especially due to its ideal democratic system, political stability, and control of corruption. Nevertheless, the transparency verified in vital political reforms has led to delays, which is challenging institutional effectiveness. It is expected the expansion of relations with non-European states, given the recent positive growth in exports to emerging economies.



Economic

The economy grew 2.5% in 2018 and was driven by the export sector. Meanwhile, it is expected that the global economic slowdown will adversely affect Swiss export demand. As a future concern, the country is facing an overheated property market.¹ Moreover, household consumption is projected to slow down from a growth of 2.8% in 2018 to 1.9% in 2019.¹ Nevertheless, the rate of expansion in the Swiss consumer electronics market will remain healthy, supported by high disposable incomes and low unemployment. Also, the abandonment of a policy that set a floor in the Euro/Swiss Franc of 1.20 in 2015, led to a spike in the country's purchasing power against European neighbors and made imported consumer electronics cheaper.³



Social

The labor market has low unemployment, high productivity rates, and flexible regulations. Furthermore, Switzerland has one of the most highly trained labor force in the world.¹ The country is developing pension reforms to tackle an increase in the number of retirements due to the problem of an aging population.¹ Swiss people are changing habits and purchasing more green or ecological products.⁷



Technological

The country has a strong capacity for innovation, being considered a global innovation leader. High performance of firm investments and intellectual assets sustain this position.¹ Switzerland has an advanced digital landscape, which is in part a result of liberal regulations that foster competition. In the mobile digital segment, consumers pay more for good service.² There is a high involvement of the private sector in R&D. However, it only comprises few sectors and SMEs tend to have problems with funding due to the high amounts they need to spend internally in R&D.¹



Environmental

Being at the forefront of establishing environmental legislations, Switzerland is committed to several international agreements.¹ Additionally, a lot of projects concerning circular economy emerged in the country, as a large number of private companies and public organizations are implementing methods to pursue the goal of making the Swiss economy more circular.⁴ SENS eRecycling, Swico, and SLRS are the three Swiss take-back systems used to guarantee a resource-efficient return, reuse and proper disposal of electrical and electronic equipment. The quantity of mobile phones collected has been rising.⁵ Through international networking at a European level, and as a member of the Forum for WEEE, the country has setting cross-border standards.⁶ Therefore, two EU directives - RoHS and WEEE - were adopted in 2002 to regulate the end life of electrical and electronic equipment.⁶



Legal¹

A low level of corruption perception along with no significant barriers to start a business are conducive to investment. The country has made an effort to improve transparency on tax matters and to control corruption. There is still a lack of refurbishment standards and no clear regulations or incentives in circular economy businesses.

Although Forall Phones does not have a direct point of contact in Switzerland, some Government Agencies and Associations can give support to the Portuguese company if it plans to enter the Swiss market. The multilingual and multicultural population in the country could be a challenge for the delineation of Forall Phones' business strategy and may indicate that it could be useful to contract agents or distributors to benefit from their market expertise in the Swiss business culture.

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5.2.2. Contacts



Agents and Distributors

Agents:¹ Although an agent is not required to do business in Switzerland, Forall Phones could benefit from one that is familiar with potential clients and the Swiss business culture through its market expertise and locally-based after-sales services. In addition, it would allow the company to test the market while meaningful business risks are limited, as the investment is smaller than operating an independent office. Given that there are four different linguistic regions in Switzerland, a network of agents serving those areas could be beneficial.

Distributors: Some of the largest international trading and shipping firms are based in the country, meaning that it is not difficult to find one.² As an example, it is easy to find distributors online in "Wer liefert was?" platform, the leading Swiss supplier search engine in B2B.³

Since Forall Phones is a brand that is not yet known in the country, the company may be required to offer favorable terms to obtain good representation from agents or distributors. Moreover, if a Swiss firm is chosen for this representation, it is possible to test the viability of the potential partner beforehand in the official trade registry, available online at the Swiss Official Gazette of Commerce.



Government Agencies and Embassies

The State Secretariat for Economic Affairs (SECO) is a center of expertise for issues relating to economic policy and it performs a connection between business, social partners and government.⁴ It provides plenty of information for companies that want to place goods on the Swiss market. Through its website, it is possible to find the following sections:

- SME Portal: managed by the SME Policy sector, it promotes conditions of company establishment in Switzerland. Along with this portal, EasyGov.swiss was developed to provide information and reduce the administrative burdens of SMEs. Federal Commercial Registry Office: it has supervisory authority over the cantonal Commercial Registers.⁵
- Import Platform: this website explains technical rules that apply for the importing of products into Switzerland.
- Federal Office of Communications (OFCOM): it performs the surveillance and monitoring of telecommunications equipment and electromagnetic compatibility of electrical apparatus, ensuring that the requirements stipulated in law are obeyed. The rules of equipment conformity are defined at the European level, with the participation of OFCOM.

The Swiss-Portuguese Chamber of Commerce and Industry (CCISP) promotes the bilateral exchange of goods and services. It also helps companies to identify potential suppliers, manufacturers, agents, distributors and companies interested in joint ventures;⁶ AICEP Portugal Global is a public entity of the Government of Portugal that supports the internationalization of Portuguese companies.



Associations and Organizations

Switzerland Global Enterprise (S-GE): gives guidance to potential foreign investors by providing information on particular strengths and operating conditions of Switzerland as a business location.⁷

Economiesuisse: is the largest business association in the country, representing 100,000 companies from all business sectors.

Electrosuisse: is a Swiss professional association for electrical, energy and information technology.



Letters of Inquiry

English is widely spoken in the country and is used in many business meetings, especially in German-speaking cantons where the knowledge of the language is higher.⁸ For that reason, there is probably no concern if Forall Phones' stakeholders do not meet the different dialects used in the country.

Lastly, the content in letters of inquiry has to be clear, direct and straight to the point.⁹



When describing the four companies that operate in the Swiss refurbished smartphone industry, it was possible to notice their different regional focus within the country. Moreover, all of them have a more diverse refurbished product portfolio, which is not the case of Forall Phones that only sells refurbished iPhones.

5.2. In-Depth Switzerland Analysis

5.2.3. Competitor Analysis (1/3)

re!commerce

Recommerce¹

- Founded in 2009 in France, Recommerce Group has two subsidiaries, one in Spain and another in Switzerland.
- Its expansion to the Swiss market occurred in 2014, having a great reputation in the French area of the country.
- The company positions itself as the pioneer of the second mobile phones' life in Europe by buying back, refurbishing and reselling smartphones.
- Currently, it sells refurbished Apple and Android smartphones and operates as a B2C and B2B.
- Swisscom, the largest MNO in Switzerland, with 58% of market share in 2018, offers a buyback service for used smartphones in partnership with Recommerce.
- It sells its products online and in Swisscom's physical stores.

revendo.ch

Revendo²

- Founded in 2013 in Switzerland, Revendo is established in the German-speaking part of the country.
- Driven by the upcycling concept, it focuses on the reuse of Apple and Android products.
- Customers can sell and buy used smartphones and all types of Apple products (from used iPhones to used Apple Watches).
- For the most recent iPhone models, Revendo works with certified partners that repair the devices with original parts.
- Having 9 physical stores in Switzerland, all in the German region of the country, it also sells its products online.

Description of the Swiss Competitors



Shopy Phone³

- Founded in 2012 in Switzerland, Shopy Phone is a repair shop that started to sell refurbished smartphones in 2018.
- Relying on an ecological approach, the firm saw an opportunity in the second life of products.
- It sells Apple, Samsung and Huawei products, as well as iPads and Macbooks. The company allows the consumer to resell its old devices in order to refurbish it and sell it again, with the objective to work in a closed-loop.
- Before the product checking in the HQ, the devices are previously tested by a certified technician.
- A sales increase of 10% each year is expected after the introduction of the refurbished products.
- With only 1 physical store, it also sells online.

remarket.ch

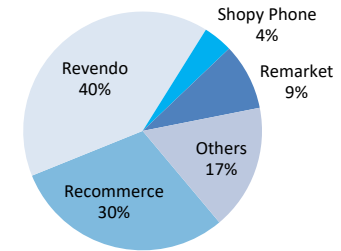
Remarket⁴

- Founded in 2010 in Switzerland, Remarket operates in the German area of the country.
- It defines itself as the easiest platform to buy and sell used electronics from.
- It sells new and used products from Apple (i.e. iPhones, iPads and Macbooks), Samsung and Huawei that were tested and refurbished beforehand. Clients can sell the same category of products through buyback programs.
- The company also has repair services.
- Remarket has 5 physical stores in Switzerland and sells online through its website.

Table 1: Sales in 2018.*

	Sales (€)
Recommerce	3,663,181
Revendo	4,968,011
Shopy Phone	547,375
Remarket	1,170,536
Others	2,069,821

Graph 1: Market Shares in 2018.*



Together, Revendo and Recommerce hold 70% of the market share, which highlights the strong position of these two companies in the Swiss refurbished smartphone industry:

- **Revendo:** The first Swiss company focused on the refurbishment of mobile devices. With 9 physical stores in the German-speaking part of the country, it has plans to open stores in other regions of Switzerland (French area), to reach even more customers.⁵
- **Recommerce:** With the ambition of becoming the European leader in the circular economy, Recommerce has a strong partnership in Switzerland with Swisscom, the biggest Mobile Network Operator of the country, that had a customer base of 6.55 million customers in 2018.⁶

It should be noted that Apple is already selling the following refurbished products online in Switzerland: iPad, iPod, and Apple TV. However, diversity is low and prices are high.

Using a Benchmarking analysis, it was possible to conclude that Forall Phones has similar performances regarding Warranty and customer Reviews when compared to the other four Swiss companies, except the Average Price where the Portuguese company has the lowest score, and Diversity of iPhones, that although it has the second-best position it is outperformed by Recommerce.

5.2. In-Depth Switzerland Analysis

5.2.3. Competitor Analysis (2/3)

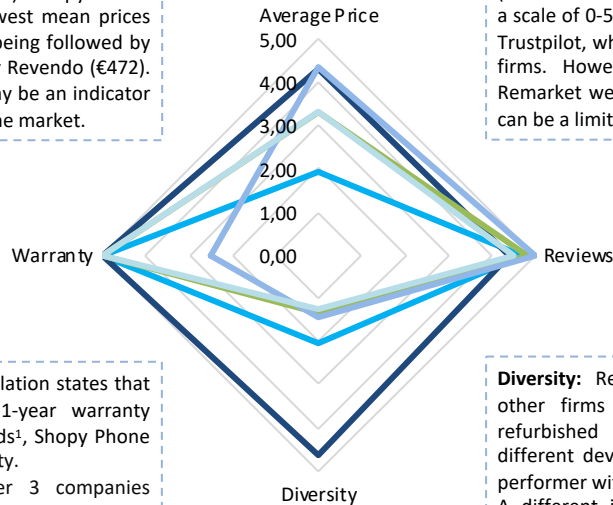
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Benchmarking Analysis

Using the Graph 1, the four main players that operate in the refurbished smartphone industry in Switzerland were compared with Forall Phones in terms of the **average price** of refurbished iPhones, years of **warranty**, score in customer **reviews** and iPhones' **diversity**.

Average Price: When compared to the Swiss firms, Forall Phones charges higher prices, on average, for each iPhone (€503). Shopy Phone and Recommerce have the lowest mean prices (€406 and €421 respectively), being followed by Remarket (€467), and finally by Revendo (€472). The considerable low prices may be an indicator of fierce competition in Swiss the market.



Reviews: All firms have relatively high scores on customer reviews, which range from 4.4 (Recommerce score) to 5 (Shopy Phone case), on a scale of 0-5. Forall Phones has a score of 4.7 in Trustpilot, which is the 3rd best among the Swiss firms. However, data of Shopy Phone and Remarket were obtained from Facebook, which can be a limitation of this assessment.

Warranty: Although Swiss legislation states that companies must provide a 1-year warranty when selling second-hand goods¹, Shopy Phone only provides 6-months warranty. Forall Phones and the other 3 companies provide a 1-year warranty.

Diversity: Recommerce stands out from the other firms by having a huge diversity in refurbished iPhones for sale, having 370 different devices. Forall Phones is the 2nd best performer with 163 distinct models. A different iPhone is a model with different color, generation, memory or grade.

Forall Phones Recommerce Remarket Shopy Phone Revendo **Graph 2: Benchmarking***

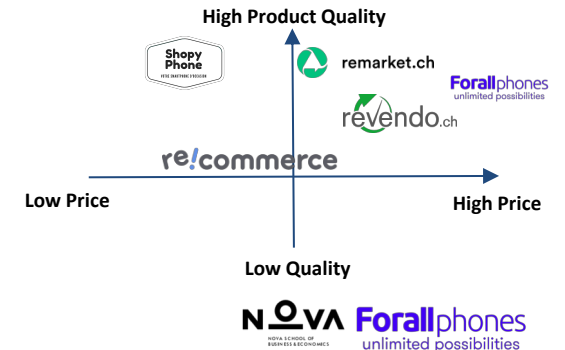
Price-Quality Positioning

The Swiss consumer is sensitive to price but also attaches great importance to product quality.² Therefore, it would be important to assess the positioning of the four Swiss companies in terms of Price-Product Quality:

- **Price:** It was possible to position each company according to the results in Graph 2.
- **Product Quality:** Data about Customer Reviews was used to understand the perceived-quality that clients have on each company's products.

Forall Phones has the worst performance regarding its average iPhone price, thus it is positioned on the right side of Graph 3, after all Swiss companies. Furthermore, because Swiss customers appreciate high-quality products and given that all Swiss companies have considerable high scores on customer reviews, they were all positioned on the top of the Quality axis.

Graph 3: Swiss Competitors Price-Quality Positioning



When comparing Forall Phones' Strengths and Weaknesses with the main Swiss players, it was verified that none of them has established a community like Forall Family. Therefore, the development of a network of shapers and influencers in Switzerland would be key for the Portuguese company to create brand awareness and word-of-mouth influence.

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5.2.3. Competitor Analysis (3/3)

Competitors' Strengths and Weaknesses

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Forall Phones benefits from having in-house refurbishment and a community of Shapers and Influencers that helps to create brand awareness. However, in Switzerland, some other aspects should be considered and therefore, in the next diagram, Strengths and Weaknesses from the four companies will be assessed.

Strengths

re!commerce

- ✓ It has the largest Mobile Network Operator in Switzerland as a partner, which has a customer base of 6.55 million customers.
- ✓ Diverse product portfolio, using B2C and B2B.
- ✓ Knowledge from its market leadership in France and international expansions.
- ✓ The major part of used smartphones are obtained from consumer take-back programs.
- ✓ Fundraising of €50M was obtained in 2018 to develop and expand its business.¹
- ✓ New iPhone accessories are included.

remarket.ch

- ✓ Large refurbished product portfolio, including Apple and Samsung products. It also sells new devices.
- ✓ Provides repair services, which allows in-house refurbishment.
- ✓ Buys used smartphones directly from clients.
- ✓ Excellent customer reviews rely on good, friendly and fair-priced services.

revendo.ch

- ✓ Diverse product portfolio, including all types of Apple products and Android smartphones.
- ✓ It has a considerable high market share, which is supported by its strong presence in the German-part of the country.
- ✓ End-consumer sourcing makes up for a considerable high percentage.
- ✓ High recognition obtained from the winning of sustainability awards.³

Shopy Phone

- ✓ Started as a repair shop, it has the expertise and knowledge necessary to refurbish smartphones in-house.
- ✓ It buys used smartphones directly from clients and sells a variety of refurbished devices.
- ✓ Relies on a certified technician as a supplier of high-quality smartphones.
- ✓ Shopy Phone has the highest score in customer reviews. Moreover, it has the lowest prices among the Swiss companies.

Weaknesses

- ✗ It does not perform the refurbishment in-house, which was outsourced.² Therefore, the company loses control of the quality of its products.
- ✗ Although it has good customer reviews, some clients complain about the lack of communication and support given in after-sales service.

- ✗ Lack of scale: it is only physically present in the German region of the country and its online store is only in German.
- ✗ The website is not user-friendly since new devices are mixed with used and refurbished ones.

- ✗ The refurbishment of new iPhone models is not performed in-house. Thus, the company might lose control of the quality of the products.
- ✗ It has the lowest diversity regarding iPhone models when compared with the other firms.

- ✗ Although Shopy Phone is a new player in the industry, its core business relies on repair services, which leads to low brand awareness of the brand in the refurbished market.
- ✗ Only 6-months of warranty provided.

When comparing all companies' strengths, it is possible to conclude that most of them benefit from having a diverse product portfolio, which is not the case of Forall Phones. However, the biggest players in the market (Recommerce and Revendo) rely on other companies to refurbish part or all of their devices, which is a loss of both companies in terms of quality control.

Swiss customers are becoming more interested in buying refurbished smartphones due to its appealing price when compared to new mobile devices. Moreover, they prefer to shop in a physical store rather than online, to assess the product and obtain information from a knowledgeable salesperson. The Market Sales Potential is expected to reach €476 million in 2025.

5.2. In-Depth Switzerland Analysis

5.2.4. Market Sales Potential

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Industry Market Potential

Trends in the Swiss Refurbished Smartphone Industry¹

The ecological and sustainable approaches followed by companies operating in the refurbished smartphone industry are attracting more and more consumers in Switzerland, due to the possibility of buying a device that is cheaper than a new one or replacing a used one that is too expensive to repair. The latter case is possible since companies operating in this industry have the desire to work in a closed-loop and so, they buy back used smartphones from their customers or provide a discount if consumers switch their old devices for a new (refurbished) mobile phone. Overall, the buyback system is a win-win situation for consumers, which receive some money or discounts in return, and for companies, by enriching its offer. As a consequence of this trend, a lot of websites were created in the country to assess the fair price that should be charged for used mobile devices.

Regarding iPhones, Switzerland is considered an “Apple country”, since iOS penetration is around 50% in the country, being the most popular mobile phone in the country.²

Consumer Behavior

Swiss consumers tend to look out for value for money rather than design or brand reputation, attaching great importance to quality aspects in products and after-sales service.³ Even though there has been a high growth rate in online purchases, most Swiss consumers prefer offline shopping because they value personal engagement and authenticity. As an example, the most important attribute named for valuable shopping experiences was the presence of knowledgeable sales personnel.⁴

According to a survey conducted by GfK on behalf of the WWF, nine out of ten Swiss are thinking about to change their consumption behavior in order to consume less: 44% of respondents want to save money and 20% are considering this reduction to protect the environment. These numbers provide a positive perspective for the refurbished smartphone industry given that it relies on the reuse of products that are considerably cheaper than brand new ones. Moreover, the higher emphasis given to circular economy by associations in the country can also be beneficial for this sector.³



Forecast of Industry Sales

The Swiss Market Sales Potential is expected to reach an amount of €476 million in 2025. Using the values of the industry for 2018, a 5-year CAGR of 6.20% was applied as the most positive scenario for this industry.

Considering the Revenues of the four Swiss firms for 2018 and the Market Sales Potential of the same year, it is possible to conclude that there is a Market Gap of €307 million for the same year, which means that there is a huge potential for companies to operate in this industry.

	2018	2019	2020	2021	2022	2023	2024	2025
Market Size (Q)	715,115	748,456	794,897	844,219	896,602	952,235	1,011,320	1,074,071
Revenues (in €)	317,197,006	331,985,732	352,585,048	374,462,527	397,697,476	422,374,127	448,581,934	476,415,903

Table 2: Market Size in Quantities and Revenues.*



Market Entry Barriers in Industry

In 2019, Switzerland achieved the 38th position in the Ease of Doing Business rank.⁵ Although it is behind some European countries, including Portugal, the differences among them are not significant. Switzerland is not a member of the EU however, there is a harmonization between Swiss and EU laws to facilitate free trade between both parties. The 26th position that the country reached regarding Trading Across Borders means that it is considerably easy to export to the country.⁶

Furthermore, regarding Forall Phones’ business, there has been a lot of measures and incentives for companies related to the circular economy since a lot of associations and organizations have emerged in the country in order to make the Swiss economy more circular. Nevertheless, the refurbished smartphone industry still lacks regulations.

The Swiss refurbished smartphone industry is concentrated, due to the domination of two companies (Revento and Recommerce) that together hold 70% of the market share. Moreover, the average iPhone price is much lower when compared to Forall Phones' mean price, which might indicate an intensely competitive environment. Hence, it is probable that the Portuguese company would need to lower its prices if it internationalizes to Switzerland, in order to be competitive.

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5.2.5. Company Sales Potential



Intensity of the Competitive Environment

To assess the competitive environment in the Swiss refurbished smartphone industry, the following two aspects were considered:

- **Industry Concentration:** In 2018, the HHI had a value of 29%, which indicates that the market is concentrated. Although some companies are seeing the refurbished industry as an opportunity for expansion (e.g. Shopy Phone), it is clear the domination of the market by Recommerce and Revendo, holding together 70% of the market share.
- **Pricing Strategy:** All Swiss companies have a lower Average iPhone Price when compared to Forall Phones (€444 against €503), which might be an indicator of fierce competition in the country, that led to price reductions.

The possible concentration of the industry along with the fact that Forall Phones would need to decrease its prices when entering the Swiss market in order to be competitive, could mean that the industry is not attractive for the Portuguese company to expand its business to Switzerland.



Pricing

As mentioned in the previous section, Forall Phones is charging higher prices on average when compared to the four Swiss firms. Therefore, the Portuguese company has two possible strategies to reach the Swiss consumer:

1. **Reduce Prices:** It is expected that the company would need to lower its prices to be able to reach consumers and gain market share since the difference in prices is considerably high (€503 against €444).
2. **Maintain its pricing strategy while investing in Marketing campaigns and after-sales service:** Swiss people are willing to pay a premium for a product with high perceived quality. They also value after-sales experience, personal engagement, and authenticity, being more comfortable to shop with knowledgeable sales personnel.¹ Thus, if Forall Phones would be perceived as a provider of high-quality products, offering a transparent and friendly after-sales service and by having well-informed salespersons, there would be no need for the Portuguese company to reduce its prices since Swiss customers are willing to pay more if those attributes are fulfilled. Although, to reach the Swiss customer in this way would require a significant amount of investment in Marketing campaigns to create brand awareness and in contracting knowledgeable sales personnel.



Market Penetration Timetable

To forecast the Sales that Forall Phones could achieve in the Swiss market, a conservative approach was undertaken by applying a Market Reach and a Conversion Rate to the expected Market Sales Potential, from 2020 to 2025.

- The **Market Reach** was considered to be 30% in all scenarios since the Market Sales Potential is already increasing throughout the years using a 5-year CAGR of 6.20%, which takes into account the growth in population, smartphone penetration and willingness to buy refurbished products.
- The **Conversion Rate** is expected to rise over the years because it is assumed that Forall Phones will be able to increase its brand awareness across the country after its expansion, and thus will be able to convince customers in a better way.

In the first scenario, in 2020, Forall Phones would be able to obtain a Sales Potential of €1,234,048, which corresponds to a Market Share of almost 9%. Throughout the years, these two metrics increase due to a higher Conversion Rate and Market Sales Potential, leading to a Sales Potential of almost €4 million in 2025.

However, the following limitations should be considered:

- The Market Share is calculated by applying the same 5-year CAGR to the sales of the four Swiss companies (plus a margin of error), which might not correspond to reality.

	2020	2021	2022	2023	2024	2025
Market Reach	35%	35%	35%	35%	35%	35%
Conversion Rate	1%	1.25%	1.5%	1.75%	2%	2.25%
Sales Potential	€1,234,048	€1,638,274	€2,087,912	€2,587,042	€3,140,074	€3,751,775
Market Share	8.81%	11.01%	13.21%	15.42%	17.62%	19.82%

Table 3: Market Penetration Timetable and Company Sales Potential from 2020 to 2025.

Although Switzerland is not a member of the EU, the country has plenty of the same economic advantages to trade that some member states benefit from, through several bilateral agreements celebrated between both parties. Despite similarities between Swiss and EU laws, firms should comply with Product Safety and Product Labelling requirements to export to the country.

5.2. In-Depth Switzerland Analysis

5.2.6. Market-Entry Conditions

Switzerland is not a member of the EU, however, it has access to the internal market through a set of bilateral agreements between both parties. Moreover, the country is a member of EFTA and WTO.

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Standards and Regulations

There is harmonization between Swiss and EU laws.¹ The country's standards and regulations are converged in several dimensions to facilitate free trade with the EU. However, companies must comply with Product Safety and Product Labelling requirements under Swiss law.² Since 2016, electrical equipment placed on the market must carry a conformity mark and declaration (Swiss or European), the name and address of the manufacturer. All information must be written in the official language of the location where the product is put on sale.³ Furthermore, the Switzerland-EU Mutual Recognition Agreement promotes trade in goods such as electronic products⁵, facilitating market access by member states.⁶ Moreover, European Directives regulate the placing of telecommunication equipment in the Swiss market.⁷



Documentation

Concerning importation in Switzerland, the following documents should be delivered: Conformity Declaration³, Commercial Invoice, Certificate of Origin (EUR. 1), Customs Import Declaration, CMR Waybill, Tracer (Laufzettel) and Packing List.⁸ In the case of mobile phones, the vendor must provide technical documentation to the Federal Office of Communications.⁷

To determine the level of taxation, the value, weight, origin and tariff number of the goods must be stated in a document (e.g. invoice). Using the electronic customs declaration system called the "e-dec", data about the goods are entered and then, on arrival, a brief check is done in a customs office, where customs duties and VAT applied are decided.⁹



Tariff and non-tariff Barriers

Switzerland is neither a member of the EU nor of the EEA. However, it is part of the single market for being part of EFTA and for having several bilateral agreements with the EU, which provides plenty of the same economic advantages to trade that some member states benefit from.¹⁰ Nevertheless, to take advantage of it, the Community origin must be proven (e.g. using a Certificate of Origin EUR. 1).⁵

Regarding smartphones, it is allowed to export from Portugal to Switzerland without paying customs duties. On the other hand, an importation VAT of 7.7% is applied in the country. An additional tare could be applied if the good is unpacked or not sufficiently protected against damage in transit.¹¹

Through the "Cassis de Dijon" principle, products that are lawfully placed on the market in the EU, may in principle be placed in Switzerland without any further controls (Art. 16a of the Law on Technical Barriers to Trade).⁴

Registrations⁸



To start a business in Switzerland, six procedures should be completed. The first step is to place a minimum paid-in capital of CHF 20,000 in an escrow account with a bank. Thereafter, in the presence of a public notary, the draft of the company's articles of association should be authenticated and both Stampa and Lex Friedrich Declaration Forms must be handed to the Register of Commerce. For VAT registration, an application is filed with the Federal Tax Administration, which is mandatory when the turnover threshold of CHF 100,000 is reached. Finally, employees' enrollment in the social insurance system will be executed through an application sent by the Cantonal Social Security Office. All procedures take at least 10 days to be completed and cost varies from CHF 1,320 to CHF 17,620.

Payment and Financing Methods



In payments, Swiss companies are reliable and usually pay in advance or within 30 days. The most common methods include Letters of Credit, Documentary Collections and Bank Guarantees.¹² From the customers' side, debit cards and cash are regarded as the most important payment methods and in high-turnover retail, the card payments dominate. In addition, contactless, mobile, online and internet payment methods are emerging as new forms of payment among the Swiss population.¹³ Financing methods usually comprise Banking Financing, which can be provided with tax incentives in specific cantonal and communal governments in the country.¹² Without a requirement for prior authorization, it is allowed the leading and lagging of import and export payments, as well as netting of trade-related payments and financial transactions.¹²

Transportation



The Swiss transportation system is known as one of the finest in the world. It has a dense network of road, rail, river and air connections.¹⁴ The first two are the most important ones, with Rail freight representing 40% of the transportation of goods.¹⁵ Some of the largest international trading and shipping firms are based in the country, where networks of bonded warehouses and other facilities are operated to offer services for international trade.¹⁶ The Land Transport Agreement celebrated with the EU secured long-term transport collaboration and enshrined the Swiss modal shift policy in the European context, being closely integrated into its transportation infrastructure. With this, the country was able to charge CHF 325 for a lorry journey from frontier to frontier and admit 40 tonnes lorries, which increases the efficiency of road transport.¹⁷

Concluding, Switzerland's overall attractiveness is considered as medium-high. Although it presents excellent macroeconomic conditions, high market sales potential, and good market-entry conditions, the Swiss refurbished smartphone industry is concentrated and dominated by two large players, which contribute to a relatively low company sales potential.

5.2. In-Depth Switzerland Analysis

5.2.7. Conclusions

Conclusion and Final Evaluation

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Topic	Key Takeaways	Overall Attractiveness
PESTLE	Switzerland has a sustainable vision concerning environmental aspects and although a lot of projects concerning circular economy emerged in the country, there is a lack of standards and regulations for the refurbished smartphone industry. Moreover, Swiss people benefit from a strong purchasing power and the rate of expansion in the consumer electronics market will remain healthy in the near future.	High
Contacts	Although Forall Phones does not have any point of direct contact in the country, there are some Government Agencies and Associations that can provide support to the Portuguese company if it enters the Swiss market. However, the multilingual and multicultural population in Switzerland could be a challenge for the delineation of Forall Phones' business strategy and such diversity may indicate that it could be useful to contract agents or distributors in the country.	Medium
Competitor Analysis	Two companies dominate the Swiss refurbished smartphone industry, holding together 70% of the market share. Moreover, all of the four Swiss companies have a more diverse product portfolio than Forall Phones. The Portuguese company has similar performances regarding Warranty and Customer Reviews when compared to the Swiss companies, except the Average iPhone Price where Forall Phones has the highest mean price.	Medium
Market Sales Potential	Swiss customers are becoming more interested in buying refurbished smartphones. Furthermore, the Market Sales Potential is expected to reach €476 million in 2025. Switzerland is not a member of the EU however, there is a harmonization between Swiss and EU laws to facilitate free trade between both parties. The 26 th position that the country reached regarding Trading Across Borders means that it is considerably easy to export to the country.	High
Company Sales Potential	The Swiss refurbished smartphone industry is concentrated and the average iPhone price is lower when compared to Forall Phones' mean price. On the other hand, if the Portuguese company would be able to increase the customers' perceived value, it would be able to reach 35% of the market and have a conversion rate of 2.25% in 2025, which would lead to a Company Sales Potential of €3.8 million in Revenues.	Medium
Market-Entry Conditions	Although Switzerland is not a member of the EU, the country has plenty of the same economic advantages to trade that some member states benefit from, through several bilateral agreements celebrated between both parties. The only requirements imposed by Swiss law is that Forall Phones should comply with Product Safety and Product Labelling requirements to export to the country.	High

Final Remarks

All in all, Switzerland is a potential country for Forall Phones to expand its business due to excellent macroeconomic conditions, high Market Sales Potential and good Market-Entry conditions. However, the Competitor Environment is intense and to achieve the expected Company Sales Potential would require a great investment from the Portuguese firm. Regarding the two possible strategies that Forall Phones could use to reach the Swiss consumer, the company would need to reduce its prices until the Swiss average iPhone price level is reached or invest in marketing campaigns and excellent after-sales service. For the last option, Forall Phones could establish a network of shapers and influencers in the country, as it does in Portugal, with the objective of creating word-of-mouth and brand awareness, which could become an important channel to increase the perceived value of its products in Switzerland.

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The largest players operating in the European refurbished smartphone industry share operational and strategic characteristics. The majority has no specific product focus neither premium brand specialization, and only have online sales as a distribution channel, leading companies to target similar segments.

2. Macro Analysis: The European Refurbished Smartphone Industry

1 2 3 4 5 6 7 8 9

2.2. Key Industry Players: Europe



In Europe, the major players operating in the refurbished smartphone industry use **online sales** as the distribution channel. In fact, some companies have been operating for several years and still did not felt the need to allocate resources in opening physical stores. However, some are purely marketplaces for refurbished products, meaning that quality and product certification are not standardized among all products sold therefore, considered as indirect competitors. Moreover, the pure business focus on smartphones is not frequent among all players, defaulting the volume of sales comparison.



Amazon Warehouse¹

Business description: Marketplace for all types of used products

Geographical Coverage: All over the world



Refurbed (founded in 2017)²

Business description: Marketplace for refurbished smartphones and laptops

Geographical Coverage: Austria, Czech Republic, Germany, Spain, France, Italy, Luxembourg, Netherlands, Poland, Portugal, Slovakia.



Smartfonestore (founded in 2011)³

Business description: In-house refurbished smartphones, watches and accessories

Geographical Coverage: UK



iOutlet (founded in 2012)⁴

Business description: In-house refurbishment of Apple products (smartphones, laptops, tablets, and watches).

Geographical Coverage: EU



T-Mobile⁵

Business description: Mobile telecommunication service company that sells certified and pre-used (refurbished or not) smartphones with large discounts

Geographical Coverage: Albania, Austria, Croatia, Germany, Hungary, Montenegro, North Macedonia, Romania, Slovakia, UK.



4 gadgets (founded in 2014)⁶

Business description: Marketplace for used and refurbished smartphones, cameras, laptops, and accessories. The company offers in-house refurbishment for Apple products.

Geographical Coverage: UK



Back Market (founded in 2014)⁷

Business description: Marketplace for refurbished technological devices, that connects professional refurbishment sellers and the customers (B2C platform)

Geographical Coverage: USA and EU



Renew handy (founded in 2012)⁸

Business description: Marketplace for used smartphones from Apple and Samsung but also sell in-house refurbished smartphones from the mentioned brands.

Geographical Coverage: EU



Indirect Competitor



Direct Competitor

In Portugal, Forall Phones has the strongest market presence, with 34% overall brand awareness, followed by Phone House and Worten, who do not consider smartphones refurbishment as their core business. Moreover, other players are considered as indirect competitors in this industry since most of the available products on their website are semi-new rather than refurbished.

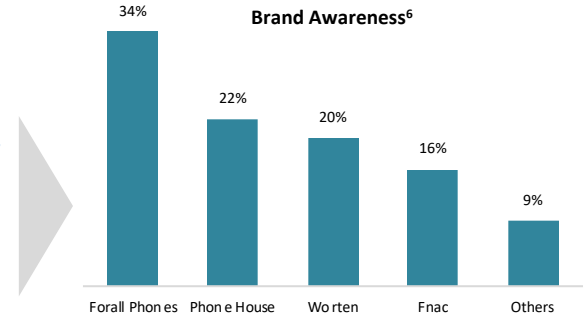
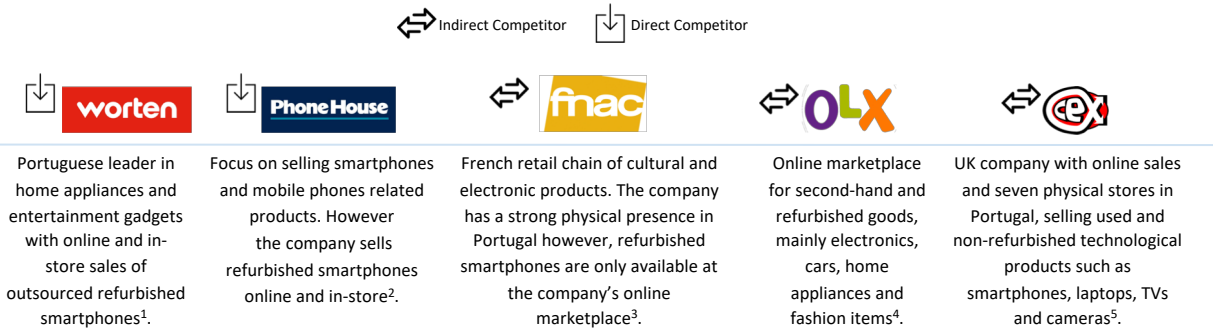
2. Macro Analysis: The European Refurbished Smartphone Industry

1 2 3 4 5 6 7 8 9

2.2. Key Industry Players: Portugal



Although the European Refurbished Smartphone Industry is dominated by global online players, the **Portuguese environment** is characterized by local and international competitors, mainly non-specialized in refurbished smartphones. Due to information constraints to estimate each competitor's market share, the overall brand awareness⁷ was considered as a good proxy to evaluate each company's presence in the Portuguese market. Forall Phones presents the strongest market presence with 34% overall brand awareness, followed by Phone house and Worten.



Graph 7: Survey Results to the question “What is the brand that you first associate to refurbished smartphones?”

The Portuguese Market Size

The refurbished smartphone industry attracts new segments that, despite demanding new smartphones, do not have the willingness to pay for it. The low cannibalization risk has led large smartphone sellers to explore the refurbishment industry, such as Phone House and Worten.

- Portuguese Market Potential: €42 million
- 7 million Portuguese users of smartphones
- 24.57% iOS Penetration

Survey Takeaways⁷

- In order to understand the Portuguese market, a survey was conducted to 695 inquiries:
- 36.43%** prefer smartphones from Apple;
 - 14.35%** has bought a refurbished smartphone and **81%** would buy it again;
 - 72%** of individuals who never bought a refurbished smartphone are willing to do so;
 - 73%** believes that refurbished smartphones should have 30-50% discount from original price;
 - 57.67%** says that price, quality and smartphone brands are the main purchasing decision factors.

Source: 1. Company's website: <https://www.worten.pt/>; 2. Company's Website: <https://www.phonehouse.pt>; 3. <https://www.fnac.pt/>; 4. <https://www.olx.pt/>; 5. <https://pt.webuy.com/> 6. Survey Results available in Appendix 3

This industry requires companies to focus on customer loyalty towards the refurbishing company by ensuring fair prices with above-average quality, in order to increase consumers' switching costs. Besides, seeking worthwhile contracts and relations with suppliers can provide a competitive advantage lowering input costs.

2. Macro Analysis: The European Refurbished Smartphone Industry

1 2 3 4 5 6 7 8 9

2.3. Porter's 5 Forces¹

Literature Review: From Porter's Five forces one can understand the competitive environment companies operating in a certain industry can face. Michael Porter identified five key drivers that either erode or drive profitability, aiming to help companies shaping their strategy.²

The **Threat of New Entrants** can be considered as **medium-high** since:

- Minimum efficient scale: **Considerably High (2)**
- Learning curve steepness: **Medium (4)**
- Retaliatory behaviour: **Low (7)**
- Capital requirements: **Medium (5)**
- Government policies: **Low (9)**
- Brand loyalty: **Low (9)**
- Switching costs: **Low (9)**
- Access to distribution network: **Low (7)**



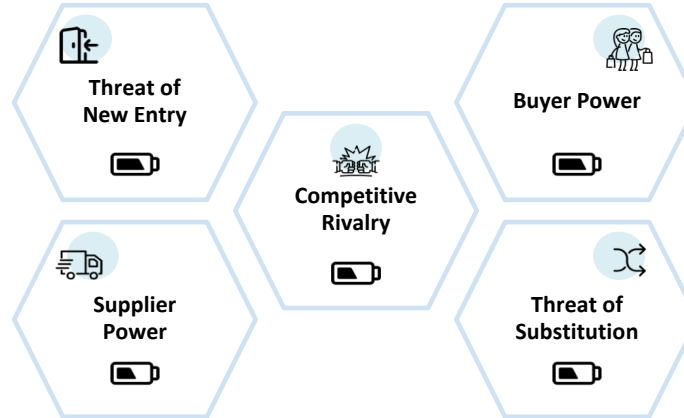
Total Score: 7

The **Supplier Power** is **medium** since:

- Competitiveness of the input market: **Medium (5)**
- Relative concentration of the industry: **High (9)**
- Availability of substitute inputs: **Low (6)**
- Relative concentration of upstream and downstream firms: **Medium-low (4)**
- Purchase volume by downstream firms: **High (3)**
- Extent of relationship-specific investments: **Low (7)**
- Threat of forward integration by suppliers: **Medium (5)**
- Suppliers' ability to price discriminate: **Low (3)**



Total Score: 5



The **Degree of Rivalry** can be considered as **medium** due to:

- Quantity of competitors: **Large (7)**
- Industry Concentration: **Medium-low (6)**
- Product Differentiation: **Low (7)**
- Competition: **Strong on prices (7)**
- Excess Capacity: **High (7)**
- Switching Costs: **Low (9)**
- Cost Conditions: **Favorable (2)**



Total Score: 6

The **Buyer Power** is **medium-high** in the refurbished smartphone industry due to:

- Price sensitivity: **High (8)**
- Buyer concentration: **Low (3)**
- Purchase volume: **Low (3)**
- Availability of Substitutes: **Medium (6)**
- Switching costs: **Low (9)**
- Loyalty: **Low (9)**
- Access to information: **High (9)**



Total Score: 7

The **Threat of Substitutes** can be defined as **medium** since:

- Availability of Substitutes: **Medium-low (4)**
- Price elasticity of demand: **High (8)**
- Changes in demand: **High (7)**



Total Score: 6

Consumer trends and forecasts for the European refurbished smartphone industry represent the ideal scenario for companies operating under this geographical scope and business. The industry potential growth and shifted consumer behavior are perfectly aligned with this industry product offer and mission.

2. Macro Analysis: The European Refurbished Smartphone Industry

1 2 3 4 5 6 7 8 9

2.4. Industry Trends and Forecasts



Primary Market Forecasts

Given that the refurbished smartphone industry is highly dependent on the primary market sales, that broadly represent this industry's future supplies, it should be noted that the primary industry suffered an 11% global sales decrease in 2018. Although at first sight this may be seen as a possible risk, only 25% of primary market devices later enter the supply chain¹ of the secondary one, meaning that the remaining 75%, that is currently being disposed as electronic waste, could still represent possible inputs for the refurbished smartphones production, mitigating this risk. Therefore, there are large opportunities to improve this sourcing inefficiency and to take advantage of the increasing devices' lifecycle.



Consumer Trends²

- Consumers are shifting to more sustainable and conscious purchases, as they are increasingly aware of electronic devices manufacturing impact on greenhouse gas emissions, and the e-waste global crisis.
- The primary market is becoming less disruptive as it reaches the maturity stage, leaving consumers with less impulsive desires to own the latest technological device.
- Consumers' purchasing behavior is facing a duality in which either low cost or premium products are sold in the primary market. This market gap can be filled by premium brands' refurbished products, being sold at a price between these two extremes, allowing to meet the needs of consumers that prefer top brands but have low willingness to pay.



Industry Forecasts



\$39 Billion in Global sales by 2025



277 Million units sold globally by 2025

- The refurbished smartphone industry compounded annual growth rate (CAGR) is expected to be approximately 8.9% between 2019 and 2025².
- It is observed a Samsung and Apple's market preeminence as it meets the consumer trends for refurbished premium devices and carries a lower depreciation rate and higher profitability margins, being highly attractive for refurbishers.³



Industry Double-Edge Sword

From a consumers' perspective, especially in countries with high uncertainty avoidance, education regarding the refurbished smartphone industry is crucial.

Apple and Samsung, two of the largest players in the primary market, are refurbishing and selling smartphones through Apple GiveBack initiative and Samsung Responsible Recycling program, respectively. At first, these programs could be perceived as a threat to the current smartphones' refurbishers of the market, as consumers would expect better-refurbished products from the producers. However, big companies can play an important role in consumers' education and awareness regarding this industry, especially given their strong reputation and large marketing and promotion budgets, which can also attract customers to other smaller players. Additionally, both companies practice above industry average prices, meaning that small companies have an opportunity to attract customers by following more competitive pricing strategies.







When evaluating the general KISF, companies can benefit from exclusivity contracts with suppliers, the establishment of a platform for reviews, while offering top brands smartphones and providing clear and transparent information about each product condition.

2. Macro Analysis: The European Refurbished Smartphone Industry

1 2 3 4 5 6 7 8 9

2.5. Key Industry Success Factors

Literature Review: The Key Industry Success Factors are the critical aspects companies should ensure regarding operational performance, customer satisfaction and service quality, to overperform the industry competitors³.

	Access to reliable suppliers	When operating in this industry, it is important to partner with the right suppliers in order to have access to reliable smartphones to simplify and improve the refurbishment process. ² Exclusivity contracts with suppliers are preferable in order to succeed.
	Online shopping platform	When buying refurbished smartphones, consumers want to be able to search for reviews and compare different product brands and prices. Moreover, online platforms allow companies to understand consumers profiles leading to a better marketing resource allocation. ²
	Product offering	In this industry, consumers are unsure of what to expect regarding the product performance and functionality, thus, they are more likely to purchase leading brands smartphones, meaning that refurbishers need to ensure that top brands' smartphones are within their products' offer. ¹
	Transparency of product quality and "defaults"	Since there is still no standard refurbishment process and product rank classification in this industry, it is of utmost importance to provide customers with real and transparent information about product usage conditions and specifications. Warranties can also increase shoppers' buying confidence, so, to be successful, one should at least provide a 6-month warranty. ²
	In-house refurbishment process	Companies that ensure this process in-house are able to control refurbishment procedures and better rank products leading to higher quality standards. Moreover, this also leads to a accurate inventory management, since companies have larger stocks availability, being less dependent on suppliers when a purchase/order is made. ²
	Brand loyalty and trust	If companies continue to provide high quality refurbished products and a good purchasing experience, the number of satisfied consumers will continue to increase, turning common buyers into brand loyalists. Those will share the good experience, attracting other customers with word-of-mouth. Additionally, in the future, they might be willing to spend more on refurbished products.

Regarding factor conditions, there are considerable advantages in the refurbishment process itself, due to cheap and skilled labor. In the case of demand conditions, there are no significant advantages for Forall Phones to take in when going internationally.

3. Analysis of the Company's Situation and Global Readiness

1 2 3 4 5 6 7 8 9

3.1. Country-Specific Advantages: Porter's Diamond (1/2)

Literature Review: According to Michael Porter, there are four broad attributes of a nation that shape the environment in which local firms compete, promoting or interfering in the creation of competitive advantage.¹



Factor Conditions

By being part of the European Union and having a good quality infrastructure system², Portugal can benefit from transportation costs and the ease of cultural and business interchange:

- The intensification of commerce between Portugal and other EU countries increased the exports of high-tech products, mainly electronic telecommunication devices.³

Portugal is a developed European country where wages are still relatively low:

- In 2017, the average basic remuneration was €943⁴ per month versus €1,797⁵ the euro area average. Moreover, 34% of the Portuguese population from 25 to 34 years old attained a tertiary education level, a number that has been increasing in the past few years.⁶ Thus, Forall Phones could benefit from hiring skilled labor to operate in the refurbishment process of smartphones at a considerably lower cost.

Advantages are assessed as high due to the considerable cheap and skilled labor that can operate in the refurbishment process. This is true when compared to the average of European countries where wages are higher.



Demand Conditions

In Portugal, the boom of online platforms selling second-hand goods led to the growth of the process of buying and selling used mobile phones. Platforms such as OLX had a big success after expanding its business to Portugal. Through the website, people sell goods they no longer use and find others they need at affordable prices, having the opportunity to meet each other and see the product before making a decision:

- The founders of OLX realized that after expanding to around 100 countries, Portugal was the most successful market and, although the total population is little more than 10 million, it was standing in front of countries such as Russia, India, China, and Brazil.⁷ However, there is still resistance of Portuguese people in buying second-hand goods online without seeing them beforehand, given the uncertainty about the quality and performance of the products. Thus, there is still a need to educate customers concerning perceived quality;
- When measuring the dimension of Uncertainty Avoidance, Portugal scores 99 out of 100 meaning that people tend to avoid uncertainty.⁸ As an example, Forall Phones had a remarkable boost in sales after opening its first physical store⁹, which led the founder of the company to believe that customers were avoiding the risk of ordering a refurbished mobile phone online without seeing it beforehand.

The advantages are medium-low. Forall Phones acquired knowledge on how to educate consumers with high uncertainty avoidance, which allowed the company to gain experience. However, the Portuguese consumers do not have a demand with a high level of sophistication.

When evaluating the rivalry in the refurbished smartphone industry, Forall Phones is not facing fierce competition as it did in Spain. Moreover, there are no considerable advantages concerning relating and supporting industries due to the lack of beneficial relationships with suppliers. Overall, there are no significant advantages of having Portugal as the home base of operations that would make Forall Phones more competitive when exploiting new markets internationally.

3. Analysis of the Company's Situation and Global Readiness

1 2 3 4 5 6 7 8 9

3.1. Country-Specific Advantages: Porter's Diamond (2/2)



Firm Strategy, Structure and Rivalry

The Portuguese refurbished smartphone market is highly fragmented with several independent shops competing locally and some large retailers, such as Worten and Phone House, selling refurbished devices and gaining some market share. Other stores, e.g. Fnac, have an e-marketplace on their websites. Forall Phones entered the market competing with big players through product specialization and with small ones through operational efficiency and brand awareness.

Forall Phones is developing the company's technology through an in-house Enterprise Resource Planning software, called Opsify, for process tracking and control of all devices and technicians.⁹

The rivalry is not assessed as strong, thus there is no considerable pressure for Forall Phones to charge lower prices and to be in constant innovation. This was one of the main reasons for the failure in Spain: fierce competition and Forall Phones' lack of competitive prices.



Relating and Supporting Industries

Part of the smartphones is collected from customers' trade-in programs, including partnerships with Mobile Network Operators such as Altice MEO, retail chains, insurers, and others.⁹

- In the case of Altice MEO, customers go to a physical store to deliver their iPhones and then the company resells them to Forall Phones.

Advantages are low since most of the procurement is done through global distributors that do not operate in Portugal, and there are no exclusive contracts with the suppliers.



Government

Portugal is receiving a total of €25 billion until 2020, from five European Structural and Investment Funds to follow the strategy for smart, sustainable and inclusive growth of Europe 2020:

- The Operational Program of Competitiveness and Internationalization will receive more than €4.4 billion to support small and medium-sized enterprises expanding or internationalizing their businesses.¹⁰ In fact, Forall Phones was co-financed in €73,604.60 by the European Regional Development Fund through the programs of Centro 2020 and Portugal 2020. The objective of this financial support was to empower the company for Internationalization through the enhancement of competitiveness factors.¹¹

The Portuguese Government is also trying to foster Digital Innovation with a culture of start-ups:

- Events like the Web Summit are an example and although it is mainly linked to the IT sector that can be leveraged to other areas.

Although there are incentives from the Government to support competitiveness and internationalization of small and medium enterprises, European funds are not exclusive for Portuguese companies and thus, other countries can benefit from them.



Conclusion

Taking into consideration Porter's Diamond framework and the assessed advantages in all attributes, it is possible to conclude that Forall Phones does not have any significant advantages of having Portugal as a home base, that could be leveraged to increase competitiveness when expanding to international markets.

In the benchmarking analysis, only the stronger Portuguese players were considered. It was possible to infer that Forall Phones' products are on average €11.78 more expensive and that the company has better customer reviews leading to higher perceived value, which can justify the chosen prices.

3. Analysis of the Company's Situation and Global Readiness

3.2. Firm-Specific Advantages: Benchmarking¹

By comparing Forall Phones with its **direct competitors**, Worten and Phone House, it is possible to identify performance measures and evaluate critical points. Therefore, data was collected regarding prices, consumer reviews, smartphones' level of diversification and customer awareness concerning the refurbishment companies under analysis.



Price

To calculate the average price of each company, a sample of eight iPhones for each company was retrieved and analyzed to compare equal models in terms of grade, version, and storage. The Portuguese industry average price was estimated considering all the products available for the four companies. Finally, each firm's and the industry average prices were compared to understand their positioning in the market to attribute a grade from 0 (High Prices) to 5 (Low Prices).



Customer Awareness

According to our survey³, 58% of the respondents did not know about the existence of Forall Phones. However, of the 42% who know the company, when answering the question "When you think of refurbished smartphones, what companies come to your mind?", Forall Phones was the most popular answer (34%), followed by Phone House (22%), and finally Worten (20%). This validates the fact that, although Worten and Phone House are well-known brands, refurbishing smartphones is not their core business.



Reviews

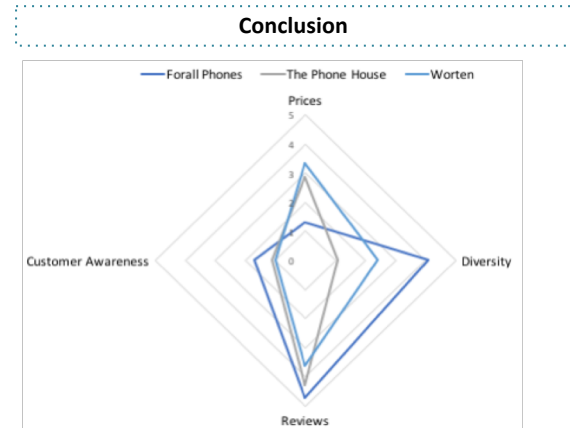
On *Trustpilot*, Forall Phones has an overall score of "Excellent" (4.7/5), the highest level of the scale.² However, to obtain similar data on the other competitors, reviews were gathered from their websites, as both companies allow customers to write a review of a particular device on their website. Therefore, Worten obtained 3.6 and Phone House 4.3.



Diversity

The number of different refurbished iPhones of Worten, Phone House and Forall Phones was counted on their websites on a random day, assuming it represents the regular availability of smartphones. Forall Phones presented the highest number of devices, 163, while Worten had a total of 96 devices and Phone House only 43.

Remarks: All data was gathered on the 21st of September of 2019. Only iPhones were considered given that it is the only brand that Forall Phones is refurbishing, contrary to Phone House where devices from other brands are also refurbished (e.g. Samsung).



Graph 8: Benchmarking Analysis

From the Benchmarking with Portuguese main players (the ones Forall Phones is currently competing with), it is possible to conclude that Forall Phones has better results in terms of Diversity, Reviews and Customer Awareness. However, the company charges higher average prices for each iPhone. A possible explanation for this difference might be the perceived quality of its products. Regarding our survey, in the question "What are the major reasons for you to choose Forall Phones over other companies, including Worten and Phone House?", the **quality** was one of the main reason for 22% of respondents.

Forall Phones' tangible and organizational resources that verify important dimensions such as relevance and scarcity, but are transferable or replicable, confer a temporary competitive advantage to the company in Portugal.

3. Analysis of the Company's Situation and Global Readiness

Verifies

Fails the condition



Industry Key Success Factors

1 2 3 4 5 6 7 8 9



Resource to leverage abroad

3.3. Firm-Specific Advantages: Resources and Capabilities

Literature Review: Dr. Robert M. Grant proposed a model to analyze the company's potential to establish a sustainable competitive advantage.¹ It appraises the resources and capabilities in five dimensions: relevance, scarcity, durability, transferability, and replicability. For the purpose of this analysis, the last two were combined.

Resources	Description	Relevance	Scarcity	Transferability to other competitors and Replicability	Durability	Result
Online Channel	The online store covers all regions in Portugal and was the first channel to be used.	Accounts for 20% of the current sales.	More refurbishing companies use the online channel.	Other firms can easily have an online platform.	Online platforms have a long useful life.	Parity
Physical Stores	11 physical stores responsible for Forall Phones' exponential growth in Portugal.	Portuguese clients prefer to see refurbished devices before buying. Thus, the channel provides 80% of the sales.	Forall Phones is not the only company providing refurbished iPhones in store.	Other firms can easily open stores.	Stores have a long useful life.	Parity
First-Mover Reputation	The company entered early in the Portuguese refurbished smartphone market and was the first to educate customers about it.	Customers trust Forall Phones and link refurbished iPhones with the brand.	Forall Phones was the first company truly exploring this market opportunity.	It is not possible to imitate a first-mover advantage but it is possible to find a stronger one.	The first mover reputation might persist only for the first years.	Temporary Competitive Advantage
Strong Investor	The firm received investment from experienced partners that might be an asset in national and international markets.	The investors injected capital that was used to improve operational processes and promote the brand.	Even it is not rare to have strong investors, it can be hard to build a relationship.	Since it is not rare, other companies can build strong relationships with investors.	The goals from both sides are aligned, leading to lasting relationships.	Parity
80 full-time employees	The company's employees are fully trained to perform their responsibilities according to the company's standards.	The company needs its employees in order to provide good customer service and the best possible product.	Most companies rely on their human resources.	Other companies can hire experts and, in the future, some introduce AI or robots.	The firm retains workers with great workplace conditions.	Parity
HQ's Lab	The Lab is where technicians refurbish the iPhones and is organized to be an efficient space.	The lab is valuable since it is necessary to refurbish the iPhones that will be sold.	Most Portuguese players outsource the refurbishment services.	Other companies can imitate, as long as the needed resources are gathered.	The lab has a long useful life.	Temporary Competitive Advantage
Forall Family	The network of young shapers and influencers create brand awareness.	Forall Family connects customers with the company, and are currently responsible for more than 34% of the sales.	Networks with a presence like Forall Family are not easy to find.	It is impossible to transfer or to replicate this unique community as it is.	The network will always play a key role in sales and brand awareness.	Sustainable Competitive Advantage

Table 3: Forall Phones Resources in Portugal

Among all the resources and capabilities that allow parity or a temporary competitive advantage for the company, sustainable competitive advantage in Portugal arises from the network of shapers and influencers, representing one of Forall Phones' most important communication channels.

3. Analysis of the Company's Situation and Global Readiness

3.3. Firm-Specific Advantages: Resources and Capabilities

Verifies

Fails the condition



Industry Key Success Factors



Resource to leverage abroad

1 2 3 4 5 6 7 8 9










Capabilities	Description	Relevance	Scarcity	Transferability to other competitors and Replicability	Durability	Result
 Sustainable Behaviour	Forall Phones has the capability of encouraging its customers, followers, and employees to be more sustainably mindful both at the workplace and at home.	Environmental issues are concerning more people and more customers are shopping in a sustainable way.	Several companies have been adopting this operating behaviour.	Nowadays, more companies are trying to work sustainably.	Forall Phones will always try to have a positive impact on the environment.	Parity
  Variety	The company has the ability to offer a vast variety of iPhone models, including the latest versions which, combined with the different grades, fulfills a wide range of customers' needs and preferences.	With more variety, customers can find a phone that delivers the most value to them.	When compared to the Portuguese players, Forall Phones has the largest iPhone variety.	Competitors can add more models to their portfolio without great efforts.	Forall Phones will maintain or increase its diversity.	Temporary Competitive Advantage
 Online Marketing	Forall Phones is built upon strong Online Marketing, both SEO and SEM.	Until September 2019, 72% of website visits were due to organic searches.	Most companies are focusing on online marketing.	Competitors can always improve their online marketing practices.	Forall Phones will keep improving and investing in its online marketing.	Parity
 Forall Family	Forall Phones has the capability of building a community of shapers and influencers and, along the years, acquired precious know-how necessary to manage this community efficiently.	By managing well the Forall Family, the company is creating value.	This ability is hard to find, since managing a community can be hard.	Other companies can try establishing a community, even with less experience and with a different dynamic.	The capability to manage the community increases with the years of experience.	Temporary Competitive Advantage
  Efficient Operational Process	The firm's capability of placing an order, refurbish and put the iPhone for sale is around 7 days.	Consumers benefit from quick and efficient service, allowing the firm to sell faster.	Other companies refurbish mobile phones as a complement to their business. Thus, their process is not as efficient.	Similar ways of achieving efficiency can be pursued by other companies, through learning economies.	The operational process system is an intangible asset that has a large useful life.	Temporary Competitive Advantage
  Refurbishment Quality	Forall Phones has the ability to provide high-quality iPhones due to high controlled refurbishment process and by obtaining less damaged inputs from suppliers.	Consumers benefit from a higher quality/price ratio.	Most companies in this market do not perform in-house refurbishment.	Competitors can increase the quality of the process with AI. ¹	The company believes it should keep its high refurbishment quality.	Temporary Competitive Advantage

Table 4: Forall Phones Capabilities in Portugal

Forall Phones' positioning in the 4th quadrant of the FSA-CSA Matrix results from the firm's communication efforts, leading to a successful differentiation strategy by increasing the customers' perceived value of its products. The critical resource used is the Forall Family, that should be leveraged during the company's internationalization process, to ensure a sustainable competitive advantage.

3. Analysis of the Company's Situation and Global Readiness

3.4. FSA-CSA Matrix and Strategy Clock

1 2 3 4 5 6 7 8 9



Portugal Specific Advantages

- Demand Conditions
- Government
- Factor Conditions



Resources and Capabilities

- Stores
- HQ, Lab and Human Resources
- First Mover Reputation
- Efficient Operational Process
- High Quality and Diversity
- Forall Family



Benchmarking Analysis

- Price
- Reviews
- Customer Awareness
- Diversity

Literature Review: The **FSA-CSA Matrix** helps companies to follow strategies that are optimal outputs from the firm and country-specific advantages.¹ The **Strategy Clock** aims to provide companies with potential strategies by aligning the customer's perceived value and products' price.²

By operating in Portugal, Forall Phones obtained experience in educating consumers towards the circular economy and received substantial support from a European fund. However, when taking everything into consideration, Portugal, as the home base of Forall Phones' operations, does not provide significant advantages for the firm to compete internationally. Thus, in the **FSA-CSA Matrix**, the firm should be positioned on the **weak side of the CSA**.

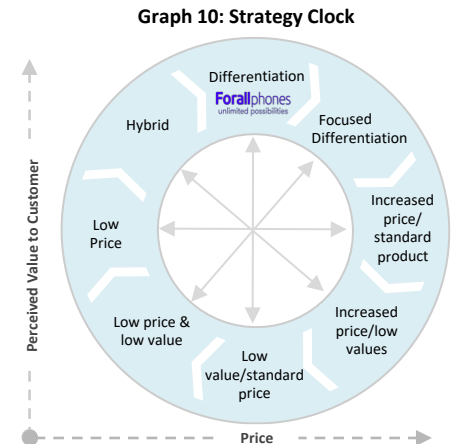
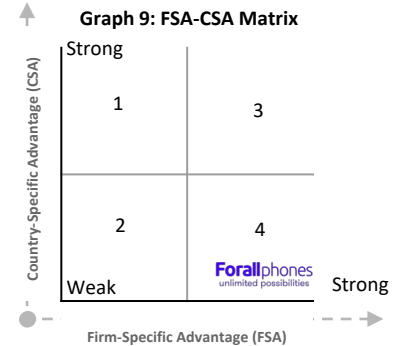
From the **FSA** perspective, the firm has a sustainable competitive advantage: **Forall Family, that is responsible for 34% of sales and educates consumers about the circular economy of the refurbished iPhones while creating brand awareness for Forall Phones.**

Moreover, the company has more competitive advantages that, although only temporary, allow the company to provide high-quality products and customer service. Thus, in the **FSA-CSA Matrix**, the firm should be positioned on the **strong side of the FSA**. This excellence is reflected in the Benchmarking Analysis since the company has the best reviews compared to its main competitors in Portugal.

It is possible to state that Forall Phones' refurbished iPhones have a high customer perceived value given the exceptional refurbishment process. The company will be placed in the **Strategy Clock** on the **high degree of perceived value to the customer** side. Furthermore, the quality enabled the firm to charge slightly higher prices compared to competitors, while remaining attractive to customers, allowing to position Forall Phones in the **medium price level** side of the **Strategy Clock**.

Conclusion

A company in the 4th quadrant of the **FSA-CSA Matrix** is considered to have strong FSAs in Marketing and Product Differentiation.¹ In the differentiation position of **Bowman's Strategy Clock**, firms provide high quality at a price above the average, leading to a high perceived value. At this position, customer' brand-loyalty is important to practice slightly higher prices.²



Forall Phones wants to expand its business internationally for Market Seeking Motives, as it expects to have small scaling opportunities in Portugal, in the near future. This is supported by a favorable market environment in Europe, namely customers purchasing behavior and environmental laws, that increase this industry's attractiveness.

3. Analysis of the Company's Situation and Global Readiness

1 2 3 4 5 6 7 8 9

3.5. Reasons for Internationalization



Reactive Motives

- Following key customers that fulfill the trends of making responsible and sustainable purchases.
- Take advantage of EU efforts to reduce electronic waste and increase circular projects' participation in the overall economy.
- Follow customers wishing to acquire top technology but with a lower willingness to pay.
- Most European players have their resources aligned with the key industry success factors, similarly to Forall Phones, hence the company's desire to conduct business with an European scope.



Pull Factors

- Desire to pursue faster revenue growth by serving markets with high demand and unfulfilled potential.
- In Portugal, the company benefited from first-mover advantages but had to spend considerable amounts of capital to educate consumers and build trust in refurbished products. However, in some European countries, consumers are already used to buying refurbished.



Proactive Motives

- Vision of becoming a global brand.
- Seeking internationalization opportunities under the favorable political, legal, social and economic environments in Europe, with low barriers for expansion of companies operating in the refurbished smartphone industry.
- Compete in high growth markets, while leveraging the refurbishing operations based in Portugal, benefiting from the home-based factor conditions.



Push Factors

- With 11 physical stores, Forall Phones believes it has small expansion opportunities in the future as the Portuguese market is limited due to economic conditions.
- The largest competitors have recently acquired small companies operating in this industry in order to expand this product segment, decreasing the industry attractiveness in the home country.

With a 55% score, Forall Phones is ready to expand to global markets with a direct exporting strategy. Thus, this assessment suggests that the company should have either foreign-based agents, distributors, sales representatives, retailers, or establish direct sales to End User, in the target country.

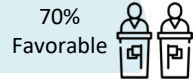
3. Analysis of the Company's Situation and Global Readiness

1 2 3 4 5 6 7 8 9

3.6. Global Readiness Assessment ¹

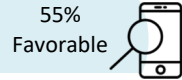
Literature Review²: The Global Readiness assessment aims to provide domestic companies, one with no international presence, with an evaluation of the company's readiness to expand and, if so, an entry strategy is recommended. This assessment is also valuable for international companies in order to evaluate the current strategy being followed when matching it with the suggested strategy.

Overall Assessment of 55%



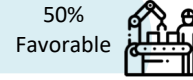
Foreign and Domestic Market Similarities

Although the end-user of the product can be considered the same across several countries, the foreign market is not exactly similar to the domestic market. Different perceptions and acceptance of refurbished products should be considered, urging the company to adapt its communication and product offer, contemplating factors such as price, sustainability, and brand awareness. Operating in the refurbished industry, Forall Phones decided to focus on Apple's products, not needing modifications for foreign markets. Moreover, products can perform the same functions and have the same use conditions regardless of the market.



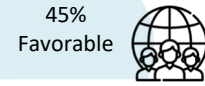
Product Characteristics

The product is very successful in the domestic market given the price-quality relationship. However, it is not unique. Other companies are refurbishing and selling the same products, and it might be difficult for the consumer to differentiate it "externally". Forall Phones usually sells products with 12-18 months of average previous use. Studies reveal premium technology products should last 36-48 months, allowing a remainder life cycle of 24-30 months, which is the same in all markets. Also, the product does not necessarily require after-sales service, however, if needed, the company has limitations providing it.



Company's Resources and Investment Capacity

If the company can maintain minimum stock levels for domestic sales, export orders should not hurt the Portuguese ones. However, the company has limited financial resources to export since the prior international experience hurt Forall Phones' financial results and current resources are allocated to domestic growth. Also, the company does not have in-house personnel with export-related knowledge or certification (but efforts have been gathered to start the needed procedures to obtain them). Nevertheless, the company is willing to investigate export market opportunities, attend and/or participate in Trade Shows abroad, and to translate company literature into foreign languages.



Global Presence and Competition

International expansion is a large part of the current strategic business plan since Forall Phones expects to have selected one foreign market and strategic partner/investors until June 2020. This is also visible in the company's mission statement of having global participation. Finally, the refurbished smartphone industry is not highly regulated since it is an emerging market niche. As for competitors, the industry for the B2C segment is still a very fragmented niche, with single stores operating, or very small networks (average of 3 stores), without a strong, trusted brand behind it, neither a focus on one specific brand.

Despite Forall Phones' clear weaknesses regarding scale, product mix and dependence on a big supplier, the company is able to stand out with its product specialization, high perceived value and its capability of maintaining a network of changemakers, as a key communication channel.

3. Analysis of the Company's Situation and Global Readiness

1 2 3 4 5 6 7 8 9

3.7. SWOT Analysis: Internal Analysis

Literature Review: Albert S. Humphrey developed the SWOT analysis, a useful framework used to gather all the information found about Forall Phones' external (Threats and Opportunities) and internal (Strengths and Weaknesses) environments.



Strengths

- **Great focus on a specific product to become industry specialists:** Forall Phones wants to be the global expert on the high-quality refurbishment of iPhones due to its specified in-house refurbishment.
- **Educational Expertise:** The company had the hard chore of needing to educate consumers about the circular economy of iPhones in Portugal. This gives an advantage to Forall Phones abroad since they already acquire the know-how that can be leveraged abroad.
- **High diversification of refurbished iPhones:** Forall Phones has a wide variety of iPhone models and specifications (all memory capacities, colors and ranks).
- **Forall Family:** The firm manages a strong community of changemakers, a network used to advertise the brand and to enhance the company's sustainable position, counting for 34% of total sales. The changemakers include the Shapers, composed of +300 university students responsible for 23% of total sales.
- **Ability to increase customers' perceived value:** Forall Phones positioning of differentiation through its unique communication channel allows the company to increase consumers' brand loyalty and willingness to pay (despite being price sensitive).



Weaknesses

- **Lack of product mix:** All the main industry players in Europe have a diversified product portfolio, which allows them to mitigate the risk of the business by leveraging the distribution channels and refurbishment facilities. Forall Phones only refurbishes iPhones and should consider adding refurbished iPads, Apple Watches and MacBooks to its portfolio as the competitors did.
- **Lack of scale:** Most of the European players cover several countries in Europe, and the ones who conduct the business only in one country, are serving a bigger market than the Portuguese one (e.g. UK). Compared to those competitors, Forall Phones has less experience leveraging large scale operations.
- **The firm mostly relies on one big supplier:** Forall Phones is subjected to some risk since most of the inputs come from only one supplier, with whom they do not have an exclusivity contract.
- **Weak country-specific advantages:** From the previous home-country analysis, it was possible to understand that having Portugal as a home base does not provide Forall Phones with a strong transferrable competitive advantage.

Forall Phones faces major international opportunities in this growing industry, with governments and consumers increasingly aware of environmental benefits that refurbishment can bring. However, Apple and rising competitors are tracking this market opportunity, increasing industry rivalry.

3. Analysis of the Company's Situation and Global Readiness

1 2 3 4 5 6 7 8 9

3.7. SWOT Analysis: External Analysis



Opportunities

- **Refurbished premium smartphone industry growth:** In 2017, the market reached 19.7 billion dollars and forecasts predict it will reach 38.9 billion dollars in 2025, considering all second-hand mobile phones.¹ According to Deloitte, at least 10% of the premium smartphones that were purchased new for more than \$500 in 2016, will still be used in 2020 and beyond by their third or fourth owner.²
- **Customers increased awareness of device manufacturing environmental impact:** Customers have grown to be more responsible and choose to buy used devices (sustainable shopping). On Apple's Environment Report, the company informs that iPhone's production accounts for 80% of its total greenhouse gas emissions.³
- **Increasing demand for alternatives to pricey new devices:** A higher level of demand of alternatives for new devices is a consequence of the growing desire for affordable phones with all the advanced features, combined with the fact that premium brands are increasing their prices and, overall, consumers are losing their impulsive purchasing behavior.
- **European countries are trying to accelerate the transition to the circular economy:** Some European countries' governments are taking measures to encourage businesses to pursue circular economies by investing and changing legislation and regulations. The EU policies that are being developed will force companies to preserve the value of materials and products by using them in a circular way.⁴



Threats

- **Apple-certified refurbishment:** Apple already sells high quality certified refurbished products in 11 European countries. However, those are often out of stock, are more expensive and there is a lack of diversity since in most countries there is no inventory for refurbished smartphones.⁵ The scenario in which Apple creates a patent on the refurbishment of iPhones that is not available on the market can tear down Forall Phones' business.
- **Increasing competition:** A strong competitive environment shows emerging signs since new entrants might take advantage of the low barriers of entry and low switching costs, increasing pressure in the current player.⁶ The intensity of competition will continue to increase exponentially with new companies developing innovative technologies to refurbish devices.
- **Hard to build trust:** Due to the nature of the business, customers tend to be unsure about the functionality and quality of the refurbished device. There is still the misconception that refurbished smartphones have lower quality, are damaged and work slowly, and this is an area where companies specialized in refurbishment need to educate the consumer.
- **Global iPhones' sales are decreasing y-o-y:** In the 2Q of 2019, iPhones sales and Apple market share fell 13.8% and 1.4% y-o-y, respectively.⁷ Apple's new smartphones are getting more expensive every year and present fewer improvements compared to predecessors, leading consumers to stop replacing their smartphones for new iPhones and start finding lower-priced brands, threatening Forall Phones product sourcing.
- **Supplier Power:** As assessed in Porter's 5 Forces, the supplier power is medium. Although there is low input differentiation, suppliers are highly concentrated, increasing their bargaining power. Moreover, there is a risk of downstream integration, where suppliers could leverage their access to inputs to enter the industry, reaching higher profit margins.