

Prepaid Phones Dealers - How to become one?!

Mobile phone distributors are a critical part of a prepaid wireless provider's success! Do you want to become a cell phone distributor? Here you'll learn about what it takes to be a wireless master agent, how it works, the technology involved, and more! The fact is that the world of mobile phone distributors is fascinating, and can be the life blood of many wireless carriers.

What are cell phone distributors?

First, let's define what exactly a distributor is and does. Different people will have different definitions and describe various scopes of responsibility, but generally speaking the following is very consistent. Having worked directly with prepaid wireless distributors for many years, I feel comfortable that the following information will help you get jump-started on becoming knowledgeable!

- Distributors are often referred to as Master Agents. This is because they are at the top of the food chain if you will. What that means is that while a distributor or mater agent may sometimes sell phones and airtime directly to customers, they typically mostly sell wholesale to dealers.
- In turn, dealers have their own stores, but also sell wholesale to smaller stores. Sometimes there is even a sub-dealer between the dealer and store level (see the diagram below to see the various possible levels of distribution).
- A cell phone distributor will buy phones and airtime discounted directly from prepaid wireless carriers. They will then mark up the price and sell it down to the next level.
- Mobile phone distributors can have relationships with dozens, hundreds, or even thousands of stores underneath them. The layers under them are often referred to as their sub-distribution. Depending on the size, reputation, and policies of a prepaid wireless carrier, some wireless distributors won't be able to work directly with the prepaid carrier. In other words, as a wireless distributor, you could have a direct relationship with the prepaid carrier, or you may have to work as a sub-distributor under another larger master agent who is working directly with the carrier.

What's the best level?

This can become a very personal decision. Are you the type of person who wants to run a large distribution network, and deal with the operations and warehousing that comes along with that? Or are you the type of person who enjoys working day to day directly with the customer? The answer will likely be a combination of what you enjoy, as well

as what your strengths and capabilities are.

There's no doubt about it that the higher you are on the mobile phone distributors food chain, the more money you'll make, and the faster you'll make that money.

The simple reason is because once you have a network of sub-distributors and stores, you'll be able to sell hundreds, or even thousands of phones in one deal, versus the bottom of the chain, where you'll be selling one phone at a time to the customer, which practically speaking, will simply take more time. But for that apparent ease, you'll have more risk.

Consider if you were to buy 10,000 phones from a prepaid carrier. If you don't have the operations in place to receive and ship out those phones in an efficient manner, it could take you some time before you get the products in the hands of those who will actually be selling them. And that doesn't include the cost of paying for the phone (or airtime) inventory, and the cost to store it. Most prepaid carriers require that distributors prepay for inventory! Some will give you payment terms (ex. 10 days or 30 days), but that is becoming less common these days. Even with payment terms, you'll still need to get the product out, and get paid in time to pay the carrier for the inventory.

As a side note, I've seen more than a few mobile phone distributors who have been extremely cash-strapped, and on the brink of bankruptcy, even though they sell millions of dollars of prepaid products each month! One operational issue, or trouble collecting money from your sub-distribution, and you're toast! But don't let that scare you off.

Those issues really come down to poor management, and perhaps greed trying to grow their business too quickly. If you're wise, you should be able to profitably (and safely!) build your business without being on the edge of disaster.

Are you interested in becoming a cell phone distributor? It's such a fascinating industry with so many opportunities, and so much to learn! If you haven't already, read the introduction to Mobile Phone Distributors; if you have, continue reading:

What do I need to become a wireless distributor?

- **Relationships** - You'll need to have relationships with sub-dealers or stores. In my opinion this is the most difficult part. Building relationships with other dealers and/or stores is not easy. It takes a certain kind of person to seek out such opportunities and to sell your services. And because of the amazing potential to make a lot of money in the prepaid wireless distribution business, competition is fierce! You can target a specific neighborhood, type of mom and pop store, small convenience store, etc. Think about where people might want to buy a phone or top up their prepaid account. Also consider what unique value

you can add. Do you have special knowledge, insight, or existing relationships with a specific type community? This should be considered a critical success factor, and will largely determine whether you should be a master cell phone distributor at the top of the chain, a smaller one, or somewhere in the middle. There's really no "wrong" place to be. Wherever you fit in, and can apply your passion, you'll have a chance to succeed!

- **Access to Technology** - Depending on where you are on the food chain, you'll need to have technology to process airtime sales. Usually the master cell phone distributor will provide access to technology to partners underneath them, so lets assume you're at the top for the moment. You'll need to partner with a Technology Service Provider (TSP). TSPs have also have relationships with prepaid carriers. The larger ones will have direct relationships, while the smaller ones will have indirect relationship. The closer they are to being direct, the more money you'll likely be able to make. There are a number of technologies currently available, and depending on the dealers/stores that are selling your prepaid product, you may need one or all of these:
 - **Hot Cards** - These require minimal or no technology, and can often be purchased directly from the carrier. I won't focus on this much, however, because hot cards are largely being phased out of the market, and many carriers have already discontinued using them.
 - **POS Terminals** - These are Point Of Sale Terminals that typically look like credit card terminals. They can be used to sell electronic PINs (ePINs) or to perform PIN-less Real Time Replenishment (RTR) transactions.
 - **Web Terminals** - These are secure websites that provide the same products as do POS terminals, but can be accessed via the Internet, without the need for special hardware or equipment. Internet access, however, IS required.

To read about these technologies in detail, visit the Point Of Sale Technology page. As a cell phone distributor you'll need to gain a good understanding of these replenishment technologies so you can sell your services to dealers and/or stores. You may only need one of them or all of them. Remember that you need to keep in mind the needs of YOUR customer (dealers/stores), as well as what the end users (wireless customers) need and prefer. Believe it or not, these are not always the same things!

Special Note: Depending on how large you are, as well as your relationship with your TSP(s) and sub-distribution, you may be able to get these technologies from free, you may have to buy them outright (ex. terminals), or you may be able to lease them.

Depending on where your business lies in the food chain, you may be able to pass any costs down to your sub-distribution.

- **Money** - You'll need to either have cash on hand, or access to money from banks or lenders. You'll need this money to pay for technology, warehousing, staff, and of course, prepaid phones and prepaid airtime. Although people tend to worry the most about getting money, I put it last because it really is the easiest part of the equation! If you have good relationships and access to technology, you're well on your way to building a successful cell phone distributor business, and finding the money will be the easiest part!

How do I get paid?

There are different ways a wireless mater agent can get compensated, which can depend on where in the chain you are, the size of your business, as well as the policies and practices of different prepaid wireless providers.

- **Phones/Handsets**
 - **Wholesale** - You'll buy the phone at a discount from the prepaid provider or someone above you in the distribution chain. This is often referred to as a margin model.
 - **Spiff** - You'll get paid for each phone you activate. Most relevant to the store level. Note that sometimes a margin and a spiff will apply. Sometimes the spiff can also be shared by different levels within the chain.
- **Airtime/Replenishment**
 - Similar to the wholesale model, you'll get a margin for each replenishment sale. Note that some prepaid providers will pay different amounts for different products. For example, you might get paid less for ePIN sales than for Real Time Replenishment (RTR) sales. Airtime margins are usually shared between the different distribution levels, and mostly depends on the nature of your relationships.
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 - Consider if you have at least 2-300 happy customers who come back to you every month for top-up, if you are following a retail strategy of flooding the market with low-cost handsets you will reap the rewards of replenishment volume.
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- **Accessories**
 - Making money from selling accessories is an often under-performing part of the business for most dealers, consider if you sell just one accessory at a 100% markup on each phone sold, this is an opportunity for another revenue stream, it is very important that the prepaid dealer has a plan for selling accessories and the ability to reap the rewards

Want to Sell Online?

After reading about becoming a cell phone distributor, some people will be excited about the opportunity, and feel that with the right motivation, you can be successful.

However, some people will come to the conclusion that you don't want to worry about the hassle of dealing with a brick and mortar business, and the sometimes complex relationship management and operations that is needed. But you still want to sell prepaid wireless phones and prepaid wireless airtime online!

The good news is that you can actually be an online wireless master agent using only basic relationships; i.e. no headaches! With no lead time, and no out-of-pocket cost, you can easily sell online. You'll basically put affiliate links or banners on your website, and when people click over and complete a purchase, you'll get paid a commission. Once your business gets bigger, and you want to invest some money, you can integrate these services right into your website, so visitors/customers never leave your site. Once you click over, you can sign up to become a distributor or reseller. As I said, there are other options for selling airtime and handsets.