

First network bows to dealer pressure on upfront payments

Contributed by Admin
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Back in October 1st we published a press statement on the ongoing revenue which was coming in at that time. In that statement we wrote:- "As one major distributor Managing Director has already said "The mathematics of it dictates that you need a war chest to live with it. It's a serious hit on cash flow." We also said that: "Dealers will be making a loss at the point of sale of a transaction, and possibly for several months as they will sink cash into handset subsidy while only seeing a small immediate return, and that is not sustainable by small dealers."

We asked the networks to talk to us about this at the time but they declined the offer. Now as widely seen in Mobile News with the headline

O2 bows to pressure from dealers to grant upfront payments as part of revenue share to cover kit subsidies. O2 has until now refused dealers some upfront payment to subsidise upgrades. Dealers have been forced to fund deals themselves, putting them at a potential loss, which is exactly what we said would happen. If networks want to keep dealers they need to keep them onboard. The whole process of ongoing was flawed; with input by small dealers this may have been avoided. Of course there is a catch! O2 stated that The money is to be part of a revenue share "true up", and can be clawed back at the end of the customer's contract should the 40% per month revenue share be less. Therefore if it's below 40% per month, the dealer loses out, and of course dealers have no way of knowing, they have to rely on the networks for the percentage. The question now is can the networks please talk to a group of dealers, who are hurting at the moment, due to this coupled with the recession. They are not going to lose anything by talking and may just find how helpful small dealers can be.

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