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How Long Do iPhone Owners Own an iPhone?

Retirement age has increased three months in past three years

CHICAGO, IL – Tuesday, June 7, 2016 - Consumer Intelligence Research Partners, LLC (CIRP), today released additional analysis of the results from its research on Apple, Inc. (NASDAQ:AAPL).

iPhone has become the dominant factor in Apple, Inc. financial results, so we want to understand the dominant factors in iPhone results. One factor, the length of time that current iPhone owners wait to upgrade their phones, appears to have lengthened materially in the past two years, at least in the US.

Among buyers of a new iPhone that own an old iPhone, in the past three years, the age of these retired iPhones has increased steadily (Chart 1).

Chart 1: Age of Previous iPhone of iPhone Buyers (trailing twelve months)

In the year ending with the June 2013 quarter, 66% of old iPhones were either under one year old or from 1-2 years old. By the March 2016 quarter, 51% of old iPhones were either under one year old or from 1-2 years old. The oldest retiring iPhones (those over
three years old) increased from 5% of all old phones in the year ending with the June 2013 quarter to 12% in the March 2016 quarter.

“We can translate these retiring iPhone age distributions into an estimate of the change in age of previous iPhones,” said Mike Levin, CIRP Partner and Co-Founder. “Over the past eleven quarters, in some quarters the average age of a previous iPhone increased by as much as four weeks. It did decline in a few quarters, from mid-2014 to mid-2015, and again in the most recent March 2016 quarter. Overall, over the past almost three years the average age of a new iPhone buyer’s previous iPhone has increased by approximately three months.”

“We can think of at least two reasons why iPhone upgrade timing has slowed,” said Josh Lowitz, Partner and Co-Founder of CIRP. “The rate of change in iPhone features has slowed. In addition, phone financing plans now encourage iPhone owners to hold on to their current phone. Only a few years ago, mobile carrier phone purchase subsidies encouraged customers to upgrade a phone on a steady two-year cycle with no monthly discount for holding a new phone beyond two years. Today, phone financing plans effectively reward customers who have paid for their phone in full. This motivator appears to outweigh the impact of any early upgrade options that carriers offer with the new financing plans, and the increased availability of trade-in programs and used phone purchase websites.”

“At least in the US, Apple increasingly sells new iPhones to current iPhone owners,” added Levin. “This means the current installed base is the most important future customer market. In the absence of compelling new features, which will encourage early upgrade from iPhone 6 models, these factors will influence and probably limit US iPhone sales in the coming quarters, relative to past quarters.”

CIRP bases its findings on its quarterly surveys of 2,767 Apple customers that purchased an iPhone, iPad, or Mac in the US in September 2012-March 2016 quarters. For additional information, please contact Mike Levin (mike@cirpllc.com) or Josh Lowitz (josh@cirpllc.com) at 312.344.3664. Further information on CIRP, which provides securities research to the investment community using advanced consumer market research strategies, methods, and techniques, is at www.cirpllc.com.

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