

# The Apple iPhone and Consumers

## Latest Alliance Survey of iPhone Users and Non-Users

### Overview

ChangeWave's latest consumer telecom survey looked at the reaction of 74 iPhone users to the new Apple product – including what they like best and dislike the most. We also asked more than 3,000 non-owners about their future cellular purchasing plans.

The survey was conducted July 18-25, 2007 – less than a month after the iPhone's release.

### Part One: Current iPhone Owners

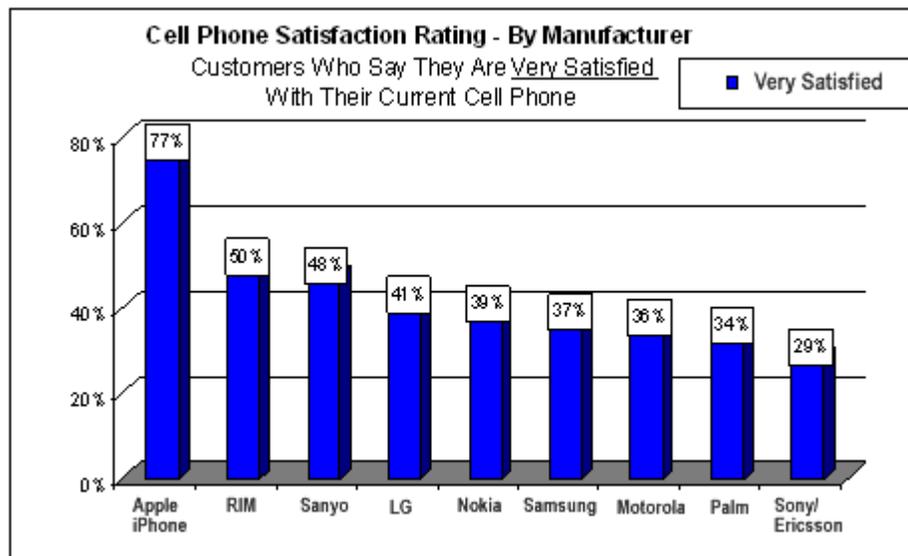
#### Early Users Give the iPhone a Big Thumbs Up

The early iPhone satisfaction ratings are quite extraordinary for a new product – better than three-in-four (77%) report they are *Very Satisfied* with their Apple iPhone and another 15% say they are *Somewhat Satisfied* – for a combined 92% Satisfaction Rating.

**Question Asked: Overall, how satisfied are you with your Apple iPhone? (n=74)**

Very Satisfied	77%
Somewhat Satisfied	15%
Somewhat Unsatisfied	1%
Very Unsatisfied	4%
Don't Know	2%

To put this finding in perspective, in our most recent consumer cell phone survey we also got satisfaction ratings for the other leading cell phone manufacturers. The next closest competitors to the Apple iPhone in terms of customer satisfaction were RIM (50% *Very Satisfied*) and Sanyo (48% *Very Satisfied*).



We acknowledge the potential for bias here among iPhone owners, as we're speaking with people who were already favorably predisposed toward the gadget – otherwise they wouldn't have rushed right out to get it.

But our ChangeWave Alliance is composed of early adopters who tend to be harsh critics of technologies which fail to live up to their expectations. They're normally a tough crowd. So even though these are the first wave of buyers, there's a high likelihood their opinions are based on the real world merits and flaws of the iPhone.

Here's a further look at what they had to say.

**Question Asked: *How likely are you to recommend the Apple iPhone to a friend or colleague?*** (n=74)

Very Likely	77%
Somewhat Likely	12%
Somewhat Unlikely	5%
Very Unlikely	4%
Don't Know	1%

**Likelihood of Recommending iPhone.** In another example of bullishness among early iPhone buyers, nine-in-ten (89%) say they are *Very Likely* or *Somewhat Likely* to recommend the Apple iPhone to a friend or colleague.

**Question Asked: *Which iPhone model do you currently own?*** (n=74)

4GB iPhone	16%
8GB iPhone	82%
Don't Know	1%

**8GB Model Rules.** Better than four-in-five (82%) iPhone purchasers own an 8GB model.

**Question Asked: *Is the iPhone a replacement for your existing cell phone, or is it in addition to your existing cell phone?*** (n=74)

iPhone is a <b>replacement</b> for existing cell phone	84%
iPhone is <b>in addition to</b> my existing cell phone	15%
Don't Know	0%
Other	1%

**iPhone Replacing Existing Cell Phones.** Overwhelmingly, respondents are choosing the iPhone as a *replacement for existing cell phone* (84%), rather than *in addition to existing cell phone* (15%).

## Top Likes and Dislikes

We asked current iPhone owners to tell us what they **like best** and **dislike most** about their iPhone. Here's what they said:

**Question Asked: *What do you like best about your iPhone? (Choose No More Than Two)*** (n=74)

Integration of Phone, iPod and Internet Browser	66%
Touch Screen Interface	45%
Easy to Use	22%
Screen Size	16%
The Safari Browser	14%
Screen Resolution	9%
Voicemail Displayed Visually	7%
Ability to Sync With Multiple Computers	5%

**What Do Users Like Best?** A total of 66% picked *Integration of Phone, iPod and Internet Browser* as the thing they like best about their iPhone.

Another 45% report they like the *Touch Screen Interface*, while 22% say it's *Easy to Use* and 16% chose *Screen Size*.

**Question Asked: *And what do you dislike most about your iPhone? (Choose No More Than Two)*** (n=74)

Speed of AT&T's EDGE Network	35%
Can't Copy and Paste Text	23%
Doesn't Support Third-Party Software	23%
Lack of Java Applications	19%
Storage Capacity	8%
No Built-In Instant Messaging Capability	8%
Battery Life	7%
Requirement to Use AT&T (Cingular)	7%
Issues Syncing to Computers	5%
Lacks AutoComplete Function	5%
Voice Quality of Calls	4%
Difficulty Importing Contacts List or Phone Book	4%
Difficult to Use	4%

**And What Do They Dislike Most?** By a wide margin, the *Speed of AT&T's EDGE Network* (35%) ranks as the thing iPhone owners dislike the most. Owners also disliked the fact that the iPhone *Can't Copy and Paste Text* (23%), *Doesn't Support Third-Party Software* (23%) and its *Lack of Java Applications* (19%).

**Question Asked: *What feature would you most like to see added to the Apple iPhone?***  
(n=46)

Voice Recognition	15%
Personalizing Features	13%
GPS	13%
3rd Party Software	11%
Instant Messaging	11%
3G	7%
Bluetooth	7%
Java	7%
E-mail Integration	7%
Editing Features	4%
Other Providers	4%
VoIP	4%
Other	22%

**Top Additional Features Owners Would Like to Have.** When asked to name a feature they would most like to see added to the Apple iPhone, 15% cited *Voice Recognition*. Another 13% said *Personalizing Features* and *GPS*, while 11% said *3rd Party Software* and *Instant Messaging*.

### Who Stands to Lose Because of the iPhone?

Now that the iPhone has hit the shelves, which cell phone manufacturers and service providers stand to lose the most?

### Cell Phone Manufacturers

**Question Asked: *Who is the manufacturer and what specific model of cell phone were you using before purchasing the iPhone? Open-ended*** (n=59)

Motorola	
RAZR	20%
Other Motorola Models	12%
Nokia	17%
Palm Treo	14%
Samsung	14%
Sony/Ericsson	8%
Research in Motion Blackberry	5%
Other	10%

**Manufacturers: Motorola Takes the Biggest Hit.** Motorola tops the list of cell phone manufacturers that are losing out to the iPhone – with one-in-three respondents (32%) saying they switched from a Motorola phone when they bought their new iPhone. Nokia switchers (17%) were second, while Palm/Treo and Samsung switchers were tied for third.

We note that RIM Blackberry owners (5%) are the least likely to switch to the iPhone.

## Cellular Service Providers

**Question Asked: *Did you change service providers when you got your iPhone?***  
(n=74)

Yes	34%
No	66%

**Question Asked: *If yes, which service provider did you switch from?*** (n=25)

Verizon	44%
T-Mobile	36%
Sprint/Nextel	20%

**Service Providers: Verizon and T-Mobile Lose the Most Customers.** One-in-three (34%) say they changed service providers when they got their iPhone, and Verizon (44%) and T-Mobile (36%) were the two top losers of customers, followed by Sprint/Nextel (20%).

**Question Asked: *Did you pay an early termination fee in order to switch service providers?*** (n=25)

Yes, Paid an Early Termination Fee	32%
No, Did Not Pay an Early Termination Fee	60%
Other	2%

One-in-three respondents (32%) who switched providers report paying an early termination fee when they dropped their former carrier.

**Question Asked: *As a result of buying the iPhone, do you expect your cellular service bill to increase, decrease, or remain the same compared to previously?*** (n=74)

Increase	61%
Decrease	14%
Remain the Same	23%
Don't Know	1%

Nearly two-thirds (61%) expect their cell service bill to increase as a result of the iPhone, but for these early adopters the added cost of the iPhone – both outright and intrinsic – does not appear to be a deterrent.

**Bottom Line:** The reactions of early Apple iPhone owners clearly confirm the exceptionally strong iPhone momentum ChangeWave identified in two previous surveys ([January 2007](#) and [April 2007](#)). The survey results also points to an upheaval among cell phone manufacturers and service providers as a result of Apple's new multifunctional device.

## Part Two: Overall Consumer Findings

### Future Buying Plans

What does the future hold for the iPhone? Beyond the impressions of current Apple iPhone owners, we also asked more than 3,000 consumers about their future purchasing plans.

### Likelihood of Buying an Apple iPhone in the Future

**Question Asked: *How likely is it that you will purchase an Apple iPhone for yourself or someone else (e.g., a family member) in the future?*** (n=3,003)

	Current Survey Jul '07	Previous Survey Apr '07*	Previous Survey Jan '07*
Very Likely	6%	4%	4%
Somewhat Likely	16%	9%	8%
Unlikely	68%	84%	86%
Don't Know	8%	2%	1%
Not Applicable / No Answer	2%	1%	0%

\*Note: Previous April 2007 and January 2007 survey results are based on the composite responses to two questions – one asking about purchase plans for *yourself*, and the other asking about plans for purchasing an iPhone for *someone else* (with duplicate responses eliminated).

**Strong Future Buying Plans.** More than one-in-five respondents (22%) say they're likely to buy the iPhone for themselves or someone else in the future (6% *Very Likely*; 16% *Somewhat Likely*) – a 9-pt leap since we last asked about plans to purchase the iPhone in our April 2007 survey.

**Question Asked: *When do you plan on purchasing the iPhone?*** (n=662)

Within the Next 30 Days	1%
30-60 days	2%
60-90 Days	2%
3-6 Months	10%
6-12 Months	27%
12-24 Months	36%
More than 24 Months	6%
Don't Know/NA	16%

**Future Purchase Timeframe.** Among those planning to buy an iPhone, better than two-in-five (42%) plan to do so within the next year. Another 36% say they'll buy within 2 years.

**Question Asked: For those who plan on buying an iPhone, why have you been waiting to purchase it? (n=662)**

Waiting for Cost to Go Down	28%
Waiting for Second Generation iPhone	20%
Waiting for iPhone to Become Available on Other Service Providers	16%
Waiting for Positive iPhone Reviews from Initial Buyers	8%
Waiting for 3G Network	7%
Waiting for Employer to Make Corporate Email Available in iPhone	3%
Waiting for Software Upgrades	2%
Waiting for More Storage Space	0%
Don't Know/NA	7%
Other	10%

**Top Reasons for Waiting to Purchase.** What is holding these future purchasers back? Cost is cited as a major reason – 28% of future buyers say they're *Waiting for Cost to Go Down* before they purchase the iPhone. Another 20% report they're *Waiting for the Second Generation iPhone*, and 16% say they're *Waiting for iPhone to Become Available on Other Service Providers*.

**Respondents NOT Considering Buying an Apple iPhone**

We also asked respondent who said they're not planning to buy an iPhone to tell us their reasons for not considering it.

**Question Asked: For those not considering buying an Apple iPhone for yourself or someone else, what's the most important reason why not? (n=2,047)**

	Current Survey Jul '07	Previous Survey Apr '07	Previous Survey Jan '07
No Need - Current Cell Phone is Sufficient	47%	55%	55%
Cost of iPhone is Too High	30%	28%	28%
Don't Like Requirement to Use AT&T (Cingular) Service	10%	7%	7%
Technology is Too New	3%	2%	2%
Don't Like iPhone Features, Appearance and/or Touch Screen Interface	1%	1%	2%
Other/NA	10%	7%	7%

**Top Reasons for Not Buying.** A total of 47% say they don't currently have a need for the iPhone – but we note this is 8-pts less than in our previous survey.

High cost (30%) remains the next most significant reason for not buying. Consumers also cited the requirement of having to use the AT&T service (10%) as a key reason for not considering the iPhone.

How far would the price have to drop to turn those who are not considering the iPhone into potential buyers? We asked our group of non-buyers exactly that – and here's what we found:

Question Asked: *And for those not considering buying an Apple iPhone, at what price point would you consider buying an iPhone?* (n=2,047)

**Current Survey (July 2007)**

	Not Applicable/ No Answer	\$199 or Less	\$200-\$299	\$300-\$399	\$400-\$499	\$500-\$599
<b>4GB iPhone</b>	35%	56%	8%	1%	0%	0%
<b>8GB iPhone</b>	39%	42%	14%	5%	1%	0%

**Price Drop Would Attract New Buyers.** Similar to our previous survey results, the current findings show significant additional demand if and when the cost of the iPhone comes down.

Among those not considering buying an iPhone, 9% would consider purchasing a 4GB model if the price falls to the \$200-\$299 range, while one-in-five (20%) would consider buying an 8GB model in this price range.

## II. ChangeWave Research Methodology

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This report presents the findings of a recent ChangeWave Alliance consumer survey on the Apple iPhone. The survey was conducted from July 18 – 25, 2007. A total of 3,077 Alliance members participated.

The Alliance's proprietary research and business intelligence gathering system is based upon the systematic gathering of valuable business and investment information directly over the Internet from accredited members.

ChangeWave surveys its Alliance members on a range of business and investment research and intelligence topics, collects feedback from them electronically, interprets and reconciles the information in a cohesive manner and converts the information into valuable quantitative and qualitative reports.

The Alliance has assembled its membership team from senior technology and business executives in leading companies of select industries. Nearly 3 out of every 5 members (56%) have advanced degrees (e.g., Master's or Ph.D.) and 93% have at least a four-year bachelor's degree.

The business and investment intelligence provided by the Alliance provides a real-time view of companies, technologies and business trends in key market sectors, along with an in-depth perspective of the macro economy – well in advance of other available sources.

### III. About ChangeWave Research

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ChangeWave Research, a subsidiary of Phillips Investment Resources, LLC, identifies and quantifies "change" in industries and companies through surveying a network of thousands of business executives and professionals working in more than 20 industries.

ChangeWave has a very unique asset in its 10,000-member Alliance. We have assembled our membership team from a broad cross section of more than 20 vertical markets such as telecom, semiconductors, data storage, and biotechnology, along with a wide range of professional disciplines including CIOs, IT managers and programmers, executive management, scientists, engineers and sales personnel.

The ChangeWave Alliance is composed of senior technology and business executives in leading companies - credentialed professionals who spend their everyday lives working on the frontline of technological change.

This proprietary research and business intelligence gathering system provides a real-time view of companies, technologies and business trends in key market sectors along with an in-depth perspective of the macro economy - well in advance of other available sources. ChangeWave surveys its 10,000 Alliance members on a wide range of investment research topics and converts the findings into valuable investment and business intelligence reports. ChangeWave delivers its products and services on the Web at [www.ChangeWave.com](http://www.ChangeWave.com).

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