

Executive Summary

Anti-Theft Software in Mobile Phones Could Save Consumers \$2.6B a Year

A recent report from ComScore estimates that over 145 million Americans are now walking around with smartphones in their pockets. Although smartphones make our lives easier and more enjoyable, these expensive electronics also make us easy targets for theft. A stolen smartphone – such as the iPhone 5S – could sell for \$800 or more in the United States and overseas. For criminals, a stolen phone could be worth more than a stolen wallet, a tablet, or even a laptop.

It's no surprise that cell phone theft has exploded in the past few years. A recent study by Consumer Reports estimated that approximately 1.6 million cell phones were stolen in the US during 2012. Many have argued that a "Kill Switch" – technology that would disable stolen phones – could be an effective theft deterrent if it was installed on every phone. If all stolen phones could easily be disabled, criminals would have virtually no incentive to steal a phone in the first place.

Although many have considered the public safety benefits of a Kill Switch, I wanted to understand whether or not consumers *want* a Kill Switch in their phones and whether or not a Kill Switch could actually *save consumers money*.

To answer these questions, I conducted a survey of 1,200 smartphone owners and reviewed the average cost of cell phones and cell phone insurance. I discovered that consumers overwhelmingly support the Kill Switch and that a Kill Switch could save consumers a lot of money.

According to the survey:

- 99% of smartphone owners feel wireless carriers should give all consumers the option to disable a cell phone if it is stolen
- 83% of smartphone owners believe that a Kill Switch would reduce cell phone theft
- 93% of smartphone owners believe that Americans should not be expected to pay extra fees for the ability to disable a stolen phone

Consumers not only support a free Kill Switch pre-installed on all phones, they expect it.

To estimate the financial savings a Kill Switch could deliver, I considered two components: the cost of replacing stolen phones and the cost of paying for premium cell phone insurance that would cover stolen phones. According to my calculations, a Kill Switch could save Americans up to \$2.6 billion per year. Here's how:

- Americans spend about \$580 million per year replacing stolen phones.

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- They also spend another \$4.8 billion per year paying for premium cell phone insurance from their wireless carriers.
- If the Kill Switch significantly reduced cell phone theft, consumers could save about \$580 million a year from not needing to replace stolen phones and another \$2 billion a year by switching from premium cell phone insurance (offered by the wireless carriers) to more basic coverage offered by third parties such as Apple and SquareTrade.

My research suggests that at least half of smartphone owners would in fact reduce their insurance coverage if the Kill Switch reduced the prevalence of cell phone theft.

Overall, it seems clear that Americans want the Kill Switch and that an industry-wide implementation of the technology could significantly improve public safety and save consumers billions of dollars a year.

Data Sources:

1. ComScore MobiLens and Mobile Marix. Results published October 2013.
2. Consumer Reports survey of adult Internet users. Results published June 3, 2013.
3. Consumer Opinion Survey of 1,200 smartphone owners, conducted in February 2014 using ResearchNow, one of the largest and most respected online panels. Demographic weights were used to ensure a representative sample.
4. Online review of cell phone prices and cell phone insurance plans available at AT&T, Verizon, Sprint, T-Mobile, Apple, and SquareTrade.

Savings Calculations:

Theft Reduction Savings	
Number of Smartphones Stolen Annually	1,600,000
Percent of Consumers Covered by Insurance	34.1%
Losses for the Insured	
Number of Stolen Phones Insured	545,600
Insurance Deductible (midpoint, range \$99-\$200)	\$149.5
Total Annual Losses for the Insured	\$ 81,567,200
Losses for the Uninsured	
Number of Stolen Phones Not Insured	1,054,400
Replacement Value of a Smartphone (midpoint, range \$99 to \$849)	\$474
Total Annual Losses for the Uninsured	\$ 499,785,600
Total Economic Savings	
Amount the Insured and Uninsured Spend Replacing Stolen Smartphones	\$ 581,352,800

Insurance Premium Reduction Savings	
Total Number of Smartphones in the US	145,000,000
Percent of Smartphones Currently Insured Through Wireless Carriers	34.1%
Total Number of Insured Smartphones	49,445,000
Amount Spent on Insurance	
Monthly Insurance Premium (midpoint, range \$5.18-\$11)	\$8.09
Total Amount Smartphone Owners Are Spending on Carrier Insurance	\$ 4,800,120,600
Lower-Cost Alternative to Premium Insurance	
Monthly Cost of Plans Without Theft Coverage (midpoint, range \$4.125-\$5.208)	\$4.67
Monthly Savings if a Consumer Switched to AppleCare/SquareTrade Coverage	\$3.42
Total potential annual savings for people who downgrade	\$ 2,029,222,800