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**Cash in the cupboard:**  
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a billion pounds worth of  
old smartphones

# Cash in the cupboard

## UK consumers hoard a billion pounds worth of old smartphones

Smartphones are intrinsic to almost every adult and teen in the UK. On average, people use their smartphones hundreds of times daily,<sup>1</sup> and spend more than 30% (300 minutes) of their waking hours using their devices.<sup>2</sup> More than half of UK adults (52%) admit to checking their smartphone the moment they wake up.

Our collective and deepening devotion to smartphones explains the ever-larger amounts spent on these pocket-sized companions. In 2021, the average price of smartphones sold was £641, according to Canalys.<sup>3</sup> That is a hefty sum for most individuals. But on a per-hour basis, it is equivalent to a mere 12 pence per hour of use for phones that are kept for three years. Few other activities cost so little per hour.

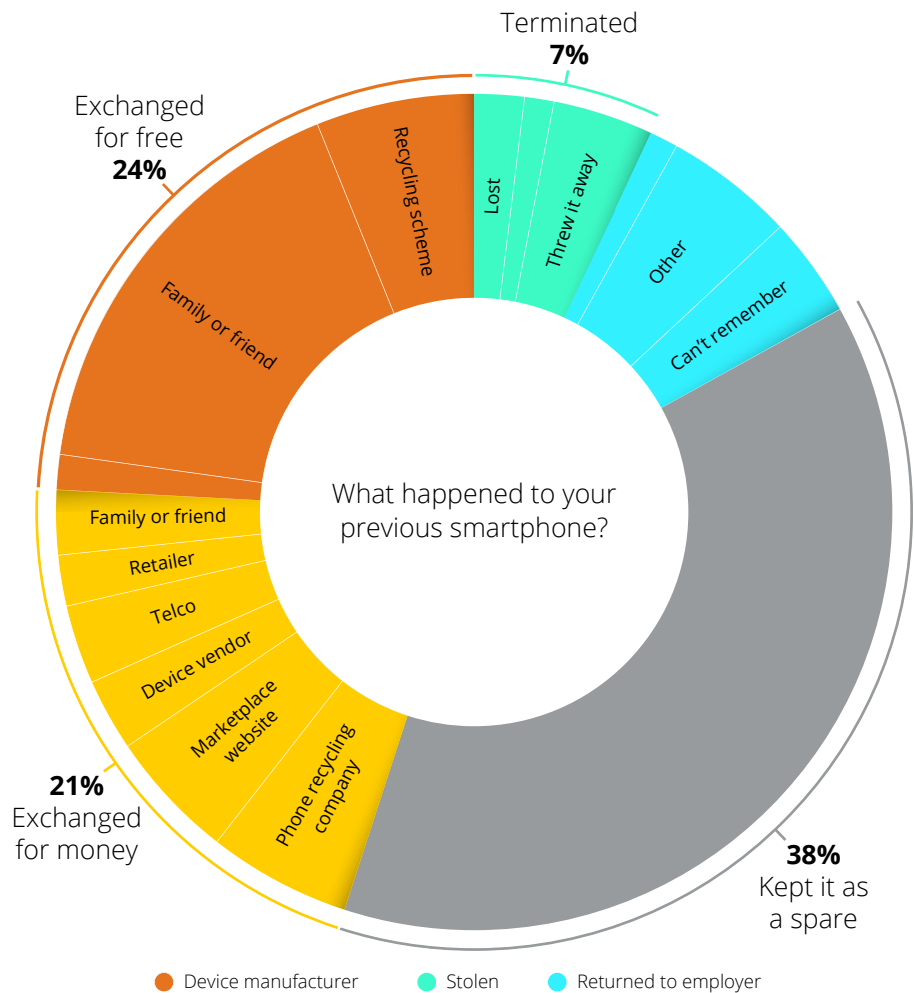
And cost per hour can be reduced yet further if the cost of the new phone can be part-funded by trading-in the old model. However, intriguingly, many consumers in the UK continue to leave cash on the table (or in the cupboard or drawer) when they upgrade their phone. Deloitte estimates that 24 million smartphones have been “kept as a spare” by UK consumers over the last three years, with a collective value of £1.02 billion. In 2022 alone seven million smartphones, worth over £500 million, are expected to be kept, unsold, despite having been replaced by a newer device.

Not selling a phone doesn't just mean that someone foregoes money, it also has a direct impact on the industry's collective carbon footprint as it prevents another consumer from using the older, unused phone. The vast majority of a smartphone's lifetime emissions are generated by the manufacturing process – usage costs are minimal. So if a second-hand smartphone can be used by another owner, extending the working lifetime of that device, this results in significantly lower emissions. Further, not trading in a device may exacerbate the digital divide, as it would prevent that device being available to purchase by someone on a limited budget.

## Almost two in five people (38%) hang on to their old smartphone

Smartphone ownership, at 92%, has likely reached its plateau in the UK. While ownership levels are unlikely to increase, and despite lengthening ownership periods, customers are still expected to purchase 18 million new phones this year, almost all of which will be replacements.<sup>4</sup> Of phone buyers, over a third (38%) tend to hold on to their old device, according to Deloitte's *Digital Consumer Trends* survey of 4,160 consumers aged 16-75. This is the same proportion as in the prior year.

What happened to your previous mobile phone when you bought or received your current phone?



**Figure 1. 38% of people kept their old smartphone “as a spare”**

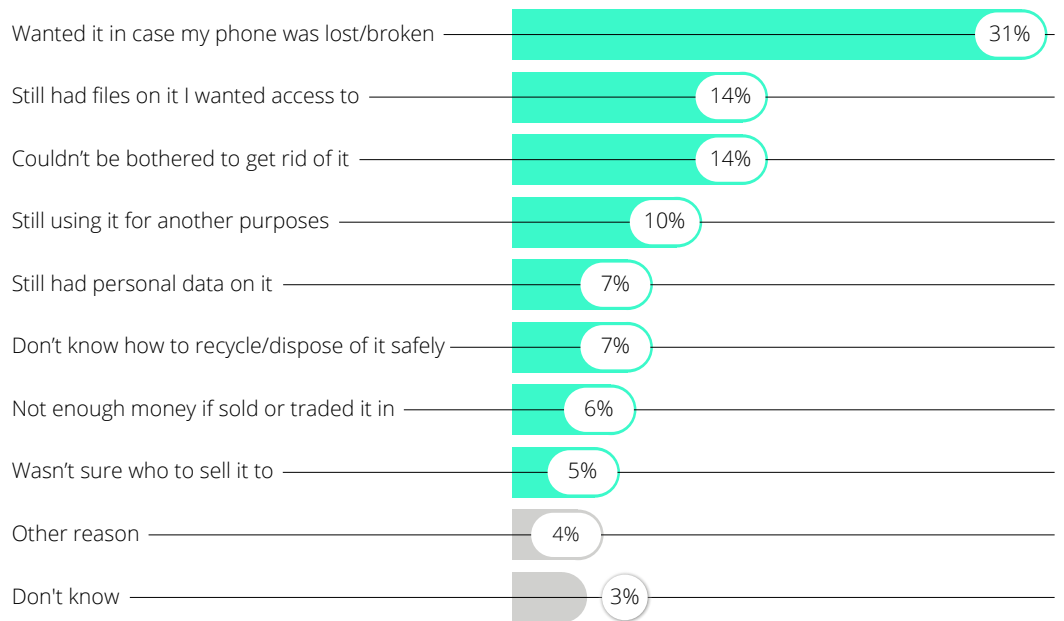
Weighted base: All respondents aged 16-75 who have a phone or smartphone in 2022 (3,973)

Source: Deloitte Digital Consumer Trends, UK, Apr-May 2022

Among respondents in our survey that upgraded, just over a fifth (21%) exchanged their old phone for money (sold, traded-in, or recycled), almost a quarter (24%) exchanged it for free (given away, recycled), and 7% of phones were terminated (lost, thrown away or stolen).

We estimate that the seven million phones retained in 2022 may have an average value of £75.10: in aggregate this is over half a billion pounds. Retained value varies considerably, with flagship smartphones holding more of their value. A phone retailing at £1,000 is worth £221 on average after three years. By contrast a £400 phone is expected to fall 88% in price over the same period, to a modest £47. According to Assurant,<sup>5</sup> a phone still retains about 5% of its value between four to seven years, depending on the model.

### Why did you keep your previous mobile phone as a spare?



**Figure 2. Spare phones are often a backup for the new one**

Weighted base: All respondents aged 16-75 who kept their previous mobile phone as a spare in 2022 (1,491)

Source: Deloitte Digital Consumer Trends, UK, Apr-May 2022

Of people who kept their old smartphone as a spare, almost a third (31%) and by far the largest proportion, did so as a form of insurance, that is in case their new device was lost, stolen or broken (see Figure 2). An additional motivation for hanging onto an old smartphone was to protect their data: 14% said their old device still had files they wanted, and 7% had personal data on it. This may imply a lack of trust in cloud backups for this data, or a lack of awareness on how to transfer data between devices. Another reason for not selling was lethargy: 14% could not be bothered and 5% were not sure who to sell to.

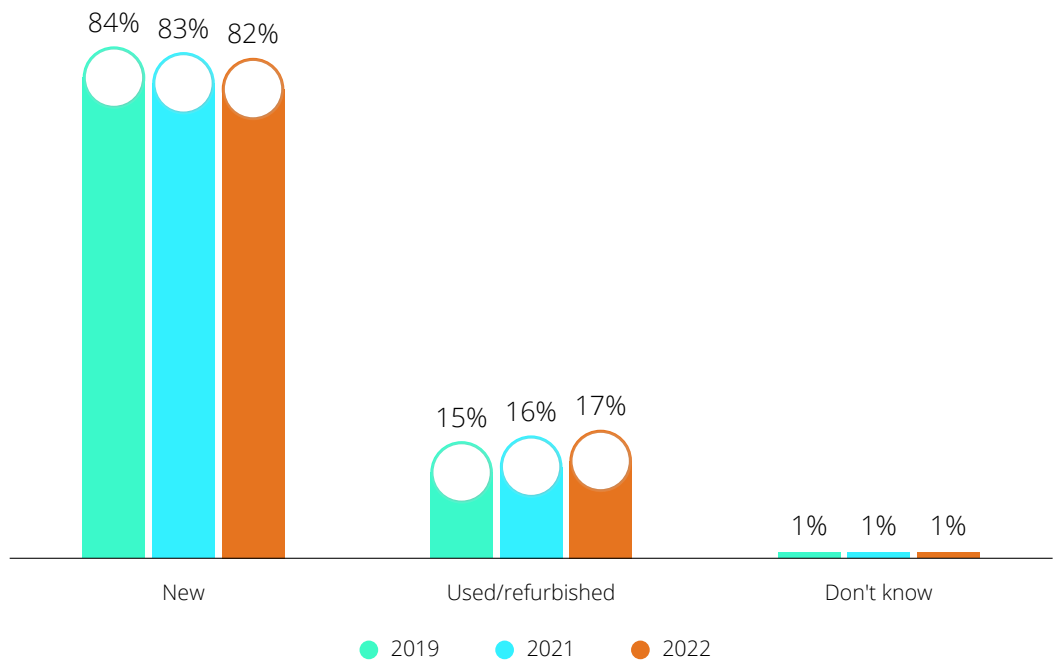
On top of this, people are generally ignorant as to how much their device might be worth – just 34% of people in the UK claim to know what their smartphone is worth today, and some may not know where to look to obtain an estimated value.

## Demand for refurbished devices is growing, but slowly

The circular economy describes how products are used, refurbished, resold and then reused. The benefit of this is to extend a product's lifetime, thus reducing the significant emissions and materials usage involved in manufacturing. Smartphones, for example, generate 83% of lifetime emissions in the first year of life, predominantly because of the manufacturing process. Usage emissions are comparatively modest.<sup>6</sup>

Increasing the number of devices sold/traded-in is one half of this circular equation, but to complete the circle, demand matters too. In the UK market, the supply of used phones (45%, which are traded-in, sold, recycled or given away) exceeds demand (17% of phones owned are used and 82% are new). Unwanted phones are sometimes exported to other markets. Shipping generates emissions, but at a far lower rate than manufacturing a new phone.

### When you got your current phone, was it new or used?



**Figure 3. Second-hand phone adoption is growing, albeit slowly**

Weighted base: All respondents aged 16-75 who have a phone or smartphone, 2022 (3,973), 2022 (3,811)

Source: Deloitte Digital Consumer Trends, UK, Apr-May 2022

## Redesigning industry processes to increase trade-ins

Second-hand phones (and other second-hand devices) are a major opportunity. Electronics channels have traditionally focused on the sale of new products and the forward supply chain (the product flow from channel to customer), but there is growing interest in device 'take-back', second life and the reverse supply chain (the product flow from consumer to channel).

Companies need to rethink strategy and processes to maximise this opportunity. Device leasing services, for example, pioneered by start-ups like Raylo (UK)<sup>7</sup>, result in the device being returned at the end of each contract. Similar to leasing a car, the company maintains ownership of the device and the eventual return into its contract with the consumer. The monthly lease cost accounts for the expected residual value at the end of the contract.

For device trade-in, smartphone brands and retail channels could find creative ways to increase collection. E-mails or other notifications could inform customers of the potential value of their handset. Friction could also be removed from the return process. For example, Music Magpie<sup>8</sup> has even installed reverse vending machines in supermarkets, featuring instant valuations and same-day payments, to take back old phones.

But the industry has barriers to overcome for adoption of second-hand devices. Of those who selected a new phone, 28% thought it would have a longer lifespan than a refurbished phone, 18% claimed it was more exciting, 17% claimed the phone they wanted was only available new, and 11% did not trust that a refurbished device would have genuine components.

There are solutions for each of these. There is a role for longer, trustworthy warranties. Used phones could be shipped with new batteries, or a battery lifetime guarantee. Refurbished devices offered by vendors on their websites already offer brand new batteries in their products. The unboxing experience could be more glamorous. And the range of available refurbished phones could be larger.



“Regulation is crucial to provide sustainable incentives for smartphone companies, but it does also add complexity. For example, mandating universal chargers may improve the longevity of future devices, cables, and peripherals, but in the short-term, it risks obsolescence of certain devices that could otherwise become viable second-hand products. And mandating years of software support may help devices last longer in general, but may lead smartphone brands to launch a limited range in the regions it is enforced. GDPR and data privacy are also crucial considerations, as some consumers lack trust in cloud companies to store their data, and lack trust in trade-in companies to wipe their data.”

**The legal take: Cavan Fabris, Partner, Deloitte Legal**

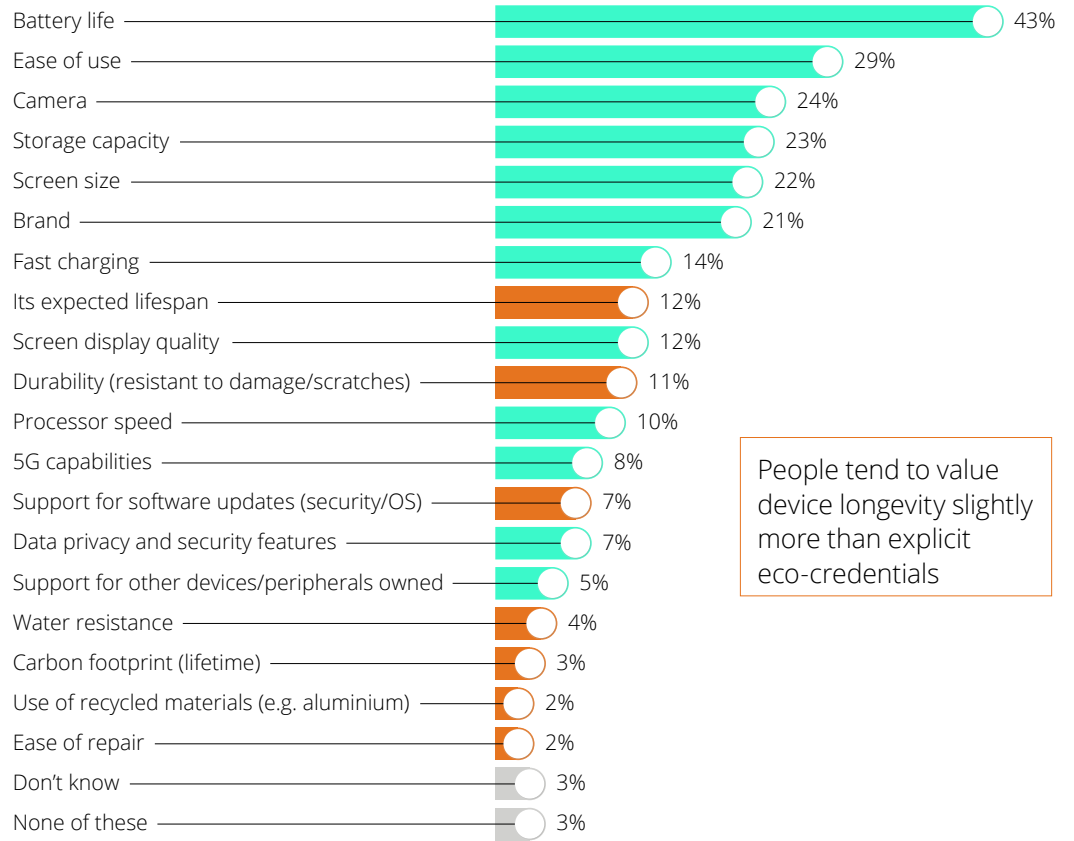
## The bottom line

Smartphone vendors, however, can and should encourage customers to take a positive step for the environment, while also giving them the battery, camera and screen that they're after, by redesigning processes so as to increase the proportion of smartphones that are traded-in, sold or otherwise passed on to a subsequent owner. Increasing the proportion of smartphones that are given a second (or third life) would put pounds into people's pockets, be a win for sustainability and make used, but useful smartphones available to those on lower budgets.

Consumers care about sustainability but, when it comes to choosing their next phone, tend to prioritise multiple other features above environmental credentials. The majority of the public (61%) agrees that companies should be forced to share the carbon footprint of their devices and 29% claim that they would buy a lower-carbon device, even if priced at a premium. However, when respondents were asked what they look for in a new phone, sustainability ranked poorly against other attributes (see Figure 4), like battery life (43%), camera (24%) and screen size (22%).



Aside from price, which, if any, of the following are most important to you when deciding which smartphone to buy next?



**Figure 4. Sustainability is not a priority for many consumers**

Weighted base: All respondents aged 16-75 who have a phone or smartphone in 2022 (3,973)

Source: Deloitte Digital Consumer Trends, UK, Apr-May 2022

The current cost-of-living challenges are making consumers more cost conscious.<sup>9</sup> This may well increase a new smartphone owner’s willingness to trade-in their old phone. UK consumers are also more likely to consider refurbished or used smartphones, so as to economise.

To encourage trade-ins and sales, the industry should guide consumers on how to transfer data to new phones, and then delete data from the old device. To encourage purchases of second-hand smartphones, an industry-wide grading and guarantee scheme would reassure buyers.

## AUTHORS



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## ENDNOTES

<sup>1</sup> Asurion, <https://www.asurion.com/connect/news/tech-usage/>

<sup>2</sup> Data.AI (formerly App Annie), <https://www.data.ai/en/insights/market-data/state-of-mobile-2022/>

<sup>3</sup> Canals estimates, *Smartphone Analysis*, <https://www.canalys.com/analysis/smartphone>

<sup>4</sup> Canals forecasts, *Smartphone Analysis*, <https://www.canalys.com/analysis/smartphone>

<sup>5</sup> Assurant, <https://www.assurant.co.uk/>

<sup>6</sup> Deloitte TMT Predictions 2022, <https://www2.deloitte.com/uk/en/insights/industry/technology/technology-media-and-telecom-predictions/2022/environmental-impact-smartphones.html>

<sup>7</sup> Raylo, <https://www.raylo.com/>

<sup>8</sup> Music Magpie SMARTDrop Kiosk, <https://www.musicmagpie.co.uk/smartdrop-kiosk/>

<sup>9</sup> *Financial Times*, <https://www.ft.com/content/04edffac-85c0-4ce9-8ef6-0539d537ce08>



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