

This Week's Stories

Customers Angered as iPhones Overload AT&T

September 2, 2009

Slim and sleek as it is, the iPhone is really the Hummer of cellphones.

It's a data guzzler. Owners use them like minicomputers, which they are, and use them a lot. Not only do iPhone owners download applications, stream music and videos and browse the Web at higher rates than the average smartphone user, but the average iPhone owner can also use 10 times the network capacity used by the average smartphone user.

"They don't even realize how much data they're using," said Gene Munster, a senior securities analyst with Piper Jaffray.

The result is dropped calls, spotty service, delayed text and voice messages and glacial download speeds as AT&T's cellular network strains to meet the demand. Another result is outraged customers.

Cellphone owners using other carriers may gloat now, but the problems of AT&T and the iPhone portend their future. Other networks could be stressed as well as more sophisticated phones encouraging such intense use become popular, analysts say.

Taylor Sbicca, a 27-year-old systems administrator in San Francisco, checks his iPhone 10 to 15 times a day. But he is not making calls. He checks the scores of last night's baseball game and updates his Twitter stream. He checks the local weather report to see if he needs a coat before heading out to dinner — then he picks a restaurant on Yelp and maps the quickest way to get there. Or at least, he tries to.

"It's so slow, it feels like I'm on a dial-up modem," he said. Shazam, an application that identifies songs being played on the radio or TV, takes so long to load that the tune may be over by the time the app is ready to hear it. On numerous occasions, Mr. Sbicca says, he missed invitations to meet friends because his text messages had been delayed.

And picking up a cell signal in his apartment? "You hit the dial button and the phone just sits there, saying it's connecting for 30 seconds," he said.

More than 20 million other smartphone users are on the AT&T network, but other phones do not drain the network the way the nine million iPhones users do. Indeed, that is why the howls of protest are more numerous in the dense urban areas with higher concentrations of iPhone owners.

"It's almost worthless to try and get on 3G during peak times in those cities," Mr. Munster said, referring to the 3G network. "When too many users get in the area, the call drops." The problems seem particularly pronounced in New York and San Francisco, where Mr. Munster estimates AT&T's network shoulders as much as 20 percent of all the iPhone users in the United States.

Owners of the iPhone 3GS, the newest model, "have probably increased their usage by about 100 percent," said Chetan Sharma, an independent wireless analyst. "It's faster so they are using it more on a daily basis."

Mr. Sharma compares the problem to water flowing through a pipe. "It can only funnel so much at a given time," he said. "It comes down to peak capacity loads, or spikes in data usage. That's why you see these problems at conferences or in large cities with high concentration of iPhone users."

When thousands of iPhone owners descended on Austin, Tex., in March during South by Southwest, an annual technology and music conference, attendees were unable to send text messages, check their e-mail or make calls until AT&T installed temporary cell sites to amplify the service.

AT&T's right to be the exclusive carrier for iPhone in the United States has been a golden ticket for the wireless company. The average iPhone owner pays AT&T \$2,000 during his two-year contract — roughly twice the amount of the average mobile phone customer.

But at the same time the iPhone has become an Achilles' heel for the company.

"It's been a challenging year for us," said John Donovan, the chief technology officer of AT&T. "Overnight we're seeing a radical shift in how people are using their phones," he said. "There's just no parallel for the demand."

AT&T says that the majority of the nearly \$18 billion it will spend this year on its networks will be diverted into upgrades and expansions to meet the surging demands on the 3G network. The company intends to erect an additional 2,100 cell towers to fill out patchy coverage, upgrade existing cell sites by adding fiber optic connectivity to deliver data faster and add other technology to provide stronger cell signals.

As fast as AT&T wants to go, many cities require lengthy filing processes to erect new cell towers. Even after towers are installed, it can take several months for software upgrades to begin operating at faster speeds.

The company has also delayed bandwidth-heavy features like multimedia messaging, or text messages containing pictures, audio or video. It is also postponing "tethering," which allows the iPhone to share its Internet connection with a computer, a standard feature on many rival

smartphones. AT&T says it has no intention of capping how much data iPhone owners use.

The upgrades are expected to be completed by next year and the company has said it is already seeing improvements.

But AT&T faces another cost — to its reputation. AT&T's deal with Apple is said to expire as early as next year, at which point other carriers in the United States would be able to sell the popular Apple phones. Indeed, a recent survey by Pricegrabber.com found that 34 percent of respondents pinpointed AT&T as the primary reason for not buying an iPhone.

"It's a P.R. nightmare," said Craig Moffett, a senior analyst with Sanford C. Bernstein & Company.

AT&T might be in the spotlight now, analysts say, but other carriers will face similar problems as they sell more smartphones, laptop cards and eventually tablets that encourage high data usage.

Globally, mobile data traffic is expected to double every year through 2013, according to Cisco Systems, which makes network gear. "Whether an iPhone, a Storm or a Gphone, the world is changing." Mr. Munster said. "We're just starting to scratch the surface of these issues that AT&T is facing."

In preparation for the next wave of smartphones and data demands, all the carriers are rushing to introduce the next-generation of wireless networks, called 4G.

Analysts expect that in a year or so, AT&T's network will have improved significantly — but it may not be soon enough for some iPhone owners paying for the higher-priced data plans, like Mr. Sbicca, who says he plans to switch carriers as soon as the iPhone becomes available on other networks.

"What good is having all those applications if you don't have the speed to run them?" he said. "It's not exactly rocket science here. It's pretty standard stuff to be able to make a phone call."

<http://www.nytimes.com>

Sony Ericsson Realigns Brand in Next Stage of Company Transformation

September 3, 2009

- **Evolves visual identity and brand values as next stage of business transformation**
- **Shifts consumer engagement to digital, viral and social media platforms**
- **Aligns with Sony Group companies under new 'make.believe' brand message**

Sony Ericsson today announced the next stage of its ongoing business transformation with the realignment of its

external visual identity and brand values in order to deliver its vision of becoming the Communication Entertainment brand. The company also confirmed its adoption of the newly announced Sony brand message '**make.believe**' in all consumer communication in order to reinforce its entertainment credentials and collaboration with the Sony Group.

"Fusing communication and entertainment has been at the core of Sony Ericsson's offering since the start of the joint venture. '**make.believe**' aligns Sony Ericsson with the Sony Group companies and reflects the coming together of communication and entertainment. By re-aligning our brand and adopting '**make.believe**' we further highlight our entertainment offering to consumers," said Cathy Davies, Head of Brand Strategy at Sony Ericsson.

"Our ongoing business transformation is laying the foundations for the new Sony Ericsson. Our re-aligned brand is a vital part of this strategy. Combined with a new culture of openness it marks a shift in the way we plan and build our propositions, as well as how we invite consumers to engage with us via digital and social media platforms", said Lennard Hoornik, Head of Marketing at Sony Ericsson.

Visually, Sony Ericsson will expand the appeal of its globally recognized 'liquid identity' logo by adding seven new colour variations plus a new 'liquid energy' flowing from the logo to make it more playful and visually appealing for the digital arena. The company also aims to adopt a more open and questioning attitude by inviting greater consumer participation in the brand through a stronger focus on interactive digital and social media channels.

A series of strategic marketing campaigns this autumn will launch the realigned visual identity and showcase the start of **make.believe** at Sony Ericsson, including a 'spark something' viral campaign for the new Satio, Aino and Yari phones and a global activation campaign as the official global handset sponsor for the 2010 FIFA World Cup™ to capture the passion of football fans around the world.

<http://www.fiercewireless.com>

Sprint Faced Bidding War with Unnamed Company for Virgin Mobile

September 4, 2009

A mysterious company that is a "strategic competitor" to Sprint Nextel, identified only as "Company X," attempted to snap up Virgin Mobile USA shortly before Sprint Nextel announced its \$483 million acquisition of the prepaid carrier in July, according to a filing Sprint made with the U.S. Securities and Exchange Commission detailing the acquisition. The disclosure adds an extra layer of action to Sprint's blockbuster acquisition of Virgin--Company X did not withdraw its offer for Virgin until four days before Sprint and Virgin Mobile announced their deal--and raises the

possibility that Sprint may have been forced to pay more than it had initially anticipated for Virgin.

According to Sprint's lengthy filing, Sprint and Virgin Mobile first met to discuss a possible business combination on Nov. 20, 2008. The discussions continued throughout the winter, and Virgin engaged Deutsche Bank regarding its strategic options. Then, on March 18, 2009, representatives from Deutsche Bank brought up a timeline for approaching "Company X" about a possible deal.

"Deutsche Bank noted that among all potential acquirers in the market Company X would be the company most interested in acquiring Virgin Mobile USA other than Sprint Nextel, based on its perceived financial strength, similar business model and past management dialogue with Virgin Mobile USA," the filing said.

A little more than a week later, on March 26, Keith Cowan, Sprint's president of strategic planning and corporate initiatives, called Virgin Mobile CEO Dan Schulman to express Sprint's continued interest in acquiring Virgin Mobile. Schulman said that Virgin Mobile's board was reviewing its options, as well as other alternatives.

On April 1, Deutsche Bank reviewed a draft presentation that Virgin Mobile prepared for Sprint about its recent results, financial projections and transaction considerations. At the same meeting, Virgin Mobile's board gave the go-ahead to Virgin Mobile's management to respond to Sprint's inquiry--and to have Deutsche Bank contact Company X's executive officers.

Then, On April 15, Virgin's Schulman and a representative from Deutsche Bank traveled to Sprint's headquarters in Overland Park, Kan., and presented a proposal for Sprint acquire Virgin Mobile in an all-stock deal that valued each share of Virgin Mobile's common stock at \$5. Two days later, Virgin Mobile's board agreed to simultaneously keep negotiations going with Sprint and Company X.

On May 16, Company X entered into non-disclosure agreement with Virgin Mobile. Two days later, on May 18, Sprint made a non-binding, stock-for-stock offer for Virgin Mobile with a value of \$5 per share and agreed to repay Virgin Mobile's senior debt. On June 1, Company X submitted an offer with an implied price of \$4.27 to \$5.00 per share, to be paid in cash. Company X also proposed to repay all outstanding loans to Virgin Mobile USA by its stockholders.

In early July, Schulman had a series of discussions with the CFO of Company X while Deutsche Bank had a separate series of discussions with Company X's financial advisor. Schulman noted that certain key terms were missing from Company X's offer, including "proposed amendments to key agreements with Virgin Mobile USA's strategic stockholders, such as the PCS services agreement, the tax receivable agreements and the trademark license agreements," the filing said.

On July 10, Company X submitted a revised offer of \$5.23 per share, but did not "propose terms or amendments to any key agreements with Virgin Mobile USA's strategic stockholders," related to PCS licenses, trademark agreements or tax liabilities, the filing said. Despite Virgin's urging, Company X did not submit another offer dealing with these issues.

At a special meeting of Virgin Mobile's board on July 17, Schulman discussed the status of the negotiations. He noted that negotiations and due diligence with Sprint had advanced, with a limited number of issues remaining. However, Schulman said there was "considerably less certainty of completing the transaction with Company X," according to the filing.

Schulman also noted that Sprint had indicated that it held a right to consent to any sale of Virgin Mobile, did not have to give its consent to a deal, and "would seriously consider whether or not to refrain from giving its consent to any transaction that would create or strengthen a competitor," according to the filing. Such a sale could also allow Sprint to shorten the terms of its PCS service agreement with Virgin Mobile. Virgin Mobile's board "concluded that Sprint Nextel would likely withhold its consent to the possible transaction with Company X."

On July 24, Company X withdrew its offer. Sprint and Virgin Mobile announced the deal July 28. Under Sprint's proposed \$483 million offer for Virgin, Virgin Mobile shareholders will receive Sprint shares with a price equivalent to \$5.50 per Virgin Mobile share, which represents a 31 percent premium on Virgin Mobile's closing price of \$4.21 prior to the announcement. The transaction is expected to be completed in the fourth quarter of 2009 or in early 2010.

Virgin Mobile spokeswoman Jayne Wallace declined to comment on the identity of Company X, noting that it was a confidential transaction. She reiterated that the deal with Sprint provides maximum value to Sprint and Virgin Mobile shareholders and said the deal is still expected to close in the fourth quarter or early next year. A Sprint spokesman did not respond to a request for comment.

<http://www.fiercewireless.com>

Product & Service News

AT&T Adding MMS to the iPhone Sept. 25

September 3, 2009

AT&T Mobility said it would add MMS functionality to Apple's iPhone 3G and iPhone 3GS on Sept. 25, more than three months after it launched the iPhone 3GS without the functionality in place.

The carrier had repeatedly said it would support iPhone picture messaging "later this summer." AT&T has offered

MMS services across a vast array of devices for years, though Apple only recently introduced the feature to its iPhone platform through its 3.0 upgrade.

AT&T said in a statement that it knew its iPhone customers were "eager" for MMS functionality, and that it had been working over the past several months to prepare its systems and network for launch of MMS service. "The unique capabilities and high usage of the iPhone's multimedia capabilities required us to work on our network MMS architecture to carry the expected record volumes of MMS traffic and ensure an excellent experience from day one," AT&T said. "We appreciate your patience as we work toward that end."

AT&T noted that wireless use has grown an average of 350 percent year-over-year for the past two years, a trend that it expects to continue. Indeed, AT&T plans to begin upgrading its network later this year to support theoretical peak downlink speeds of 7.2 Mbps, and expects to complete the work by 2011.

Although AT&T does plan to support iPhone MMS, it is postponing indefinitely support for iPhone tethering, which would allow users to connect computers to AT&T's network through their iPhone. Tethering was another feature introduced via Apple's 3.0 iPhone upgrade, and is supported by other iPhone carriers.

"By its nature, (tethering) could exponentially increase traffic on the network, and we need to ensure that some of our current upgrades are in place before we can deliver the expanded functionality with the excellent performance that customers expect," AT&T said in a statement. "We expect to offer tethering in the future."

<http://www.fiercewireless.com>

HTC Intros Touch 2 Smartphone

September 3, 2009

The handset will join the Touch Diamond 2 and the Touch Pro 2 in HTC's lineup of finger-friendly devices, and the Touch 2 is aimed at a more casual user. The handset has a 2.8-inch resistive touch screen that comes with accelerometers to automatically orient the screen depending on how the user is holding it.

The Windows Mobile 6.5 operating system means the handset will be able to download new applications and content from Microsoft's Windows Marketplace for Mobile. Touch 2 owners will also be able to use the My Phone feature to back up and sync their contacts, text messages, photos, and other information.

Even though one of the big features of Windows Mobile 6.5 is a refined user interface, HTC has layered its TouchFLO software on top of it to make it easier to navigate the Touch 2 with a finger. The handset will also be capable of receiving push corporate and personal e-mail on the go, and it will have Google Maps for Mobile and YouTube preloaded.

"The HTC Touch 2 delivers a familiar touch experience that millions of people have come to expect and rely on from HTC in their daily lives," said Peter Chou, CEO of HTC, in a statement. "Whether it's making a call, checking in with a friend, or simply responding to an important e-mail, the HTC Touch 2 puts you in touch and in control."

To stay connected, the Touch 2 has Wi-Fi, EDGE, 3G, and Bluetooth. The handset also comes with multimedia capabilities, a 3.2-megapixel camera, and GPS. HTC did not give an expected retail price.

<http://www.informationweek.com>

Corporate Partnerships, M&A

Sprint and M2M DataSmart Make it Easier to Bring an Embedded Device to Market

September 1, 2009

New Partnership Will Drive Innovative Applications and Provide Quick Go-to-Market Strategy for Machine-to-Machine Wireless Devices

It's not just about phones anymore. In a move that will multiply the selection of embedded wireless devices operating on America's most dependable 3G network, Sprint and M2M DataSmart announced today that they have formed a multiyear partnership. This collaboration will make it easier and quicker for an entrepreneurial startup or a traditional brick-and-mortar to take an idea from concept to completion and enter the lucrative machine-to-machine arena using Sprint mobile broadband.

Sprint is an established leader in the machine-to-machine and embedded device marketplace – enabling partner solutions such as the Amazon Kindle, Ford Work Solutions and DriveCam. Through the Sprint Open Device Initiative, Sprint has certified more than 300 non-Sprint branded machine-to-machine and embedded devices for use on the Sprint mobile broadband network. The new partnership between Sprint and M2M DataSmart will allow even more interested businesses to enter the machine-to-machine market.

Sprint and M2M DataSmart will become a "one-stop shop" for machine-to-machine solutions. M2M DataSmart provides a full portfolio of services that make embedding wireless within a variety of devices and applications an easy and quick process. New products can get to market more quickly by relying on M2M DataSmart's ability to provide test accounts, assist with certification and engineer applications. Developer kits and developer test accounts will be available with end-to-end provisioning

and activation. Additionally, M2M DataSmart and Sprint offer some of the best prices on airtime for this market.

"The demand for sophisticated M2M applications that provide data transmission is growing," said Steve Hilton, vice president of research, Yankee Group. "Specifically, the rapid growth in M2M healthcare, energy and fleet services is fueling the need for faster and easier deployment models."

"At Sprint, we continue to blaze ahead of our competition with our M2M device strategy, and this is another leap into the future," said Dan Dooley, president of Sprint Wholesale Solutions. "The increasing demands of the M2M market highlight the need for the flexibility, choice, value and operational services that M2M DataSmart can provide."

"Getting a new machine-to-machine device to market requires a partner that is knowledgeable about advanced applications and has the expertise to work with a wholesale application provider," said Charles Gunderson, president of M2M DataSmart. "Our focus on the machine-to-machine market – backed by Sprint's superior mobile broadband network – is the solution that will allow this emerging market to really grow."

<http://www.businesswire.com>

Nokia May Make More Acquisitions in Services Push

September 3, 2009

Nokia likely will look to acquire additional smaller Internet and technology firms as it expands its business into the services realm, a top company executive said.

"It is likely we will find small technology companies," Niklas Savander, Nokia's executive vice president of services, said at the company's Nokia World event, according to *Reuters*. Savander said the acquisitions likely would be of companies that are already working on services Nokia would want to bring to the market, thereby allowing Nokia to launch those services faster.

"It is acceleration of the implementation of a plan we already have," Savander said in a conference call with reporters.

Nokia recently decided to make services a key focus of its business as it looks to move beyond its traditional role as a hardware maker. Nokia has been touting that it has 55 million total Internet service users, and that the business generated around \$200 million from April to June.

However, the company's efforts have been uneven so far. Nokia's Ovi Store was panned when it first launched, but the company is looking to build up the store's application library and expand its user base. Nokia acquired the mobile software firm celltivity in July, but decided to close

down its Mosh ("Mobilize and Share") social networking effort earlier this spring.

In the conference call, Savander conceded that Nokia "did not have a pretty start" with the Ovi launch, and underestimated demand and the infrastructure needed to support the store, which crashed on its first day. However, he said the store now has an extremely high reliability rating, and that the company would now focus on trying to make it "local" by offering integrated billing with operators and support for various languages. The store is available in eight countries now, but Savander promised it would reach its "true potential" when it becomes available in around 100 countries.

Savander said that Nokia's services push needed to make an impact in the U.S. market, but that success would be tied to Nokia gaining a greater foothold in the U.S. handset market. "The U.S. is where we must succeed," he told said at the conference, according to *Reuters*. "The success will need to go hand-in-hand with our devices."

<http://www.fiercewireless.com>

Industry Reports

Report: Wi-Fi Audience Ready to Shop

August 31, 2009

JiWire released its inaugural Mobile Audience Insights Report with new data revealing demographic and behavioral interests of Wi-Fi users. The report is designed to help advertisers better engage their desired audience when they are on-the-go.

Overall, the number of mobile devices accessing Wi-Fi hot spots grew by 79 percent in the first half of the year. While the iPhone and iPod Touch remain the most popular Wi-Fi enabled mobile devices, collectively representing 97.8 percent of all mobile device connections, the Palm Pre debuted as the No. 5 most popular mobile device in June, according to the JiWire report.

The cafe Wi-Fi audience reported that 38 percent make an online purchase during their visit and 77 percent are in the market to make a major purchase in the next 12 months.

Purchasing plans in the next 12 months include 48 percent who intend to buy a new smartphone.

<http://www.wirelessweek.com>

KS&R Inc.
120 Madison St. 15th Floor
Syracuse, New York 13202
(315)470-1350
1-888-8KSRINC