

## **This Week's Stories**

### **Who Won the Summer Smartphone Battle?**

October 26, 2009

As the critical fourth-quarter holiday shopping season looms--which is guaranteed to be a deluge of new smartphones--it's probably worth taking a quick break and revisiting the results from this summer.

If you remember, this summer was the summer of smartphones. We had the unveiling of the iPhone 3GS, the Palm Pre and the BlackBerry Tour. While there were a number of other new smartphone introductions, I would argue these three devices were the most notable to hit store shelves this summer, based on market hype, carrier promotional efforts and sheer noteworthiness. Indeed, here in Denver lines formed outside stores for the launch of both the iPhone 3GS and the Palm Pre, to my astonishment.

So, how did the summer smartphone war play out? Well, to no one's surprise the iPhone 3GS was the big winner. Apple said it sold a whopping 1 million devices on launch weekend, and more recently AT&T Mobility said it activated 3.2 million iPhones in the third quarter. Meanwhile, Palm said it sold 823,000 smartphones in its most recent quarter, and that the "vast majority" of those phones were of the Pre variety. As for the BlackBerry Tour? I have no clear sales numbers on that, other than word from my friends at comScore that sales numbers are low enough that they can't provide an official estimate--meaning, sales below 1 million units. (RIM does not disclose sales figures for the Tour.)

But what does that mean for the upcoming holiday season? It means the iPhone is still the one to watch, but there's plenty of room to grow. And, based on some numbers I recently received from my friends at Nielsen, it appears that the devices with the most hype aren't necessarily the ones that end up registering the most sales. Nielsen conducts monthly surveys of around 30,000 wireless subscribers, and thereby derives pretty reliable data on what phones are selling and in what numbers. Although Roger Entner at Nielsen wouldn't disclose actual numbers, he did give me a ranking of the smartphones with the largest installed base. I would consider this a "best-selling" list of smartphones, those that actually ended up in users' hands.

1. RIM BlackBerry 8300 series (Curve, 8310, 8320, 8330, 8350i)
2. Apple 3G iPhone
3. RIM BlackBerry 8100 series (Pearl, 8110, 8120, 8129)
4. Apple iPhone series
5. Palm Centro
6. RIM BlackBerry 8800 series (8820, 8830)
7. RIM BlackBerry 9530 series (Storm)

8. HTC Star Trek
9. Samsung SGH-i607 series (BlackJack)
10. Motorola Q9 series (Q9c, Q9h, Q9m)

I think these findings are pretty interesting. Naturally, the BlackBerry Curve, the iPhone and the BlackBerry Pearl are at the top, but I think the fact that the Palm Centro and the Moto Q made the list is interesting, since it indicates that wireless users appear willing to hold on to devices that those in the wireless industry consider largely obsolete.

So this is probably worth keeping in mind as we head into the hoopla of the fourth quarter: Today's most-hyped handsets might not catch on with all those regular users out there.

<http://www.fiercewireless.com>

### **Google Says It Will Limit Call Blocking**

October 28, 2009

Google Inc. said it will limit the number of phone numbers its Internet phone service blocks, in a partial bow to federal regulators' concerns that it was skirting rules designed to ensure that consumers phone calls are connected seamlessly.

A Federal Communications Commission spokesman said the agency was reviewing the letter but had no comment. It's not clear if Google's actions will settle the FCC's inquiry, since the agency has historically taken the position that phone companies can't block calls or stop consumers from calling whomever they want.

In its letter to the FCC, the search giant said its Google Voice call management service will only block a limited number phone numbers instead of all calls to some rural areas where it costs more to connect calls.

"We told the FCC today that Google Voice now restricts calls to fewer than 100 specific phone numbers, all of which we have good reason to believe are engaged in...schemes" designed to increase costs for phone carriers, Google wrote in a blog posting.

The FCC began an inquiry into Google's call blocking earlier this month after AT&T Inc. complained that the company wasn't abiding by rules that prohibit phone companies from blocking calls. An AT&T spokesman didn't immediately have comment on Google's letter.

The agency stopped AT&T and other phone companies from trying to block calls to rural high-cost areas a few years ago.

Earlier this month, AT&T took Google to task for blocking phone calls while supporting proposed new federal rules that would prohibit Internet service providers such as AT&T from discriminating or blocking any legal Internet

traffic. Google and AT&T are on opposite sides of the fight over open Internet, or "net neutrality," rules. Google favors net neutrality rules. AT&T and other big service providers such as Comcast Corp. have raised concerns about the FCC proposal.

Google previously argued it's free Internet phone service—which allows users to manage all of their phone numbers through a common number—wasn't covered under traditional phone rules because it operates on unregulated Internet lines. Blocking the calls would reduce Google's expenses for offering the free service.

Google said it was mostly just blocking calls to adult chat lines and free conference call services in areas that charge higher-than-normal fees to phone companies. In a letter to the FCC, however, AT&T accused the search giant of blocking calls more broadly, including a congressman's campaign office and a convent of Benedictine nuns.

In its letter to the FCC on Wednesday, Google said it believed it had fixed the immediate problem of blocking calls to rural consumers, but urged the agency to change how phone companies compensate each other for connecting calls.

"The current system simply does not serve consumers well and these types of schemes point up the pressing need for reform," Google wrote.

<http://online.wsj.com>

## **Product & Service News**

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### **T-Mobile USA Unveils No-Contract Option**

October 26, 2009

T-Mobile USA has started offering new service plans including the option of signing up for unlimited services without committing to a long-term service contract as it looks to regain ground lost to rivals.

The U.S. unit of Deutsche Telekom AG (DTEGn.DE) has been losing customers to smaller unlimited rivals Leap Wireless (LEAP.O) and MetroPCS Communications (PCS.N) as well as to the larger Verizon Wireless and AT&T Inc (T.N).

While the company did not go as far as some analysts had expected, it did offer a \$79.99 unlimited talk, text and Web surfing service to customers who do not want to sign up for a long-term contract, which typically lasts 2 years. This is a 20 percent discount on its standard unlimited monthly fee but it comes with a catch as customers who opt for this service will have to pay more for their cellphones.

It will also offer a \$50 per month unlimited service for non-contract customers that only includes voice calls.

Subscribers who opt for two-year contracts will still have to pay \$99.99 a month for unlimited voice and data but they will get a better deal than non-contract customers on their cellphone price.

Some analysts had expected the No. 4 U.S. mobile service to announce a \$50 per month unlimited voice and data service plan for all customers, sparking fears of a price war. However they saw the actual plans as a better option for T-Mobile USA and the market in general. "In our opinion, the new plans are more benign than investors' initial fears and could relieve some pressure on wireless stocks," Piper Jaffray analyst Christopher Larsen said in a research note.

Top executives from Verizon Communications (VZ.N), owner of market leader Verizon Wireless with Vodafone Group Plc (VOD.L), told analysts on its quarterly earnings conference call on Monday that they did not believe they needed to respond to T-Mobile USA's offer with something similar.

Shares in Leap closed down 2.4 percent on Monday while shares in MetroPCS finished down 1.8 percent. Shares in Sprint Nextel (S.N), another low-priced rival, closed down 1.5 percent.

<http://www.reuters.com>

### **Verizon Launches First Android Phone, Motorola Droid**

October 28, 2009

The Droid has landed. After teasing the launch for weeks with a series of iPhone-bashing advertisements, Verizon Wireless officially unveiled its first phone based on Google's Android platform, the Motorola Droid, at a press event in New York. Although the product launch was expected, and specifications of the device leaked ahead of the event, the action still marks a significant milestone for the nation's largest wireless carrier.



Earlier this month, Verizon announced that it would be partnering with Google on multiple Android devices, and the Droid appears to be the first of a franchise under the Droid brand name. "Our initial device is Droid, so this is kind of the cornerstone, but we will expect over

[Click here for Droid pictures and specs.](#)

time that the partnership between Verizon and Google will be a multi-year partnership," said Verizon CMO John Stratton, according to the *Wall Street Journal*.

Indeed, rumors are popping up that Verizon will soon be launching an HTC-made Android device, called the Droid Eris. Verizon has promised at least two Android phones before the end of the year.

The Motorola Droid, as has been previously reported, is the first Android phone running on Android 2.0, which was just officially announced yesterday. It has a 3.7-inch WVGA display, Bluetooth, 802.11b/g WiFi and a pre-installed 16 GB microSD card. The phone also has GPS, a micro USB connection and a 5-megapixel camera that sports 4x digital zoom, auto-focus and a dual-LED flash. Interestingly, the phone also sports a free Google Maps Navigation application, newly introduced by Google, that provides spoken turn-by-turn directions--a major competitive action against navigation vendors like TeleNav and TomTom.

Motorola co-CEO Sanjay Jha, who was on hand for the Droid launch event, said the phone would not run the company's MotoBLUR user interface, which the company introduced in September along with its Cliq Android device for T-Mobile USA. Jha said Motorola plans to release at least 20 smartphones next year.

Verizon will begin selling the Droid Nov. 6 for \$199.99 with a two-year contract and after a \$100 mail-in rebate.

<http://www.fiercewireless.com>

## Google Steps Into Another Market: GPS for Phones

October 28, 2009

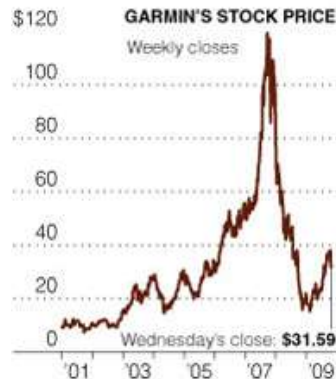
GPS navigation devices were the latest must-have tech toys just two years ago, and shares of device makers like Garmin and TomTom were soaring.



A screenshot shows Google's new mapping navigation.

### Where Now?

Garmin, whose stock rose with the popularity of GPS location devices, is facing new competition from cellphones and a free navigation service from Google.



Source: Bloomberg THE NEW YORK TIMES

That didn't last long. In a turnabout that has been remarkably swift even for the fast-moving technology business, those companies have suffered as competition has pulled down prices — and as more people have turned to their cellphones for directions.

In the latest blow to the business, Google announced a free navigation service for mobile phones on Wednesday that will offer turn-by-turn directions, live traffic updates and the ability to recognize voice commands. The service will initially be available on only one phone, the new Motorola Droid, but will be expanded to more phones soon.

In a briefing on Tuesday in advance of its announcement, Google said that the service might be supported by advertisements in the future. That would make driving directions the latest form of information to shift from being a paid service to one that is ad-supported.

"This is consistent with a certain pattern of Google, where they are able to build volume and usage of a product and then subsidize it with advertising," said Greg Sterling, principal of Sterling Market Intelligent, a research firm. The losers, he said, were companies like TomTom and Garmin, along with the cellphone carriers, which offer navigation services by subscription.

Eric E. Schmidt, Google's chief executive, said that he didn't view the new service as hurting an industry. Instead, he said, it is a boon to consumers, made possible by the increasing power of smartphones and the growing ubiquity of Internet access.

"Obviously we like the price of free, because consumers like that as well," he said.

But analysts say that if successful, Google's service could chip away at sales of stand-alone GPS devices and the subscription services offered by cellphone carriers.

Sales growth for those devices is already slowing. In 2007, global shipments of stand-alone navigation devices grew a hefty 131 percent from the year before, according to data from the research firm In-Stat. But the firm predicts that shipments will grow just 19 percent this year from 2008, and a price war has hurt the industry's profits.

"With a free alternative that is just as good, I don't see much positive growth for the likes of TomTom, Navigon or Garmin," said Dominique Bonte, director of navigation research at ABI Research. "If it's free and a good service, why would you pay for something you can get for free?"

Google's announcement also reflects a broader shift toward consolidation in the gadget world.

The smartphone is already the Swiss Army knife of the digital age, able to transform into a camera, music player or game machine at the swipe of a finger. Now it is increasingly a navigation device too.

Many people still prefer dedicated GPS devices, which tend to display maps faster since the data is typically stored in the device rather than downloaded over a wireless network. But the list of smartphone shortcomings is shrinking. Smartphone users can download applications that offer spoken directions and live traffic updates. And at \$100 to \$300 apiece, smartphones are competitively priced with GPS units, which average about \$177, according to the research firm NPD Group.

By 2013, phone-based navigation systems, which are already more popular among younger smartphone owners, will dominate the market, according to a recent report from Forrester.

The makers of navigation devices have not ignored the spread of smartphones. But Google's move could make it harder for them to adapt.

TomTom, based in Amsterdam, introduced a \$100 navigation application for the iPhone in August. The company said the program had been downloaded close to 80,000 times. Garmin recently released the Nuvifone, a hybrid of a navigational device and a cellphone that has generally received poor reviews.

"Turn-by-turn navigation on a handset is what we're been doing with the Nuvifone," said Ted Gartner, a spokesman for Garmin, which declined to release sales figures for the phone. "Google's announcement reaffirms that consumers want their smartphones to double as a navigation device."

Julien Blin, principal analyst at JBB Industry, called Garmin's phone a "desperate move," adding: "The Nuvifone is around \$300, and you can get an iPhone for a comparable amount that can now do the same thing."

Shares of both TomTom and Garmin plummeted Wednesday after Google's announcement. Garmin's shares fell 16 percent to \$31.45 on Nasdaq, while TomTom's shares closed around 21 percent lower on the Amsterdam Stock Exchange.

Google's navigation service, which for now works only in the United States, is part of a new version of Google Maps for Mobile, software that will work on the growing number of phones that run Google's Android operating system. Google executives said they eventually hoped to offer the service on Apple's iPhone and other mobile devices. But they said this would be up to those device makers. Apple and Google have clashed over Apple's reluctance to approve an application that works with the Google Voice calling service.

As mobile services that involve location have become increasingly important, the underlying mapping data has become a valuable strategic asset. Google recently began creating its own digital maps in the United States, ending a contract with the map data provider TeleAtlas, which is owned by TomTom.

A year earlier, Google had chosen TeleAtlas to replace Navteq, a map data provider that Nokia acquired for \$8.1 billion in 2007. Google and Nokia are rivals in mobile phone operating systems.

<http://www.nytimes.com>

## **Nokia to Invade U.S. Market — Will Launch New Phone with AT&T**

October 29, 2009

AT&T, the major U.S. phone operator, will launch a Nokia Symbian phone with a Qualcomm chip in the U.S. market, an industry source close to Nokia has told VentureBeat. It's just the latest in a wide front of attack the giant Finnish company is making on the U.S. market.

For years now, the world's largest phone maker, Nokia, has been in cold decline in the U.S. market. Right now, it seems left with a few trial phones and no serious attempt to distribute here. Nokia has a 5 percent market share in the U.S., well below its 38 percent global share.

Meanwhile, wildly successful new smart mobile phone platforms have launched from the U.S. — including the iPhone and Android — inspiring users with new interfaces and features that now seriously threaten Nokia's stature as world market leader. These smartphones are showing robust growth, not only in the U.S., but across the world.

Nokia has finally admitted its mistake, and is now aggressively pursuing deals to attempt to at least double its market share in the U.S. over the next year. "Mea culpa, mea culpa," Mary McDowell, Nokia's executive vice president and chief development officer, told me last

week. After years of ignoring U.S. carriers, upset at their insistence to exert control over phones and customers, Nokia is working closely with Verizon, AT&T and T-Mobile to work with them after all.

In the latest sign of that about-face, VentureBeat has heard from sources close to Nokia that the company has even agreed to launch a phone in the U.S. market with AT&T using a Qualcomm chip. While details are slim (the final points are still being negotiated, we hear), and the launch date is unknown, this is surprising for a number of reasons. For years, Nokia and the San Diego chip company squabbled over Qualcomm's ownership of a patent governing the chip that runs on CDMA networks. Nokia and Qualcomm finally declared a truce earlier this year.

Now they've done more than make up; they've jumped into bed with each other: Qualcomm was a gold sponsor at the SEE event here in London, hosted by the Symbian Foundation, the group that manages the operating system behind most Nokia phones. And Qualcomm today announced it has joined the Symbian Foundation board, meaning it will support Symbian-Nokia phones. Qualcomm also appears willing to develop chips for AT&T's phones, even though the carrier has used a GSM network, not supported until now by Qualcomm. Qualcomm, already a member of Open Handset Alliance which is behind the Android phones, seems to be interested in hedging its bets. Chandhok told us in the interview: "We want relationships with all platform players. We want to input to Android, Windows, Symbian phones... There are different demands from our customers, depending on their geography. Yet, we are not picking a winner. That's not our role." (Nokia just launched a phone with China Mobile's TD-SCDMA networks, China's proprietary standard that is an off-shoot of CDMA.)

Nokia plans to launch a number of other phones in U.S. market. It plans to launch the high-end N900 next month (see video links below). This is the touch-phone that runs multiple applications at the same time (something the iPhone can't do), and does so in a way that doesn't drain battery power within a few hours (something the Android phones have been criticized for). The reason is that Nokia has worked hard on optimizing integration between its phone hardware and software layers. I had a chance to try it out, and it's a step up on previous Nokia phones. The N900 has a full slide-out QWERTY keyboard and uses a Maemo operating system (Nokia's Linux version, as opposed to Nokia's traditional Symbian operating system). It replicates a lot of the iPhone's features, and thus that big "UI experience" gap with the iPhone has been closed. I wouldn't say yet that the N900 phone is better. There are pros and cons to each. iPhone users won't like the coarseness of the N900 touch technology; its edit features lack the touch-induced magnifying glass and things like pinch and expand, for example.

<http://venturebeat.com>

## **Industry News**

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### **PC Makers Eye Smartphones As Verizon Debuts Storm2**

October 28, 2009

Verizon Wireless has begun shipping Research In Motion's new BlackBerry Storm2 handset. Verizon is offering the new smartphone, which incorporates improved touchscreen technology, at a post-rebate price of \$179.99 for customers signing up for a two-year service contract.

RIM's latest BlackBerry sports a QWERTY-style keypad, a 3.2-megapixel camera with camcorder capabilities, built-in Wi-Fi, 2GB of onboard media storage, and 256MB of flash memory. What's more, the Storm2 ships with a 16GB SD memory card.

However, by continuing to blur the distinction between smartphones and other computing devices, RIM runs the risk of attracting market competition from companies currently operating outside the mobile industry. "PC vendors are already eyeing up the booming smartphone market to offset a slump in computer sales," said Roberta Cozza, a principal research analyst at Gartner.

#### **PC Vendor Challenges**

For RIM, the arrival of its new touchscreen model came not a moment too soon. According to Gartner Research Director Carolina Milanesi, devices featuring touchscreens were a major driver for replacement sales throughout the first half of 2009, which means RIM has to play catch-up as competition intensifies in advance of this year's holiday shopping season.

RIM hopes to cash in on BlackBerry OS 5.0, which boosts the Storm2's performance through the addition of hundreds of hardware and software enhancements -- including SurePress display technology that makes clicking on the handset's capacitive display far less onerous. However, RIM's smartphone rivals already offer similar capabilities, and the underlying technology is even starting to show up on the latest laptops.

Gartner expects that all major PC vendors will have announced their aim to have a presence in the smartphone market by the end of this year. However, Cozza does not expect RIM and Apple to experience significant competition from PC makers right away. PC vendors such as Dell will be challenged "to stand out from the crowd and be successful unless they produce truly differentiated and unique products," Cozza said. They also will have to adapt their smartphone offerings to "a consumer-focused value proposition" that is largely based on short life cycles, fashion design, hardware and software platform diversity.

"Understanding of mobile consumer behaviors,

competitiveness and positioning of their mobile products and relationships with carriers are all barriers that cannot be overcome in the short term," Cozza said. "This will limit any PC vendor presence in the smartphone market to low single digits for some time."

### Potential Rewards

Still, the potential rewards will be enormous for any PC vendor that successfully makes the transition. Though smartphones only currently account for 14 percent of overall mobile-device sales, Cozza said by 2012 they will make up around 37 percent of global handset sales -- equivalent to hundreds of millions of annual unit shipments.

"The smartphone market has never been more competitive, and even established handset vendors are being challenged to maintain or expand their positions," Cozza said.

RIM received a software boost this week with the release of a new premium edition of Documents To Go for BlackBerry smartphones such as the Storm2. Among other things, the new offering from Dataviz enables the viewing of native Adobe PDF files and attachments without requiring any desktop or server conversion.

The enhanced PDF capabilities will certainly be welcomed by smartphone users who wish to view business documents and even e-books on their mobile screens. Though apps are already available for reading e-books on mobile devices from RIM and Apple, mobile operators "are starting to subsidize e-book readers and mini-notebooks on contract," Milanesi said. The downside for RIM and its smartphone rivals is there will be fewer subsidies available to drive smartphones sales, she added.

<http://www.mobile-tech-today.com>

## Sprint Nextel Subscribers Dwindling

October 30, 2009

The shrinking of its most valuable subscriber base continued at Sprint Nextel as the company said it lost 801,000 postpaid subscribers in its third period. Financial losses grew to \$478 million from \$326 million in the year-earlier quarter and revenue fell 9% to \$8.04 billion. In recent months, the company has introduced a brace of smartphones and moved to improve its customer service operation, but competitors -- particularly AT&T (NYSE: T) and Verizon Wireless -- have been signing up disgruntled Sprint subscribers.

Reaching for some good news, Sprint CEO Dan Hesse said the company is working to "manage costs rigorously," while moving to continue to improve its customer care operation. In a statement, Hesse said: "We expect to see

sequential quarterly improvement in both post-paid and total net subscriber losses in the fourth quarter of 2009." To counter the loss of monthly postpaid customers, Sprint has been pushing its prepaid marketing campaign through its Boost Mobile operation and its recent acquisition of Virgin Mobile for \$483 million. The company also has a big investment in Clearwire, which has launched a new campaign to spread WiMax connectivity in many U.S. regions. Sprint has a 51% ownership stake in Clearwire. Like Motorola (NYSE: MOT), T-Mobile and Verizon Wireless, Sprint is betting heavily on a Google Android handset, in Sprint's case, the Hero touchscreen and the Samsung Moment. The company got a leg up on the competition recently when it acquired exclusive rights to market the Palm Pre phone. However, the exclusive deal will soon come to an end and other firms are expected to begin selling the Pre.

<http://www.informationweek.com>



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