

This Week's Stories

You Lie, Luke Wilson

December 7, 2009



If you were choosing a cell-phone provider based on TV ads alone, you'd have to pick Verizon. During the last couple months, the company has pummeled AT&T with a series of clever commercials that highlight its larger 3G network coverage area—Verizon's coverage map of America is bathed in red, while AT&T's is mostly empty. AT&T's response has been pretty lame: a lawsuit (since dropped) claiming Verizon's ads are misleading, a press release that claims to "set the record straight" but that really just offers a lot of unrelated spin, and a series of counterattack ads in which a chubby Luke Wilson spouts the same unrelated spin. AT&T doesn't directly dispute the claim that Verizon offers 3G coverage in more places. Instead, the company says that it offers cell service of some kind in 97 percent of the country. AT&T also claims that in places where it offers 3G service, its network is faster than Verizon's—well, at least according to studies that AT&T itself commissioned.

So which company's commercials should you believe? Neither. AT&T and Verizon don't provide any stats that matter when it comes to your day-to-day phone experience. The central problem is that each provider makes sweeping generalizations about localized phenomena. Cell coverage is like the weather in San Francisco—it varies from neighborhood to neighborhood, from hour to hour, and depends on a range of factors outside your control (like the materials from which your building is made). The other similarity between cell reception and the San Francisco weather: They pretty much always suck. That's the most annoying thing about the AT&T-Verizon ad war. Compared with cell networks in foreign countries, coverage in the United States is slower and more prone to error. Whichever company you go with, your service will never be flawless.

Indeed, if AT&T and Verizon really want to prove that they've got great coverage, they'd advertise a little-known provision of their contracts: 30-day cancellation policies. Anyone who signs up for a new cell plan should consider the contract provisional. The only way to know whether a given phone will work for you is to put it through a

rigorous, personalized test—and if it stinks, take the phone back and try out a new network.

To see why these return policies are essential, let's examine the claims Verizon makes in its ads. Assume that it's true that Verizon offers 3G service in five times as many places as AT&T. How should that affect your buying decision? Well, it depends. If you live in North or South Dakota—where AT&T lacks 3G coverage—then Verizon's ads are indeed pertinent. You might also be wary of choosing AT&T if you often travel to underpopulated places like the Dakotas. But if you live and work in or near a big city and travel mostly to other big cities, then Verizon's ads don't tell you anything about how your phone will perform. As AT&T points out, its 3G network covers 75 percent of the population—so for most people, Verizon's critique is meaningless.

The same goes for AT&T's claim that it has the nation's fastest 3G network. The company says its assessment is based on tests by "leading third-party researchers" who downloaded files on all networks and found AT&T to be the "winner by a significant margin." But even if you believe these vague claims, they don't tell you anything about how your phone will work in your kitchen or office. Will AT&T guarantee that your iPhone will be able to surf the Web significantly faster than your wife can on her Verizon-powered Motorola Droid? No, it won't—because depending on where you are at any given moment, the Verizon phone could run circles around the AT&T phone. And, anyway, you may not care whether AT&T's broadband service is faster if your service fails in other ways—if 30 percent of your calls are dropped, for instance, which is rumored to be the average error rate of AT&T's service in New York City.

All of these localized factors make it extremely complicated to choose a phone that will work for you. Hence my advice: Try before you buy. Most cell plans lock you in to two-year contracts that are fortified with steep early-termination fees. (For the most advanced phones, Verizon's fee is \$350, while AT&T's is \$175.) But thanks to pressure by regulators in many states, all cell companies now offer a 30-day grace period in which you can cancel your service without paying the fee.

Take advantage of these provisions. As part of my job, I get to try many different phones on different cell networks, and I've seen a lot of variance in service quality. When I travel to Los Angeles, I get great service on my iPhone—but trying to stream Internet radio stations over AT&T's 3G network as I drive around San Francisco pretty much never works. I once lived in an apartment that had great voice coverage on Verizon's network, but when I moved to a new place, my phone no longer worked in my bedroom—and the best service I could find there was Sprint.

You wouldn't be able to find out about such defects from cell-company TV ads. Luke Wilson doesn't know whether your phone will conk out in your cubicle—only you can find out for sure. Remember, you're going to be stuck with this phone for two years. Choose wisely.

<http://www.slate.com>

Verizon iPhone seen as 70% chance in 2010

December 9, 2009

The chances that Verizon Wireless will get the iPhone are rated at 70 percent by an analyst Wednesday.

Gene Munster, senior research analyst for investment bank Piper Jaffray, said such a move would more than double Apple Inc.'s potential market by 89 million subscribers.

It has a current 82 million available with its exclusive U.S. provider AT&T Inc.

If it happens, Munster wrote, it will come in the second half of next year.

There are dissenters from Munster's opinion on the Verizon iPhone, though.

Kaufman Bros. analyst Shaw Wu believes it's more likely to happen in 2012, saying Apple can expand its iPhone business in the U.S. with other carriers, such as Deutsche Telekom's T-Mobile.

"While we believe VZ is likely inevitable at some point when 4G technology rolls out in 2012 or so, we believe Sprint and/or T-Mobile are more willing partners for Apple in helping maintain margins and customer controls," Wu wrote in a note to clients.

Thomas Weisel analyst Doug Reid agreed in an opinion last week, saying that he believes Apple will choose T-Mobile because it already has a relationship selling iPhones in Germany.

"Apple wants to move away from exclusivity; T-Mobile achieves this for Apple in the U.S.," Reid wrote.

<http://sanjose.bizjournals.com>

Apple Countersues Nokia Over iPhone Patents

December 11, 2009

Apple filed a countersuit against Nokia, claiming Nokia is infringing on 13 of its patents. The action comes a little less than two months after Nokia sued Apple, claiming its iPhone infringes on 10 Nokia patents. Apple's countersuit, filed in U.S. District Court in Delaware, denies Apple has been infringing on Nokia's patents.

Apple laid out in fiery rhetoric--and in no uncertain terms--its position on the matter. "Other companies must compete with us by inventing their own technologies, not just by stealing ours," Bruce Sewell, Apple's general counsel, said in a statement. Apple is looking to have Nokia's complaint dismissed.

In its counterclaim, Apple said the iPhone caused a "revolutionary" change in the mobile industry. In contrast, the filing said, Nokia "made a different business decision and remained focused on traditional mobile wireless handsets with conventional user interfaces."

"As a result, Nokia has rapidly lost share in the market for high-end mobile phones. Nokia has admitted that, as a result of the iPhone launch, 'the market changed suddenly and [Nokia was] not fast enough changing with it,'" according to Apple's filing. "In response, Nokia chose to copy the iPhone, especially its enormously popular and patented design and user interface."

When Nokia sued Apple in October, the company argued Apple was "attempting to get a free ride on the back of Nokia's innovation" since Apple refused to agree to "appropriate" terms for licensing Nokia's intellectual property.

A Nokia representative said that the company was aware that Apple had responded to its suit, and that it was studying Apple's filing and would "respond in due course."

<http://www.fiercewireless.com>

Product & Service News

Dell Forming Mobile Phone Business Unit

December 7, 2009

Computer maker Dell said it would create a division focused on communications and mobile devices, a organizational restructuring that further highlights the company's intentions to broaden its reach into smartphones.

The unit will be run by Ron Garriques, currently head of Dell's consumer division. Garriques previously headed cell phone efforts at Motorola, and his arrival at Dell two years ago was one of the factors that sparked speculation about Dell's mobile plans. Under the new restructuring, Garriques' consumer division will be merged with Dell's small-business computer division and run by the small-business unit's current president, Steve Felice.

The long saga of Dell's handset ambitions has picked up steam in recent months. In October, Dell CEO Michael Dell confirmed that the company would be releasing smartphones next year in the United States based on Google's Android platform. Shortly before that, citing unnamed sources, the *Wall Street Journal* reported that AT&T Mobility might launch a Dell Android phone next year. In November, Dell said it planned to distribute its Mini 3 smartphone in China and Brazil.

Dell is one of several computer makers, such as Acer, to expand into smartphones as the line between handsets and computers blurs. However, Dell likely is to face a range of challenges.

The news is "further confirmation that leading PC manufacturers cannot resist mobile space despite high distribution and differentiation barriers and low probability of success," CCS Insight analyst John Jackson wrote in a research note. "We have no reason to believe Dell will be capable of significant differentiation or disproportionate value capture at this point regardless of platform choice."

<http://www.fiercewireless.com>

Cisco Has 'Little Interest' in Selling Smart Phones

December 8, 2009

Cisco Systems Inc. Chief Executive Officer John Chambers said the company has "little interest" in selling its own smart phone, though it sees partnerships in that industry as a way to boost network demand.

Chambers said he is focused on working with Research In Motion Ltd., Apple Inc. and Palm Inc. to handle the networking required by smart phones, which are used to surf the Internet and download applications. The remarks signaled that Cisco wasn't in the market to acquire a smart-phone maker.

"We love anybody who loads up networks, and smart phones do," Chambers said today in an interview. "I see RIM, Apple and Palm as companies to partner with to help sell networks. I think they see us the same way."

Cisco, the world's biggest maker of networking equipment, acquired the maker of the Flip camcorder this year,

pushing into handheld consumer electronics. That decision wasn't about acquiring a device -- it was more about getting technology that spurred the use of related software and networking, Chambers said today. The Flip plugs directly into computers' USB drives, making it easier for users to share video over the Internet.

"I have very little interest in phones," Chambers said in the interview, held during the company's analyst day at its headquarters in San Jose, California.

Video Competition

While Cisco may not be interested in the smart-phone market now, the Flip business will face increasing competition from those devices, said Shaw Wu, an analyst with Kaufman Brothers in San Francisco. Apple's iPhone already has camcorder features and other devices are adding those capabilities.

"In the near term, they probably don't need to be in the market, but longer term, they may have to," Wu said in an e-mail. "Their Flip camera business could come under pressure as that functionality gets incorporated into smart phones."

<http://www.bloomberg.com>

Cox Rolls Out Initial Wireless Test Markets

December 8, 2009

Cox Communications, Inc. announced today that it is first introducing its new wireless phone and mobile high speed Internet services in Hampton Roads, Va., Omaha, Neb.; and Orange County, Calif. Today's announcement continues the company's long history of introducing competitive telecommunications services to the marketplace.

Cox was the first cable company to begin offering traditional landline telephone services in 1997 and Cox customers were among the first in the nation to enjoy a competitive choice among providers. Today, Cox is the number one phone company in many markets it serves. In September, Cox received highest honors in J.D. Power and Associates 2009 Residential Telephone Customer Satisfaction Study in the East and West, marking the seventh consecutive honor in the West.

Cox is now also the first U.S. cable company to launch fully-integrated wireless phone and mobile high speed Internet services. To celebrate Cox's landmark entry to the wireless business, Cox is donating brand new computer technology centers, valued at \$25,000 each to a local Boys & Girls Club in Hampton Roads, Omaha and Orange County. The local Centers will include new computers, access to Cox High-Speed Internet and education about

the safe and responsible use of digital technology. The Boys & Girls Clubs were selected to receive this donation because of their great need for advanced technology and because of their commitment to enriching the lives of young people, a commitment Cox shares.

"More than forty percent of our residential customers trust us to be their telephone service provider and two-thirds of our subscribers take all three of our existing services. Our customers have asked us to include wireless services as part of their bundle and we've listened," said Pat Esser, president of Cox Communications. "We're excited to let consumers know that they will soon have a better choice for wireless service. We've carefully considered the unmet needs of wireless customers and we'll be delivering a service that is uniquely Cox to address those needs."

Cox's wireless service launched to a test group of Cox customers in the first three markets, and the company will expand the service across Hampton Roads, Omaha and Orange County in 2010. While Cox is initially offering an integrated wireless service to residential customers, it will deliver business class services to Cox Business customers in the future. Cox will also be introducing a new retail experience in Hampton Roads, Omaha and Orange County and is increasing its commercial space presence significantly. Over time, the company estimates it will grow its workforce in these markets by about 20 percent throughout its retail locations.

<http://www.fiercewireless.com>

New Assurance Wireless Available to Over 1.5 Million Lower-Income Households in New York State

December 9, 2009

Virgin Mobile USA today announced its launch of Assurance Wireless, a new cell phone service that makes wireless calling available at no cost to more than a million eligible lower-income households throughout New York. The wireless company is partnering with non-profit organization HeartShare Human Services in New York City to introduce this new service that provides more free minutes per month than other similar prepaid programs.

According to the New York Times, more than 36 million people nationwide currently use food stamps, with a wide "range of people struggling with basic needs."⁽¹⁾ With more Americans needing assistance in this difficult economy, Assurance Wireless is providing additional relief to those who need it most. Qualifying Assurance Wireless customers⁽²⁾ in New York State can now receive a free Kyocera Jax handset and 200 minutes of free wireless local and long-distance calling within the United States every month.

"Most of us take cell phone service for granted. Mobile phones allow us to stay connected with friends, family and employers and provide critical support in case of emergency," said Dan Schulman, president of Sprint's Prepaid group which includes Virgin Mobile USA. "The government estimates that more than 1 million households in New York State are eligible for income-based assistance programs. We are proud to offer this valuable service, particularly in these tough times, which disproportionately affect lower income customers."

"This is a special situation in which the public and private sectors are working together to meet the needs of the community. We are excited to work with Virgin Mobile and local organizations to provide these much-needed cell phones to lower-income individuals who may use the phone to obtain employment, schedule medical appointments or be in contact with their childrens' schools," said William R. Guarinello, president and chief executive officer, HeartShare Human Services of New York. HeartShare is helping to get the word out about Assurance Wireless through outreach to individuals and families likely to be eligible as well as other community service groups.

"Individuals given the opportunity to have wireless connections at no cost are offered accessibility and convenience; I applaud Virgin Mobile and HeartShare for their commitment to improve local communities," said New York State Assemblyman Peter M. Rivera, 76th District. An outreach training program was hosted today at the Assemblyman's office in the Bronx. Assurance Wireless also provides customers with free voicemail, call waiting, caller ID, and access to 911 in case of emergency. Beyond the free 200 minutes, customers can choose to pay for additional 20-cent per minute domestic calling, international calling, 15-cent text, email or instant messages, mobile Web access, and more.

<http://money.cnn.com>

Industry News

Study: Mobile TV in Demand

December 9, 2009

U.S. consumers want mobile television, or so says the Open Mobile Video Coalition. A study of 1,007 people ages 18-59 conducted on behalf of the group found that nearly 90 percent of mobile device owners expressed interest in watching live news and weather programming on the go.

The appeal of mobile TV is particularly high among early adopters of new technology and adults between the ages of 18-29. Almost half of mobile device owners surveyed

found the idea of watching live digital television on a mobile device "appealing."

The study called smartphones a "catalyst" for the adoption of mobile television. "People who get them become more than device owners. They adopt a mobile lifestyle. Live mobile DTV fits very nicely into that mobile lifestyle," said Jaime Spencer, director Magid Media Labs, which conducted the study. "As the number of smartphones increases, so will the demand for live mobile DTV."

The study's optimistic findings are contrary to the state of the mobile television market in the United States, which has been hampered by slow uptake among consumers. The service, offered by Verizon Wireless, AT&T and FLO TV, has not ramped due to limited content and market availability.

"The mobile landscape is exploding, yet we don't see a clear leader in [the mobile television] space," said Spencer. "This is especially true for the local picture. We believe that broadcasters have the opportunity to own this platform locally, but they need to be aggressive and have content that will drive use."

Live programming, called "critical" to the overall mobile television mix in the study, is widely absent from FLO TV's content, with the notable exception of some sports coverage. Few local broadcasters have begun a mobile DTV service and there are only a small number of devices on the market with the ATSC receiver necessary to view mobile television.

FLO TV's recently launched Personal Television device has been criticized for its low screen resolution and content listings. Until yesterday, the service had just 10 channels. It recently added ABC Mobile and Disney to its lineup.

The study found that live programming is essential to mobile television content. Just over 50 percent said they want live content versus just 18 percent who preferred a strictly on-demand model.

<http://www.wirelessweek.com>

3G iPhone Tops Nielsen List

December 11, 2009

The Nielsen Company today released its year-end look at the most popular trends among Americans during 2009, and the Apple 3G iPhone topped the list of mobile phones in use in the United States between January and October.

The iPhone drew a 4 percent share of the embedded base of all subscribers, followed by the Research In Motion (RIM) BlackBerry 8300 Series (Curve); the Motorola RAZR V3 Series; the LG VX9100 (enV2); the LG Voyager;

Samsung SPH-M540 (Rant); RIM BlackBerry 9530 Series (Storm); the LG VX9700 (Dare); LG Vu series; and the BlackBerry 8100 Series (Pearl).

In the category of top 10 Web sites accessed over mobile phones between January and September, Google Search ranked No. 1. Rounding out the top 10 were Yahoo! Mail at No. 2, followed by Gmail, The Weather Channel, Facebook, MSN Hotmail, Google Maps, ESPN, AOL E-mail and CNN News.

Top brands accessed over mobile phones during the same time period were Yahoo! at No. 1, followed by Google, MSN/Windows Live/Bing, AOL Media Network, Weather Channel, Facebook, CNN Digital Network, Fox Interactive Media, ESPN and Apple.

The No. 1 ranked mobile video channel was YouTube, followed by FOX, The Weather Channel, Comedy Central, CBS, ABC, MTV, NBC, ESPN and E!

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