

## **This Week's Stories**

### **Nokia, Motorola Named as Potential Palm Buyers**

April 14, 2010

Analysts remain divided over which companies, if any, may buy troubled smartphone maker Palm--but different handset vendors' names keep getting thrown into the ring.

According to analysts at Morgan Stanley, Nokia and Motorola could be a "strategic fit" to acquire Palm, alongside HTC and Research In Motion. The Morgan Stanley report also named Dell, Lenovo, LG, Microsoft and Samsung as companies that are "possible but likely less interested" in purchasing Palm. Representatives from the companies generally declined to comment on the topic.

The picture is mixed since some vendors have bet heavily on one platform (think Motorola and Android) while others favor their own approaches (think Nokia and Symbian or Samsung and bada)--thus making a purchase of Palm and its webOS platform a clunky fit.

Indeed, some analysts frown on the idea of an acquisition. "What does Palm bring to the table that HTC doesn't have?" asked Jack Gold, an analyst and principal of J. Gold Associates. "Palm has limited channels (carriers), limited international presence outside of North America, a diminishing customer base, and has lost most of its momentum after it launched the webOS and Pre/Pixi with lukewarm support from its carrier partners and a less-than-successful marketing campaign."

Speculation about Palm's fate kicked into overdrive during the past few days following multiple reports indicating Palm tapped Goldman Sachs and another investment bank, Qatalyst Partners, to find a buyer. Palm's webOS devices have struggled to gain traction in the market.

Interestingly, the acquisition speculation has driven up Palm's stock price--it's up nearly 60 percent over the past week. That, in turn, may make any potential acquisition more costly. "If we were to use \$6.50 a share, that inherently calls for a take-out value of \$1.5 billion," Avian Securities analyst Matthew Thornton told *MarketWatch*. "When you factor in the convertible preferred shares and options that are in the money, the price goes up fairly considerably."

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### **AT&T Rebrands Self, Shelves Ad Spat with Verizon**

April 14, 2010

AT&T has hung up on the ad wars, dumping its ad campaign responding to rival Verizon Wireless' slams on its phone coverage.

AT&T's new "Rethink Possible" sales pitch touts grand visions for untethered Internet access and avoids tearing down its top competitor. It could mean a truce to a battle that experts say had no clear winner.

The new campaign, which debuted last weekend during the Masters golf tournament, tells people AT&T can help them simultaneously talk on their phones and surf the Internet or go from room to room to watch recorded television.

It represents a strategy shift that positions the company as being more than just a wireless carrier. AT&T wants to be thought of as a company with many ways to improve people's lives beyond phones.

The five ads mix whimsical fantasy – childlike drawings prancing through a city – and voiceovers urging people to "Explore, try, do." They will replace a series that has been running since the fall starring actor Luke Wilson that answered Verizon Wireless' criticisms with some of its own.

Later this week, Verizon plans to debut a new campaign targeted at its business customers, but the company said it had nothing new to announce about its current consumer campaign, which maintains its attacks on AT&T's wireless coverage.

The attacks surged as the industry fights for new customers in a mature cell phone market, where the majority of people who want phones already have them. Companies are cutting prices to woo customers and pitching new phones and features to prompt movement between carriers. They also have to contend with prepaid plans that are cheaper and growing in popularity.

AT&T's move marks the end of a rare advertising spat that goes against a marketing truism: Never attack your opponent by name because it can turn customers off to you and the entire industry.

Verizon struck first with its "There's a Map for That" commercials that mocked AT&T by referencing its popular iPhone and slamming its 3G coverage as spotty.

AT&T responded and the sparring continued, with spending likely costing hundreds of millions of dollars for both companies, heavy hitters in the advertising world.

Verizon was the world's second-biggest advertiser last year with \$2.24 billion in spending, while AT&T was fourth at \$1.9 billion, according to Kantar Media.

The ad war even prompted lawsuits, although the two agreed late last year to drop the cases that accused each other of lying in ads. AT&T did take some of the criticism about its dropped calls and slow downloads seriously. It announced in late January it would spend an additional \$2 billion to improve its network this year.

It's hard to call either company a winner, because neither likely drew subscribers from the other, said Charles Golvin, principal analyst at Forrester Research, in San Francisco. Instead, smaller competitors got caught in the crossfire. Both AT&T and Verizon added customers at similar rates.

"Both their numbers were still pretty good," Golvin said of Verizon and AT&T. "They were taking a lot of share away from T-Mobile and Sprint and probably not so much away from each other. I think neither one of them came out ahead."

In the last quarter of the year, Verizon remained the biggest provider and added 2.2 million subscribers — about 2.5 percent — to finish the year with 91.2 million customers. AT&T, the second biggest, added 2.7 million subscribers — about 3.3 percent — to finish with 85.1 million.

Both companies have more subscribers than their next two biggest competitors, Sprint Nextel and T-Mobile USA, combined.

AT&T won't say how much it is spending on the new campaign. AT&T spokesman Steven Schwadron said the ads attacking Verizon drove home to viewers how widespread AT&T's coverage is.

The new campaign will include print, outdoor, in-store signs, he said. Future ads will build on the theme.

"It's really about showing how innovation is having an impact on people's daily lives," he said.

The change in tone is also a breather for viewers.

Negative advertising that calls out rivals is rare, outside of political advertisements, because people simply don't like it, said David Aaker, vice chairman of Prophet, a branding and marketing group. But attack ads are effective in driving home messages, because people tend to remember criticisms more than praises.

"They probably have decided they've at least muddied the water a little bit, so Verizon's claims aren't just standing without reply," Aaker said.

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## Apple Delays International iPad Launch

April 14, 2010

Apple today announced that it will delay the planned international launch of its iPad tablet computer. The Cupertino, Calif.-based company says it will announce international pricing and begin taking online pre-orders on Monday, May 10.

According to its statement, Apple has already delivered more than 500,000 iPads during the first week.

Apple said that demand in the United States far exceeded the company's expectations, adding that additional orders will likely continue to exceed supply over the next several weeks. The company also says it has taken a large number of pre-orders for iPad 3G models for delivery by the end of April.

Apple had announced previously that it sold over 300,000 iPads in the first 24 hours following the iPad launch. Those sales included deliveries of pre-ordered iPads to customers, deliveries to channel partners and sales at Apple retail stores.

## Product & Service News

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### Cablevision, Comcast and Time Warner Offer NYC Wi-Fi

April 14, 2010

Cablevision Systems Corp., Comcast Corp. and Time Warner Cable Inc. will let New York-area Internet customers use Wi-Fi hotspots across all three networks at no charge.

The connections will let high-speed Internet subscribers access the Web in New York City and surrounding areas, such as the Hamptons, the companies said in a statement today.

The partnership offers millions of cable customers Internet entry beyond their home networks, stepping up competition with wireless companies that provide Web access to laptops and smartphones. AT&T Inc., the largest U.S. phone company, bought Wayport Inc. in 2008 to gain 20,000 Wi-Fi locations.

Time Warner Cable has about 1 million high-speed customers in the New York area, spokeswoman Suzanne Giuliani said. Cablevision has 2.5 million in the region, according to spokeswoman Sarah Chaikin.

Comcast doesn't have many customers in New York, spokesman Charlie Douglas said. Commuters from New Jersey and Connecticut will be able to take advantage of the service, he said.

Cablevision rose 11 cents to \$26.25 in New York Stock Exchange composite trading at 4 p.m. The Bethpage, New York-based company's stock has gained 23 percent this year. Time Warner Cable, based in New York, fell 37 cents to \$52.40. Philadelphia-based Comcast declined 7 cents to \$18.86 in Nasdaq trading.

## **Mergers/Acquisitions/Partnerships**

### **TowerStream Closes Acquisition of Sparkplug**

April 16, 2010

WiMAX service provider Towerstream says it has closed the acquisition of Sparkplug Communications' Chicago and Nashville, Tenn., business assets.

According to a press release, the acquisition expands Towerstream's presence in Chicago, introduces Nashville as the company's 11th market nationally and will add about \$1.3 million to the annual revenue base.

The company purchased all customer contracts, network infrastructure and related assets in a transaction valued at \$1.6 million in cash and common stock.

"We have designed a plan to quickly integrate Sparkplug's 10 points of presence (PoPs) in Chicago into our existing network. We plan to leverage our expanded market coverage to increase our scale and accelerate growth of our high margin recurring business," said Jeff Thompson, president and CEO, in a statement.

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## **Industry Reports**

### **RIM Thrives Despite Sales Drop at Verizon**

April 13, 2010

Research In Motion and Verizon Wireless have long enjoyed a close relationship--the nation's largest carrier is widely believed to be the BlackBerry's maker's biggest carrier customer. However, the smartphone maker appears to have done just fine in its fiscal fourth quarter despite a dropoff in sales at Verizon.

Analysts who follow RIM have been worried that the company's reliance on Verizon as a customer could become a major vulnerability as Verizon broadens its smartphone lineup with devices running Google's Android platform and Palm's webOS system. According to RIM's annual filing, though, the company's financials continued to grow as revenue from its largest customer--likely Verizon--declined to 20 percent of overall revenue for all of fiscal 2010, from 25 percent in the first three quarters of the fiscal year.

RIM's fiscal fourth quarter is "a perfect test case of what RIM would look like if Verizon completely stopped selling Blackberrys ... and shows how less reliant RIM is on Verizon and how much RIM has broadened its customer base," Morgan Stanley analyst Ehud Gelblum wrote in a recent note.

The BlackBerry maker reported a 13 percent jump in net income in the quarter, up to \$710.1 million. And though revenue missed analysts' expectations, RIM's margin was solid and the firm issued guidance at the top of market expectations.

During its quarterly call with analysts, RIM brushed aside concerns of its North American business, noting it added more subscribers in the region in the quarter than in the previous period. "North America is doing very, very well," RIM co-CEO Jim Balsillie said during the call, according to *Bloomberg*. "Don't misconstrue something that shouldn't be misconstrued."

The percent of RIM's revenue generated outside of North America rose to 48 percent in the quarter, up from 37 percent in the fiscal third quarter.

Further, RIM appears poised for a refresh. The company plans to launch a new WebKit-based browser for its devices sometime in the future, and, according to *Dow Jones Newswires*, it will also release a touchscreen phone with a slide-out keyboard this year.

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## Twitter Reveals Big Numbers

April 15, 2010

Traditionally cagey Twitter yesterday released a mountain of statistics at Chirp, the company's developer conference, about its business.

According to Twitter CEO Evan Williams, the company has compiled a user base of just under 106 million since its 2008 launch and is adding 300,000 new users per day.

Williams noted the importance of mobile apps, showing that 75 percent of Twitter's traffic comes from outside of Twitter, which means tweets that originate from a third-party app that posts to the site. Twitter says it gets 3 billion requests per day and Twitter users are spouting off 55 million tweets per day.

It is perhaps surprising that a company that's putting up those kinds of numbers recently reported employing just 175 people.

Earlier this week, Twitter announced it is launching the first phase of its Promoted Tweets platform with a handful of advertising partners, including Best Buy, Bravo, Red Bull, Sony Pictures, Starbucks and Virgin America.

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