

## This Week's Stories

### Ten Things RIM's New CEO Must Do Right Away

January 23, 2012

The company's stock price has plunged more than 75 percent in the past year as investors have lost confidence in the company. And competitors Apple and Google are dominating a market that RIM once owned.

RIM hasn't had a hit product in years. Its Playbook tablet, introduced in 2011, was a failure. Its more recent BlackBerry handsets were late to market. And now it says it won't have next-generation devices, sporting the new BlackBerry 10 software, until the second half of this year.

The company's co-CEOs have stepped down, leaving Heins as the new solo CEO. Heins, who had been RIM's chief operating officer, will be tasked with turning around the company. Will he be up to the task? That's the big question.

In all fairness, the guy has officially only been on the job less than 24 hours. But his initial statements suggest he plans to continue RIM's current course with an added emphasis on execution, improving communication with shareholders, and increasing marketing. These are all worthy improvements, but are they enough?

Wall Street seemed unimpressed with Heins and his initial thoughts for turning around the company. To help him figure out a game plan for the company on his first day, CNET has come up with this list of 10 things that he might want to think about right away.

1. Get some new blood on the management team.

Suffice it to say that investors aren't terribly impressed that the new CEO of RIM is a company insider. So if Heins is serious about turning the company around, he needs to take some bold steps. And that includes surrounding himself with some outsiders who can bring some fresh, new ideas to the company. Clearly what RIM has been doing isn't working.

2. Court developers.

In the smartphone market today, it's all about apps. And sadly for BlackBerry lovers, those are sorely missing. Google Android and Apple iOS have more than 1 million apps between the two platforms. Developers are working fast to come up with new applications for these devices every day. A recent

survey of app developers by Ovum puts Android at the top with Apple's iOS platform also ranking as very important to developers.

Microsoft recognizes the importance of apps. And in the past year it's been able to grow its apps marketplace to more than 50,000. But even with an emphasis on apps, Microsoft and its Windows Phone OS are still struggling to gain market share in the ultra-competitive smartphone market. And as RIM tries to reinvent itself with BlackBerry 10, its next-generation OS, the company will be starting from scratch.

3. Speed up BlackBerry 10.

RIM's biggest problem the past few years has been a lack of exciting new devices. It simply doesn't have anything that truly competes with Android devices and the Apple iPhone. RIM's last great hope hangs on products that will use BlackBerry 10. This software is derived from software from RIM's acquisition of QNX Software Systems. This software was used to develop the Playbook tablet, which had a bungled release last year.

While RIM is putting all its hopes at the moment in the success of BlackBerry 10, the reality is the OS is late. And by the time it comes out in products, it may be far too late. Executives said last month that BlackBerry 10 products won't hit the market until the second half of 2012. The company is waiting for a new dual-core processor chip that supports 4G LTE networks. Clearly, the more advanced technology is a good sign that RIM is looking to stay competitive, but the reality is that Android and Apple won't stand still. And they're likely to have advanced products out by that time.

Even Microsoft may be stronger by the time RIM releases its products. Microsoft, Nokia, and AT&T will be making a big push with the Lumia 900 this spring. So RIM needs to get something out the door fast.

4. Dump BlackBerry 10 and adopt Android.

Heins needs to make a decision and he needs to make it fast. BlackBerry 10 is still months away. And even if it was available tomorrow, the platform has little to no support from developers. Much like Nokia's CEO Stephen Elop did when he took over at Nokia, Heins might want to cut his losses with BlackBerry 10 and build BlackBerry phones using Google Android software. The biggest benefit out of the gate is that BlackBerry users would finally get access to hundreds of thousands of apps. The apps issue shouldn't be underestimated. Just look at Microsoft's struggle to make Windows Phone relevant. The software has been out for more than a year, and Windows Phone has made only small gains in market share. By the

time, BlackBerry 10 comes out, Apple and Android will have even more momentum. And Microsoft might have some momentum, too. Heins might want to consider cutting his losses to leverage a better established software platform.

#### 5. Streamline the product line.

RIM needs to focus its attention on a single flagship device that will wow consumers. This means that it needs to cut back on the number of devices it plans to introduce, maybe even tabling some tablet development so it can focus on a killer smartphone. Rumors have already floated around that it's canceling at least two new smartphones to focus on one: the BlackBerry 10 device code-named London. This is a good strategy, since RIM really needs to make this device so incredible, it gives Android and iPhone users a reason to go BlackBerry.

#### 6. Kiss carriers' butts.

Wireless carriers in the U.S. market are key to the success for any smartphone. Since most consumers buy their devices at a subsidized price from a carrier in exchange for signing a service contract, it's important that RIM convince the big carriers, especially AT&T and Verizon Wireless, that its new phones will be worthy of the shelf space at these carrier stores.

Even though RIM has had great relationships with these carriers in the past, operators only have so much money to spend on marketing and educating sales staff to sell certain phones. Verizon Wireless is firmly committed to Android and now the iPhone. AT&T, which once was the exclusive U.S. carrier for the iPhone, is also now selling Android. And through a partnership with Nokia and Microsoft, the carrier is also gearing up for a big Windows Phone push this spring.

Meanwhile, Sprint Nextel, the No. 3 U.S. carrier, has bet big on the iPhone and has a strong Android portfolio. T-Mobile USA may still be interested in BlackBerry devices, but T-Mobile alone won't be enough to get RIM back in the game. Heins need to do some serious butt kissing and find away to get into carriers' good graces once again.

#### 7. Shop the company around.

No matter how hard Heins tries to turn things around, the reality is that RIM has been a sinking ship for a couple of years now. Android and Apple dominate the market, and there's no sign that they're slowing down. So Heins needs to talk to as many potential buyers as possible. It's been reported that RIM has hired the

investment bank Goldman Sachs to help it determine its next steps.

Samsung was rumored to be interested in the company. But recently it denied wanting anything to do with RIM. And HTC has also been named a potential buyer. There could be other possible bidders out there, and Heins needs to start beating the bushes to see who's interested.

#### 8. License BlackBerry technology to other companies.

RIM executives have already said that if they're approached about the new BlackBerry 10 software that they would consider licensing it to a third party. But what about the older elements of RIM's technology? The company could consider licensing its BlackBerry Enterprise server services to other hardware companies. This would allow Android device makers to offer services, such as RIM's popular BlackBerry Messenger.

The company's network architecture was criticized recently following a major worldwide outage of its services. But this set-up, which funnels all messaging traffic through RIM's network operations centers throughout the world, also allowed RIM to build one of the most secure messaging platforms around. And other handset makers could leverage elements of this technology to give their own devices an edge.

While there could be a lot of opportunity here, it's unclear how RIM plans to leverage its own service business in the future. RIM may be moving away from this centralized architecture with the next version of its software. According to the enthusiast site CrackBerry.com, RIM demonstrated at CES that its Playbook 2.0, which uses the same basic software elements as the upcoming BlackBerry 10 software, will use Microsoft's ActiveSync for e-mail. This shift means that RIM's future products may not use its network-based architecture for sending email. RIM gets a few bucks per subscriber for providing this service. But if that goes away, RIM may lose a source of high-margin income, CrackBerry said.

Still, RIM has a treasure trove of patents. And investors have been pushing the company to sell some of these patents. Mobile patents are valuable. Last year, Google agreed to pay \$12.5 billion for Motorola Mobility in a deal that was mostly about acquiring Motorola's patents. But even if the new CEO isn't ready to sell off the company's intellectual property, he could find ways to extract more value from these patents either by licensing technology to other companies or going to court to actively enforce these patents.

#### 9. Go back to your roots and focus on core customers.

Remember those suit-wearing "crackberry" addicts? The company's rock-solid security and messaging services won the hearts and minds of executives, lawyers, bankers, and Congressional leaders. Even the President of the United States said that the Secret Service would have to pry his BlackBerry from his fingers if they threatened to take it away from him.

Somewhere along the way, RIM got lost. It lost its focus. The company needs to get back on track by once again appealing to these core business customers. But now, the company needs to realize that it's competitors Apple and Android have redefined the market. And business phones aren't just for emailing and messaging. People expect a lot more from their smartphones. And many really want to carry one device that can help them manage both their professional and personal lives.

If RIM is serious about a come back, it needs to go back to its roots. This means keeping aspects of its devices that its core audience love: superior QWERTY keypad, security and strong messaging services. At the same time the company needs to add elements it has been missing: a good touch screen, easy-to-use interface, plenty of apps, and a good browser.

10. Pray for a delay in the iPhone or a major hiccup with Android.

The reality of RIM's situation is that it's on a downward spiral, while Android and Apple are racking up sales and dominating the market. It's unlikely that Android's or Apple's momentum will tail off anytime soon.

So the best that RIM can do is pray that either Google or Apple, or both, hit some sort of snag in the next 12 months. Perhaps Apple will delay the launch of its next generation 4G LTE iPhone. Or maybe there will be some major issue with Android devices to slow its momentum. It seems unlikely, but Heins might want to keep his fingers crossed just in case.

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## **Products & Services**

### **Apple Q4 Rests Heavily on iPhone 4S Sales**

January 24, 2012

Apple is set to announce its fiscal year 2012 first-quarter earnings later today, and analysts are

expecting record iPhone sales due largely in part to the release of the iPhone 4S and holiday push.

Earlier this month, Piper Jaffray analyst Gene Munster raised his iPhone estimate for the holiday quarter to 30 million, up from 26 million previously.

This will be the iPhone 4S's first full quarter on the market since its release in early October. While the 4S saw a tepid initial reception, the fact that the iPhone is now carried by all three major U.S. operators, as well as regional carrier C Spire, could mean total sales for the quarter will exceed expectations.

Analysts will also be closely watching sales of the iPad, following the release of Amazon's Kindle Fire and Barnes & Noble's Nook Tablet.

In research notes from earlier this month, Morgan Keegan analyst Tavis McCourt trimmed his estimates for Apple's fiscal first quarter that ended last month after concluding that the iPhone probably sold better than he thought, but that the Kindle Fire probably stole a couple of million units worth of sales from Apple's iPad.

McCourt said he expects iPad revenues to generate 21.3 percent of revenues in the December quarter for Apple, up from 17.2 percent in the year-ago period, although down from 24.3 percent in the previous quarter.

"We are lowering our unit shipment estimates for iPad in the Dec. quarter from 16 million to 13 million. Based on data from Amazon, we believe the Amazon Fire likely sold 4-5 million units this holiday season, which probably means maybe 1-2 million cannibalized iPad sales at most," McCourt wrote.

Shares of Apple were down slightly in early morning trading from an all-time high of \$425.10 to \$423.16. Apple is set to report its earnings after market close at 5 p.m. Eastern time today.

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### **Mobile Operators are Losing Their Grip on the Tablet Market**

January 27, 2012

Tablets are attracting a new category of consumers who want better usability than a smartphone without the bulk and complexity of a laptop. Tablet vendors have worked hard to break away from current smartphone/laptop doctrines, while making

touchscreens a revelation to those unfamiliar with how to interact with email and the Web.

Altogether, tablets can justifiably be seen as enabling a new sector of society with mobile computing and communications. The market potential for tablets would appear to be strong as an increasing number of manufacturers enter the market with different form factors and price points--accepting that Apple's iPad remains the benchmark product today.

An indication of the market potential comes from Informa Telecom & Media, which claims in a new study that over the next five years retail sales of tablets will grow from \$34.5 billion in 2011 to \$121.5 billion in 2016.

Crucially however, the market research firm noted that the consumers increasingly prefer to purchase tablets directly from the vendor, or from independent outlets, such as Carphone Warehouse, Amazon and the big-brand supermarkets.

This raises the question of what role mobile operators can have in this burgeoning sector--apart from supplying a 3G or LTE SIM cards and data plan.

Their lack of imagination in grasping the tablet opportunity indicates a punishing lack of retail awareness for this new class of mobile user who continues to believe that operators only sell phones bundled with a bewildering array of tariffs. The major consumer electronics retailers have leapt on the tablet opportunity by revamping their stores to provide a specific focus on these devices with the aim of educating potential buyers. Selling a data plan then becomes comparatively simple once the buyer is hooked into the delights of a touchscreen tablet.

Meanwhile, the likelihood of major online and High Street retailers further encroaching on operator's current sales territory looks very high as smartphones continue to become more affordable. This shift to more sophisticated mobile devices--tablets and smartphones-- could isolate operators further from consumers leaving them as little more than providers of smart and affordable networks.

Our once-mighty fixed-line service providers have struggled with this trend for a decade or more, and have become resigned to being data pipes. Can mobile operators do otherwise?

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## Emerging Technology

### **Dish Pitches Revised LTE Plan**

January 24, 2012

Dish Network pitched a revised plan for its yet-unapproved mobile broadband network to FCC officials last week, according to ex parte documents posted Monday to the agency's website.

The satellite television company is pushing the FCC to grant it a waiver for land-based mobile broadband service in spectrum currently restricted to satellite use, similar to the hotly contested waiver granted to LightSquared last year.

Dish acquired the spectrum through its purchase of bankrupt satellite communications companies TerreStar and DBSD North America last year.

During the Jan. 18 meeting, Dish Network Executive Vice President Thomas Cullen and four of its attorneys presented a "detailed proposal" on a "revised buildout schedule keyed to commercial availability of the LTE Advanced standard" to the FCC.

Rick Kaplan, the head of the FCC's wireless bureau, attended the meeting, as did top officials from the agency's international bureau and office of engineering and technology.

A Dish Network spokesman declined to answer questions about the changes and no further details about the revisions were disclosed in the filing.

Formal changes to Dish Network's original plan would have to be made part of the public record. Since the revisions haven't been posted, the latest proposal is likely part of the company's ongoing negotiations with the FCC.

Dish Network had previously said it was "committed to developing a buildout schedule consistent with FCC precedent and based on the buildout principles established in the Sprint/Nextel and Sprint/Clearwire transaction decisions."

The FCC required Clearwire to cover 15 million people within four years and 30 million people within six years, a far more lenient requirement than the 100 million people LightSquared is supposed to cover by the end of this year as part of the conditions to get its waiver for land-based base stations.

Dish also said in its original plan it wanted to use LTE Advanced, even though the standard hadn't been ratified at the time it made the proposal. The

construction of the network would be "keyed to commercial availability of the LTE Advanced standard," Dish said in its original proposal.

BTIG Research analyst Walter Piecyk says it would be a mistake to assume that Dish Network is accelerating its deployment plans because of the International Telecommunications Union's recent finalization of LTE Advanced standards.

"The problem is 'revised' can mean anything," Piecyk says. "The temptation is to assume that 'revised' means they'll start the clock and it will be a more aggressive schedule than they had previously planned.... but we don't know whether they've revised up or down."

The timing of Dish Network's latest proposal came just days after federal officials said there were "no practical solutions" for the GPS interference problem blocking the launch of LightSquared's network, putting pressure on the FCC's pledge to expand broadband access.

The blowup over LightSquared, combined with verbal sparring from AT&T over the agency's handling of spectrum auctions, could give Dish Network the leverage it needs to make additional demands, Piecyk says.

Still, what those demands are is anybody's guess. "They're just trying to negotiate," he says.

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## **White Space Goes Live in Wilmington, N.C.**

January 26, 2012

The city of Wilmington, N.C., has been testing out white space technology for almost a year, and today the experiment went live.

The launch marks the country's first commercial deployment of devices using white space spectrum, the unused frequencies between television channels left over by the switch to digital television in 2008.

The city is running video surveillance, water monitoring modules and some broadband service off the spectrum using equipment from Koos Technical Services.

"This technology has proven to be an unobtrusive, environmentally friendly way to offer services to our citizens and the visitors at our parks and to give our staff more efficient ways to manage these locations,"

said New Hanover County Chairman Ted Davis in a statement.

According to Spectrum Bridge, the company that is running a database for the service, there are 25 empty channels available for white space devices operating in the Wilmington market. Each channel is 6 MHz wide, opening a total of 150 MHz of white space spectrum for unlicensed use.

The FCC approved Spectrum Bridge's database last month, giving existing users in the band time to make sure white space devices wouldn't interfere with their service. The database plays a critical function in ensuring white space devices don't knock out signals from incumbent users.

Koos' equipment is the first to use the database, and Spectrum Bridge is running trials with several other white space equipment manufacturers.

The opening of television white space spectrum by the FCC in September 2010 was heralded by many as ushering in the era of so-called "super Wi-Fi," but the technology has many other applications such as rural broadband and connectivity for machine-to-machine devices.

"Any time you get new spectrum, it takes a period of time before the technology develops and the innovations occur," says Spectrum Bridge CEO Rod Dir. "We think this is really the start of something new."

Dir estimates that white space spectrum has three to five times the coverage and penetration characteristics that Wi-Fi would give.

The technology is allowing the city of Wilmington to extend monitoring and surveillance devices into areas that couldn't be reached by Wi-Fi, such as heavily forested areas, because white space signals in the 700 MHz band can pass through objects that would have blocked higher frequency Wi-Fi transmissions.

Like any new technology, equipment and devices running on white space spectrum are still more expensive than legacy gear and face the usual hurdles to creating the ecosystem needed to flourish.

But with its potential on full display in Wilmington, it seems that the television white space spectrum is off to a strong start. However, don't hold your breath for electronics with built-in super Wi-Fi – it will be years before those highly anticipated devices come to market.

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## Industry Reports

### **Millions in SOPA Lobbying Bucks Gone to Waste**

January 27, 2012

The controversial anti-piracy bills that attracted tens of millions of dollars of lobbying for and against the proposed laws ironically were killed by free publicity.

"Old" media companies spent huge sums of money in support of the Stop Online Piracy Act (SOPA) and the Protect Intellectual Property Act (PIPA). Those opposed -- Internet and "new media" companies -- lobbied hard and spent gobs too, though far less than their more organized rivals.

But Silicon Valley had a trick up its sleeve that trumped the millions of dollars more in lobbying muscle and the more established Washington presence of the old media guard: They reached out directly to their users for free.

Google, Wikipedia and others altered their homepages and websites in opposition of the bills last week, making the issue a topic of popular discussion across the country.

"The Internet really flexed their muscles during this fight, and their infrastructure helped them advocate their positions that others don't have at their disposal," said Michael Beckel, money-in-politics analyst at the Center for Responsive Politics.

It helped that the two bills were an issue that the public cared about. The opposition movement was trending on Twitter, and thousands of protesters joined in New York and San Francisco on Jan. 20 in opposition of the bills.

"When you have an issue that is salient, and the public cares about it, the money matters less," said Lee Drutman, data fellow at the Sunlight Foundation, a nonpartisan research organization. "Money matters more when it's a behind-closed-doors issue that hasn't faced much public scrutiny."

Lobbying analysts also note that it's really hard to change the status quo and pass legislation. Silicon Valley had the advantage of playing defense, which is a much better position to be in, experts said. There are so many hurdles to jump before a bill becomes law, so being on the opposition is always a good start.

It may have been painted as a David vs. Goliath fight initially. But the end result proved that the most money doesn't always win in Washington.

Media companies like Comcast (CMCSA, Fortune 500), Viacom (VIA), News Corp. (NWS), and CNNMoney parent Time Warner (TWX, Fortune 500) led the support of the bills, each spending millions of dollars on the issue.

Media lobbyists, including the motion picture, recording industry, cable, and broadcaster associations, also added millions of dollars to the fight, as did credit card firms Visa (V, Fortune 500), MasterCard (MA, Fortune 500) and American Express (AXP, Fortune 500).

Loads of cash were spent by the opposition as well, but most of that came from Google (GOOG, Fortune 500). After the search giant's millions, there was a steep drop off in lobbying dollars, with Yahoo (YHOO, Fortune 500), eBay (EBAY, Fortune 500), Amazon (AMZN, Fortune 500) and Microsoft (MSFT, Fortune 500) lobbying in the hundreds of thousands of dollars each.

Lobbying totals are only very rough estimates because companies often include multiple bills and issues in their lobbying reports to Congress. But Washington analysts said SOPA and PIPA were among the hottest issues in the fourth quarter.

A total of 145 companies and organizations lobbied the House of Representatives for and against SOPA, while 157 groups lobbied for and against its sister bill PIPA in the Senate, according to the Center for Responsive Politics.

Despite the big win for new media, experts don't believe that this is the end of lobbying as we know it. The piracy issue was unique in many respects, experts contended. Content providers took a unified stance -- a rarity. And it was an issue that the public rallied behind -- also a rarity.

What's more, Internet companies may need to pick their political battles more carefully going forward. They could risk alienating their users, experts contended.

So even though lobbying wasn't what ultimately did SOPA and PIPA in, it's very much here to stay.

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### **Twitter Can Now Censor Tweets by Country**

January 27, 2012

Twitter can now remove tweets from appearing to users in a particular country, while allowing them to stay posted elsewhere in the world.

The company announced the new feature in a blog post this afternoon. Before, if somebody posted content banned in one country -- like pro-Nazi slogans in Germany -- the only way Twitter could respond was by removing it in all countries.

Twitter hasn't done this yet, and will only remove tweets when asked by a government.

It says it will contact users whose tweets are removed, and will post a notice to any deleted tweet.

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