

## This Week's Stories

### **Best Buy Lines up Smartphone Deal for Super Bowl**

February 1, 2012

The retailer plans to run its second-ever Super Bowl spot, this year placing the spotlight solely on mobile and creating a short-term deal that will dole out \$50 gift cards to customers who buy smartphones this year.

The push is part of Best Buy's increased focus on mobile, which remains one of the stronger revenue drivers for the retail chain. While the company is seeing slowing sales and price cuts in other areas, smartphones are lucrative.

Most consumers still tend to go to their carriers to buy phones and sign up for service plans. Online services such as Amazon.com or Wirefly also offer cheaper alternatives and deals. But Best Buy, which is among the largest non-carrier retailers of smartphones, hopes to become a go-to destination for consumers.

"It's pretty clear America wants to upgrade to smartphones," said Scott Moore, vice president of marketing for Best Buy's connectivity business group. "We want to use the Super Bowl as an opportunity to awaken recognition of Best Buy as a mobile source."

To that end, the company is offering a limited promotion. Customers who register a phone number with Best Buy here between this Sunday's Super Bowl and February 12 are eligible to receive a \$50 gift card. They don't need to make the purchase now; the card is reserved until the customer buys a new phone or changes service plans. Once registered, customers have until the end of the year to earn the card.

Best Buy operates under a similar model as the carriers, offering phones with rebates and discounts and getting paid a bounty, or monthly fee, for each person it signs up.

For last year's Super Bowl, Best Buy memorably paired up Ozzy Osbourne and Justin Bieber for a spot that dealt with the dilemma of gadgets upgrading too quickly. This time around, the retailer plans a lower key approach, highlighting lesser known but important figures in the wireless industry.

They include Philippe Kahn, who is credited with being the first to create a camera phone that could share photos on a public network; Jim McKelvey, co-founder of the mobile-payments company Square;

and Kevin Systrom, founder of hit photo app Instagram.

"We're drawing off their innovation to showcase how Best Buy is doing the same with the mobile buying experience," Moore said.

[news.cnet.com](http://news.cnet.com)

### **Facebook is Great. But \$100 Billion Great?**

February 2, 2012

Facebook is a great company. It proved that in its IPO filing. A billion dollar annual profit and \$3.9 billion in cash for something that didn't even exist 10 years ago? That's impressive.

But it's not impressive enough to justify a \$100 billion market value right out of the gate. Sure, we don't yet know what Facebook will be worth once it starts trading in a few months.

The company said Wednesday that it had determined that the fair value of a Facebook share stands at \$29.73, as of December 31. That would value founder and CEO Mark Zuckerberg's stake at about \$16 billion.

Based on Facebook's current share count, you could come up with a rough estimate of about \$60 billion for the company's market value. But it seems highly likely that Facebook will price its offering above its most recent fair value estimate. As such, some experts have thrown out the \$100 billion number as a possible market value.

I fail to see how that makes sense. Yes, Facebook is growing rapidly. It deserves a premium compared to companies like Microsoft (MSFT, Fortune 500) and Google (GOOG, Fortune 500), which are the only two publicly traded firms that Facebook listed as "significant competition."

But let's do the math. Microsoft is trading at only 11 times its net income for fiscal 2011. Google is valued at about 20 times its 2011 profits. If Facebook were to fetch a \$100 billion market value, that would give it a price-to-earnings ratio of 100.

The \$100 billion number is even crazier when you look at revenue. Google trades for just 5 times trailing sales. Apple (AAPL, Fortune 500) trades at only 4 times last year's sales.

Sure, Apple may not be a direct rival to Facebook. But I'd argue that it's fair to look at Apple's valuations as a

benchmark since Apple is the best example of a large company that is continuing to grow as if it were just a start-up.

At \$100 billion, Facebook would trade at 27 times last year's sales. That might have worked in 1999. Not now. Yes, I realize that investors are betting on the next few years, not the past few.

"There is no way you can justify the current valuation with \$3.7 billion in revenue," said Espen Robak, president of Pluris Valuation Advisors in New York. "But the promise of the company is enormous. You are buying the future."

Still, let's assume that Facebook's profits increase 65% in 2012, like they did in 2011. That's probably optimistic, since Facebook conceded in its filing that it expects growth to slow for both new users and revenue. But for the sake of argument, let's forecast net income of \$1.65 billion for 2012.

A \$100 billion market value would imply a P/E of about 60 on 2012 earnings forecasts. That's still pretty lofty -- especially if growth is already starting to slow.

"Think about Google. Right now it's trading at around 20 times earnings. That's a modest multiple and that's ultimately where Facebook may deserve to be," Robak said.

A P/E of 20 times my back of the envelope 2012 earnings forecast gives you a market value of \$33 billion. But even if we give Facebook a fat premium of say, 40 times earnings, you still only get to a value of \$66 billion.

That seems a little more reasonable. Facebook needs to play catch-up with its valuation. If it eventually is going to command a more sizeable premium than Google, it will need to prove to Wall Street that it can grow at a healthy clip for several more years.

That won't be easy.

Don't get me wrong: What Facebook has achieved in a few years is spectacular. It deserves some sort of premium. Facebook's operating margins last year were 47%. That's phenomenal. Google, by way of comparison, had operating margins of 31%.

"We can recognize that Facebook has built a successful global brand with great scale," said Lorraine Monick, managing director with Harris myCFO Investment Advisory Services, a money manager in Palo Alto, Calif.

[money.cnn.com](http://money.cnn.com)

## Products & Services

### **Apple's iOS has Advantages Over Android-- Screen Resolution**

January 29, 2012

On average, one of the most frustrating problems Android mobile app developers have to deal with on their day-to-day activities are different screen sizes and all the various different resolutions used on Android phones.

Apple's legendary stubbornness at wanting to control everything like all the software and the hardware in all its products is clearly an advantage, and the iPhone is a perfect example of this.

And it's not just the aggravation-- Android programmers also lose a lot of valuable time as well. With resolution changing from one phone to another, app developers have to determine exactly how much 'screen real estate' they can devote to icons, photos, video game backgrounds, dialog boxes, etc, etc.

However, Google argues that paying the price upfront pays programmers back in the long run, and helps them avoid the fixed-resolution difficulties that afflicted Palm as well, and is something that impacted Palm quite a bit. HP, the company that acquired webOS from Palm last year, has decided to let webOS become open-sourced in December.

Even before the first Android smartphone hit the wireless market, Google was already bent on accommodating not just different pixel resolutions, but also pixel densities-- the actual number of pixels per inch.

Android framework engineer Diane Hackborn described the company's philosophy: "Much of the motivation for this came from experience at Palm. Traditionally, webOS devices had a 160x160 screen. Later in their life, Sony introduced a 320x320 screen. This worked pretty well by just doubling the coordinates supplied by the application so it still thought it was drawing on a 160x160 screen but the OS would convert those and take advantage of the higher-resolution screen to show sharper text and drawn shapes."

The problem is, the strategy became more complicated in PalmOS later when it wanted to ship QVGA [320x240] screens. These cost less to produce since they were used in many other devices. By placing the handwriting area at the bottom of the

screen, you could still have the expected square area for the app.

But the problem was that their density was halfway between 160x160 and 320x320, giving a scaling factor of 1.5, and more and more issues then appeared, frustrating app developers even more.

For example, scaling up object dimensions by 1.5 times meant that your lovely solid lines got various gray smudges on them depending on how they aligned with the real screen pixels.

To address Android's challenges with screen sizes and various resolution settings, the operating system uses a concept called the 'density-independent pixel', abbreviated to dp or dip, depending to who you talk to.

Android's overall approach to screen resolution issues can be really baffling to app developers. And further compounding the issue, Android comes with a variety of layout tools.

For example, if you specify in your application a button with a width of 100 pixels, it will look a lot smaller on the 640x480 device than on the 320x480 device. Now, if you specify the width of the button to be 100 dip (density-independent pixels), the button will appear to have exactly the same size on the two devices," said Android engineer Romain Guy.

Pixel-per-inch densities vary, so Android programmers have no other choice than to include graphic elements in multiple sizes. Complicated you say? Oh yes!

The Android approach could theoretically handle any pixel-per-inch density, but for convenience, Google set up what Hackborn called "a few major buckets-- ldpi (approx 120dpi), mdpi (160 dpi), hdpi (240 dpi), and xhdpi (320 dpi)." To handle the approach, Google exhorts programmers: "Provide resources for different screen densities (DPI) to ensure that your app looks great on any device."

But that's easier said than done in the real world. There's still a lot of upfront work for coders and graphic designers. But the result, she said, is that software adapted reasonably well to the arrival of the Galaxy Nexus and its 316 dpi, 1280x720 screen.

"Android and its applications were able to pretty much run on it as-is," Hackborn said. So yes, the Android approach is flexible, but to a certain degree. Google envisioned Android as an operating system for many manufacturers, and it is, but like anything, and as good as it is, it isn't perfect. And unlike Apple, Google doesn't and cannot control the hardware since it doesn't make it.

Things work very differently in the world of the iPhone, where Apple is in firm control of everything from start to finish. And you can thank the late Steve Jobs for that. His relentless desire to control and manage everything-- the hardware, the software, the operating system and any other device or peripheral that has to work with all Apple products is legendary. Jobs was a very meticulous person-- a perfectionist, and the iPhone is no exception.

With Apple's iOS operating system, mobile app developers pay more attention to each pixel-- they simply don't have any other choice. When the iPhone 4 arrived, the screen resolution doubled exactly from 480x320 to 960x640, making the pixel-doubling math easy.

Many signs point to the next-generation iPad taking the same approach, doubling the first iPads' 1024x768 resolution to 2,048x1,536 pixels. In fact, Apple's approach surprised Tim Bray, an Android developer evangelist for Google, when he realized how it worked from Farina's explanation.

"I initially shook my head in disbelief at all the little bits of hard-coded arithmetic, like  $y += 7$  and  $MARGIN - 30$ . Clearly this logic isn't resilient in the face of a different-shaped screen. But I bet that it's a lot faster," Bray said.

He added: "It's plausible, as Nick Farina implies, that iOS' fixed-dimensions screen model is partly responsible for the astonishingly-fast performance Apple wrings out of the underlying hardware.

And I'm not even saying that Apple's choice here is wrong. The trade-off, if I understand it correctly, is form-factor flexibility for performance and simplicity, and so far that's been working out pretty well for Apple.

[www.wirelessindustrynews.org](http://www.wirelessindustrynews.org)

## **ADzero Bamboo Cellphone's Aiming for the Giant Panda Market**

February 2, 2012

This is the ADzero, a smartphone with a four-year old, organically grown bamboo unibody shell. It was designed by British student Kieron-Scott Woodhouse, a final-year product design student at Middlesex University. After his concept designs were spotted online, the 23 year old was approached to help design a real device. The Android-powered phone is built with an eye on sustainability, but isn't scrimping on the technical: its packing a camera with a reportedly unique ring-flash that encircles the lens. It'll be released in China and the UK shortly, with a focus on

getting it into the hands of design-focused consumers. After the break we've got a clip of Mr. Woodhouse as he looks to carry on the tradition of world-class British designers.

[www.engadget.com](http://www.engadget.com)

## Emerging Technology

### **The New iPad 3 will be LTE Compatible, Could also Feature a Quad Core CPU**

February 1, 2012

Reports that are coming in are still sketchy for now, but some screenshots have apparently been sent to BGR by a source that claims to be in possession of an Apple iPad 3 production prototype. The screenshots appear to indicate that the iPad 3 will come in two models, a Wi-Fi only and LTE/GSM/CDMA equipped version, although we still can't tell for sure, at least for now. The shots could also reveal that the new iPad 3 could be powered by an A6 processor with the model number S5L-8945X. This looks to be a quad-core processor, one actually upgrading the dual-core A5 in the current Apple iPad 2.

Apple is a company that is fanatical when it comes to secrecy on all the new products it is developing, and, if this story is true, we can only assume that whoever leaked the news at the company will have some real explaining to do to Apple's top management officials.

The exact source of the screenshots is still unknown, aside from the fact that a source claims to have access to a device that runs the tethered iBoot development tool. But there's no way for us to verify that for now.

The screenshots seem to be indicating that the two models J1 and J2 (which are an iPad 3 Wi-Fi and iPad 3 with cellular capabilities) are at some point in the product development cycle that has resulted in at least one prototype being produced.

About two weeks ago, Bloomberg reported that the iPad was in production for a March release, and this report would seem to jibe with that. According to what we know about Apple's product development cycle, this could be a product that has been prototyped and left the labs on one of the 4 to 6 week product development cycles.

Apple may produce many of these devices before it finalizes the design, building many complete 'iPad 3's' before the real version is fully approved by Apple's top

management, and one of them happens to be Tim Cook himself, Apple's CEO.

So the fact that this is showing up now isn't a clear indication that this is the final version ready for production, but it does show that Apple has moved the iPad 3 out of the labs and into the prototyping stage.

And that's a big IF, since of course there's absolutely no way to know for sure if these screenshots are legitimate in the first place. Our guess is that one employee at Apple or maybe at Foxconn will have some explaining to do when he or she is found to have leaked the screenshots.

[www.wirelessindustrynews.org](http://www.wirelessindustrynews.org)

### **Google Docs Offline Comes to Android, but No Editing Allowed**

February 2, 2012

Google keeps taking tiny steps toward creating a full-fledged document creation and editing experience to users of computers and mobile devices. Recently, Google unveiled an HTML5-powered app for the Chrome browser that lets you read documents offline—but not edit them. Yesterday, Google brought the same offline viewing capability to Docs for Android, but again without the ability to edit documents and then sync the changes once an Internet connection is reestablished.

Once you've updated the Docs app for your Android phone or tablet, you can select individual documents that you want to make available offline. The document is downloaded and it will then be available in a list of offline documents. Once you've granted a document offline status, though, the offline version will be updated automatically when you connect to Wi-Fi.

Google provides some more instructions on how to use offline Docs for Android. "You can make an item available offline while you have an Internet connection. You can also request to make an item available offline when your device is disconnected from the Internet," Google said. "The item will update the next time your device regains Internet connectivity."

Unfortunately, Google noted that "offline editing isn't currently supported," and hasn't yet said when it will be offered. In September, when the company introduced offline Docs access for Chrome, Google said future versions of the browser would support offline editing, but we're still waiting for that to arrive as well. On the plus side, Gmail's offline mode in Chrome can work somewhat like a regular mail client, allowing you to reply to e-mails offline and have them

sent automatically when an Internet connection is established.

[arstechnica.com](http://arstechnica.com)

## Mergers & Acquisitions

### **Senate Panel to Look at Verizon Spectrum Deals**

February 1, 2012

A Senate antitrust panel is planning a hearing to discuss Verizon Wireless's multibillion dollar deals to buy wireless airwaves from cable operators and let them resell its mobile service, a spokeswoman said on Wednesday.

The Justice Department's antitrust division is also looking at the two deals, which critics oppose because they would mean that companies that are rivals in some businesses, like cable and Internet, would become allies in the wireless business.

Verizon Wireless said on December 2 that it would pay Comcast Corp and Time Warner Cable Inc \$3.6 billion in a spectrum/marketing deal. A similar deal with privately held cable operator Cox Communications, worth \$315 million, was announced in mid-December.

Some rivals such as Sprint Nextel have argued that any review of the spectrum sale by regulators should include other elements of the companies' agreements.

The hearing by the Senate Judiciary Committee's antitrust subcommittee will likely be in March, a committee staffer said. A witness list was not available.

"The subcommittee carefully examines questions about competition in the wireless and video markets, with the ultimate goal of protecting consumers and reducing their cable and cellphone bills, and these deals are no exception," Senator Herb Kohl, the subcommittee's chair, said in a statement.

Verizon Wireless and AT&T, the No. 1 and No. 2 U.S. mobile providers, have said they need more spectrum to support increased consumer demand for videos and other services that soak up bandwidth.

[news.yahoo.com](http://news.yahoo.com)

### **Persistent Systems Acquires Openwave's Location Business**

February 2, 2012

Software product development services firm Persistent Systems has acquired Openwave Systems' location business. Financial details were not disclosed.

Last month, Openwave said it was exploring options to sell its mediation and messaging businesses, hiring securities and investment banking group Jeffries and Co. as an advisor. Messaging and mediation services made up 58 percent of Openwave's total revenue in the company's fiscal first quarter, which ended in November.

Openwave indicates it will focus on its intellectual property initiative, which includes its portfolio of 200 patents for mobile web services and mobile devices. Last month, Wedbush analyst Scott Sutherland told *Reuters* that Openwave's patents could be valued at \$300 million.

Persistent Systems delivers cloud computing, mobility, analytics and collaboration services to more than 300 businesses across North America, Europe and Asia. Persistent and Openwave have enjoyed a decade-long relationship prior to the location deal--Persistent adds it will continue serving existing Openwave customers moving forward.

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## Industry Reports

### **AppsGeyser Launches Documents-to-apps Creation Tool**

February 2, 2012

Mobile software development platform AppsGeyser unveiled new tools enabling users to convert documents into native mobile applications. Supported document formats include pdf, doc, docx, ppt, pptx and image files up to 25MB in size. Document App creators will be able to instantly submit their efforts to Google's Android Market and other app stores. Developers have built more than 110,000 Android apps via AppsGeyser since the platform launched in February 2011. The firm reports AppsGeyser apps have now topped the 17 million download milestone, with an average of 1.5 million daily active users.

[www.fiercemobilecontent.com](http://www.fiercemobilecontent.com)

## Pinterest Drives More Traffic than Google+, YouTube and LinkedIn Combined

February 2, 2012

Pinterest is social media's rising star — and now has the traffic stats to prove it.

The darling network of brides-to-be, fashionistas and budding bakers now beats YouTube, Reddit, Google+, LinkedIn and MySpace for percentage of total referral traffic in January, according to a *Shareaholic* study.

Pinterest accounted for 3.6% of referral traffic, while Twitter just barely edged ahead of the newcomer, accounting for 3.61% of referral traffic. In July 2011, Pinterest accounted for just 0.17% of referral traffic, proving the site's blockbuster growth.

Facebook reigns king of referrals, accounting for more than one-quarter (26.4%) of traffic, 4.3% of which comes from Facebook Mobile. After Pinterest, Facebook is experiencing the most referral growth, gaining almost one percentage point in December.

YouTube also saw more referral traffic in January than December, rising from 0.98% to 1.05%. *Shareaholic* suggests the Sh\*t Girls Say meme may explain this increase in referrals.

Despite the increased integration of Google+ into Google products, the social network lost some referral traffic in January, falling from 0.24% of referrals to 0.22%. Google — encompassing search, news, images and Gmail — also saw its referral traffic decline from 3.69% to 3.62% in the past month.

Given Pinterest's monster growth, who do you think can benefit most from the social network, brands, news sources or someone else? Let us know who you think will win big with the rise of Pinterest.

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