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This Week's Stories

The Future Of The Telecom Industry Under Donald Trump

December 9, 2016

This year's election outcome sent shockwaves throughout the country and left many anxious about the changes that will be made during President-Elect Trump's term in office. The telecom industry, namely, is one of many that is likely to feel the impact of this presidency. President-elect Trump didn't release a full technology policy during his campaign, leaving many to infer and wonder about the changes that will be made. Already, we're seeing some notions of the direction the Trump administration will take based on appointed aides.

Trump has appointed two aides, Jeffery Eisenach and Mark Jamison, to his transition team who have both long criticized net neutrality and various other policies introduced by the FCC under Chairman Tom Wheeler. Eisenach, the first appointed, has conducted research and issued reports about the destructive nature of some of the FCC's rules, including net neutrality. Jamison, a former Sprint lobbyist, authored an opinion piece criticizing the leadership of the FCC during the Obama administration.

Considering these appointments, all signs point to the concept of net neutrality as we currently know it becoming dismantled. But that's not all that's at stake.

Net Neutrality

Known formally as the Open Internet Order, net neutrality was approved in 2015 to allow the Internet to function as a free and open service and be regulated as a public utility. For consumers, this is beneficial, as it is ultimately aimed at prohibiting discrimination from Internet providers by preventing them from subsidizing the success of various apps, services, and websites that rely on the Internet and its underlying network. However, many operators are opposed to net neutrality as it impacts their ability to drive revenue and profit.

As we embark on a Republican administration, Trump and his advisors will likely move to repeal net neutrality, which isn't terribly surprising. Trump has mentioned his desire for deregulation and free enterprise, so a rule like net neutrality, which puts such strict regulations on operators, is in direct opposition of that ideology.

There's a chance that net neutrality may not be completely repealed, but the specifics of net neutrality will likely be mitigated or minimized.

Net neutrality has been appealed to the Supreme Court, so its future is still uncertain. However, Trump is anticipated to appoint at least one judge, maybe as many as three, who would all likely be conservative. This could very easily open the door for the Supreme Court to overrule the 2015 decision regarding net neutrality.

Connectivity and the Digital Divide

Net neutrality isn't the only ruling that could change. Expanded wireless broadband networks and new accessibility requirements are also topics that may be off the table under the Trump administration. In a statement to reporters, Chairman Wheeler noted his dissatisfaction on these specific issues saying:

“It is truly disappointing that 1.4 million Americans living in rural areas without LTE service will continue to be so deprived. They deserve better from this commission. And it is tragic that 1.3 million Americans who are blind and millions more who are visually impaired will not be able to enjoy expanded video description. They deserve better from this commission.”

The first issue mentioned by Wheeler is related to efforts to push high-speed Internet into rural areas and decrease the cost of accessibility to low-income households. To meet this end, it would require significant help from the government, including strict regulations and tax breaks to encourage Internet Service Providers to build out infrastructure in those areas. And while cutting costs still might be an issue under the Trump administration, accessibility could still be attainable.

Other issues on the chopping block include Chairman Wheeler’s proposed set-top box reform, as well as AT&T’s purchase of Time Warner Inc., an issue Trump has been vocal in opposing.

These issues, again, are in line with the deregulatory stance Trump has taken towards many government sectors aside from just telecom including military, healthcare, and more.

My Counsel to President-elect Trump

In summation, I want to provide my sincere counsel to the incoming administration with the following:

- First, view telecom, broadband, and the Internet as national assets that should be furthered and allowed to thrive so as to enhance the country’s global competitiveness.
- Second, create an environment leveraging appropriate regulation and de-regulation, as required, to ensure the Internet is able to continue to innovate and evolve. This will be crucial as the Internet increasingly enables the development of connected technologies.
- Third, ensure consumer interests are kept top of mind when building the new telecom regulatory environment.
- Fourth, do not let special interests and lobbyist take control of the country’s telecom and Internet agenda.
- Finally, select FCC nominees who have real world domain operating experience, rather than lawyers and/or lobbyists who have little understanding of the technologies in practice and their subsequent consumer requirements.

I am a strong believer in the greatness of our country, as well as the people tasked to lead it – past and present.

I also believe in keeping an open mind and ensuring that America continues to be the leader in technological innovation. I am hopeful that the incoming administration will make the right calls for the country and its people.

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Done Deal: Microsoft Completes \$26.2 Billion LinkedIn Acquisition

December 8, 2016

“The deal represents one of the biggest tech acquisitions of all time, and certainly the biggest in Microsoft’s history by a considerable margin — its next-most-valuable acquisition came back in 2011 when it bought Skype for \$8.5 billion.”

We knew it was about to happen, but now it is official: LinkedIn is owned by Microsoft.

The mammoth multi-billion dollar deal was first announced back in June, and the European Commission gave it the green light earlier this week, adding its approval to that of myriad regulators around the world, including those from the U.S., Canada, Brazil, and South Africa.

“This is a major milestone for the company, one that we believe will accelerate how we connect the world’s professionals to make them more productive and successful,” said LinkedIn CEO Jeff Weiner, in a blog post earlier this morning.

The deal represents one of the biggest tech acquisitions of all time, and certainly the biggest in Microsoft’s history by a considerable margin — its next-most-valuable acquisition came back in 2011 when it bought Skype for \$8.5 billion. With LinkedIn now officially on board, Microsoft says it will set about pursuing “a specific set of integration scenarios,” according to Microsoft CEO Satya Nadella.

We already knew that Microsoft planned to create synergy between LinkedIn, Microsoft Office 365, and Microsoft Dynamics, its enterprise resource planning (ERP) and customer relationship management (CRM) software suite. And, well, that’s pretty much still the plan. In the immediate aftermath of the deal, you can expect LinkedIn identity data to be integrated into Outlook and Office, with LinkedIn notifications appearing in the Windows Action Center. Those creating or updating resumes in Microsoft Word will be able to update their LinkedIn profile without leaving Word, while also searching for and applying to jobs on LinkedIn.

According to Nadella, other imminent updates include:

- Extending the reach of Sponsored Content across Microsoft properties
- Enterprise LinkedIn Lookup powered by Active Directory and Office 365
- LinkedIn Learning available across the Office 365 and Windows ecosystem
- Developing a business news desk across our content ecosystem and MSN.com
- Redefining social selling through the combination of Sales Navigator and Dynamics 365

Founded in 2002, LinkedIn today claims more than 400 million members around the world and is pretty much the de facto social network for professionals. But ongoing complaints that the service had become spammy, cluttered, and hard to use suggests that LinkedIn had reached the end of the road in terms of what it could achieve on its own. Under Microsoft’s stewardship, it may be given a new lease on life. “For our members, the LinkedIn that you use to advance your career, find jobs, build your network and stay informed is only going to get better,” added Weiner. “We’re going to focus on how we leverage Microsoft’s impressive scale and innovation to create more value for all of you.”

But until we know the full ins and outs of how LinkedIn will be integrated into Microsoft’s products, in terms of opt-ins, opt-outs, and how well the products are linked together, it’s difficult to know how end-users will welcome the integrations. Or whether they’ll be welcomed at all. Then there’s the issue of data — LinkedIn possesses a vast arsenal of information on millions of people, and it’s still unclear the extent to which Microsoft will put this data to use.

venturebeat.com

Lawmakers Change Their Tone On AT&T And Time Warner Deal

December 7, 2016

“Senator David Perdue, Republican of Georgia, said the deal would combine companies that did not directly compete against one another. ‘The consumer is benefited from the aggregation,’ he said. ‘That is called capitalism.’”

When AT&T and Time Warner announced their \$85.4 billion deal in October, lawmakers greeted the acquisition frostily. Now their tone is changing.

At a hearing on Capitol Hill on Wednesday that was being closely watched for how mega-mergers will be viewed in the coming Trump administration, members of a Senate Judiciary subcommittee that oversees regulatory agencies that decide on mergers said the deal merited tough scrutiny. The chief executives of AT&T and Time Warner were grilled at the hearing about a range of issues related to the deal.

But in a change from previous comments, lawmakers also questioned whether traditional ways of evaluating mergers are growing outdated as Silicon Valley companies like Facebook and Google become massive media platforms that threaten the television industry. Their tone was more circumspect than those that immediately followed the deal’s announcement, when lawmakers had been more critical.

“We want to ensure that competition thrives in this critical market and we don’t stifle innovation or deter the emergence of cutting-edge technologies that customers demand,” said Senator Charles E. Grassley, Republican of Iowa, who heads the full Judiciary Committee. Mr. Grassley said Google, Facebook, Amazon and Netflix have transformed the video landscape.

Senator David Perdue, Republican of Georgia, said the deal would combine companies that did not directly compete against one another. “The consumer is benefited from the aggregation,” he said. “That is called capitalism.”

Over all, senators were asking “hard questions,” said Larry Downes, a professor at Georgetown’s McDonough School of Business. But, he added, “they seem to be open-minded about the changing nature of competition in the information sector.”

AT&T, a telecom giant, and Time Warner, which owns CNN and HBO, had said in October that AT&T would buy Time Warner to create a mobile video powerhouse. The hearing may have implications beyond this deal, with the comments potentially encouraging more acquisitions by companies that have been waiting out the Obama administration, which has rejected several mergers.

Members of Congress do not review mergers, but the hearings provide guidance for antitrust regulators at the Justice Department and the Federal Communications Commission. AT&T and Time Warner have not officially submitted their deal for regulatory review; the review might not include the F.C.C.

“The D.O.J. pays particularly close attention to Senate and House antitrust subcommittees because they oversee the D.O.J.,” said Paul Gallant, an analyst at Cowen and Company, who added that the committee’s commentary “bears watching for its potential effect on the D.O.J.” Members of the Justice Department attended the hearing.

When the deal was announced, days before the presidential election, leaders of the Senate Judiciary Committee issued strong cautionary statements about it. Donald J. Trump, on the campaign trail at the time, said he would block the merger if elected. He has singled out CNN, the cable news network owned by Time Warner, with particular rancor for its election coverage.

As president, Mr. Trump will have no direct power over mergers, but he will greatly influence which ones are approved, depending on whom he picks to be the assistant attorney general for antitrust or

the chairman of the F.C.C. AT&T's chief executive, Randall Stephenson, told CNBC before the hearing that he had not had contact with the Trump transition team.

During the hearing, the companies pitched a message that catered to the new administration: a populist promise of lower prices and the potential to build more wireless infrastructure through the merger. While AT&T and Time Warner are powerhouses, they presented themselves as weaker rivals to the cable industry and Silicon Valley tech companies.

Mr. Stephenson said in prepared remarks that cable companies dominated the broadband and television market, serving high-speed internet to eight of every 10 American homes that have broadband service. To experiment with new mobile video technologies, he said, AT&T needed to have in-house content to quickly try new streaming services at a lower cost. He added that AT&T had just introduced a streaming service with 100 channels for less than most cable television packages.

"It is only the beginning of what we want to bring to the marketplace to threaten cable's entrenched and still-dominant market position," Mr. Stephenson said. He said AT&T would give CNN editorial independence if the merger were approved.

Jeff Bewkes, the chief executive of Time Warner, said, "It is not enough to deliver great content." The companies' competitors have multiplied, he said.

No lawmakers at the hearings said the merger should be blocked, but several expressed skepticism.

"I have serious concerns about this transaction," said Senator Richard Blumenthal, Democrat of Connecticut. The deal "potentially has serious negative impacts on competition and on consumers."

Mark Cuban, an internet entrepreneur and owner of the NBA's Dallas Mavericks, who also spoke at the hearing, said the truly dominant companies in media distribution these days were Facebook, Google, Apple and Amazon. "Facebook is without question in a dominant position, if not the dominant position, for content delivery," he said.

Consumer groups rejected the characterization of AT&T and Time Warner as disadvantaged rivals, saying a combined company would create a powerhouse that all cable providers and networks would have to negotiate with. Streaming providers like Sling TV and Hulu would face a major new competitor, with AT&T's access to 110 million wireless and satellite subscribers and premium television networks under the same roof, the groups said.

"If a single company is able to control so many key inputs to online video, this new market could be snuffed out," said Gene Kimmelman, president and chief executive of Public Knowledge, a nonprofit consumer group, at the hearing.

nytimes.com

Products & Services

Lower Prices Boost Tablet Demand, But No Growth Expected Until 2018

December 8, 2016

Though the tablet market is finally perking up again after two years of decline, shipment growth isn't expected until 2018, new forecasts from Strategy Analytics and International Data Corporation (IDC) said.

According to Strategy Analytics, dropping prices on detachable 2-in-1 tablets are helping fuel a bump in demand as consumers recognize the device's utility for both entertainment and productivity. But both reports indicated the tablet market isn't expected to return to growth until 2018.

Strategy Analytics forecasted global tablet shipments will drop from 205.8 million in 2016 to 203.5 million in 2017, before rebounding to hit 223.5 in 2020. That prediction included projections that shipments would grow at a compound annual growth rate (CAGR) of 2 percent from 2016 to 2020, with 2-in-1s, Windows Tablets, and enterprise sales leading market growth.

IDC similarly indicated worldwide tablet shipments are expected to drop by 12 percent this year to 182.3 million units before making a comeback with low single-digit growth in 2018. Like Strategy Analytics, IDC said 2-in-1s (also known as detachables) will be a driver of that growth, though slate tablets will remain dominant.

"The transition to detachables is inevitable, but slate tablets will remain relevant as highlighted by recent results from Amazon with its Kindle Fire portfolio," IDC Tablets Research Director Jean Philippe Bouchard said. "Fueled by ultra low-end prices and a growing ecosystem play involving the Internet of Things, slate tablets will still account for more than twice the volume of the detachable segment with 124 million units forecast to be shipped in 2020."

Strategy Analytics said it sees Android tablets losing shipment market share primarily to Windows devices, but with additional losses to Apple. From 2016 to 2020, Strategy Analytics said Windows is expected to grow its tablet shipment share from 15 percent to 20 percent, while Apple will get a more modest boost from 22 percent to 24 percent and Android will drop from 63 percent to 57 percent.

wirelessweek.com

AT&T CEO Heralds "Dramatic" DirecTV Now Results One Week After Launch

December 7, 2016

AT&T is apparently pleased with initial numbers around its DirecTV Now mobile video product.

Just one week after launch, AT&T CEO Randall Stephenson at a ni investor's conference on Tuesday heralded the product's early success, noting the company hit the subscriber benchmark it had set for the month of December the day the service launched.

"This is a big runner," Stephenson said. "We have no idea what the churn characteristics of this are going to look like so we're going to be cautious about putting numbers out. But the early demand has been rather dramatic. It's been really, really impressive."

In addition to general uptake, Stephenson said "attach rates" for add-on channels like HBO and Cinemax for \$5 extra per month each are also "really good." Further, Stephenson noted "virtually all" of DirecTV Now's new subscribers have come to the service online and a high proportion of subscribers live in multiple dwelling units like apartment complexes. Stephenson said the latter point means AT&T is hitting the demographic nail on the head.

While he acknowledged initial margins for the service will be thin (but above 0 percent), Stephenson said those figures will increase as the product grows and scales into a special advertising opportunity in the market. Stephenson also said AT&T is expecting churn improvements as a result of DirecTV Now, which he said will have a huge impact on profitability. For the time being, though, Stephenson

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indicated AT&T is "perfectly content" with the low margins due to the minimal capital required to launch the product.

Stephenson touted DirecTV Now as "a 5G service being launched on a 4G network," and noted products like it will help drive efforts to make 5G a reality.

"I think the industry is about to say 'We need to bring 5G forward,'" Stephenson said, noting AT&T and Verizon's work on next generation networks. "I think we're all going to be kind of in a push to bring that forward as much as possible."

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Emerging Technology

Amazon Tests New Retail Consumer Checkout System

December 9, 2016

"The idea is to make the no-checkout retail operation open to the public at the 1,800-square-foot Seattle location. Instead of reading bar codes at the counter, sensors can tell when an item has been removed, recognize its weight or size, and charge the customer's account accordingly on his departure from the store."

Amazon is experimenting with a grocery store in Seattle that allows shoppers to pull food items out of cases or off the shelves and leave the store with them. The checkout counter is non-existent. It's a "just walk out" shopping experience.

It's set up such a store at the corner of 7th Avenue and Blanchard Street in Seattle. So far only Amazon employees can use the store but that may change soon. A video on the Amazon Web site demonstrating such shopping says, "Coming in early 2017."

When checkout is really working, said Michael Chui, a partner at the McKinsey Global Institute, "it will feel like stealing. You grab a pair of shoes and you just walk out," in a year-old retail industry research paper at the University of California at Berkeley.

That frictionless experience is what Amazon is shooting for in one of the world's largest retail markets, the neighborhood grocery store. Despite reports that made it sound as if shoppers will have to enter each item's bar code via their smart phone camera, the Amazon store system only requires shoppers to use their phones to display their Prime bar code identifier by passing it over a scanner at the store's entrance. Amazon Prime membership carries a \$99 annual fee but Prime members get free deliveries.

The idea is to make the no-checkout retail operation open to the public at the 1,800-square-foot Seattle location. Instead of reading bar codes at the counter, sensors can tell when an item has been removed, recognize its weight or size, and charge the customer's account accordingly on his departure from the store.

Amazon analytics identifies each shopper's regularly picked out items, which helps sensors identify them on return visits. A video of the experience indicates that a shopper may pick up an item, then return it to the store shelf without being penalized with a charge. Sensors detect the return of the item and deduct the charge.

Want to learn more about how Amazon Web Services is appealing to developers? See [AWS Smooths Path To The Cloud; Developers To Follow?](#)

"Amazon is not just planning to build grocery stores, rather, the company is planning to build a frictionless retail selling experience. That technology will make their retail stores scalable in a way that no other brick and mortar stores can match," wrote J. P. Mark, president of Farmhouse Equity Research, named as the number one stock picker in 2007 by Barron's magazine on March 3, 2008.

The way the Amazon retail system works is for shoppers to load an Amazon Go app on their smart phone and then use it to register at a bar code reader as they enter the store. After that, they are filling a virtual shopping cart that sums up their charges and applies it to their Amazon account, sending a receipt to the app as they leave the store.

The News Corp.-owned stock market news organization, MarketWatch, said Amazon is looking to disrupt the \$795 billion grocery business with its electronic system in the same way that it overturned book selling and online retailing. The Wall Street Journal and other sources have speculated that Amazon is planning on opening 2,000 such stores.

Amazon Go has been in the making for four years and combines machine learning, computer vision, artificial intelligence and sensors. The system "rids the store of one of the biggest hassles of shopping: the checkout lines," concluded MarketWatch. Amazon filed for a patent on the technology combination on Jan. 8, 2015. The abstract for the patent makes no reference to a grocery-specific setting and instead refers to a "materials handling facility." Instead it seems to be aimed at any form of bricks and mortar retail operation.

"While a user is in the materials handling facility, the user may pick one or more items. The items are identified and automatically associated with the user at or near the time of the item pick," the abstract said. As the user exits the facility, the cost of the items is added to the user's account, it said.

The Seattle store is an experiment, with Amazon supposedly ready to test three different ways to enter the grocery business. The front-end customer time-saving checkout system is just part of an operation with which Amazon could enter supermarket competition. It already distributes thousands of grocery orders a day from its distribution centers near major cities through Amazon Fresh.

Amazon Fresh will deliver a grocery order at the time the customer requests on the same day the order is placed. It is not available everywhere. Rather, it tends to be available in major cities with an Amazon distribution center nearby. Again, the customer must be an Amazon Prime member and pay an additional \$14.99 a month for the two-hour delivery window. No charge is made for actual deliveries. A third category, Amazon Prime Now, offers two-hour delivery on an order.

For IT managers in retail, the general purpose nature of the automated checkout system may prove worth studying. If it can work for grocery items, with all their variables, why couldn't it work for everything from clothing sales to big box retailers? If the likes of Wal-Mart, Costco, Staples, BestBuy and Home Depot can't master it, there's always the possibility that Amazon will license it to them for a fee, a bitter pill for the hard-pressed brick and mortar operations already behind Amazon's ecommerce systems.

Amazon's growing depth in artificial intelligence and machine learning also give it a head start in further developing what is clearly a still-rudimentary, automated checkout system. A map of the store with paths leading to the customers' favorite brands and goods would be a competitive advantage to a big box retailer, not to mention the possibility of placing special sale items or alternative, lower cost goods on the user's device display.

The future of many forms of retailing may depend on some type of just-walk-out checkout system that resembles what Amazon has on display in Seattle. Online ordering is one major channel of future retailing, but when it comes to food, customers have retained a preference for inspecting the items they're considering and evaluating them themselves. And IT committed to supporting retail operations may be figuring out sooner, rather than later, what systems are going to need to be implemented to retain such customers.

informationweek.com

Google Home's Door Is Open To Developers, But Users Have To Wait Outside A Little Longer

December 9, 2016

"There are two different kinds of actions: direct and conversational. It's only the latter that Google is inviting developers to work on. Direct actions — things that don't require a conversation, such as turning on your lights or playing a song — still require a partnership with Google."

Google is announcing today that it's ready to let developers create "conversation actions," little bots that you'll be able to interact with using the Google Home speaker. Though the company wouldn't say when Home and the Google Assistant would be fully open to third-party developers beyond "early next year," some partners that have already been working with the company could announce new actions in the coming weeks.

The actions will let you ask the speaker a question and then have a chat about it — the example Google gave in October was ordering an Uber, then clarifying you want an Uber XL. That whole conversation actually won't be with the Google assistant, though. Once you say the keyword for a third-party action, you'll start talking to that company's bot instead of Google's. Making a decent conversational bot is hard, so Google is suggesting services like its own API.AI, which is meant to simplify the process for developers.

Google has a lot of education to do surrounding these actions — they're a weird and new kind of audio thing that sits somewhere between a website, a chat bot, and an app. They're similar to the "skills" on Amazon's Alexa platform, but there are some important differences.

The first and most important difference is that Google is not going to create an "Action Store" where users can select which ones they want and "install" them on Google Home. Instead, Google itself is going to approve all the keywords that developers want to use to invoke their actions and make them all available to everybody.

That effectively means that actions will be curated by Google (like an app store), but users won't have to install anything before using them (like the web). "It's not a direct analog to any existing ecosystem," says Jason Douglas, director for actions on Google.

There will be app store-like policies in place to prevent things like keyword camping — one developer using another company's name for their action or another developer trying to jump on owning important keywords like "shopping." Douglas says that "this is a large reason for there being a review process. Much of the policy compliance is this process of name selection."

Those policies will also prohibit "the things that you would expect policies around," Douglas says, including "hate speech and that sort of thing." When I asked if Google would allow something like a sex chat bot, Douglas demurred from giving a hard no, but it sounds like the available actions will hew more closely to app store policies than the wild, open web. "The full policies will be published," Douglas says. "It's not completely open-ended. [There are] general policies around acceptable behavior."

Another nuance worth noting is that there are two different kinds of actions: direct and conversational. It's only the latter that Google is inviting developers to work on. Direct actions — things that don't require a conversation, such as turning on your lights or playing a song — still require a partnership with Google.

Put it all together and Douglas is right: this is a new kind of ecosystem, and determining the ways and rules of it is going to be complicated for Google, developers, and users. Take one example: how will users even know what actions are available? Google's not ready to reveal that yet. The question of how Google approach "discovery and promotion," as Douglas calls it, is also going to be unanswered until "early next year."

And so alongside Siri and Alexa, the Google Assistant lives in a weird zone that's simultaneously more open and less open than app stores. You can get more information from more places simply by asking, but you can only ask bots that these companies have approved. And since these assistants typically only give you one answer, there's still the fear that the answer you get will be based on partnerships instead of something more transparent — a new kind of internet bundle.

For Google's part, that sort of closed-ecosystem is not the goal for the Google Assistant. Douglas says that "We do want to be a fair ecosystem, because that's what's right for the user," and that "we're trying to be thoughtful about it."

But those philosophical ecosystem concerns don't feel especially urgent at this early stage — Google just needs to get the developers' new actions for Home working and out the door to consumers. It also needs to enable more complicated actions like buying and booking stuff. In short, it has to build an assistant ecosystem that can compete with Siri, Alexa, and Cortana.

And beyond that, it needs to ensure that talking to Home is consistent with using the other places where users can ask the Google Assistant for answers: Allo and the Pixel. Douglas says "Actions on Google will eventually be everywhere the Assistant is."

Google says that all of it is on the roadmap and is "coming soon." Until then, it's focused on getting developers making things for Google Home. Amazon's Echo may have a long head start, but Google is rushing to catch up.

theverge.com

Mergers and Acquisitions

Skyscanner's \$1.7 Billion Sale To China's Ctrip Is Now Complete

December 9, 2016

Scottish travel startup Skyscanner is now officially owned by Chinese online travel giant Ctrip, as the £1.4 billion (USD\$1.74 billion) acquisition has been finalized.

The deal was first announced on November 26, and given that it had already been approved by both companies' directors, it was really just waiting on "customary closing conditions." But today marks a milestone in what has been a remarkable journey for a company that built a major global business from its HQ in Edinburgh, while taking on relatively little outside investment, for the most part.

Founded in 2003, Skyscanner is one of the world's largest travel search engines by traffic. The company raised £128 million (USD\$192 million) late last year, but for most of its history Skyscanner's biggest investor was Scottish Equity Partners — which had plowed approximately \$4 million into the company in 2007 — though Sequoia Capital followed up with an undisclosed amount in 2013, which reportedly valued Skyscanner at \$800 million.

In an interview with VentureBeat last month, Williams explained why he decided to sell, rather than going public. "The combination of operational independence Ctrip affords us was (and is) extremely attractive," Williams said. "This, combined with the incredible knowledge they bring to Skyscanner and their similar passion for solving the hard problem of travel search, meant it felt like a natural progression for Skyscanner."

The timing of the sale was also notable as fellow Edinburgh-based unicorn FanDuel had shown its exit cards just a week before, when it revealed plans to merge with fantasy sports rival DraftKings. While FanDuel's path to merging will likely face some turbulence in the form of scrutiny from antitrust

"The deal was first announced on November 26, and given that it had already been approved by both companies' directors, it was really just waiting on 'customary closing conditions.'"

watchdogs, Skyscanner's exit route has been plain sailing — 15 days from announcement to completion.

"Today marks the day that we move from a private VC-funded company to one that is the strategic partner of Ctrip, one of the most successful online travel companies in the world," explained Skyscanner cofounder and CEO Gareth Williams. "This is a milestone, but like real milestones, it is at the side of the road and is not the road itself. I am looking forward to working with Ctrip to do all we can to solve the problem of organizing travel — a problem which is far from resolved and one which continues to drive me, personally, as well as everything we strive to do at Skyscanner."

venturebeat.com

Spotify Has Backed Out Of Talks To Acquire SoundCloud

December 8, 2016

The digital music marriage that many wanted to happen isn't happening after all. Spotify has given up on its latest effort to buy SoundCloud following months of talks between the two, according to a source at Spotify who is familiar with discussions.

The Financial Times reported in September that the duo were in "advanced talks" over an acquisition — things went pretty quiet after that, but we now understand that the deal died this past week. The source told TechCrunch that the company ultimately walked away because it feared that an acquisition could negatively impact its IPO preparation.

Spotify hasn't officially said it will go public in 2017, but there has been plenty of speculation, including a funding round with incentives tied to a listing. The source said Spotify went cold on SoundCloud because "it doesn't need an additional licensing headache in a potential IPO year." That's in reference to the complexity and financial cost that comes with negotiating with music labels, something that is hugely important to SoundCloud, which has a far larger catalog of tracks than other services because it caters to creatives, indies and remixers.

Neither Spotify nor SoundCloud had responded to requests for comment at the time of writing. We'll update this story if and when they do reply.

Spotify is reported to have declined to acquire SoundCloud two other times over the past two years, the FT said, with a proposed price apparently the sticking point on those occasions. Beyond expanding Spotify's ad network and userbase, a deal was seen as key to strengthening its position as well-funded competitors ramp up their music services. Spotify passed 100 million users this summer, of which more than 40 million are paying, but others are pushing hard. Apple Music this week hit 20 million subscribers just 18 months after its launch, while Amazon recently opened Music Unlimited in the UK, Germany and Australia, its first expansions outside of the U.S.

A Spotify IPO is among the hotly anticipated public listings from the tech sector next year. The Sweden-headquartered company raised \$1 billion in convertible debt in March this year with terms that are most favorable if Spotify goes public in 2017, as we explained at the time:

If Spotify doesn't perform well, some aggressive deal terms could cost it a lot of money.

TPG and Dragoneer get to convert the debt to equity at a 20% discount of whatever share price Spotify sets for a eventual IPO. And if it doesn't IPO within the next year, that discount goes up 2.5% every extra six months.

Spotify also has to pay 5% annual interest on the debt, and 1% more every six months up to a total of 10%. And finally, TPG and Dragoneer can sell their shares just 90 days after the IPO, before the 180-day lockup period ends for Spotify's employees and other investors.

The end of these talks with SoundCloud are another indicator of Spotify's IPO ambition and, unfortunately for music fans, means a union between two of the biggest names in the digital streaming business isn't happening — for now at least. It remains to be seen if Spotify might pursue SoundCloud again in the future, as a public company.

Of course, that's also dependent on SoundCloud's business, which has evolved significantly in 2016.

Estimates suggest SoundCloud's annual revenue jumped 43 percent year-on-year to reach almost \$28 million, thanks in a large part to the \$9.99 subscription it introduced this year, but it has never been profitable. The Berlin-based startup's most recent filings show it lost \$44 million in 2014 that was enough for auditor KPMG to warn in early 2016 of the need to raise additional financing to continue its business. It remains to be seen how that monetization push has changed its financial health.

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Industry Reports

SoftBank's Masayoshi Son Promises Donald Trump \$50 Billion Investment In The US

December 8, 2016

Asia's two largest technology companies announced they want to expand investments in the United States as President-elect Donald Trump urges to bring manufacturing jobs back.

Softbank Corp's Masayoshi Son, a businessman worth billions, pledged investments in the United States worth \$50 billion. Apart from that, Foxconn, the supplier for Apple Inc. also stated it was in the initial stages of discussing expansion of operations in the United States.

The incoming U.S. president reportedly met with a couple of other business tycoons at the Trump Tower. Big names included CEO Marion Blakey of Rolls Royce North America Inc., and Robert Johnson, founder of Black Entertainment Television. Trump was also scheduled to meet CEO Rex Tillerson of Exxon-Mobil Corp. next week.

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The investment pledge would help create around 50,000 new jobs as well as rekindled speculations that Softbank's Sprint, one of the country's biggest telecoms with 82 percent shares owned by Softbank, would renew its merger and mobile deals talks with T-Mobile US, Inc. that died due to pressure from regulators.

The \$50 billion investment, which was announced together by Masayoshi Son and Donald Trump in the lobby of Manhattan's Trump Tower, would come from Softbank's \$100 billion technology investment fund to be set up with Saudi Arabia's sovereign funds and other prospective partners.

Both businessmen did not provide a detailed timeline for the massive investment, however. The lack of information on the timetable prompted hesitations on whether the promised amount and jobs would be met, especially following news that Sprint slashed its employees to cut back after huge losses.

Masayoshi Son's business partner and Apple's supplier Foxconn, would invest an additional \$7 billion worth of investments and would create another 50,000 jobs in the next few years.

Softbank's Shares

Now among Japan's largest telecommunications company, the Tokyo-based Softbank Corp has at least 63,000 employees, humanoid robots ready for deployment, solar power plants, financial technology business, and ride-booking services.

Back in October, before the U.S. Elections 2016, Softbank announced that Saudi Arabia's Public Investment Funds (PIF) could be its lead partner in the huge \$100 billion tech investments plus it could invest as much as \$45 billion over the course of the next five years.

Softbank is a diverse company holding stakes in one of China's biggest e-commerce company Alibaba. Its desire to step up its investments in other areas also prompted the Japanese conglomerate to purchase Arm Holdings, a computer chipset manufacturer based in the United Kingdom, for \$32 billion earlier this year.

techtimes.com

Apple Is King Of A Flat Smartwatch Market, IDC Says

December 7, 2016

Apple holds the dubious distinction of leading a worldwide smartwatch market that has fallen flat, according to fresh data from IDC. But the company insists sales of the Apple Watch are stronger than ever.

The market research firm reported this week that the overall wearables market grew 3.1 percent year over year in the third quarter. That modest traction was almost entirely to demand for fitness bands, which saw double-digit growth and accounted for 85 percent of the wearables market.

Fitbit shipped 5.3 million units to lead the market with a 23 percent share, seeing 11 percent growth, followed in order by Xiaomi and Garmin. Apple claimed a mere 4.9 percent of the wearables market as Apple Watch shipments plummeted 71 percent, IDC estimated, although the company still owned 41 percent of the smartwatch market.

"Apple's decision to launch its second-generation watches in mid-September, towards the end of the quarter, did contribute to its year-over-year decline in 3Q16," IDC wrote. "However, the primary reasons for the downturn were an aging lineup and an unintuitive user interface. Though both issues have been addressed with the latest generation of watches, Apple's success will likely be muted as the smartwatch category continues to be challenged."

Apple CEO Tim Cook told Reuters this week that the company's smartwatch recently saw record-high sales, however. Cook didn't exactly refute IDC's data—and he declined to give specific sales figures—but he claimed the gadget "looks to be one of the most popular holiday gifts this year," Reuters reported.

"Sales growth is off the charts," Cook reportedly said via email. "In fact, during the first week of holiday shopping, our sell-through of Apple Watch was greater than any week in the product's history. And as we expected, we're on track for the best quarter ever for Apple Watch."

As The Register observed, it's possible that both Cook and IDC are making accurate claims. Record-high one-week sales of the Apple Watch 2 might not have done much to offset dismal sales earlier in the quarter, and it's certainly conceivable that momentum could carry through the holidays.

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"Fitbit shipped 5.3 million units to lead the market with a 23 percent share, seeing 11 percent growth, followed in order by Xiaomi and Garmin. Apple claimed a mere 4.9 percent of the wearables market as Apple Watch shipments plummeted 71 percent, IDC estimated, although the company still owned 41 percent of the smartwatch market."

But the smartwatch sector has clearly failed to live up to a significant amount of hype. IDC reported in October that global smartwatch shipments sank 52 percent in the third quarter due to a lack of new devices and platforms. Meanwhile, Pebble was acquired this week by Fitbit for less than \$40 million, according to a Bloomberg report, although its debt and other obligations exceed that sum. And Lenovo's Motorola said last week that it has scratched plans to release a new smartwatch, saying demand simply doesn't warrant it.

The smartwatch market isn't dead, of course, but developers and vendors have yet to come up with devices consumers find truly valuable. And it may take a few more years before they do so.

"Smart wearables have been down in recent quarters, but clearly not out," IDC Research Manager Ramon Llamas said in the firm's press release. "As user tastes change, so will their needs. That's the opportunity for smart wearables with multi-functionality and third-party applications, both for consumers and business users. To get there, we need to see more intuitive user interfaces, seamless user experiences, standalone connectivity, and applications that go beyond health and fitness and into personal and professional productivity."

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