Weekly *Wireless* Report

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This Week's Stories

Google Charged By EU In Android Monopoly Lawsuit

April 20, 2016

Google is facing a huge fine and major disruption to the way it does business after European officials filed new antitrust charges against the company.

The European Commission said Google was abusing its market position by imposing restrictions on Android device manufacturers and mobile network operators.

Google's Android is the world's dominant mobile operating system. When licensing Android, Google requires smartphone makers to load 11 core Google apps onto the phone before a customer buys it. The apps need to be at least one swipe away from the home screen, and customers cannot delete those apps.

In that "take-it-or-leave-it" approach, Europe says Google has illegally abused its market dominance. Android is particularly popular in Europe, with about 80% of the market for smartphones and tablets, according to the Commission.

"Based on our investigation thus far, we believe that Google's behavior denies consumers a wider choice of mobile apps and services and stands in the way of innovation by other players, in breach of EU antitrust rules," said Margrethe Vestager, the head of competition policy at the European Commission.

The Commission said it believed Google had broken the law by:

1. Requiring manufacturers to pre-install Google Search and Google's Chrome browser and requiring them to set Google Search as the default search service.

2. Preventing manufacturers from selling smartphones running on competing operating systems based on the Android open source code.

3. Giving financial incentives to manufacturers and mobile network operators on condition that they exclusively pre-install Google Search on their devices.

In response, Google general counsel Kent Walker said the company would "demonstrate that Android is good for competition and good for consumers."

Preloading apps such as Google search, YouTube, Gmail and Google Maps play a big part of driving traffic and advertising dollars to Google.

Google reveals little about its Android revenue, but the company has noted that mobile makes up a substantial part of its profit -- more than half, according to eMarketer.

The European Union could fine Google up to 10% of the company's annual global sales, translating into a $7 billion fine.

But this isn't the only antitrust case Google is facing in Europe. It is also fighting the European Commission on separate charges that it promotes its own results over rivals' blue links in search results. If Google loses that battle, it faces an additional $7 billion fine.

The European Union first began formally investigating the Android antitrust case in April 2015. Announcing the investigation back then, Vestager said that forcing smartphone makers to preload 11 Google apps onto their phones could force out competition.

Google has said that it has a robust and open app store, called Google Play, in which Android customers can download any number of applications that compete with Google's core apps.

But detractors have said that Google is playing unfairly, promoting its own apps over competitors' apps.

Wireless companies and smartphone makers dislike Google's core apps being loaded onto phones from the get-go. Carriers and phone manufacturers continue to load up customers' smartphones with their own apps for email, navigation and on-demand video, many of which require a subscription. But those apps have fallen out of vogue in favor of free apps delivered direct to customers' phones from Google.

The European Union's case against Google is similar to its landmark antitrust case brought against Microsoft a decade ago. In that case, Microsoft was found to have abused its dominant position in the desktop operating system market by forcing Windows PC makers to preload Internet Explorer onto their computers.

As a result of the lawsuit, Microsoft had to present European customers with a selection of competitors' Internet browsers to choose from.

But as a reminder of how quickly things change in the industry, Internet Explorer is no longer the dominant Web browser. In fact, Microsoft no longer promotes it in Windows 10.

cnn.com

Here's Why Verizon Wants To Buy Yahoo So Badly

April 19, 2016

It's all about the advertising technology that could be combined with AOL.

"Verizon is interested in buying Yahoo's ad and content businesses for the same reason it acquired AOL last year for $4.4 billion. And that is to build the kind of scale that's necessary to make money from digital advertising on mobile devices, as growth in the traditional telecom business slows."

Yahoo reported its quarterly earnings on Tuesday, but the results were more or less drowned out by the steady drumbeat of rumors about who might acquire the company's core content businesses, which are on the block. At this point, Verizon is either at or near the top of most lists, if only because the telecom company seems to want a deal so badly.

And why does a mobile telecom provider want to buy the core editorial business of a faded Internet portal? The short answer is advertising.

In a nutshell, Verizon is interested in buying Yahoo's ad and content businesses for the same reason it acquired AOL last year for $4.4 billion. And that is to build the kind of scale that's necessary to make money from digital advertising on mobile devices, as growth in the traditional telecom business slows.

"Verizon is trying to pivot its business from analog to digital," analyst Craig Moffett of MoffettNathanson told the Wall Street Journal. "Verizon believes that a combined AOL/Yahoo would provide the digital advertising platform they need to execute their video reinvention strategy."

Although it has failed to make much headway as a traditional digital-content company, AOL has managed to put together what analysts say is a fairly impressive combination of programmatic ad-buying and targeting tools—especially for video. That's primarily what Verizon was interested in when it acquired the company.

Since the acquisition, Verizon has added a number of other advertising-related businesses, including most of Microsoft's ad-technology operations and an ad-technology company called Millennial Media that the telecom provider bought for $250 million. It has used some of that know-how to power Go90, the mobile streaming-video service it launched in October 2015.

According to a number of reports, AOL's chief executive Tim Armstrong has been the architect behind many of Verizon's advertising acquisitions, and he has been pushing the company to make a strong bid for Yahoo's core editorial and advertising businesses. On Tuesday evening, Reuters said that Verizon was set to advance to the second stage of the bidding process.

Yahoo has put those assets on the block in the hopes that it will allow the company to capitalize on the things it owns that are of even greater value: a stake in Chinese Internet giant Alibaba that is worth an estimated $30 billion, and a smaller stake in Yahoo Japan. It tried to spin those assets off into a holding company but balked after the U.S. government refused to guarantee that it could do so on a tax-free basis.

Although the company hasn't been able to generate much in the way of growth or profits from its content-portal operations since former Google executive Marissa Mayer took over in 2014, Yahoo still has a fairly massive audience. An estimated 1 billion users either visit regularly for things like sports scores and financial news or use one of Yahoo's email, photo-sharing, and other services.

Much like AOL, Yahoo also has a suite of advertising technology that it has both built and acquired over the years that would fit pretty well with what Verizon and AOL already have. The combination would give Verizon a powerful collection of mobile ad-serving and targeting services, a lot of content, and a built-in audience.

The combination would not only give Verizon content and revenue from advertising related to that content (some of which it could theoretically incorporate into Go90), but it would also give the company a substantial amount of user data with which to target both its own ads and those served by others. That's the kind of thing advertisers increasingly want, and it's something that Facebook and other platforms excel at.

fortune.com

Products & Services

Airbnb's New iOS And Android Apps Promise To Help You Live Like A Local

April 19, 2016

Airbnb CEO Brian Chesky just took the stage at a lavish event held in the company's San Francisco headquarters to introduce new apps for iOS and Android that he says are a reflection of the company's philosophy to let its users "live" in the places the visit, not just view them as tourists do. "We asked people what the number one reason they travel on Airbnb, 86 percent said they want to live like a local," Chesky said. The new apps are meant to further that goal and keep people from cookie-cutter "drive-by tourism" -- what Chesky said you get when you just follow a guidebook or TripAdvisor recommendations.

The new apps further this goal in three ways. The first is a new "matchmaking" system to help you find hosts that fit with you. Furthermore, it helps the hosts hone in just the type of people they want staying in their home, as well. "Every time you do a search, we learn more about you," Chesky said, "and through machine learning the searches become better, higher quality and more relevant to you." What data specifically Airbnb is using to match you with your hosts isn't entirely clear yet, but the idea is that everyone who searches on Airbnb will get different results based on their profile and history.

That idea extends to the next major new part of the app, the neighborhood matching system. Much like hosts, every time you search you can tell the app what types of neighborhoods you're looking for (central, walkable, family-friendly and so forth) and it'll return results based on those criteria. The program includes with 691 distinct neighborhoods in 23 cities, all covered with pretty excellent photography to give you a feel of what the place it like. When you view a particular neighborhood, you can scroll down to see places to stay based on the criteria you've entered.

It's worth nothing that Airbnb launched its neighborhood system way back in 2012, but now it's directly integrated into the app itself. Presumably, as you use the app and its neighborhood system, it'll get better at recommending places for you to stay. The company has touted its massive data set in the past as a way to help hosts get more bookings, and it seems like that data will also be used to make the guest experience better as well.

The last component of the app sounds like the most useful -- host-created guidebooks will now be integrated right into the app. At the neighborhood level, you'll get to see what local hosts recommend as the best things around for travelers to check out. It definitely sounds like the kind of thing that'll further Airbnb's goal of helping its users feel more integrated into the city they're visiting.

It sounds like these new apps are just the tip of the iceberg for Airbnb's mission to make its users feel more like locals, as well. Chesky ended his presentation with a quick video and a tease of a November announcement that would take Airbnb "beyond the home" -- it sounded a lot like he was teasing a broad rollout of the Journeys pilot program that the company started last fall. For now, though, the apps will have to suffice.

engadget.com

Amazon Prime Video Comes Out On Its Own

April 17, 2016

"But now that Prime Video has grown with a healthy catalog of movies, TV shows and original programs, Amazon apparently felt Prime Video could stand on its own."

The streaming video service is now available for $8.99 a month. Amazon also has rolled out a monthly option for full Prime membership for $10.99.

Amazon Prime Video is getting its own stage.

The online retailer's streaming video service is now available as a standalone option for the first time. The company is letting fans in the US binge on Amazon original shows like "Mozart in the Jungle" and "The New Yorker Presents" for $8.99 a month after a 30-day free trial.

There are even more Prime changes than simply that. Late Sunday, the company also unveiled a new subscription option for its full Prime membership, which uses two-day, free shipping on purchases as its main draw. People can now join Prime for $10.99 a month, a long-sought alternative to its $99 annual plan.

Since Prime Video launched in 2011, the only way to get the streaming service has been to fork over the yearly $99 fee for the full Prime membership. You can still do that. But now that Prime Video has grown with a healthy catalog of movies, TV shows and original programs, Amazon apparently felt Prime Video could stand on its own.

Creating the independent service also makes Prime Video a more direct competitor to Netflix, the leading streaming-video service. The most popular plan at Netflix costs $9.99 a month, $1 more than the new Prime Video service. Wedbush analysts predicted Monday that the new Amazon service will be a big problem for Netflix, saying both companies will evenly split the remaining uncommitted customers, "severely impacting Netflix's continued domestic growth."

A Netflix representative didn't respond to a request for comment.

It now seems more likely that Amazon will one day offer a standalone option for its Amazon Music streaming service too, perhaps bringing new competition to Spotify and Apple Music.

Amazon's monthly video plan comes as a handful of new video services have cropped up, with each looking to capture viewers who are spending more time streaming and less time with cable TV. In addition to Netflix, Amazon and Hulu, streaming services have rolled out from HBO, Showtime and CBS. (CBS is the parent company of both CNET and Showtime.)

Amazon had been using its video programming to draw more subscribers to full Prime subscriptions, which grew by a healthy 47 percent in the US last year. The company came out with Golden Globe winners "Transparent" and "Mozart in the Jungle," as well as the Emmy-winning kids' show "Tumble Leaf."

This year, Prime Video will air Woody Allen's first-ever TV series, as well as another season of its critically acclaimed alternative-history series, "The Man in the High Castle." In December, it created the Streaming Partners Program, to let people pay to add more channels to Prime Video, including Showtime and Starz.

Netflix, meanwhile, has also aggressively moved into original programming with "House of Cards," Judd Apatow's "Love" and Aziz Ansari's "Master of None." In January, CEO Reed Hastings announced that Netflix expanded to nearly every country in the world.

The good news for both Netflix and Amazon, the two biggest US video-streaming services, is that viewers seem to be spending more time with online TV in general and that plenty of customers pay for both services. Overall, 64 percent of US households with broadband Internet subscribe to an online video service, up from 59 percent last year, according to a report last week from Parks Associates.

Yet with Amazon's standalone video option just $2 cheaper than a full Prime monthly membership -- which includes free two-day shipping of products from Amazon.com, Amazon Prime Video, the Amazon Music library and several other goodies -- many customers interested in a monthly service may choose the more expensive option. Both monthly memberships include a free, 30-day trial.

Sprint last month started offering a monthly Prime program for its wireless customers for $10.99, too.

Getting Prime just for holiday shopping may be a great option for some customers looking to use its free shipping for gifts. But anyone interested in keeping Prime for the year should do the math first. An annual Prime membership is $99, while the monthly tier will cost nearly $132 over 12 months.

cnet.com

Emerging Technology

Another Big Tweak Is Coming To Facebook

April 21, 2016

"Facebook's goal is to gauge which types of articles are interesting to a specific user so that it can display relevant content more prominently in its stream of updates."

Facebook is making yet another change to the way it decides which posts should be displayed prominently in your News Feed. The Menlo Park, Calif. firm announced on April 21 that it will start showing more posts that it thinks users are likely to spend more time reading.

"We're learning that the time people choose to spend reading or watching content they clicked on from News Feed is an important signal that the story was interesting to them," Facebook's Moshe Blank and Jie Xu wrote in a blog post.

Facebook's goal is to gauge which types of articles are interesting to a specific user so that it can display relevant content more prominently in its stream of updates.

This change will apply to Facebook Instant articles and stories displayed in Facebook's mobile browser. Load times will not be taken into account when estimating how much time a Facebook member spent reading an article. Facebook also said the change shouldn't dramatically impact brands' Pages.

The ranking update is another sign that Facebook is looking beyond "Likes" and "Reactions" to learn whether or not users are satisfied with their News Feeds. The company said in 2014 that it would start noting instances in which people navigated back to the News Feed immediately after clicking on an article in order to spot clickbait more easily. Facebook also said last year that it would begin to factor in the amount of time people spend looking at posts within the News Feed itself when ranking stories, but that change didn't take into account time spent with an article outside Facebook itself.

This also comes as Facebook has been testing larger changes to the News Feed's appearance that would divide stories into categories, like sports and food.

time.com

Google Is Bringing TV Listings To Search Results

April 21, 2016

In its quest to bring more valuable information to search, Google will soon add live TV listings to results, allowing you to find out exactly when and what channel your favorite film or TV show is on next. The new module won't just include cable or over-the-air availability, the search giant will also display which apps and websites also host the content you're looking for, whether it's on Google Play, YouTube, iTunes or another streaming service.

Google is staying quiet on when we can expect the new feature to roll out -- noting that it's "coming soon" -- but when it does, you'll be able to select your TV service provider to personalize your results. It will display cards describing what the movie or TV show is about, who stars in it and other relevant information, which might save you from clicking through to sites like IMDb or Rotten Tomatoes.

Although the company has included a selection of streaming providers, there's no word on whether subscription services like Netflix or Amazon Video will be included. We've contacted Google for more information on its partners and enquired as to whether it'll be available internationally.

engadget.com

Mergers and Acquisitions

Shots Acquires Mindie To Build A Teen Video App Empire

April 21, 2016

Mindie does with soundtracks what Instagram did with filters: It makes boring imagery interesting. And with the insane amount of video that teens are sharing, the music-video-making app seemed too useful to die when its creators shut down Mindie in December. So Mindie's technology is getting dug out of its grave thanks to an acquisition by Shots, the selfie app turned comedy feed backed by Justin Bieber.

For an undisclosed sum, Shots just bought Mindie's app, code, community and brand, Shots co-founder John Shahidi tells me. However, he says the price "wasn't a crazy amount." Though the team has dispersed and one of Mindie's founders now works at Vine, Shots will soon re-release it on iOS and bring it to Android.

"If I put my phone out the window on the Golden Gate Bridge and you have all this noise, it's not that nice" Shahidi explains. "But if you put 'On the Road Again' as the soundtrack, it makes it more interesting." Similar to how Camcorder also exists as a video filter inside of Shots, Mindie's soundtracks could come to its parent app, too.

The Mindie team originally released a storytelling app called Ever before launching its eponymous app focused on music discovery in 2013. It later added direct video messaging, and got blocked by Snapchat for asking users to log in through Mindie and share music videos to their Stories.

Mindie had raised a $1.2 million seed round from a strong set of investors, including Lowercase, SV Angel, Betaworks, CrunchFund (TechCrunch's founder's firm), Slow Ventures and its partners Dave Morin and Kevin Colleran, Troy Carter and Pete Cashmore. But eventually, Mindie got outcompeted by fellow music video maker Musical.ly and pulled out of the iOS App Store. Soon it will get a second chance.

The new MTV

What was once the butt of Silicon Valley jokes has blossomed into a bouquet of apps to help kids laugh and express themselves:

- **Shots** has 11 million registered users, and 7 million active. It recently expanded from selfies to let people share links and videos, with a feed featuring the funniest ones. It's raised $15.2 million from Upfront Ventures, DCM, Shervin Pishevar, Bieber and more.
- **Camcorder** is a purposefully low-fidelity but lightning-fast video sharing app the team built that has 5 million downloads since launching in September.
- **Awkward Puppets** is Shots' original video content initiative with humorous, mobile-first skits starring Vine star Rudy Mancuso, and it has a remarkable 90 percent watch-through rate per view.
- **Mindie** lets users pick a song, shoot some video clips and instantly create a compelling music video that's much more watchable than a standard upload to Facebook or Instagram.

Beyond these products and their legions of teen users, Shots has also cultivated a roster of social media creators that use its apps and promotes them to their fans. Mostly forged on Vine, these stars, like Lele Pons, King Bach, DeStorm Power, Logan and Jake Paul and Amanda Cerny might now start shooting Mindie videos.

Having Bieber as an investor could also help Mindie as it tries to formalize its relationships with the major record labels. Top music content owners have been surprisingly relaxed with regards to blocking apps like Mindie and Musical.ly from using their songs, presumably seeing the videos as free promotion for their artists. That might change if Mindie starts charging somehow, as the labels might want a cut or to block the app from coining off their content.

Mobile video sharing and viewing is exploding right now, and Mindie could make people's clips worth watching. Facebook and Instagram lack any native soundtracking features, though my gut says those apps are destined to get much more full-featured video uploaders soon, and Facebook did talk to record labels about licensing last year.

But even if the big social apps get into soundtracks, they might feel too bloated and complex for flighty teen fingers. "We like the standalone products because what people, especially our audiences, don't want us to do is cram all these ideas into one Shots app" Shahidi says. "It's better off to keep them all separate, so the different products don't get too cluttered."

techcrunch.com

Verizon And Hearst Buy Complex For Its Hipper, Younger Readers

April 18, 2016

Verizon and Hearst today announced a deal to acquire Complex Media, the publisher of the eponymous culture magazine and website, as well as a slew of other, smaller sites like movie-focused Collider and food-focused First We Feast. News of the deal, before it was confirmed, was reported earlier today by The Wall Street Journal.

The sale is said to value Complex's whole operation at $250 million to $300 million. Both Verizon and Hearst will each receive 50 percent of Complex as part of Verizon Hearst Media Partners, the joint venture started in March to help both companies regain relevance with younger, app-using, and video-obsessed audiences. Hearst became a minority investor in Complex after it put $21 million into the operation last September. As part of the deal, Complex CEO Rich Antoniello will continue to run the media network.

"When we look at Complex and how well they've built audiences by championing the digital convergence of cultures for well over a decade, it pairs well with our strategic vision and current shifts in content consumption," Brian Angiolet, Verizon's senior vice president of consumer product and marketing, said in a statement.

For Verizon, it's part of a larger plan that extends from its 2015 purchase of AOL. That acquisition gave the company a robust mobile and video ad operation and websites like The Huffington Post, TechCrunch, and Engadget. In the long-term, the telecom giant is using its sizable war chest to try and buy its way to the types of viewers and readers interested in media companies like BuzzFeed and Vice and mobile apps like Snapchat. Those platforms continue to attract more of the lucrative millennial ad demographic Verizon so desperately seeks.

Last fall, the company launched its free Go90 video app, which features full TV shows, clips from partners, and original series designed for smartphones. The new Hearst partnership will also give Verizon two additional web video channels — the lifestyle-oriented RatedRed.com and comedy site Seriously.TV — that are set to launch later this spring. With Complex thrown into the mix, Verizon's portfolio would cover an even larger slice of the online media world.

theverge.com

Industry Reports

Verizon Misses On Revenue, Warns Of Strike Impacts

April 21, 2016

"Total revenues for the wireless segment were $22 billion, down 1.5 percent year-over-year. Service revenues plus installment billings increased 1.6 percent year-over-year to."

Verizon shares dropped nearly 2.5 percent Thursday morning after the carrier posted first quarter results that barely managed to meet earnings per share (EPS) expectations and missed on revenue estimates.

The carrier reported first quarter EPS of $1.06 on revenue of $32.71 billion. The latter figure was nearly $320 million below the average analyst estimate of $32.46 billion provided by Thomson Reuters.

Revenue, while short of the average predictions, was in line with a lowered estimate of $32.1 billion released by Pacific Crest Securities on Tuesday. The number was up 0.6 percent from $31.98 billion during the same quarter last year, but was down sequentially from revenue of $34.25 billion in the fourth quarter 2015.

Total revenues for the wireless segment were $22 billion, down 1.5 percent year-over-year. Service revenues plus installment billings increased 1.6 percent year-over-year too.

Verizon warned the outlook for second quarter earnings may not be much brighter.

The carrier said its second quarter results could be weighed down by negotiations to end the ongoing strike of some 40,000 Verizon wireline workers in the Northeast.

"Verizon continues to expect full-year 2016 adjusted earnings to be at a level comparable to the company's strong full-year 2015 adjusted earnings," the company said in a statement. "However, given the status of labor contract negotiations, there will be pressure on second-quarter earnings due to the timing of cost reductions."

Verizon, however, did manage to buck a forecast that predicted T-Mobile would be the only carrier to report postpaid net handset additions.

In the first quarter, Verizon brought in 640,000 postpaid net additions, down significantly from 1.5 million in the fourth quarter 2015 but up from 13.3 percent from 565,000 the year prior.

The carrier also lost 177,000 prepaid subscribers during the quarter. Shammo said Verizon is aware it's prices are above the market and it's not very competitive in that space, but said the carrier is focused on making sure it doesn't migrate its "high quality" postpaid base to a prepaid product.

According to Verizon, 452,000 of its net additions were 4G smartphones. The company noted approximately 85 percent of its base is on a smartphone and about 92 percent of its total data traffic travels on its LTE network. Traffic is up 50 percent year over year, Verizon said.

Approximately 68 percent of activations in the quarter were made on installment plans and the carrier said 33 percent of its postpaid phone base is now on an installment plan. Nearly half of Verizon's postpaid phone base is now on unsubsidized pricing, the carrier said.

Churn for the quarter improved seven basis points year-over-year, dipping to 0.96 percent. Shammo said churn has flattened out and the first quarter will likely set the tone for the rest of the year.

wirelessweek.com

Netflix's Earnings Flop: The Show That Really Matters

April 19, 2016

Netflix investors' gaze has shifted overseas. But it might behoove them to keep at least one eye trained on the U.S.

Shares of the video-streaming service fell more than 10% Tuesday afternoon after Netflix forecast lower net international subscriber additions for the second quarter than Wall Street was expecting. The reaction confirmed a trend that appeared during the company's last quarterly report in January: International growth is the new domestic growth when it comes to investor focus.

That makes some sense given that the horizon is increasingly in sight for Netflix's domestic U.S. subscriber base. While the company's guidance for second-quarter domestic subscriber net additions of 500,000 surprised to the upside, it represents a 45% year-over-year decline. Moreover, the better-than-expected forecast may have been driven by the move to phase in a previously announced price increase throughout the remainder of 2016 instead of implementing it all at once.

Indeed, while Netflix has said it can achieve 60 million to 90 million domestic subscribers, up from 45.7 million at the end of the first quarter, the lower end is starting to look more reasonable. International subscriber growth, on the other hand, offers the promise of helping Netflix grow into its hefty multiple. The company moved into 130 new countries in January, and 42% of its subscriber base is now outside the U.S.

Still, international growth was never going to come as easily as domestic growth. Each market has its own unique cultural challenges, competitors and rights negotiations. Perhaps more important, the market is expecting Netflix to be substantially more profitable by next year. And, given the additional marketing and content costs required to ramp up growth in new markets, it isn't going to be international margins that get it there.

Netflix has said it expects material global profits beginning in 2017, and consensus estimates show it earning $1.05 a share in 2017. That would put the stock at about 92 times next year's earnings—steep, but not unreasonable for Netflix. But $1.05 represents a massive step up from the 28 cents it is expected to earn this year. Netflix trades at 344 times 2016 earnings.

Smaller losses internationally will help close the gap. But Netflix's ability to raise prices and continue to grow domestically may be a bigger factor in the short-term. That is particularly true given that the company expects to spend more than $6 billion on content in 2017, up from $5 billion this year.

For investors, Netflix's growth engine may be overseas. But its profit engine remains at home.

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