



Inside This Issue:

This Week's Stories

[Apple Cuts Off License Payments To Qualcomm As Fight Mounts](#)

[Possible AT&T Strike Looms As Workers Stop Extending Contract](#)

[More Than Half Of Digital Advertising Is Mobile](#)

Products & Services

[Google Maps Now Remembers Where You Parked Your Car](#)

Emerging Technology

[Google Search On iOS Will Now Help You Find TV Shows, Movies And Music On Streaming Services](#)

[Apple's Competitor To Venmo Could Be On The Way](#)

Mergers & Acquisitions

[Musical.ly, Apple Music Ink New Partnership, With More To Come](#)

[SiriusXM Buys Automatic Labs To Expand Connected-Car Offerings](#)

Industry Reports

[IDC: Smartphone Shipments Up 4.3% In Q1 2017, Apple Gains On Samsung But Both Lose To Chinese Firms](#)

[Starbucks: Nearly A Third Of Sales Were Made Digitally Last Quarter](#)

This Week's Stories

Apple Cuts Off License Payments To Qualcomm As Fight Mounts

April 28, 2017

Qualcomm Inc. said Apple Inc. is cutting off licensing payments related to the iPhone until their legal dispute is settled, forcing the chipmaker to lower forecasts it gave just last week and sending its shares tumbling.

The announcement escalates the fight between the world's largest publicly-traded technology company and one of the main suppliers of components to its most important product. The two have traded accusations of lying, making threats and trying to create an illegal monopoly. Their spat involves billions of dollars of technology licensing revenue that, if permanently cut off or reduced, could damage Qualcomm's main source of profit and help bolster Apple's margins.

Apple has told Qualcomm it will stop paying licensing revenue to contract manufacturers of the iPhone, the mechanism by which it's paid the chipmaker since the best-selling smartphone debuted in 2007, the San Diego, California-based company said in a statement. Qualcomm is therefore removing any assumption it will get those fees from its forecast for the current period. Apple doesn't have a direct license with Qualcomm, unlike other phone makers.

Revenue in its fiscal third quarter ending June will be \$4.8 billion to \$5.6 billion, down from last week's prediction of \$5.3 billion to \$6.1 billion. It's also short of the \$5.78 billion average of analyst estimates compiled by Bloomberg. Earnings per share will range between 52 cents and 62 cents, compared with the earlier forecast of 67 cents to 92 cents. Minus certain items, profit per share will be 75 cents to 85 cents.

Qualcomm's shares fell as much as 4.1 percent to \$51.05 in New York Friday morning. It was the lowest intraday price since June.

For Qualcomm, Apple's move is a further infringement on its legal agreements with the contract makers of the iPhone, who also make devices for other companies. Those agreements predate Apple's entry into the phone market and are still legally enforceable.

"While Apple has acknowledged that payment is owed for the use of Qualcomm's valuable intellectual property, it nevertheless continues to interfere with our contracts," said Don Rosenberg, Qualcomm's general counsel. "Apple has now unilaterally declared the contract terms unacceptable; the same terms that have applied to iPhones and cellular-enabled iPads for a decade."

He said Apple's interference with Qualcomm's agreements to other parties is wrongful and part of the Cupertino, California-based company's global attack on Qualcomm.

Qualcomm's lucrative licensing division funds an industry-leading research-and-development budget, which has helped its chips stay ahead of rivals. That strategy, which has helped the company more than double revenue since 2010, is under threat as the dispute with Apple worsens and it deals with regulatory investigations in the U.S., South Korea, Taiwan and Europe. It says Apple instigated those investigations by making false claims to government agencies. Apple's end goal is to lower the fees, Qualcomm said.

When it began its suit against Qualcomm in January, Apple accused Qualcomm of monopolizing the market for chips used in wireless devices and withholding \$1 billion in retaliation for cooperating with South Korean antitrust authorities. Apple also said it wants back some of the billions of dollars it claims it was overcharged in "Qualcomm's illegal scheme" to control the market for mobile phone chips. It wants a court to change how Qualcomm charges for its technology.

Patents controlled by Qualcomm cover the basics of all high-speed data capable mobile phone systems. It charges a percentage of the total selling price of the phone regardless of whether the device uses a Qualcomm chip or not.

Qualcomm had given a wider-than-normal forecast range for the current quarter, reflecting the possibility that Apple may pressure its suppliers, company President Derek Aberle said last week.

"We'd expect that they will pay, consistent with their obligations," he said at the time. "We can't completely discount the possibility that Apple will continue to interfere and cause them to pay less than they owe."

bloomberg.com

Possible AT&T Strike Looms As Workers Stop Extending Contract

April 28, 2017

"The 21,000 workers spread across 36 states and Washington, D.C., have been working without a contract since February, unable to resolve their concerns about wages, health care costs, and job security against outsourcing."

As top AT&T executives readied to meet shareholders at the company annual meeting in Dallas on Friday, the company's largest union gave notice that it would stop extending an expired contract covering about 21,000 wireless workers.

Once the 72-hour notice period expires, the workers could go out on strike, the Communications Workers of America Union said. The 21,000 workers spread across 36 states and Washington, D.C., have been working without a contract since February, unable to resolve their concerns about wages, health care costs, and job security against outsourcing.

"We have given AT&T every opportunity to show their commitment to finding common ground and a fair contract and, quite frankly, have been very patient about it," Dennis Trainor, vice president of CWA's District 1, said in a statement. "The pieces are all in place now, and we'll strike if necessary."

Negotiations are continuing and AT&T is "confident a fair agreement can be reached," a spokesman said. The contract covers U.S. jobs averaging nearly \$70,000 in pay and benefits, he said. "Our labor agreements include annual wage increases and we're confident employees will be better off in their new contract," the spokesman said.

With tensions rising with the wireless workers, AT&T also faces another tough ongoing negotiation covering about 17,000 workers in AT&T's wired telephone, cable, and Internet business in California and Nevada. The workers went out on a one-day grievance strike last month and have been holding large protest rallies.

The two contentious fights stand in stark contrast to the carrier's long run of labor peace. AT&T hasn't suffered a labor strike since 2012, and that lasted only two days. And a recent four-year contract ratified this month by 20,000 workers in Arkansas, Kansas, Missouri, Oklahoma, and Texas marked the 28th straight deal approved by AT&T and its unionized workers since the start of 2015. As part of the recent southern workers deal, AT&T agreed to hire 3,000 people locally for jobs that had been outsourced, mostly overseas.

But labor relations have been getting increasingly tense in the telecommunications industry since last year's strike by Verizon workers resulted in higher pay and better job security than the company was initially offering.

AT&T's wireless workers have said they are concerned that AT&T's offers seek to make them pay more for health care, eliminate pension benefits for new hires, and reduce their number of sick days. Like the Verizon workers who went out on strike, AT&T's workers also highlighted their employer's outsourcing of call center jobs outside of the country.

AT&T, which is under pressure from Wall Street to cut costs amid slowing growth in its wired and wireless telephone operations, has said it is not seeking to cut employee pay or take away benefits.

fortune.com

More Than Half Of Digital Advertising Is Mobile

April 26, 2017

Last year was officially the much-awaited "year of mobile" in the advertising industry.

For the first time, mobile advertising represented more than half of the spending that marketers funneled into digital advertising overall in the U.S. in 2016. According to a new report conducted by PwC US for the Interactive Advertising Bureau, mobile ad spending accounted for 51% of the record \$72.5 billion in total U.S. digital ad spending last year.

In fact, spending on mobile advertising surged 77% to \$36.6 billion last year, according to the IAB. Digital ad spending broadly climbed a healthy 22% in the U.S. from the prior year.

"Brand dollars naturally follow consumers, and you're starting to see a mobile-first, and sometimes a mobile-only mind-set among marketers," said David Doty, the IAB's executive vice president and chief marketing officer. Mobile "dominated" the more recent growth in the industry, he added.

A big chunk of that mobile growth was driven by Facebook and Google, the web's two most powerful ad platforms, each of which has exhibited exponential growth in mobile ads. But the IAB says that mobile ad success was also achieved across the board.

Mr. Doty wouldn't comment on how much of the spending growth was driven by Google and Facebook, but played down recent industry talk that only those two companies alone are benefiting from this surge.

"We are seeing major increases across the spectrum," he said. "It's not universal. There tends to be dominant players [in any medium]. But it's not the case here that the growth is only theirs. There are upticks that go well beyond [those two companies]."

In fact, PwC US partner David Silverman said 73% of the revenue tracked by the IAB in the fourth quarter went to the top 10 companies tracked, with 69% of the overall ad revenue growth concentrated among those firms.

"That means 31% of the growth came from outside the top 10," Mr. Silverman said.

Web video advertising also enjoyed robust growth in 2016, with spending jumping 53% to \$9.1 billion. Mobile video spending, in particular, ballooned by 145% year-over-year to nearly \$4.2 billion, says the IAB.

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"A big chunk of that mobile growth was driven by Facebook and Google, the web's two most powerful ad platforms, each of which has exhibited exponential growth in mobile ads."

Interestingly, for the first time, digital audio advertising crossed the billion-dollar revenue mark, landing at \$1.1 billion. That number includes ad revenue generated by streaming services and podcasting, Mr. Doty said.

[wsj.com](#)

Products & Services

Google Maps Now Remembers Where You Parked Your Car

April 26, 2017

Always forget where you parked? A new Google Maps feature has you covered.

Google officially rolled out the new feature on Tuesday, which it beta-tested for Android users last month.

Tap the blue dot showing your location to see an option to save your parking place on the map. A label will pop up indicating where you parked your car.

By tapping on that label, you can open up a "parking card" to add additional details about the parking spot -- such as the level of the parking garage or the amount of time left before the meter expires. Users can save an image of the spot and send their parking location to friends.

The parking location is determined through a combination of GPS, cell towers and known Wi-Fi locations, a Google spokesperson told CNNTech.

Last November, Apple launched a similar but automatic parking-detection tool for Apple Maps. If iOS users connect their iPhones to their cars using Bluetooth, their parking spots will be automatically added to the map with a pin when they disconnect and get out of their car. Google has offered a similar feature for iOS owners using Google Maps since March.

[cnn.com](#)

Emerging Technology

Google Search On iOS Will Now Help You Find TV Shows, Movies And Music On Streaming Services

April 27, 2017

Google is today launching an update for iOS users that will make it easier to find media content — like TV shows, movies and songs — on various streaming services and content marketplaces, including iTunes, Hulu, Amazon Video, Google Play, YouTube, Spotify and others. The feature, which is still rolling out, will show you the icons for the services where the content is available when you perform a Google search. You'll also be able to click those icons to be taken to that service and immediately start watching or listening.

For example, if you search for a movie title on iOS, the Knowledge Panel box at the top of the search results will offer details about the film, like its description, its cast, plus photos and reviews. Beneath this, it will now show where you can view the movie right now, by listing the services that have it available for streaming or for sale.

"In addition to marketplaces like iTunes and Google Play, these links will include streaming services like ABC, Amazon, Hulu and others, which will bring you directly to the piece of content when clicked."

In addition to marketplaces like iTunes and Google Play, these links will include streaming services like ABC, Amazon, Hulu and others, which will bring you directly to the piece of content when clicked. Google also will display pricing information for the content on these services, when applicable.

For music searches, Google will now offer links to streaming services like Apple Music, Spotify and Pandora, also right from the Knowledge Panel that appears in search results for artists.

These links will take you to the service in question, too, but will either play the content or the artist radio depending on whether or not you pay for the premium, on-demand version of the music service.

Google has experimented with better surfacing media content in its search results for a long time. Even back in 2009, the company was tinkering with making music more accessible in search. At that time, its "Music Onebox" was then delivering a new kind of search result that would instantly stream songs from services like Myspace and Lala. (Remember them?)

These days, Google is being more helpful by pointing you to a broader range of services and media types, as well as directly connecting you to the service you prefer to use with a click.

Arguably, the feature is even more important today because there are far more places where media content is available online, and because Google is losing its footing on mobile as more people spend time in apps, not the web. Google needs to offer features that will make its search engine more useful than doing a search in Apple's on-device Spotlight Search service. And offering pricing information is a good step in that direction, as is the fact that Google can show a wider array of choices as to where a given piece of content can be found and for how much.

This same search feature was previously live on Android, as well as the Google app for Android and desktop, the company says, but is hitting iOS today on both the mobile web and Google app.

techcrunch.com

Apple's Competitor To Venmo Could Be On The Way

April 27, 2017

Apple wants a piece of Venmo's market. The iPhone maker held talks recently with payments companies in hopes of introducing its own money-transfer service akin to PayPal's Venmo, according to a report Thursday from Recode.

The new peer-to-peer payment service, which could be coming later this year, would reportedly allow iPhone owners to send cash digitally to other iPhone owners. Venmo and Square Cash, meanwhile, let both Apple and Google's Android phone users move around money. The report also mentioned that Apple was considering its own prepaid card that would run on Visa's debit network.

An Apple representative declined to comment on the report.

The new service, which was rumored two years ago, could help bolster Apple Pay, the company's mobile payments service. Apple Pay gave mobile payments a jumpstart when it was unveiled in 2014, but most people so far haven't adopted such services, including Samsung Pay and Android Pay, instead sticking with cash and plastic.

There's a chance this peer-to-peer service could get more people involved in Apple Pay, but Apple would be competing against quite a few existing players, including millennial favorite Venmo, Square Cash and Zelle, a new service from a handful of banks that's launching in mid-2017.

cnet.com

Mergers and Acquisitions

Musical.ly, Apple Music Ink New Partnership, With More To Come

April 28, 2017

"The new integration comes with a big potential upside for Apple Music, in that the tech giant's service is currently the only one that supports full-song streaming within the app."

Over the past year, few new apps have captured the attention of the music industry -- and teenagers across the globe -- than Musical.ly, the social video network that allows users to make 15-second clips set to music and share them with more than 200 million fellow users. Now, the fast-growing company, founded in 2014, has announced a new partnership with Apple Music -- with more integration on the way.

With the new partnership, Musical.ly users will be able to stream full-length songs -- rather than just 15-second clips -- from Apple Music's catalog directly within the Musical.ly app, with the further option to save particular songs to their own playlists within Apple Music and access Musical.ly-branded playlists via the streaming service as well. Users will need to be subscribers to Apple's streaming service in order to access the feature, which will also allow them to select any 15-second section from the full-length track within the app with which to create their videos. (Users are still limited to 15-second videos, however.)

"Right now, the average time our users spend on the app is over 35 minutes per day, so they're already in an environment that they really enjoy," said Alex Hofmann, Musical.ly's president, North America in an interview with Billboard this week. "So they can spend more time within the Musical.ly app to listen to music, but then they can also go to Apple Music later and listen to the entire album."

Musical.ly's teenage revolution -- as Billboard's October 2016 cover story deemed it -- has effectively taken the music industry by storm, and has already paid dividends. Teen stars such as Jacob Sartorius, Baby Ariel and the Perkins Sisters (Deven and Dani), all have used the app to gain millions of followers and launch full-on careers through their Musical.ly popularity; Sartorius, with his 11 million-plus followers, has already landed two songs on the Hot 100 -- "Sweatshirt," which peaked at No. 90 last July, and "Hit Or Miss," which reached No. 72 last August -- despite being just 13 years old. According to a company estimate, as of six months ago, half of all American teens were on the app.

"We had done a survey of thousands of people in the United States and asked them, 'What is the No. 1 platform where you discover music?'" Hofmann said. "They go to Musical.ly. And partnering with Apple Music really allows us to create the best place to discover music through your friends."

The new integration comes with a big potential upside for Apple Music, in that the tech giant's service is currently the only one that supports full-song streaming within the app. If the new function catches on with Musical.ly users -- again, the company claims 200 million users and half of all American teens -- those without Apple Music accounts would need to sign up in order to have access. And Hofmann said this is just the beginning.

"A number of other companies have reached out to us, understanding that it would be very valuable for them to partner with us, and we believe it would be very valuable to partner with them," he said when asked whether the company would explore similar arrangements with the likes of Spotify, Pandora or other streamers. "So we are going to have these conversations. But it was important to us to work with a partner we had worked with before -- we've worked with Apple on other occasions -- and there are other Apple-Musical.ly partnerships on the horizon."

Hofman said Musical.ly is "currently evaluating" those partnerships with Apple and clarified them as "potential"; he also added that it would be too early to comment on any talks with other companies.

"But all of them have the same goal," he said. "Since we already have our users in our app for 35-plus minutes per day, what else can we offer them to really provide, A) more value to enjoy these 35 minutes even more, and B) what could be added so that they decide to spend more time within our app?"

billboard.com

SiriusXM Buys Automatic Labs To Expand Connected-Car Offerings

April 27, 2017

What SiriusXM has planned for Automatic Labs is still anyone's guess, other than "print more money."

You might associate SiriusXM with that service you never activated in your new car, but it's clearly working to grow beyond that, as its latest acquisition shows.

SiriusXM just purchased Automatic Labs Inc., a San Francisco-based company that focuses on connected-car hardware. The deal reportedly cost SiriusXM more than \$100 million.

Automatic Labs sells connected car adapters. They plug into a car's OBDII (on-board diagnostics) port, and can provide services like vehicle tracking, diagnostic alerts and fuel monitoring. Insurance companies can use its products, for example, to help coach new drivers or monitor how well someone drives, adjusting rates as necessary.

"The acquisition of Automatic is a natural fit for SiriusXM as we continue to expand and improve our connected vehicle services," said Jim Meyer, CEO of SiriusXM, in a statement. "Automatic's innovative products have brought safety and intelligence data and analytics to the forefront of vehicle connectivity. We are excited to welcome the talented employees at Automatic to SiriusXM as we expand the possibilities of connected vehicle offerings and services for manufacturers, drivers, and enterprises."

SiriusXM doesn't just deliver satellite radio to cars – it delivers *data*. Certain infotainment functions rely on SiriusXM's services, like weather updates and traffic maps. It makes sense that SiriusXM would want to greater capitalize on data-driven car hardware.

Automatic Labs won't just be lumped in under the SiriusXM umbrella, though. Automatic's brand, as well as its products, will continue to function as normal. But now, SiriusXM will be able to leverage its relationship to provide new offerings and – as businesses are wont to do – make more money.

cnet.com

Industry Reports

IDC: Smartphone Shipments Up 4.3% In Q1 2017, Apple Gains On Samsung But Both Lose To Chinese Firms

April 27, 2017

Smartphone vendors shipped a total of 347.4 million smartphones worldwide last quarter, up 4.3 percent from the 332.9 million units in Q1 2016. Looking at the top five vendors, Samsung and Apple both lost share while Huawei, Oppo, and Vivo all grew.

"But now, SiriusXM will be able to leverage its relationship to provide new offerings and – as businesses are wont to do – make more money."

In Q3 2017, the South Korean company once again shipped more smartphones than any other vendor. Its American counterpart managed to close the market share gap slightly, but only because the two saw flat shipments year-over-year. Meanwhile, the Chinese trio, as I like to call them, all shipped more smartphones than a year ago. The latest quarterly figures come from IDC, which summarized its findings in the following chart:

Top Five Smartphone Vendors, Worldwide Shipments, Market Share, and Year-Over-Year Growth, Q1 2017 Preliminary Data (Shipments in Millions)					
Vendor	1Q17 Shipment Volume	1Q17 Market Share	1Q16 Shipment Volume	1Q16 Market Share	Year-Over-Year Change
1. Samsung	79.2	22.8%	79.2	23.8%	0.0%
2. Apple	51.6	14.9%	51.2	15.4%	0.8%
3. Huawei	34.2	9.8%	28.1	8.4%	21.7%
4. OPPO	25.6	7.4%	19.7	5.9%	29.8%
5. vivo	18.1	5.2%	14.6	4.4%	23.6%
Others	138.7	39.9%	140.0	42.1%	-1.0%
Total	347.4	100.0%	332.9	100.0%	4.3%

Source: IDC Quarterly Mobile Phone Tracker, April 27, 2017

As you can see above, Samsung's market share fell 1.0 percentage points (from 23.8 percent to 22.8 percent) as it shipped the same number of smartphones: 79.2 million. Every quarter, Samsung owns about a fifth of the market, and that remained true for the start of 2017. IDC believes the success of the Galaxy S7 and Galaxy S7 Edge was extended courtesy of substantial discounts meant to make room for the Galaxy S8 and Galaxy S8+. Samsung's more affordable A Series and J Series continued to perform well in both developed and emerging markets.

Apple, meanwhile, slipped 0.5 points (to 14.9 percent) as shipments were up by only some 400,000 units to 51.6 million. Put another way, Apple did not benefit much from Samsung's woes, at least not in the short term. The higher-capacity iPhone SE and red iPhone 7 arrived at the end of the quarter, though nobody was really expecting either to move the needle.

Huawei gained 1.4 points (to 9.8 percent), Oppo increased 1.5 points (to 7.4 percent), and Vivo grabbed 0.8 points (to 5.2 percent). While the Android and iOS duopoly doesn't look like it's going away, the Samsung-Apple duopoly keeps eroding.

Chinese brands Oppo and Vivo last year pushed out previous fourth- and fifth-place players Lenovo and Xiaomi, and the Chinese pair don't appear to be going away in 2017. As China's smartphone market matures, these players are already looking to the worldwide stage. Their value-packed devices offer the latest features at a fraction of the cost, compared to market leaders Samsung and Apple. The latest smartphone trend of affordable high-end devices does not favor the duo.

"Although we have seen an abundance of premium redesigned flagships that just entered the market, moving forward, we still expect most of the growth to come from more affordable models in a variety of markets," IDC research manager Anthony Scarsella said in a statement. "Despite all the popularity and media hype around premium devices, we continue to witness a shift in many companies' portfolios geared toward affordable devices with premium-type styling compared to flagship models. Companies have started to implement a single premium design language that ultimately blurs the lines between the high-end and the low-end, allowing the average consumer to jump on the band without a hefty upfront investment."

venturebeat.com

Starbucks: Nearly A Third Of Sales Were Made Digitally Last Quarter

April 27, 2017

Starbucks said nearly a third of its sales were made online or through its app last quarter.

In an earnings release Thursday, Starbucks noted that 29% of its sales came from orders that were prepaid online or through its mobile app.

Growing digital sales has been a focal point for Starbucks for years. Its popular app -- which allows customers to pay for an order through their mobile phone -- was recently updated to allow customers to place orders for pickup as well.

The update was a smash hit, but it had an unintended consequence: It caused long lines to form in stores of people waiting to pick up their orders, which warded off customers who thought they were waiting in line to place orders at the register instead.

Starbucks' sales haven't impressed investors lately. The company released its latest earnings report Thursday, and it showed weak sales growth in the U.S. That sent its stock price down nearly 5% during after-hours trading.

The earnings call Thursday was the first that wasn't led by Starbucks founder and former CEO Howard Schultz. He announced last year his plans to step down as CEO, though he is staying on as chairman. The new CEO is Kevin Johnson, who was promoted from his former post as chief operating officer.

Schultz did make a few comments on the call.

"Yes we had a rough first half of the [fiscal] year," Schultz said, but he noted that the company is making huge strides in China, the world's largest market, that will undoubtedly pay off.

The company is currently opening stores in China at a rate of one store per day.

"Starbucks coffee company is built to last," he said.

Schultz also took the opportunity to brag about Starbucks' digital prowess and said the company's app "will definitely pay off" for the company in the long run.

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