



# Wireless

WEEK.

News, Analysis, Perspectives & Insights in Wireless

**FREE** SUBSCRIPTION

### Daily News

First News  
[Subscribe to FirstNews](#)

### Now in Wireless Week

Current Print Edition  
[Subscribe Now](#)  
25 Years of Wireless  
Wireless White Papers  
In My Humble Opinion (IMHO)  
Blogs  
Digital Edition Sample  
WiMAX World E-Show Daily  
Web Exclusives  
Digital Library

Get your free copy of  
**The Freedom of Wireless**  
white paper. [Cut free >](#)

### Special Interest

Carriers  
Emerging Technologies  
Financial  
Mobile Content  
Networks  
Regulatory & Legal  
Research  
Wireless Devices

### Webcasts

NGN Ecosystem Builds Carrier Profitability  
Efficiencies in Sales Cycle  
4G Wireless Ecosystem  
Off-deck Mobile Campaign Audits

### Editorial

Contact the Editor  
Editorial Staff  
[Propose a Guest Opinion](#)  
[2009 Editorial Calendar](#)  
[Submit News Release](#)  
[Submit Calendar Event](#)

Our energy working for you.™  
**Power Generation**

### Advertising

2009 Editorial Calendar  
[Ad Specifications](#)  
[List Rental](#)  
[Media Kit](#)  
[Sales Contacts](#)  
[Reprints](#)

### Archives

[Print Issues](#)  
[FirstNews](#)  
[Emerging Technologies](#)  
[Mobile Content](#)

## DOOM, GLOOM and...Room for OPTIMISM?

By **Monica Allevan**  
WirelessWeek - November 01, 2008

**Times are tough, and venture capital (VC) firms are advising their portfolio companies to take steps to ride out the storm. So far, many wireless startups are holding steady.**

The founders of BillShrink feel fortunate they acquired an \$8 million round of funding when they did. The round, announced last month, included prior investor Bessemer Venture Partners and new investor Trinity Ventures.

But BillShrink's investors are not taking extreme measures to warn the company of the economic doom and gloom, as Sequoia Capital so famously did with a 57-slide deck sent to its investment companies, complete with a tombstone and "R.I.P. Good Times" on the cover slide. The PowerPoint, which made the rounds on the Internet, spelled out in detail what led to the downturn, the expectation that a recovery will be long, and advice about managing spending and offering "must-have" products.

With seven employees and growing, "we run a pretty lean ship," said BillShrink Co-Founder Samir Kothari. As CEO Peter Pham likes to say, the company is BillShrink, not BillSpend. Investors are excited about BillShrink because its business is one of those that has the potential to do well even in times of economic turmoil, Kothari said – or perhaps because of it. The company operates a Website designed to help consumers save money on wireless phone services and credit cards. The business model calls for bringing in revenue through commissions when well-qualified prospects are delivered to retailers.

### MIXED SIGNALS

To be sure, signs in the wireless industry are mixed. Action Engine laid off its staff in August, but MobUI ended up buying it, with funds raised from GlobalNET Mobile Solutions, a wireless application services provider in Latin America. The chief marketing officer of Chrysler told the Wall Street Journal that it was cutting back on experimental advertising, of which mobile is one, but AdMob, billed as the largest mobile advertising marketplace, snagged \$15.7 million in a Series C round, with none other than Sequoia Capital leading the round.

Some analysts say operators are relatively insulated. Wireless is not a luxury item, and for many people, it's their sole means of communication. Wireless data could feel a pinch, as people decide they can't afford the data plans. If people hold back on using new Internet services, operators could re-think their timing for upgrades and investments in next-generation technology, like LTE, and that affects infrastructure suppliers. Handset makers also might feel it, as people put off buying new phones.

Content services, generally considered non-essential, may be the one area that is most vividly in the crosshairs. It was clear before the economic crisis hit that the outlook for traditional 1.0 mobile content was bleak, said Mauro Montanaro, CEO of the newly reorganized Fox Mobile Group. Now the company is setting its sights on 2.0 content. "We don't live in a total vacuum," he said in October, when consumption had been down for a few weeks, but he added that it's not as dramatic as the housing or car industry.

Mobile TV is one type of content that people might forego when times are tough. Events like the Olympics and this month's election helped companies like MediaFLO USA and MobiTV. "In a general sense, we feel our offering provides a lot of value to consumers at a reasonable price and feel that in times of concern, it is a comfort to have immediate access to information," said Jonathan Barzilay, senior vice president, programming and advertising at MediaFLO USA. "I think we are well-positioned."



Providers of financial services are also banking on consumers' desire for information. Blue Systems provides real-time market tracking and trading information, attempting to deliver to the masses the type of information historically used by finance houses and investment banks.

"In the United States, we see what's happening as a huge opportunity," said Blue Systems CEO Sulim Malook, a former floor trader turned startup executive. People are more interested than ever in how markets are behaving in real-time; it affects their savings, pension, portfolio and more. "Everyone is nervous. Everyone is going to continue to want to know," he said. "They want to know what's happening in China."

**The Wireless Week Webcast Series**

**NGN Ecosystem Builds Carrier Profitability**

AVAILABLE ON DEMAND

Sponsored by:

## IMHO

### Why Android Makes Life Tougher for Developers

When the Android excitement dies down, developers will start to consider the new Android OS to be a mixed blessing at best.



### Customer Care Is Key In N-Play Convergence

With the digital content market continuing to evolve, service providers today are no longer limited to a distinct number of services.



**Strategic consulting in wireless technology, product, and business development since 1992**

#### Quick Links

2009 Media Kit  
2009 Editorial Calendar  
Ad Specifications  
Staff Listings  
Contact Wireless Week



#### Tools You Can Use

CellPhoneForums.net  
Classified Marketplace  
Events Calendar

#### Directories

ASP  
Billing Vendors  
M2M  
Wireless Handsets  
Tower Vendors  
Industry Links  
Glossary

**Malook:** *Information is vital during tough times.*

And they're not going to want to pay a lot of money for the information, which is Blue Systems' sweet spot, if you will, compared to Bloomberg or Reuters, he said. "We have a package that is affordable to the masses, which, I have to say, makes this an opportunity for us," he said. "We don't have a community of users that don't have a job anymore. We're the new kid on the block. We think we have a very strong business model."

#### MOBILE ADVERTISING: GOOD TIMES OR BAD?

When times are tough, one of the first things corporations look to cut is advertising. Advertising across mediums started to contract in March, well before the turbulence on Wall Street started in September, according to TNS Media Intelligence. The firm found that total measured advertising expenditures in the first six months of 2008 declined by 1.6% compared to the same period in 2007. Ad spending during the second quarter of 2008 was off 3.7% versus last year, the steepest quarterly drop since 2001.

The forecasts for mobile advertising, which is a small proportion of overall spending, are going up. eMarketer expects total U.S. mobile advertising spending to reach about \$1.6 billion in 2008 and rise to \$6.5 billion by 2012. But tough times lead to a form of "economic Darwinism," and "that ends up being a good thing," said John du Pre Gauntt, senior analyst at eMarketer. With so many people launching mobile ad networks and "me-too" solutions, the weaker ones will disappear. On balance, in two or three years, a stronger mobile marketing ecosystem will emerge, he said.

But he does not expect the latest economic turmoil to be a repeat of the dot-com meltdown, when "tourists" who had haunted the CTIA trade shows made their exit. The mobile marketing companies that recognize it's not business as usual will do well. "Performance talks and PowerPoint walks," he said.

## U.S. Mobile Advertising Spending (Millions)

	2007	2008	2009	2010	2011	2012
Mobile message advertising	\$810	\$1,470	\$2,380	#3,060	\$3,830	\$4,500
Mobile display advertising	\$34	\$85	\$186	\$327	\$453	\$541
Mobile search advertising	\$35	\$107	\$242	\$531	\$910	\$1,484
<b>Total</b>	<b>\$878</b>	<b>\$1,663</b>	<b>\$2,808</b>	<b>\$3,917</b>	<b>\$5,194</b>	<b>\$6,525</b>

Note: numbers may not add up to total due to rounding. Source: eMarketer, March 2008

Mobile advertising company representatives who agreed to talk about their situations were cautiously optimistic and reported signs of continued growth. At a global board meeting last month, Mobile Marketing Association (MMA) members expressed a desire to continue with their mobile marketing plans. "They're locked and loaded" on their remaining 2008 and going into 2009 budgets, said Laura Marriott, MMA president.

Derek Handley, co-founder and CEO of mobile marketing company The Hyperfactory, whose clients include Research In Motion (RIM), Toyota and the Food Network, sees marketers in three general camps. One camp hasn't done much in terms of mobile marketing; their spend last year was zero.

Another group consists of those in the oft-cited test-and-learn phase, or those who consider mobile marketing to be experimental. The final camp has done enough investment to know the mobile channel works and what kind of results to expect. The Hyperfactory, as of October, did not see any change in the last category. "These are the brands we're most excited about," he said. "The guys that get it, they continue to rocket ahead."

#### MORE ABOUT GROWTH

The story is much the same at AdMob, which saw ad spend grow throughout 2008 and plans to use its latest funding round to expand. As for customers planning budgets in the fall timeframe, "we've not heard about any change about their intent to buy and leverage mobile," said Jason Spero, vice president of marketing at AdMob. In fact, new advertisers are coming in. "They know this is a measurable medium. They can track it."

The automotive sector especially has been a strong adopter of mobile, and AdMob has strong relationships with the likes of Ford, Jaguar and Land Rover. Even though it's one of the hardest hit sectors of the economy, auto makers continue to increase their spends on mobile, Spero said.

Last month, BuzzCity announced its myGamma Global Advertising Network grew 96% in the U.S. market since the end of the first quarter. Globally, a lot of BuzzCity's growth is coming from emerging markets, where carriers are offering more attractive data pricing, said BuzzCity CEO KF Lai. Most of the end-users in those markets don't have Internet or broadband to start with, so "you have this pent-up demand from users who never experienced the Internet at all," he said.

BuzzCity is based in Singapore and does business around the world, but being a diversified company globally doesn't make it immune to the U.S. market gyrations. "We see all the bad news here all the time as well - every morning. If the U.S. sneezes, everybody else catches a cold," Lai quipped. But so far, the company, which has been cash-flow positive the past year, has not seen a significant slowdown. "We don't think we need to dramatically change direction."

Historically, BuzzCity sees a bump near the end of the year when marketing divisions need to "use it or lose it" in terms of budgets. Then it dips in January and picks up in February. Lai said he doesn't know if it will pick up this February. "We'll wait to see."

# Survey

#### Ultimate Rule

Which will ultimately rule?

- Touchscreens  
 Keyboards

[View Previous Survey Results](#)

#### Sponsored Links

[Watch "IEEE Membership... Why We Joined" on IEEE.t...](#)

IEEE professional members explain the value of membership, benefits, and service...

[Be an IT Hero with Microsoft Mobile Device Manager](#)

Manage your company's mobile phones just like you manage the rest of its technol...

[DOWNLOAD XCELSIUS ENGAGE 2008 - FREE](#)

Transform your data into visually stunning dashboards, calculators, forecast rep...

[Nominate a small business and WIN with BlackBerry](#)

Enter them into a BlackBerry and AT&T contest and you could win a BlackBerry® Bo...

[DOWNLOAD CRYSTAL REPORTS SERVER 2008 - FREE](#)

Minimize IT cost with auto job scheduling and report delivery. Great for busines...

[Buy a Link Now](#)

Mobile search and advertising firm JumpTap also sees money being shifted from conventional ad mediums like TV and print to digital, according to Paran Johar, chief marketing officer. "We're seeing more RFPs, more clients entering the mobile Internet space," he said.

JumpTap did let some employees go this year, but it hired in other areas, reflecting its maturation as a company, according to Johar. It has more employees – 125 – than before, and closed a \$26 million Series D round in August. "In this market, I think that's a huge testament," he said.

"We're focused on maximizing our value. We're focused on profitability in everything we do," Johar said. "It's at our core. We'll weather the storm."

What about the budgets that are being hashed out right now and after the Nov. 4 election? Most of the RFPs floating around are for budgets established late last year, Gauntt said. Buyers with \$2 million left in their 2008 budget are going to spend it or risk losing it next year. The real proof of the pudding for everybody will be the first quarter 2009 – that's when budgets negotiated now will emerge. "You will know in the first quarter of 2009," and certainly by mid-year 2009, he said.

Pure-play mobile search companies are going to have to "really out-innovate even more right now," he said. In a tough economy, there's the idea that no one got fired for buying Google or Yahoo!, similar to the IT adage that no one got fired for picking IBM. Google and Yahoo! always had the ability to use mobile as an "extra sweetener" in their digital deals, and they can ramp up those efforts.

#### INVESTMENT NOT DEAD

Like BillShrink, a lot of companies in the wireless space are fortunate to have secured their funding when they did. Others won't be so lucky. VC activity was down 7% in the third quarter of 2008 compared with the second quarter, although VC investing remained within historical norms in the third quarter, according to the MoneyTree Report from PricewaterhouseCoopers (PwC) and the National Venture Capital Association (NVCA) based on data provided by Thomson Reuters.

The economy, as bad as it is today, doesn't mean VCs won't continue to invest; it just gets harder for startups to prove their cases. "It's always possible to get funding with the right business plan and team," said Deborah Magid, director of strategy at the IBM VC Group. The VC market continues to be captivated by the sheer number of handsets around the world, she said, and that spells opportunity.



**Magid:** VC money will always be available for the right business plans.

Executives at companies that recently acquired funding from VCs are understandably humble. BuzzCity recently secured \$10 million growth capital financing from new investor Naspers, a South Africa-based integrated multinational media company. The first time the company raised significant funds, it was 2000, and two months later came the "big crash." This time, the company closed its funding at the end of August, and once again, a crash followed. The inside joke is if the company raises significant funds, "run for cover," Lai said. But he doesn't have a crystal ball. "I can assure you, we just got lucky."

[Printer Friendly Version](#) | [E-mail to a Colleague](#)



#### Wireless White Papers

##### [Common AAA Platform Provides Important Key to NGN Success](#)

Among the most significant challenges facing service providers as they migrate from their legacy infrastructures to next-generation networks is delivering high-quality services across a variety of...

[View Now](#)

##### [Proving the Business and Industry Case for Wireless Connectivity](#)

Companies in just about every industry are looking to wireless technology to connect serial devices and avoid the high cost of installing cable. Low-cost wireless links reduce installation and...

[View Now](#)

##### [Beyond FOTA: Advancing Mobile Software Management to Next-Generation Services](#)

In the rapidly advancing market for mobile phones, mobile software management (MSM) provides the means for new services and applications to be made available across a broad user base, states analyst...

[View Now](#)

##### [BlackBerry Internet Service or BlackBerry Enterprise Server for BlackBerry?](#)

There are two main BlackBerry smartphone mobile connectivity options, and they are quite different. The first is the BlackBerry Internet Service, in which your mobile carrier acts as a liaison between...

[View Now](#)

[View More Research](#)