

# UPDATE 5-Motorola unveils Google phone to muted response

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SAN FRANCISCO, Sept 10 (Reuters) - Motorola Inc ([MOT.N](#)) unveiled on Thursday the first of many cellphones to be developed in partnership with Google ([GOOG.O](#)), but analysts questioned if it could revive the once-dominant handset maker's fortunes.

Wall Street sees the phone as Motorola's last big hope to regain the market share it has lost to rivals like Apple Inc's ([AAPL.O](#)) iPhone, Nokia ([NOK1V.HE](#)) and Samsung.

Analysts were unimpressed by the phone's design, but many hoped that a focus on integrating social networking sites from Facebook to Twitter might help prop up sales.

Shares of Motorola were up around 1.5 percent at \$7.97, but barely more than the overall market and off their earlier high of \$8.15 before the phone was shown. In contrast, when Palm Inc ([PALM.O](#)) unveiled the Pre phone at the Consumer Electronics Show in Las Vegas in January, its stock rose 35 percent.

Motorola's stock had risen over 10 percent in the past month in anticipation of the new phone. [nN0482682]

"This is just the first salvo in the whole discussion about where they are going to place, but it sounds like they've done a good job here," said Ed Snyder, an analyst with Charter Equity Research. "It's nothing really to write home about from a physical aspect, but they don't really need to knock it out of the park to do much better."

The phone, which uses Google's Android software, has a slide-out mini-keyboard and a five megapixel camera.

"It's not really a threat to iPhone because it doesn't look distinctive enough," said Macquarie Research analyst Phil Cusick. "It's pulling back here because really what they launched was essentially in line with what we'd been expecting."

## NETWORKING HARD

While many analysts agreed the phone's physical appearance was none too exciting, they liked Motorola's efforts to simplify managing contacts and the sending and receiving of messages from online social sites on the phone.

"They did a good job on the social networking element," said Deutsche Bank analyst Brian Modoff.

The phone will be called Cliq in the United States, where it goes on sale at Deutsche Telekom AG's ([DTEGn.DE](#)) T-Mobile USA in the fourth quarter, and branded as Dext when it goes on sale in the rest of the world. France Telecom's ([FTE.PA](#)) Orange plans to sell the phone in the United Kingdom and France; Telefonica ([TEF.MC](#)) will launch it in Spain; and America Movil ([AMXL.MX](#)) ([AMX.N](#)) in Latin America, Motorola said. Snyder said the phones may help the company regain profitability, but market share gains may be limited.

"More than likely these phones will substitute for very unprofitable phones that Motorola is selling, so they will probably cannibalize some of Motorola's own phone sales and probably not show up as huge market share gains initially," he said.

Motorola's announcement was anticipated by many as a make-or-break event for the company, which has canceled other phones slated for this year in order to devote most of its development resources into the Google Android devices.

Co-Chief Executive Sanjay Jha, who revealed the Android strategy three months after he took the helm at Motorola's mobile devices unit in August 2008, said the phone was "a very important starting point."

The centerpiece of Motorola's Android development is its MOTOBLUR software, which integrates contacts, emails and text messages along with postings and photos from social networks.

For example, Motorola's live "Happenings" application automatically delivers updates posted by friends on multiple social sites to one place, and gives the user a choice of ways to immediately reply to those updates.

Contacts, messages and log-in information will be backed up on a MOTOBLUR secure server, so that when a user gets a new phone all the information will show up after the entry of a username and password on the phone.

A phone owner could also wipe data from a lost or stolen phone remotely or even find out where the phone is by using the device's Global Positioning System technology.

But ABI Research's Kevin Burden said it was insufficient.

"It's got to do something more, because that alone is not going to make people go out and rush to buy this phone," he said.