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## Motorola's presence felt again at Consumer Electronics Show

**The company unveils the Backflip, an Android phone with a larger keyboard**

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LAS VEGAS

-- The collective buzz from the annual Consumer Electronics Show in Las Vegas can be deafening, with hundreds of manufacturers of everything from iPod cases to plasma screen televisions vying for a piece of the spotlight.

But Motorola Inc.'s mobile phone division has a simple message that it hopes will cut through the noise: Motorola is back.

The Schaumburg-based company was never absent from the annual technology trade event. But Motorola's presence at the 2010 show has a different feel than in recent years, when the company had few products to show off and was fighting to stay relevant in the industry.

"We're in a different place now," co-Chief Executive Sanjay Jha told the Tribune in an interview on the sidelines of CES. "Last year, there was uncertainty about our viability. Now we're a bona fide player in the smart phone market. ... Instead of trying to catch up, we're a leader."

The mobile phone unit still has a long road ahead; it needs to regain market share and prove that it can consistently deliver a variety of devices that are competitive with companies such as Samsung, Apple and Research In Motion. Investors are still waiting for Jha's turnaround strategy to produce break-even financial results and eventually make a profit for the division.

Jha's rebound effort, which centers on producing smart phones using Google's Android operating system, has won early praise from the industry. A recent report from Oppenheimer & Co. estimates that Motorola sold a better-than-expected 1.2 million Droid smart phones in the fourth quarter, and that the company will release four to five new Android phones per quarter this year.

Motorola unveiled an Android phone Wednesday at CES. The Backflip, pegged for a first-quarter launch, folds over to reveal a keyboard that is larger than the one on the Droid. At a press event held in the Beatles-themed Revolution Lounge at the Mirage, Jha acknowledged that some reviewers criticized the Droid's keyboard for being too small and hard to use.

The Backflip has a touch screen and boasts a smaller touch pad on the back of the device, so users can navigate from behind. The device uses Motoblur, a cloud-based service that aggregates and streams social networking content, such as Facebook and Twitter updates, to the phone.

Motorola hasn't announced pricing or the North American carrier for the Backflip. But the phone's carrier likely will be AT&T, which announced at CES its plans to release five Android smart phones in the first half of 2010, including a Motorola phone featuring Motoblur.

Wall Street analysts are watching Motorola closely. Tero Kuittinen of MKM Partners said in a note to clients Wednesday that even with the new Android devices, the company "is still facing very strong competition in this 'smart phone' segment."

Ed Snyder of Charter Equity Research believes that although Motorola benefited from a strong push at Verizon for the Droid, the company may feel some pressure this year as the carrier turns its attention to webOS phones from Palm. Having the Backflip at AT&T may help make up for this, Snyder said.

"We expect AT&T to push it hard as a hedge against its impending loss of iPhone's exclusivity to Verizon mid-year," Snyder wrote in a note to clients late Tuesday.

Motorola's stock ended Thursday up 16 cents, to \$8.13. Its shares rose 75 percent in 2009.

Jha told the Tribune he welcomes the Nexus One, the Android smart phone by Google that was announced Tuesday. Google is selling the device directly to consumers through an online retail store. The Nexus One costs \$529 unlocked or \$179 with a two-year service agreement at T-Mobile.

"We fully expect lots of competition in the Android ecosystem," Jha said in the interview, calling the Nexus One "a good competitive product."

Jha said he's curious to see how Google's foray into direct online sales unfolds. It's an alternative model to the industry's entrenched system, in which most consumers buy a mobile phone tied to a carrier, which subsidizes the cost of the device.

"Part of the reason I'm supportive is, I see it as an experiment that has some potential," Jha told the Tribune, although he doesn't predict the subsidy system will phase out

anytime soon.

At the press event, Jha told the audience that software upgrades are coming for the Droid and the Cliq, an Android phone released last year for T-Mobile.

"These devices have to be able to be upgradable and to grow with you," Jha said.

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