

Facebook denies plans to make phone, but mobile projects likely

September 21 2010, By Jessica Guynn

Facebook wants to make mobile phones more social. The world's largest social network has been quietly developing software that would make smart phones look and function more like its online service, according to a source familiar with the project.

Facebook issued a statement Monday denying it was "building a phone" but left open the possibility for deeper ties with handset makers and carriers. Facebook already has more than 150 million users logging on through their mobile devices.

But Facebook, which has more than 500 million users, wants to have as big an effect on mobile devices as it does on the Web, the source said, noting that six months ago Facebook engineer Joe Hewitt, who created the company's immensely popular [iPhone](#) application, launched a "super-secret" project to make [mobile phone software](#) based on Google Inc.'s Android operating system.

Right now, Facebook users can download an application to their mobile devices to access the social network. But with the new software, smart-phone users would be able to use their lists of Facebook friends to make calls, send text messages and use location-based services. The software would ultimately allow Facebook to target ads to mobile users and enable them to make payments through Facebook credits.

The move would heighten competition with Silicon Valley rivals Apple Inc. and Google, both of which have their own mobile phone platforms

and are trying to push deeper into [social networking](#). Apple recently rolled out Ping and the Game Center. Google last week said it planned to offer its own "social layer" to its search and online services.

Facebook has lined up engineers with mobile experience, including Hewitt; Erick Tseng, whom Facebook recently recruited from Google to oversee its mobile products; and Matthew Papakipos, a former Google engineering director.

A profile of Facebook founder [Mark Zuckerberg](#) in the New Yorker this month noted that he envisions Facebook becoming "a layer underneath almost every electronic device."

Analysts say it's a daring gambit even for a company with Facebook's brand reach. But Facebook's huge subscriber base gives it an edge as it leaps into the already saturated smart-phone market, said Brian Marshall, mobile and telecom analyst at Gleacher & Co. "They have half a billion users lined up -- that's a powerful, loyal subscriber base, and it puts them in a very interesting position."

Rumors of a Facebook phone have circulated in Silicon Valley for years as Google, Microsoft Corp. and other companies introduced their own branded devices. Technology blog TechCrunch first reported on Facebook's latest mobile ambitions over the weekend.

A Facebook phone would add another contender to the contentious smart-phone power struggle between Apple, Google and BlackBerry maker Research In Motion Ltd.

"Google wants to be everywhere, and Facebook is the same way. It wants to help you interact with your friends no matter where you are," Forrester Research analyst Charles Golvin said. "But they already have that today."

Apple has tightly controlled what can go on its devices, whereas Google's Android operating system is open, with many operators making their own devices.

Google doesn't directly profit from sales of phones that use Android, which it gives away. But the company is able to more easily advertise products and services to those users.

Devices running [Android](#) surprised mobile industry observers by capturing a substantial slice of the smart-phone market this year, even outselling Apple's iPhone for much of 2010.

According to online research firm ComScore Inc., [Google](#) phones have won market share from Apple and market leader RIM, rising from 12 percent to 17 percent in the three months that ended in July, while Apple (23.8 percent) and RIM (39.3 percent) both dropped more than 1 percentage point. There are now 54 million smart-phone users in the U.S., ComScore said.

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