

Week in Review, June 21



A round up of some of the week's most significant corporate events and news stories.

Amazon's Fire smartphone launches at premium price

[Amazon](#) made its first foray into the smartphone market this week with the launch of its first phone, the Fire, *writes Sarah Mishkin*.



But since its launch on Wednesday, the phone has sparked as much criticism as praise among analysts and industry players for its unexpectedly high price and new technologies that some have described as more gimmicky than useful.

The phone, which launches in the US in July, costs \$199 on a two-year contract with AT&T, the only carrier that will offer it. Without a contract, it costs \$649. Those prices are equivalent to an entry-level Apple iPhone or a device in Samsung's high-end Galaxy line.

If the phone takes off, it could drive more sales from Amazon's online mall, the world's largest, analysts say. Each phone comes bundled with a year's membership of Prime,

Amazon's premium service, which gives shoppers free two-day shipping and access to an online library of streaming music and movies. A visual search engine, Firefly, lets users point their phone at objects, such as books or groceries, and navigate almost immediately to buy them from Amazon.

Yet with steep competition from the iPhone and Samsung's Galaxy, some analysts say Amazon will have to change its pricing model if the Fire is to sell in enough volume to make a difference for the e-retailer.

"I don't believe the Fire phone will be enough for users to buy the phone at the kind of premium price they are asking," said Francisco Jeronimo, an analyst with IDC.

- Related content: Amazon's phone is about credit, not conversation, by Christopher Caldwell

Shareholders urge Citigroup to fight DoJ case in court

Some of [Citigroup's](#) biggest shareholders have said they would prefer the bank to go to court than pay up to \$10bn to settle an investigation into the sale of mortgage-backed securities with the Department of Justice, *writes Camilla Hall*.



The DoJ is preparing a lawsuit against Citi as it investigates US banks over the sale of mortgage-backed securities in the lead-up to the financial crisis.

One top-10 shareholder, who has discussed the matter with other investors, said: "We're all in agreement that there's a line of responsibility that is acceptable but, past that, it becomes questionable. Once the line is as far past as it seems to be in this case, we would support management and the board to get a reasonable judgment."

In the past year, US authorities have levied unprecedented penalties on banks for alleged wrongdoing – from mis-selling mortgage products to helping Americans evade taxes. Banks in the US have paid more than \$100bn in fines, settlements and penalties since the financial crisis.

If Citi fights the DoJ, it risks a drawn out legal battle with an uncertain outcome. Faced with a similar scenario, JPMorgan concluded that it risked too much going to court, including a possible criminal indictment that might be fatal for a bank.

JPMorgan Chase paid a \$2bn civil penalty and agreed to \$4bn in consumer debt relief as part of a \$13bn settlement.

Citi and Bank of America are yet to strike deals with the DoJ. BofA is in talks to pay at least \$12bn.

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BP and Exxon evacuate Iraq staff as fighting spreads

Oil majors such as ExxonMobil and BP evacuated staff from Iraq as Sunni insurgents continued to advance through the north of the country and surrounded its largest oil refinery, *writes Guy Chazan*.



Exxon has been pulling expatriate workers out of its West Qurna 1 field in the south, and BP has taken non-essential staff out of nearby Rumaila.

So far oil production and exports have been unaffected by the unrest, which escalated this month when rebels of the Islamic State of Iraq and the Levant (Isis) captured Mosul, Iraq's second city. Military experts say Isis is unlikely to push into the Shia heartlands of the south, where the large oilfields are concentrated.

But the evacuations show that western oil companies are changing their assessment of the risks of operating in Iraq. Royal Dutch Shell, which has not withdrawn any staff, said that it had a plan in place to evacuate workers if the situation deteriorated.

Fighting has been heavy around the Baiji refinery near Baghdad. Most of the facility is still in the hands of Iraqi army troops, but it is surrounded by militants. Any capture of the plant could severely affect petrol and power supplies in northern Iraq.

With the world's fifth-largest oil reserves, Iraq has ambitious targets to ramp up production and is the main source of expected capacity growth in Opec.

But in a report this week, the International Energy Agency said that growth targets looked at risk.

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YouTube to pull indie music videos in contract stand-off

A dispute between YouTube and independent record labels over licensing terms intensified this week, as the Google-owned company warned it was about to start blocking videos by artists including Adele and the Arctic Monkeys, *writes Robert Cookson*.

YouTube, the world's biggest video service with a billion monthly visitors, has been renegotiating contracts with record labels as it prepares to launch a subscription-based music streaming service. Two of Google's biggest rivals – Amazon and Apple – have entered the fast-growing market for subscriptions in the past month.

According to YouTube, independent record labels representing about 5 per cent of the music on its platform have refused to sign its

Corporate Person in the News



American Apparel's board says behaviour of founder and chief executive Dov Charney has become 'materially damaging', but he may not go down without a fight

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terms. These labels will be blocked from the entire platform – including both its free tier and the new subscription tier, Robert Kyncl, YouTube’s head of content and business operations, told the Financial Times.

Impala, a trade body for independent music companies, is appealing to the European Commission, arguing YouTube is using its market position to force them into accepting unfavourable terms. The premium YouTube tier will allow users who pay a monthly fee to watch videos or listen to music without adverts on any of their devices, even when not connected to the internet.

YouTube will start Google-wide internal testing of its subscription-based offering, ahead of a public launch later this summer, Mr Kyncl said.

IPO prices Zoopla in lower half of expected range



Zoopla priced its IPO at 220p per share on Wednesday, in the lower half of its expected range of 200p to 250p, as the online property portal became the latest in a series of real estate-related companies to go public, writes Kate Allen.

But the flotation came just as the Bank of England has been weighing ways of cooling the housing market. House prices have risen 9.9 per cent in the past year on average across the country, Office for National

Statistics figures show.

The flotation set Zoopla’s value at £919m, less than half that of Rightmove, the market leader. Both companies showcase estate agents’ property adverts.

Zoopla uses a complicated set of algorithms to let homeowners estimate the value of their property, trading on what its founder, Alex Chesterman, calls “the voyeur in all of us”.

Zoopla has lower revenues than Rightmove, but says potential for growth is substantial because its listing fees are lower. The shares closed down 1.7 per cent at 231p yesterday.

Mr Chesterman, who also founded LoveFilm, received backing for Zoopla from DMGT, the Daily Mail owner.

A series of acquisitions – and its merger with Findaproperty.com in 2012, which saw off an investigation by the Office of Fair Trading – turned Zoopla into the UK’s second-biggest property portal

Going public reaped £17m in share sales for Mr Chesterman, whose remaining 6.1 per cent holding is worth £56m. No new shares were issued.

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And finally ... the lighter side of the news



• “OK, here’s the pitch: you get a grid of your friends’ names on the screen, tap one, and it sends a message that just says Yo!” “Is it an app?” “Yep.” “Awesome!” Thanks to this business proposition, monosyllabic messaging app **Yo** has \$1m of funding and 200,000 semi-literate users. Reductio ad absurdum? Like, way too many letters, dude!



• “OK, here’s the pitch: you get a grid of numbers, cross one out if it’s recited in a rhyming couplet, and then just shout House!” “Is it an app?” “Nah, it’s a load of old women with perms sitting in a converted cinema.” “Awesome!” And it is for this business proposition that **Gala Bingo** seeks bids of £300m. Eyes down? Eyes roll, more like ...



• In a week when Twitter users exposed Tesco’s bargains (“Soup £1, any 2 for £3”), Aussie retailer **MySale** caused more of a stampede by listing its share price as £2.26, not 226p. Alas, trading software read it as 2.26p and sold up fast. Topshop magnate Sir Philip Green lost £5m. But, then, he is used to offloading cheap stock ...

• England’s ingenious strategy of trying to win the World Cup while scoring fewer goals than its opponents may cause **JD Sports** to regret boasts of “enhanced” sales of Three Lions nylon wear. Analysts said trading would be “driven by the longevity of England’s performance” – in the tournament, that is, not the departure lounge bar.



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