

iPhone central

Santa Barbara startups develop phone apps



Chris Herbert, chief technology officer of Santa Barbara's Phone Halo, holds a prototype of the company's "wireless leash" for smartphones.

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Two tech trends have emerged as unstoppable in recent years: The growing reliance on smartphones for most of our day-to-day computer needs, and software as a service, the idea that you can deliver

software over the Web and charge for the service rather than a copy of the application's code.

So what do you get when those two forces collide? A crop of Santa Barbara-based software startups testing out new ways to make money off of applications for Apple's iPhone.

iPhone application developers Zuujiit, SBClick and Phone Halo have business models that take advantage of the iPhone's popularity and neat hardware. But they don't depend solely on selling copies of their programs to make a profit. Instead, they plan to draw revenue from fees on

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and even hardware that helps prevent users from losing that fancy new mobile phone. And any of the three companies could go big. Mobile apps are still the Wild West, akin to the early days of home PCs or the first stages of the Internet, where user tastes and winning business models emerged and solidified in tandem.

Here's a closer look at each company:

ZUUJIT

For Tyler Gildred, the founder and chief executive of Zuujit, inspiration to get into smartphone applications came when he went to a public auction looking for a band saw and ended up buying a whole Goleta warehouse full of automotive parts. Gildred, a hot rod enthusiast whose family owned a racing business, intended to sell the items on eBay for a profit.

The ordeal of listing all those items spurred Gildred to create Zuujit, an application that streamlines eBay's listing process and uses a smartphone's camera and Web connection to carry out the whole process on the spot – say, while walking through a warehouse. The goals: Simplify, shorten and mobilize the listing process. Development began three years ago, building engines and databases that would mine eBay to help identify where items belong on the site and come up with an asking price. Initial development centered on the Windows Mobile and BlackBerry operating systems, but the iPhone has cracked a much larger audience, Gildred said.

Gildred has shown his app to eBay and gotten a positive response. Though he's reluctant to criticize the auction site, he concedes that it's lost ground to other sites and contends it can come back. "They lost a few customers to Craigslist because Craigslist is easy," Gildred said. "One thing I'm focused on is making the process as easy as Craigslist."

Zuujit has eight full-time employees and has raised about \$1.4 million in funding so far. And unlike a lot of "build the audience and monetize later" tech firms, the business plan is to ask customers for a cut when Zuujit helps them make money. "We charge \$1.99 if we sell your thing," Gildred said. "Too many companies either give away their product or don't have a financial model. They're doomed to failure. The reason Apple does so well is that they charge a lot."

With a planned fourth-quarter rollout, Gildred said he won't have to penetrate far into the market to have a decent business on his hands. "There are 70 million devices our app works on. Ebay has had about 404 million sales and 80 million to 90 million actual buyers," Gildred said. "If you can get even a small piece of that, it's a good amount of revenue."

SBCCLICK

Santa Barbara's SBClick takes full advantage of the iPhone's ability, via GPS and online maps, to know right where a user is. Users download the app and then can search for deals near their location. Sample query: Which bars within three blocks have drink

eters told people about specials and round that for a lot of them, the media was left at home or wasn't used."

Again, the business model doesn't depend on selling the app – it's free and has more than 300 users so far. SBClick charges advertisers who want to get their message out. And Head said the service offers some benefits that regular advertising doesn't. Users signal what they're interested in when they download the app. So if a golf course sends out an offer for a discount round on a slow Saturday morning, it knows the message will only go out to users who want golf deals. The golf course can also narrow its focus to golf-loving users who are near the course. And it's instant, Head said, opening up the possibility of using SBClick as an inventory management tool. "If a restaurant orders too much seafood, they can send out a message to all people who've said they're interested in seafood to say, 'We've got seafood entrees two-for-one right now, so come visit us,'" Head said.

SBClick wants to develop its model and take it to a city near you. "The whole premise behind the business was to start it in Santa Barbara and refine our tools and technology so we can spread out to multiple cities in 2010," Head said. "We've been building our back-end technology. We're exploring partnerships with media companies and with different organizations that have sales forces."

PHONE HALO

What makes smartphones so useful is also their pitfall: They're small and easy to carry but also easy to lose. Enter Phone Halo. The company takes advantage of a smartphone's Bluetooth and GPS to create a wireless leash for your phone. Here's how: A Bluetooth-enabled keychain fob or wallet-sized card wirelessly connects to the Phone Halo application on your iPhone or BlackBerry. Then, if your phone becomes separated from the fob or card, it rings at you.

"We thought it would be really difficult to lose your phone, your wallet and your keys at the same time," said Chief Technology Officer Chris Herbert. The app can also prompt the phone to e-mail a map of its last known GPS coordinates when it becomes lost. So if you left it in the coffee shop down the street, you can log on to your e-mail to find out.

"You can even have a text sent to your wife's phone so that she knows you lost your phone," Herbert said. "That way, if you're late to dinner, she doesn't get as mad at you." The device will cost about \$60, and Phone Halo plans to start selling through its Web site later this year. The app will be available on the BlackBerry first, a signal that the company is aiming for business travelers and corporate customers and selling Phone Halo as a low-cost insurance device.

"If you lose a phone, you have to not only replace the device, but all the data you had inside. And also, there's the time and productivity lost while you're without a phone," Herbert said. "A lot of companies buy phone insurance just because of that."