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# Is competition finally getting to RIM?

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Research In Motion's revenue and device shipments may have been up for the fourth quarter of 2009, but analysts worry the company's days at the top of the smartphone market are numbered as it succumbs to pressure from competition.

On Wednesday, RIM [reported increases in its quarterly profit and revenue](#), but the company still disappointed Wall Street, which was expecting bigger gains. The company also announced slightly lower phone shipments, which also raised eyebrows. And average selling prices on its phones fell slightly. Shares in the company's stock fell roughly 5 percent Thursday on the news.

This "disappointment" comes as the company actually reported better-than-expected subscriber growth and strong growth in international markets.

So what's the problem? Why are investors down on RIM? The bottom line for RIM, maker of the popular BlackBerry line of smartphones, is that when you're on top, it's hard to stay there with rivals, such as Apple and Google, breathing down your neck.

"Weak offerings in touch (phones) and 3G leave the company heavily exposed to a slew of new smartphones now hitting the market," Ed Snyder, an analyst with Charter Equity Research, wrote in a note to investors. "While it will certainly maintain its lead in email-based smartphones, we see little chance it can sustain its market share, pricing or margins long-term."



The BlackBerry Bold is one of RIM's top selling phones, sporting some of the latest and greatest technology RIM has to offer. (Credit: Research In Motion)

Prices already seem to be under pressure. The average selling price of a BlackBerry in the fourth quarter was about \$311. This is below management's own estimate of \$320. The company said it expects first quarter 2010 shipments to average \$305 to \$310.

Some analysts see this as a warning sign that stiff competition is forcing prices down. But others say the dip is attributable to one-time inventory adjustments left over from the busy holiday season. What's more, January and February are typically slow months for cell phone sales.

Still, there are enough troubling tidbits to make investors wary. Even though the company added more new subscribers for its phones, it actually sold fewer phones than it had expected. RIM said it shipped 10.5 million devices. The estimate was that it would sell about 11 million phones.

RIM is facing stiff competition from other phone makers, especially Apple and the slew of competitors offering phones using Google's operating system. Microsoft may also become a stronger competitor later in the year when the company [introduces its Windows Phone 7 software](#).

Apple and the [Google Android](#) phones have been strong competitors to RIM in the consumer market. But Microsoft, which doesn't require companies to buy an expensive license fee for its server, could challenge RIM's dominance in the corporate market, RIM's bread and butter.

RIM recognizes that license fees could be an issue for some of its corporate customers. In February at the [Mobile World Congress](#) in Barcelona the company announced it will offer a [free version of BlackBerry Enterprise Server software](#) for small- and medium-size business customers, as well as for businesses that want to let employees use their own phones to access corporate e-mail.

BlackBerry Express Server is software that syncs BlackBerry phones with Microsoft Exchange or Windows Small Business servers. Previously, RIM had charged all companies a licensing fee for using this software, which not only provides access to corporate e-mail but also adds security.



Marguerite Reardon has been a CNET News reporter since 2004, covering cell phone services, broadband, citywide Wi-Fi, the Net neutrality debate, as well as the ongoing consolidation of the phone companies. [E-mail Maggie](#).

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