

RIM CEO: We've still got it

At a party to launch the new PlayBook tablet, RIM co-CEO Jim Balsillie talks up the company's prospects, despite its shrinking market share.

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NEW YORK--Research In Motion co-CEO Jim Balsillie defiantly believes his company hasn't lost its mojo.

Sure, it's lost market share over the last year, and its corporate-friendly smartphones are losing the marketing war with Apple's iPhone and the many different Android phones. But with a list of new handsets and the new PlayBook [tablet](#) hitting shelves next week, Balsillie said in an interview here with CNET Thursday night that there's plenty of reason to believe his company is on the upswing.



RIM co-CEO Jim Balsillie speaking at Mobile World Congress in 2011. CNET/Stephen Shankland

So far, the 7-inch tablet [has largely gotten lackluster reviews](#), but Balsillie is undeterred about its prospects, calling the device's architecture "future-proof." And he's even more upbeat about the company's soon-to-be-refreshed smartphone portfolio. He said RIM is planning to announce several new handsets in the coming months, some of which will be 4G-enabled, and all of which will be sporting enhanced processors and improved software.

"It's going to be a newsy summer for us," Balsillie said at a party celebrating the PlayBook's launch. "And a very newsy BlackBerry World in a few weeks. Let's just say I like what we've got."

Balsillie conceded that RIM, which once led the U.S. market in smartphones with its BlackBerry, has lost some ground in North America over the past year. The company hasn't had a major handset launch since the [introduction of the BlackBerry Torch in August last year](#). Meanwhile, multiple [Google Android](#) phones have popped up at every U.S. carrier. In the three months ending in February 2011, for the first time more U.S. consumers bought a Google Android phone than a BlackBerry, [according to Comscore](#).

Balsillie justified RIM's slip in U.S. market share by explaining that the company has been focused more overseas.

"We have been rapidly expanding our business in 180 countries," he said. "We have been focusing on the other 93 percent of the global market. We do need great products in the U.S., but this is a global business."

Indeed, RIM has made a big push outside the U.S. And with good reason, says NPD analyst Ross Rubin.

"RIM is placing far more emphasis on the value of its network operation centers," he said. "Emerging countries are key to RIM's business because its network architecture allows BlackBerry's to be more efficient."

To some degree, the strategy has helped the company boost sales. There are indications that RIM is making headway in places like the U.K., the Netherlands, and Indonesia. Overall in 2010, global unit sales were up for RIM about 38.2 percent compared with the previous year.

But there are signs that the company's growth in the international markets may be waning. RIM took a hit in its global sales in the fourth quarter. Its market share in the global smartphone market in the fourth quarter of 2010 fell from 19.5 percent the previous year to 13.7 percent in Q4 2010, according to Gartner.

"The big danger for RIM is [that] what happened in the U.S. could happen globally," said Roger Entner, an analyst and founder of Recon Analytics. "RIM was very successful with the business-centric BlackBerry, but they misinterpreted consumers' appetite for the BlackBerry as their strategy being successful. It was really just people who wanted the iPhone but didn't want to be on AT&T."

A few years ago, much of RIM's growth in the U.S. market came from consumers looking for a smartphone alternative to the iPhone. Verizon Wireless, in particular, pushed the BlackBerry as its answer for customers who craved the functionality of the iPhone but weren't willing to leave Verizon for it.

A year ago, RIM's sales in the U.S. were still growing. But [trouble loomed as the company's lineup of phones started looking a little long in the tooth](#) compared with a flurry of new Google Android devices, such as the Motorola Droid franchise and the Samsung Galaxy S lineup. Wall Street began to take notice.

"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 in April 2010. "While it will certainly maintain its lead in e-mail based smartphones, we see little chance it can sustain its market share, pricing, or margins long-term."

As Snyder noted a year ago, RIM's biggest problem has been that it hasn't adequately addressed the U.S. consumer appetite for the touch-screen market. First, it introduced the Storm and Storm 2 exclusively for Verizon. But neither device emerged as a major competitor to the iPhone. And then RIM released the [BlackBerry Torch exclusively at AT&T](#). The Torch had an improved touch screen, a slightly better browser powered by an updated OS, and a slide-out QWERTY keyboard. But the device has still not gained traction against the flood of Android devices on the market and the iPhone.

"The company was slower than others to realize the impact of the iPhone," NPD's Rubin said. "Like Nokia, RIM thought it could compete with surface-level UI improvements. However, RIM continues to be vertically integrated, bringing in pieces like QNX and TAT instead of becoming a Windows Mobile or Android licensee."

The result has been that Android's market share has more than quadrupled in the past year, capturing first place in the smartphone market. Android moved from 22 percent market share to 33 percent. Meanwhile, RIM's BlackBerry devices have slipped more than 5 percent, going from 33.5 percent to 28.9 percent market share. Apple still remains a threat to BlackBerry in third place, but its market share was relatively flat at about 25 percent, Comscore reported.

Exacerbating RIM's problems is the fact that it's far behind in the mobile app race, Rubin said. Apple offers more than 350,000 apps for its iPhone. And the Android Market has more than 150,000 apps. RIM's App World offers only about 27,000 for the BlackBerry.

"It likely won't be able to compete with Apple, Google, and Microsoft to be one of the three primary app ecosystems," he said. "RIM (and HP via WebOS) could win big if more developers start moving more to HTML 5 for their mobile apps."

But that is a big if. Still, Balsillie tried to downplay the importance of having a large and thriving app store, and he emphasized the importance of having useful apps instead, as well as full access to the Web.

"You don't really need hundreds of thousands of apps to satisfy people," he said. "Most people only use a very small number of apps on their devices."

Instead, he said, RIM is focused on delivering 4G devices and addressing the nascent tablet market with the PlayBook. But in terms of tablet apps, RIM is even further constrained. At launch, only about 3,000 apps will be available for the PlayBook. Meanwhile, [Apple's iPad](#) has more than 65,000 apps exclusively developed for it. What's more, RIM doesn't currently offer any 4G handsets, and the PlayBook doesn't yet support 4G. Meanwhile, the only 4G devices on the market today use Android. But Balsillie said that 4G support is coming to both RIM's handset lineup as well as its tablet.

He added that the next few months will be very busy with activity from RIM. The company plans to make several announcements at the upcoming [BlackBerry World, from May 3 to 5 in Orlando, Fla.](#) And he cautioned against writing an early obituary for the company.

"You must be careful what you predict," Balsillie said. "There are lots of twists and turns in this market. Our platform and architecture are moving forward. We have great relationships with carriers. And we have a good lineup of products coming."

Top on the list of new developments is the next version of its operating system, BlackBerry 6.1. Balsillie wouldn't talk specifics, but according to details leaked earlier this year by the Web site [CrackBerry](#), the new 6.1 OS will offer a better user experience via enhanced high-resolution graphics. The Web browser will also be improved with the help of more-powerful processors and other hardware for expanded HTML 5 support. Search and multitasking are expected to be improved in the new OS, and it should include enhancements for personalization and customization. And there will be a revamped virtual keyboard for the touch-screen devices.

Balsillie also promised not one new phone in the coming months, but several. Some of the new devices could include the first touch-screen BlackBerry Bolds, which are code-named the BlackBerry Dakota for the GSM version and the BlackBerry Montana for the CDMA version. There's also talk of a new Storm 3, code-named the BlackBerry Monaco Touch.

Roger Entner of Recon says that if RIM hopes to stay relevant in the smartphone market, it must have at least one hit phone out of the next crop of devices that come to market.

"I think they have one, maybe two more chances, and that is it," he said. "They have a large installed base, which helps. So if they are able to reinvigorate their product line and their OS this summer, they have a fighting chance."

No one expects RIM to go away overnight, but Entner and other experts point to other companies that once led the smartphone market, such as Microsoft and Palm. Even Nokia, still the worldwide leader in mobile phones, is struggling to keep hold of its lead in the face of stiffer competition.

"They may soon find themselves in the same boat as Microsoft," Entner said. "Windows Mobile once had 50 percent market share. And look what happened to them."

According to Comscore, Microsoft has fallen to fourth place in the smartphone market with just over 7 percent market share.