Research in Motion and the Future 2013

Introduction
On March 29, 2012, RIM, the maker of BlackBerry, announced a review of its future business strategy and its plan to refocus on the enterprise business [1]. New RIM CEO Thorsten Heins said, "we plan to build on our strength [enterprise business]" [2]. “Consumer-friendly features like entertainment applications are not important to the company's core customers.”

Mr. Heins’ comments were a response to the declining fortunes at RIM. The company announced that revenues are dropping and it will cut 2,000 jobs. Heins was appointed CEO following the 2012 forced resignations of co-CEOs Jim Balsillie and Mike Lazaridis. CEO Thorsten Heins couldn’t help but wonder if his strategy were correct and whether the actions and plans were going to reverse the company’s negative slide.

History
RIM was founded in 1984 by 23-year-old University of Waterloo student Mike Lazardis. The original BlackBerry wireless platform and line of handhelds achieved dominance in the corporate marketplace by offering an always-on, highly secure, and easy-to-use immediate push message delivery service. On August 18, 2009, Fortune named RIM the fastest growing company in the world. In recent years, senior executives from IBM and major telecommunications companies have been hired to address this growth challenge.

Market
Organizations that relied on sensitive information, like the US government and financial institutions, were early and loyal adopters. RIM also had success in a consumer market fueled by “always-on” celebrities like Madonna and Paris Hilton. A Facebook app also accelerated its consumer market.

Competition
Prior to the launch of the iPhone in June 2007, key competitors to RIM’s BlackBerry were Palm, Sony Ericsson, Nokia, and Motorola. In 2008 Apple announced it would be actively pursuing the business segment with push email and calendar integration. As of December 2010, Apple, Android (introduced in 2009), and RIM OS each held 25% of the smartphone operating system market in the United States.

Product development plans
Research in Motion is continuing to revamp its services and encourage developers to build apps for the new BlackBerry 1, introduced in March 2013. RIM recently added a Skype-style call system to its popular BlackBerry Messenger service, which has been given the name BBM Voice [3]. RIM has also launched a new development phone, named the Dev Alpha C, and this time rather than incorporating a facsimile of its touchscreen BB10 phone, it has a QWERTY keyboard [4].

The Arguments
RIM can't survive. The market has left it behind, and it's a case of too little, too late. Apple and Google Android have the market sewn up and will continue to do so.

RIM can survive and thrive
1. RIM has a loyal base of over 80 million subscribers [5].
2. 1 billion smart phones will be sold in the next three years [6]. RIM is well positioned in other countries, which will drive a large portion of this growth [7].
3. RIM’s new BB10 OS has been received well by analysts, carriers, and developers.
4. RIM has $2.3B in cash to launch BB10.
5. Android is just an OS. Its accumulated market share was the result of offering a cheap OS.
6. Android is a security nightmare. BB10 has been FIPS 140-2 (U.S. government computer security standard).

Summary
For RIM CEO Thorsten Heins, the biggest risk is whether there is room for a solid third OS in the market. RIM in the short term will retain that third position with the launch of BB10. Once established and no longer in a death spiral, where should the company focus its efforts and innovations to slowly begin to target areas for rapid growth?
Exhibit 1: RIM, Apple, Google Annual Data (2012), $ in thousands

<table>
<thead>
<tr>
<th></th>
<th>RIM</th>
<th>Apple</th>
<th>Google</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of employees</td>
<td>16,500</td>
<td>72,800</td>
<td>53,546 (incl. Motorola)</td>
</tr>
<tr>
<td>Revenue</td>
<td>$18,435,000</td>
<td>$156,508,000</td>
<td>$37,905,000</td>
</tr>
<tr>
<td>1-year change in revenue</td>
<td>($1,472,000)</td>
<td>$48,259,000</td>
<td>$8,584,000</td>
</tr>
<tr>
<td>Net profits after tax</td>
<td>$1,164,000</td>
<td>$41,733,000</td>
<td>$9,737,000</td>
</tr>
<tr>
<td>Current Assets</td>
<td>$7,056,000</td>
<td>$57,653,000</td>
<td>$56,821,000</td>
</tr>
<tr>
<td>Debt+Long-Term Liabilities</td>
<td>NA</td>
<td>NA</td>
<td>$2,988,000</td>
</tr>
<tr>
<td>R&amp;D Expenditures</td>
<td>$1,559,000</td>
<td>$3,381,000</td>
<td>$5,162,000</td>
</tr>
<tr>
<td>R&amp;D Expenditures (% of revenue)</td>
<td>8.5</td>
<td>2.2</td>
<td>13.6</td>
</tr>
<tr>
<td>Profit After Taxes (% of revenue)</td>
<td>6.3</td>
<td>26.7</td>
<td>25.7</td>
</tr>
</tbody>
</table>

Study Questions:

1) How did BlackBerry lose its world leadership position?
2) Do you agree with RIM CEO Thorsten Heins’ market analysis, strategy, and product plans?
3) What if anything would you change?
4) How successful do you think RIM will be in March 2014? What metrics would you use to quantify your position?

References

This case was prepared by Fred Gibbons, Consulting Professor Stanford University for the sole purpose of demonstrating the case method of instruction. It is based on publicly available material. All dialogs and vignettes are the creation of the author. This case is not intended to serve as endorsement, a source of primary data or an illustration of effective or ineffective management. Palo Alto CA 03/13