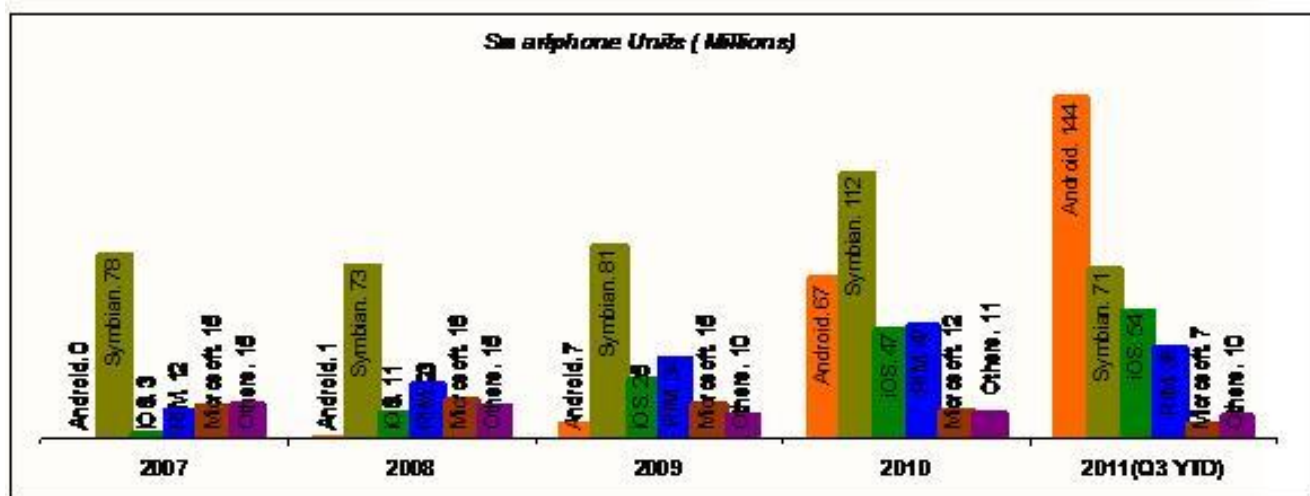


Tutorial 7 Blue Ocean Strategy in Smartphone Market- BlackBerry losing out to Android Phones & iPhone

BlackBerry smart phone was launched by Research in Motion (RIM) in 2001 and RIM created a category of devices that allowed people to **send & receive email reliably when away from office**, easy to use, long battery life, multiple mailboxes at once, web browsing capability, traditional PDA functions like calendar, address book, etc and was **an example of the third principle of Blue Ocean Strategy: Reaching beyond existing demand**. BlackBerry was a new type of wireless handheld solution for companies and it created an uncontested market space within the enterprise segment and companies saved time and money because employees **can access email almost from any place at any time without having to go back to the office**. RIM was able to reach beyond existing demand to unlock a new mass of customers (B2B) that did not exist before and aggressively partnered with wireless carriers to expand availability, with 100,000 installations of BlackBerry Enterprise Servers worldwide and currently has agreements with about 475 carriers and distribution channels in over 160 countries. In April 2009, RIM launched BlackBerry App World, a virtual storefront that collects BlackBerry applications in one central location and developers keep 80% of what they charge for their programs.



Source: Gartner

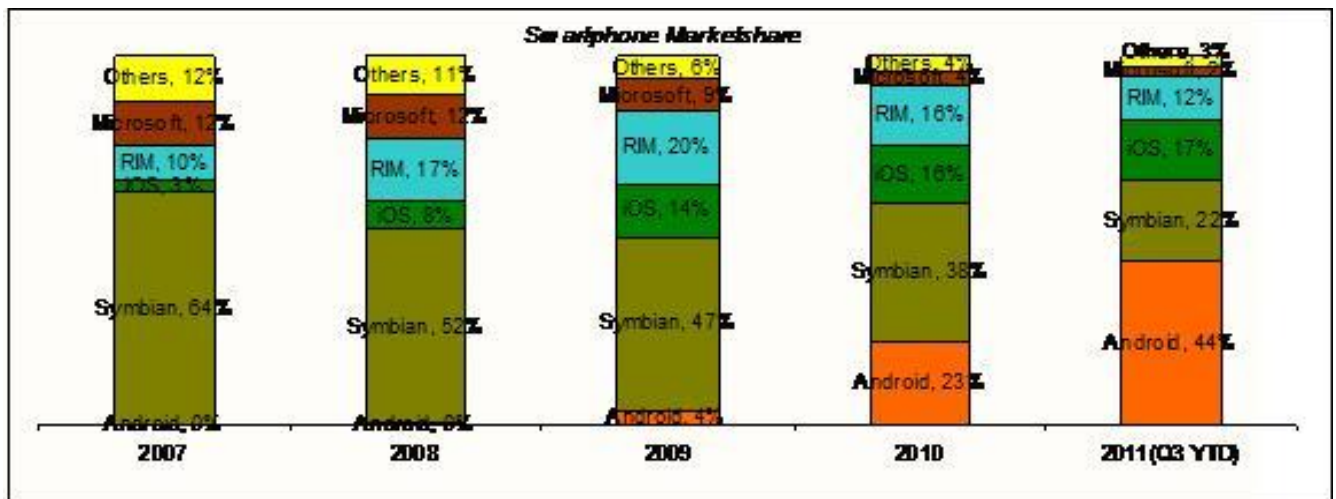
With its disruptive Product offering and unique blend of service and hardware solution the number of units of BlackBerry sold raised from 500,000 in 2002 to 47 million in 2010 and 38 million units in 2011 till third quarter. As of October 2011, there were seventy million subscribers worldwide to BlackBerry. BlackBerry had become a cult device like Apple products and BlackBerry was **a must have device for all the C level executives and Top Managers in the organization** and in fact BlackBerry has become an addiction (symptoms included constant checking of emails, need to hold the device always, etc) that affected many professional and non-professional users of the device. BlackBerry had **become a status symbol for business leaders, managers and other professionals** as the device had features like push email, instant messenger and easy use contacts and calendar that sync, etc and BlackBerry owners liked to flaunt their device and realized a need to constantly stay in touch with their work. Business organizations and governments bought Blackberrys for employees and profited by employees using the devices. Many fortune 500 companies and US government including the President started using BlackBerry extensively within their organizations and **BlackBerry became integral part of the organization IT and Communications strategy**.

With such a huge corporate success RIM started to focus on consumers segments along with its global expansion into other countries. The initial models of BlackBerry 5 & 6 series were black & white integrated phones. The 7 series were the first color phones and 71 series are the sure type phones with **QWERTY keyboards**. The 8 & 9 series phones were the most consumer friendly models that had more features like other phones with better screens, camera, media player, touch screens, etc. RIM also started focusing on the consumers with the launch of BlackBerry Pearl model in 2006 as the consumers were not attracted

earlier because of lack of features. Pearl was a more consumer- friendly Smartphone, with a sleeker form as well as a camera and MP3 player. RIM also started selling a higher volume of its low-end phones, such as the Curve or Tour series that are geared toward consumers upgrading to smart phones for the first time. RIM's strategy has been to leave the telecommunications partners to handle the local marketing and it started advertising campaign focused on consumer directly in 2008. For global expansion RIM relied on the local wireless operators that had significant hold on their respective markets.

RIM had seen its Blackberry new subscribers came from the non business crowd like Teens, who loved BlackBerry Messenger and company believed for continuing to grow in the crowded U.S. market is to develop targeted products for specific groups of customers and hence released many models of its seven series of devices which also caused confusion to the consumers and developers could not develop apps. RIM announced the Blackberry Curve 8520, aimed at social media maniacs with buttons that allow users to upload media directly to YouTube and Facebook. RIM offers a wide range of devices that are highly subsidized by wireless operators as mass market consumers are more influenced by price than early adopters and this had led to the low average selling price even below RIM expectations. RIM expected to recover the revenue through data services and app sales. RIM also works closely with the wireless operators and it designs the products and service offerings as per their demand. One example is when operators wanted a device to counter iPhone Blackberry launched Blackberry Storm with sensory touch screen keypad. The overseas market other than US market has been a key growth market for RIM since last couple of years and RIM had invested heavily in these markets for growth.

Reasons for Blackberry down fall



Despite the fact that RIM is selling more units of Blackberry every year but its market share of the overall smart phone market is coming down. Android is growing at close to 900% YoY followed by Apple 90-120% YoY in last two years. Android is seeing phenomenal growth as smart phone makers like Samsung, Motorola and HTC are flooding the market with more and more devices running android at all the price points. Apple is launching newer versions of iPhones with added features, functionality and millions of apps in its app stores. Apple generally focuses on the high end smart phone market that can afford to pay premium for the device but it also changed its strategy recently and is keeping iPhone prices near to the competitors high end models and started to offer smart phones at lower levels as it started selling its iPhone 3gs device free with a contract. This strategy of Apple had started affecting Blackberry and is also expected to affect the android phones too. RIM is not able to sell more units as Blackberry is perceived to be more of an email and messaging phone with weak web browser, few apps, poor media player for music & videos and ultimately poor web experience when compared to android phones and iPhone. The recent phones launched based on the Blackberry 7 OS did not match the consumer expectations.

Blackberry is no longer in Blue Ocean Market as it was with email phone for Business consumers but it is now following Apple iPhone and Google Android phones in a Red ocean.

Post economic recession, Businesses had started encouraging employees to buy smart phones and employees are more interested in buying iPhone and other android phones that are laced with superior features, powered with advanced chips and software and have large number of apps in the appstore to use. RIM is not able to sell Blackberry to the end consumers as the need of the consumer has changed towards a complete internet phone that allows them to access the social media along with messaging and email. Blackberry has only 3000 apps compared to million apps in both Apple and Android stores. Developers' complain coding for the BlackBerry OS can be a bind, with the API changes, the diverse specs on devices like screen resolution, form factor and GPS, WIFI and the touch screen and optimized coding between individual major versions of the operating. Another reason is frequent outages that are occurring and disrupting the services for days. Outages are cause of concern not only for users but also to the corporate customers as they are seeing business losses and communication problems. There have been apprehensions that Blackberry is no longer reliable and with severe pressure from governments regarding the server locations and data there is more concern for corporate consumers.

The co-CEO model is also being questioned. Recently an email surfaced supposedly from disgruntled executive in RIM that highlighted some of the key reasons for problems like lack of innovation support, lack of focus for the top management, failing to listen to the end consumer and understand their needs and the way the organization is become redundant with inefficient leaders and lack of quality employees. Even many analysts and other stakeholders are asking the CEOs to quit and bring in fresh leadership. Recent failure of the Playbook tablet is another reason. RIM is also losing out its core Enterprise customers recently as its competitors Apple iPhone and Google Android Phones have aggressively set targets on doubling their sales in next five years in enterprise segment. Despite the various security threats, outages and launch of more devices with advanced hardware and software features the business smart phone segment is expected to double in next five years. RIM is also not able to do proper marketing campaigns highlighting its core features and it is trying to compete with iPhone and android phones with its marketing campaigns. RIM has to refocus its marketing strategy and focus more on highlighting its core abilities till it gets a device that matches the competition in terms of hardware and software. RIM is able to sell its phones as the wireless operators are pushing them to their clients through aggressive pricing and cheap data plans.

2011 has been a year of turmoil for RIM as Blackberry is losing out at a greater pace to its rivals Android phones and Apple iPhones and the loss is more in the US market. Global market is presently contributing to growth but like US market is likely to loose steam in future. RIM management have failed to see the transformation that happened and how consumer needs changed from email and messaging requirement to a multimedia and fast browser internet phone that is needed for accessing the social media, use various applications, tools and browse high quality content on the internet. RIM has also lost several managers in recent months and announced layoff of 11 per cent of its workforce. Playbook has become the biggest flop in the company's history and this has even put a lot of strain on the company financials. On top of all these recently in mid December RIM has announced that the new BlackBerry 10 phone powered by its new QNX operating system will be debuting only late next year as the availability of the a particular type of chipset will be only in middle of the next year. RIM believes its new QNX operating system will help to make up ground lost to Apple Inc's iPhone and iPad and Google Android powered phones.

RIM co-CEOs believe that the company will regain its market share next year with the launch of the new device and is committing significant advertising budgets for pushing the Blackberry devices into the market. RIM management is requesting patience from the investors and other stakeholders and it believes it can deliver results as it have strong technology, unique service capabilities and a large installed base of customers. With wireless operators saying there is requirement for one more operating system other than the Apple iOS and Google Android, Blackberry is banking on its QNX OS to deliver the goods as required by the operators. RIM also needs to work with application developers and encourage them to develop more apps for their device. Currently app developers are complaining about the different OS versions and different specs of various Blackberry devices. Blackberry still has huge install base and

It is expected to hold onto its install base for some more time despite the onslaught from iPhone and other android phones. RIM is taking a major risk with its delay in launch of new phones with new operating system and its risks the drastic erosion of its brand and mindshare with its consumers. It seems as of now every body lost confidence on the current RIM Leadership and co-CEOs are saying the transition will revive the company next year.

Source: Compiled from 'Short case studies – industry analysis and reviews'

Accessed at <http://analysiscasestudy.blogspot.com/2011/12/blue-ocean-strategy-essential-to.html>

Answer the following questions:

1. How did RIM lose its sight of the market evolution?
2. What options do the company have to revive? (Product, Innovation, Consumer needs and Software wise)
3. How to protect its enterprise market and attract the consumer segment?
4. (a) What is the strategy tool to move a company to Blue Ocean?