

BlackBerry Maker To Focus On Business Customers

Rob Gillies, Associated Press

TORONTO (AP) — Struggling BlackBerry maker Research in Motion Ltd. said Thursday that it plans to return its focus to its corporate customers after failing to compete with flashier, consumer-oriented phones such as Apple's iPhone and models that run Google's Android software.

The shift in strategy came with a management shakeup that includes longtime executive Jim Balsillie leaving the board and severing ties with a company he helped build and later see decline.

RIM said it will focus its consumer efforts on targeted offerings that tap the company's strengths. That includes devices that employees will want to buy on their own and bring to the corporate environment. The company was exploring partnerships and other opportunities for consumer products that aren't deemed central. Those products could include software and features that are then incorporated into RIM's own offerings.

"We can't do everything ourselves, but we can do what we're good at," RIM CEO Thorsten Heins said.

RIM has had limited success trying to enter consumer markets in recent years, particularly with high-end devices that sport touch screens popular with consumers.

Heins said a turnaround required "substantial change."

"We believe that BlackBerry cannot succeed if we tried to be everybody's darling and all things to all people," Heins said. "Therefore, we plan to build on our strength."

Heins, who joined RIM four years ago and was most recently its chief operating officer, replaced co-CEOs Balsillie and Mike Lazaridis in January after the company lost tens of billions in market value. Lazaridis founded the company, and Balsillie had joined in its early years.

RIM said Thursday that Balsillie has resigned from its board after 20 years with the company. David Yach, chief technology officer for software, and Jim Rowan, chief operating officer for global operations, also are leaving.

The company said it was undergoing a comprehensive strategic review. Heins said he was open to selling the company, but "it is not the main direction we are pursuing right now."

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The Canadian company has long dominated the corporate smartphone market. Its BlackBerrys are known for their security and reliability as email devices. President Barack Obama even refused to part with his BlackBerry after he took office.

RIM has sought to expand its appeal to consumers, but it has had trouble because the phones aren't perceived to be as sexy as its chief competitors. RIM has been counting on improvements with its forthcoming BlackBerry 10 system, but that has faced multiple delays. BlackBerrys also lag iPhones or Android phones when it comes to running third-party applications. Touch-screen models that lack physical keyboards have largely flopped.

For that reason, BlackBerrys are even losing ground in the business world, as employees demand iPhones or Android devices over BlackBerrys.

Apple sold 37 million iPhones in the last three months of 2011 — more than what RIM shipped in the past three quarters combined. RIM shipped 11.1 million BlackBerrys in the latest quarter, which ended March 3.

RIM also bombed in its efforts to produce a tablet computer to compete with Apple's iPad. Among other things, the PlayBook received negative reviews because it launched without an email program and the popular messaging service BlackBerry Messenger. In December, the tablets that originally cost \$500 were selling for \$200, below the cost of making them.

BGC Financial analyst Colin Gillis said it's a positive development that RIM is going to focus on its corporate clients and lower-end consumers.

"They are conceding the high-end consumer market with all these services that are wrapped around the platform," Gillis said. "At least there's some reality here. Are they going to compete against iTunes? No way."

Peter Misek, an analyst at Jefferies & Co. in New York, said RIM should have recognized that it is niche player and lost the battle with Apple three years ago. Misek said the company should have looked at partnering with other companies last year rather than now.

When he took the CEO job in January, Heins said a drastic change in strategy was not needed. He said Thursday that he changed his mind after conducting his "own reality check on where the entire company really is."

RIM announced the changes as it announced quarterly results that fell short of Wall Street expectations.

Net loss was \$125 million, or 24 cents a share, in the fiscal fourth quarter. This compares with \$934 million, or \$1.78 per share, a year ago.

After excluding one-time items, adjusted income was 80 cents per share, a penny short of expectations from analysts polled by FactSet.

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Revenue fell 25 percent to \$4.2 billion from \$5.6 billion. Analysts were expecting \$4.5 billion.

For the full fiscal year, RIM earned \$1.2 billion, or \$2.22 a share, on revenue of \$18.4 billion. That compares with net income of \$3.4 billion, or \$6.34 a share, on revenue of \$19.9 billion in fiscal 2011.

In extended trading after the results came out, RIM shares fell 33 cents, or 2.4 percent, to \$13.40. During the regular session, the stock increased 6 cents to close at \$13.73.

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