BlackBerry Maker Hopes To Launch A Comeback

David Friend, The Canadian Press

TORONTO - After a year of persistent struggles, BlackBerry-maker Research In Motion hopes to launch a comeback in 2013 as it works to convince customers its latest smartphones are a worthy alternative to the growing list of competitors.

It's a battle that won't be won overnight, and depending on who you ask, might not be won at all.

That's the challenge facing RIM in the ever-changing technology sector, where critics say the company spent too many years enjoying the success of its products rather than innovating to create new ones.

In 2012, RIM tried to recover from its mistakes with a major overhaul of its leadership and a revamped operating system called BlackBerry 10. On Jan. 30, the company will unveil a new line of smartphones running its latest operating system as it enters the most important months of its history, ones that will likely determine whether RIM survives in its existing form.

"They can't afford to have another failed launch," said Richard Tse, an analyst at Cormark Securities Inc.

"This is really their last kick at the can."

Once the most valuable company in Canada, RIM has endured a meteoric fall from grace over the past several years. Even loyal BlackBerry users scrapped their old phones to join the growing number of touchscreen alternatives that have hit the market, in particular Apple's iPhone and the Samsung Galaxy S3.

But it was this past year in which RIM was forced to face what its executives had long denied: the company was losing market share to its competitors at an incredibly fast rate.

"BlackBerry has become kind of an uncool name," said Zeus Kerravala, a telecom equipment analyst at ZK Research in Boston.

"Over the past couple of years product quality has gone down, they've had some service outages, battery life isn't as good. They got themselves so far behind, and there's no reason why a consumer would sit around to wait for a device where they've disappointed them before."

Signs of a troublesome year were already developing for RIM as the ball dropped in New York City on New Year's Eve 2011.

With no new products to promote, executives had attempted to reinvigorate the

struggling brand with a splashy advertising campaign on Dick Clark’s New Year’s Rockin’ Eve special, one of the most watched programs of the evening. Celebrities prominently handled the company's BlackBerrys live on air while musicians performed in front of billboards for the device.

But investors remained unimpressed with RIM's slipping hold of the U.S. market and within weeks co-CEOs Jim Balsillie and Mike Lazaridis bowed to pressure, receiving a combined $12 million to step down from their roles atop the company.

The two men were shuffled to director roles, replaced by Thorsten Heins, the former chief operating officer. Balsillie left the company entirely two months later.

With Heins in the top position, RIM began a major overhaul of its middle management. New executives stepped into key roles like chief marketing officer and chief operating officer, while Heins promised in May that RIM would tighten its focus and remove a "little fat on the hips."

But with all of the changes, Heins couldn't overcome the fact that development of the BlackBerry 10 operating system was woefully behind schedule. Already delayed from a launch in 2011, the CEO was forced in June to further push the debut into 2013, missing crucial sales periods like the back-to-school and holiday shopping seasons.

Analysts cringed at the decision, saying it could prove to be the unravelling of the company if executives were forced to dip into its $2 billion cash reserve in order to stay afloat over the six-to-eight months.

Heins had a somewhat different idea for how to keep the company operating in the short term. While he warned investors that RIM would face further pressure on its financial results over the next several quarters, the company was also working on ways to help tide the company over in the short term.

First, Heins launched a plan to save $1 billion across RIM's operations by February 2013. Under the initiative RIM closed some of its manufacturing facilities and announced plans to lay off about 5,000 workers.

Then, the company began to refocus its sales efforts on developing countries like Indonesia and Nigeria, where consumers were hungry for low-cost smartphones and the BlackBerry was still considered a status symbol.

Selling older phones to smaller markets has proven to be a temporary fix for RIM. In recent quarters, the company has managed to keep its overall subscriber base growing, even though it has faced quarterly losses.

With the company heading into uncertain territory in the new year, RIM's stock price has traded erratically. Since falling to its lowest level in about a decade in September, the company's shares have surged about 125 per cent, helped by a number of analyst upgrades.

"Being delayed into 2013 it may not be a bad thing," said Tse.

RIM's competitors "lined their products up before the holiday season, so this gives them a forum to talk about their new products (in the new year) without a lot of traffic in their way."

Kris Thompson of National Bank said the company still has a shot at regaining some part of their former fame, but he noted that it doesn't necessarily mean they need to knock Apple or Android out of their top spots.

"When we're growing up we're always taught to be competitive, to be No. 1, but you've got to be realistic," he said.

"If RIM can get five per cent (of the market) they've got a good business model, if they can get 10 per cent, then fantastic."

Thompson also pointed out that some consumers have been dissatisfied with the latest incarnation of the iPhone, which was accented by the faulty Apple Maps programs that sometimes misdirected users to the wrong locations.

"I have the iPhone 5 and I'm not really too jazzed about it," he said. "I may even be willing to switch over."

But even if RIM proves naysayers wrong and delivers a top-selling device, the company will still have an uphill battle as it races against some highly aggressive competitors.

"That's one of my worries," said Bill Kreher, a technology analyst with financial services firm Edward Jones.

"Even if they have a great product at launch, there's got to be followup and it has to be in a timely fashion."

That likely means that analysts will continue to speculate on the survival of RIM for months, or years, to come. Persistent rumours have suggested the company could sell off parts of its operations to shore up cash, but despite hiring two adviser firms in early 2012, no transactions have materialized.

"Everybody loves a comeback story, but there's got to be some legitimate follow-through," Kreher added.

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