

# Analysis of rim using the bcg approach marketing essay



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In today's global economy it is important for organizations to be able to balance a portfolio of products in order to remain competitive. In order to properly evaluate an overall product or company strategy it is important to have analysis tools to assess product groupings to understand where re-investment of company resources should occur. In addition, successful portfolio management ensures a company can properly assess internal and external strengths and weaknesses. One model that has been created in order to help companies is the Boston Consulting Group (BCG) matrix to help rank products.

The BCG matrix, also known as the "growth share matrix", was created in 1968 and segments products into one of four quadrants: Rising Stars, Questions Marks, Cash Cows and Dogs based on market share. The specific description of each category will be provided below in our analysis of the telecommunications industry specifically Research In Motion (RIM). Due to advances in technology, the telecommunications industry is under continued pressure to invent the next "big idea". In the early 2000's, RIM introduced a breakthrough personal communications device called the Blackberry. Below is a discussion of how the initial RIM developed a portfolio of product to help dominate the telecommunication industry.

### **Cash Cow (Blackberry pager)**

Development of RIM's Blackberry devices was made possible by the success of RIM's two-way pagers, RIM's first genuine Cash Cow product. The Cash Cow from the BCG model is described as being a highly profitable, low investment product that is sort of a foundation for the company's financial success. First shipped in August of 1998, RIM's Inter@ctive Pager provided <https://assignbuster.com/analysis-of-rim-using-the-bcg-approach-marketing-essay/>

communicative connectivity through a palm-sized device. With a full QWERTY style keyboard and LCD display, the pager allowed users to receive, respond to, and initiate messages. The product emerged as the market leader due to its ease of use, compact size, and long battery life. There was a high demand for this product in numerous settings for applications such as wireless e-mail, portfolio management, and continual two-way communication.

RIM's pager devices consistently drove sales during the development and launch of the BlackBerry, its then Rising Star. In 1998, RIM showed rapid growth due to the high demand for two-way pagers and had backlogged orders of \$100 million for their wireless products at year end. Inter@ctive Pager sales, the primary source of revenue growth, was \$23. 2 million (70% of total Revenue for RIM in 1998). In 1999, the Inter@ctive Pager 950 accounted for approximately 80% of total product revenue at \$56. 4 million. The financial success of the pager funded a variety of RIM's less impacting products such as wireless PC cards, radio modems, and other wireless applications. Most importantly, however, it funded increased R&D efforts to enhance their mobile messaging devices. Even with the launch of the first BlackBerry device, as well as iterated BlackBerry devices in 2000, the Inter@ctive products still accounted for the majority of total product revenue. By 2001, however, after widespread adoption of the BlackBerry, the BlackBerry accounted for the majority of RIM's product revenue. Non-Blackberry wireless handhelds accounted for 37% of product revenue at the end of 2001.

## **Dog (Pager)**

In 2000, RIM and Nortel entered a collaborative effort to develop a marketing and product agreement with the objective of expanding pager/email services beyond North America. By 2001, Blackberry hardware and services stretched passed North American borders and proliferated throughout Europe. By the end of 2001, RIM had sold 175, 000 units throughout Britain, with more planned to be distributed to Ireland and the Netherlands.

In North America, the Blackberry service had also gained popularity amongst large institutions like IBM and the military. Despite a 2x increase in revenue, RIM reported net losses of over \$7M in 2001, RIM's 2nd straight year of net losses. It became evident that an in-depth analysis of RIM's operating expenses was going to be required. The company needed to begin the process of shedding its lowest growth potential segments and begin focusing on new products to differentiate itself from the rising number of competitors that had begun flooding the market.

In 2002, RIM announced the creation of a mobile device that would offer both voice and data services. At the same time, competitors such as Palm and Motorola had also begun development of similar devices. As a result, much of the focus was turning to mobile voice devices with integrated data capability. This marked the beginning of the end for the two-way, data-only, mobile device. RIM had in their midst, the beginning of what the BCG Matrix Model would call a " Dog". According to the BCG Model, a " Dog" is a product that has both low market share and growth potential. As a result, its ability to generate cash is severely diminished. In fact, the product will soon, if it hasn't already, become a cash drain on the company. It is at this point where <https://assignbuster.com/analysis-of-rim-using-the-bcg-approach-marketing-essay/>

product lines like the Inter@ctive Pager, with its technology that initially made it RIM's Cash Cow, begins to become the company's " Dog". With the development of voice + data devices, data-only devices quickly became obsolete. Much like the mp3 player, the email/text messaging function has become sort of an unspoken minimum requirement in the development of today's mobile phones. As a result, the data only device has become more of a candidate for obsolescence rather than divestiture.

<http://www.netmba.com/strategy/matrix/bcg/>

<http://www.fundinguniverse.com/company-histories/Research-in-Motion-Ltd-Company-History.html>

### **Rising Star (Blackberry Smartphone)**

For the purpose of this study we have defined US smartphone market as firms selling and manufacturing smartphones in US. Looking at the key trends in smartphone market, we can characterize this market as a rapidly changing market with constant product introductions. Typically this market has strong competition, aggressive pricing, need for prompt imitation of technological advancements and highly price sensitive customers.

RIM's most popular device is the Blackberry wireless device and this is a very important market for RIM since a huge chunk of its revenue comes through the sale of smartphone devices. Currently RIM has the largest market share amongst smartphone manufacturers and operating systems though this gap has greatly reduced with the arrival of Apple iPhones and Android phones.

Since Blackberry generates maximum profitability for RIM, we have put it into the Star quadrant in the BCG Matrix. A star is typically a product that

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can generate huge amounts of cash because of its high market share while at the same time consume large amounts of cash because of its high growth rate. A star is also characterized by increased levels of competition due to the opportunities available in a high growth market. In order for Blackberry smartphone to become a cash cow from star and ensure future cash generation, it is highly important that RIM differentiates its product from its competitors and launch new products making use of upcoming technologies.

While historically RIM has positioned Blackberry in the enterprise market, the company has recently started to successfully expand its offering to the consumer market. As the smartphone market trends moved towards touchscreen devices with more features and performance, like iPhones, Android and Google phones, RIM has started to focus more on the visual aspect trying to make Blackberry smaller and compact in a wide range of colors. Another way RIM has differentiated itself from its competitors is by being one of the few companies who produce not just smartphones but also develop their own operating system and networking device thereby providing its own services and infrastructure. Even though the development model of RIM is a closed proprietary model, the fact that it is available in numerous hardware configurations and is an option that can be considered with all service providers makes it a force to be reckoned with in the smartphone market.

As the wireless industry moves from 3G to 4G, RIM with its data intensive nature of Blackberry device is faced with the dilemma of choosing the correct technology to utilize in its devices. With the impending technology spilt in 4G between WiMax and W-CDMA networks as the next biggest

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technology standard and the fact that these two networks are not compatible with one another, it becomes highly imperative that RIM chooses the right technology for its devices. Choosing the wrong technology can prove to be a costly mistake for RIM.

## Resources

[http://www.wikinvest.com/stock/Research\\_in\\_Motion\\_%28RIMM%29](http://www.wikinvest.com/stock/Research_in_Motion_%28RIMM%29)

<http://www.freshnews.com/news/438025/research-and-markets-north-american-smartphones-market-analysis-big-players-google-apple>

<http://ayushveda.com/blogs/business/bcg-matrix-differentiating-the-dogs-from-the-stars/>

## **Question Marks (Blackberry notepad)**

While the smart phone for RIM as a recent product investment has proved to be successful, RIM now has to focus on its new era of products in effort to find the next profitable venture. According to the BCG model, these products in the unknown state of development are known as “ Question Marks.” Some of the characteristics of these Question Marks are their rapid growth, use of cash, and low market share [<http://www.netmba.com/strategy/matrix/bcg/>]. They can potentially cause a great area of risk since it may take considerable time before they either prove to be a Rising Star or a Dog.

One of RIM’s current products that may be classified as a Question Mark is its tablet. This product is still in development and is rumored to be called the “ BlackPad”. If designed as speculated, this tablet will be an answer to the

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already developed Apple's iPad and Microsoft's Android tablet. While expected by the market and desired by loyal Blackberry fans, it still remains to be determined whether this Blackpad will be worth the capital investment RIM is placing in its R&D. According to Venturebeat. com, RIM has a chance of being successful if it focuses on a business-tailored device for its already established business customer base. This means it can use its successful cash cow products to both fund and build upon to make a successful tablet. It needs to " extend the BB [Blackberry] corporate infrastructure" to see this question mark become the next Rising Star [<http://venturebeat.com/2010/09/24/why-rim-really-needs-a-tablet/>].

However, RIM needs to consider the longevity of a tablet for its long-term strategy. Since technology is by nature a fast-changing industry, its trends need to be followed closely. RIM is already over a year behind the curve, as Apple's iPad was released in April of 2010. RIM's late arrival to the tablet market may quickly be overshadowed by the merging of tablets and laptops in a consolidated device. Already competitors have such variations of the product that may quickly outmode the tablet as a stand-alone product altogether. Many laptop manufacturers found that their tablet sales were cannibalizing their laptop sales and are responding by providing tablet laptops. Furthermore, some see the tablet as a fad that will evolve into something different or fizzle out, expecting them to " phase out of the mainstream over the next few years." [[http://www.pcworld.com/businesscenter/article/223204/why\\_tablets\\_are\\_just\\_a\\_fad.html](http://www.pcworld.com/businesscenter/article/223204/why_tablets_are_just_a_fad.html)]. RIM will have to anticipate this change so it is not left with sunk R&D costs in an outmoded product.

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## Conclusion

RIM has proven to have a strong track-record in the telecommunications industry. Its products have been technologically sound and versatile enough to be a household name while remaining specialized enough to target business users specifically. By means of the BCG model, RIM can be demonstrated as having products that have fallen into each of the four product segments in various levels of the products' lifecycles. It has obviously managed these segments efficiently enough to identify the Rising Stars and use historically profitable Cash Cows to continue product creation. However, in the face of an "all-in-one" approach to the technology market as a whole, RIM's telecommunications may have to design more versatile products by recognizing the trend of the market towards the blending of PC and hand-held devices into more user friendly laptop variations. If it fails to anticipate the appropriate consumer trends, it will increasingly become a market-follower (as evidenced by its late arrival to the tablet market) and risk losing its position as a leader in telecommunications. As one website observes, the short-lived era of PDA's spawned smartphones, smartphones spawned tablets, and tablets are evolving into hybrid laptops and so on [[http://www.pcworld.com/businesscenter/article/223204/why\\_tablets\\_are\\_just\\_a\\_fad.html](http://www.pcworld.com/businesscenter/article/223204/why_tablets_are_just_a_fad.html)].

As the BCG model stresses, the Cash Cow products must be used wisely to position the company for long-term success. If this means divesting or cutting losses on its Dog products, or partnering with competitors on its Rising Stars, RIM needs to act fast to take the appropriate steps. Its well-established business followers will be ready to follow their lead.