

Blackberry strategy

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BlackBerry's strategy to gain market share in the mainstream market and
The use of promotions to achieve its goals Team JMARCS Bozak, Dasgupta,
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October, 22, 09 Introduction: Research In Motion (RIM) is a leading designer,
manufacturer and marketer of innovative wireless solutions for the
worldwide mobile communications market. (Research In Motion) RIM was
founded in 1984. RIM now has offices in North America, Europe and Asia
Pacific. BlackBerry is a line of wireless handheld devices that was introduced
in 1999 as a two-way pager.

In 2002, BlackBerry was released, which supports push e-mail, mobile
telephone, text messaging, internet faxing, web browsing and other wireless
information services. It delivers information over the wireless data networks
of mobile phone service companies. BlackBerry holds the world's second
highest market share in the smart phone platform, capturing 21% of
worldwide smart phone sales in Q2, 2009. On 30 May 2009, RIM announced
the number of BlackBerry subscribers has reached approximately 28.5
million. (Wikipedia)

BlackBerry's competitor Apple introduced the iPhone in 2007 which was
named the Invention of the Year by Time Magazine. Apple iPhone is growing
at a very impressive rate and with introduction of iPhone 3GS, Apple looks all
set to overtake RIM by mid of 2010 and become number two player in smart
phone market. Analysts were saying that RIM is unlikely to maintain its over
50% share in North America due to growing competition from Apple,
Motorola, and Palm, among others. (Wikipedia) Problem: How does RIM gain
market share in the consumer smart phone market? Key Findings: Consumer
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behaviour Two types of users for smart phone customers: ? Enterprise customers- BlackBerry was a " company decision". ? Non-Enterprise customers- BlackBerry was a " personal decision". • According to Canals Research, touchscreens became the preferred interface, representing 40% of all shipments. Upon recognizing Apple's success with the iPhone touch screen interface, RIM introduced its own touch screen device called BlackBerry Storm in end of 2008. (Canals Research) • According to Canals Research, Smart phones have been opposing the industry norm, with shipments growing despite the global recession. (Canals Research) Company information • An aggressive " buy-one-get-one" promotion by Verizon Wireless helped RIM's BlackBerry Curve move past Apple's iPhone to become the best-selling consumer smartphone in the U. S. in the first quarter (Q1) of 2009. (NPD Group) • iPhone is exclusive to major carriers such as AT (in US), Rogers and Fido (in Canada) and O2, T-Mobile, Vodaphone (in Europe) and many smaller carriers around the world. • Verizon and Vodafone are heavy promoters of BlackBerry. • Palm exclusive to Sprint until 2010. • RIM has successfully expanded its product portfolio to include a wide election of devices and interfaces that appeal to a range of customers at different price points. Market Share • The battle between iPhone and BlackBerry is over the Non-Enterprise market, as the users of smartphones are increasing in this segment. • RIM's consumer smartphone market share increased 15 percent to nearly 50 percent of the smartphone market in US in Q1 2009 versus the prior quarter, as Apple's and Palm's share both declined 10 percent each. (NPD Group) • According to NPD's " Smartphone Market Update" report, U.

S. consumer sales of smartphone handsets in first-quarter, 2009, ranked in the following order: 1.

RIM BlackBerry Curve (all 83XX models); 2. Apple iPhone 3G (all models); 3. RIM BlackBerry Storm; 4. RIM BlackBerry Pearl (all models, except flip); 5. T-Mobile G1. (NPD Group) • According to Gartner's research, the smartphone sales grew 27 percent during the period. In smartphones Nokia came in top but their market share dropped from 47.4 percent in Q2 2008 to 45 percent in Q2 2009. RIM saw 1.4 percent jump in market share, which brought their number to 18.7 percent. Apple saw the biggest jump from 2.8 percent in 2008 to 13.3 percent in Q2 2009. (Gartner) Gartner says " Apple's expansion into a larger number of countries in the past year has produced a clear effect on sales volumes, as have the recent price adjustments on 8GB 3G iPhone. " (Gartner) Assumptions: RIM has the necessary financial resources or the means by which to promote its product. RIM also needs to have enough financial reserves to absorb lower profits due to aggressive promotions. SWOT Analysis: We have quotes from our research accompanying the statements below. These quotes are designed to further illustrate the meaning of the statements. Strengths Global prominence and financial stability of the BlackBerry brand in North America provides a strong platform for product innovation. " Over 35 percent of 2007 revenues were from global sales outside North America. Between 2001 and 2007, the company grew its workforce from about 1250 employees to more than 7000 employees. " (Grewal, 2009) • RIM's BlackBerry offers a varied set of products to identify the needs of the different segments of users. RIM has a strong line up of smart phones such BlackBerry Curve and BlackBerry Pearle

with the popular QWERTY keyboard. The new series include clean and sharp BlackBerry Bold and BlackBerry Storm.

RIM has also introduced BlackBerry App World where you can download and purchase apps from a smart phone. So far RIM has established a strong base with professional users because of their product's functionality and security.

" Storm, the new BlackBerry is among RIM's strongest moves so far to appeal to the increasing number of consumers opting for multimedia phones, a market that is increasingly turning to touch-screen devices for their ease of use. " (The Wall Street Journal) • BlackBerry carries a range of reasonably priced products which gives their customers the most selection in the smart phone market. Our checks show AT store reps appear poised to recommend BlackBerry to shoppers deterred by iPhone's \$599 (U. S.) price tag," (The Globe and Mail) • RIM's strength in the smart phone market is its impressively sized distribution network to provide products and services to the consumer. " Retail consumers and corporate clients can buy the BlackBerry from more than 500 carriers and distribution partners in about 170 countries around the world. " (Leader-Post) Weaknesses • RIM has a weak entertainment platform for its product compared to its biggest rival: Apple, which specializes in consumer friendly multimedia device.

Below, we have a recent quote from BlackBerry CEO Jim Balsille, who emphasizes the company's need to focus on the non-enterprise market. " As we head into the third quarter we look forward to gaining traction with BlackBerry services in new market segments to drive the next leg of growth for the company," (Perez) • BlackBerry is weaker brand compared to Apple

and Nokia in the consumer sector. They have only recently started to promote their product for the mainstream consumer. • " The company expects to ship between 9. 2 million and 9. million BlackBerry smartphones next quarter, as it prepares for follow-ups to popular devices such as the Storm and Bold. But some analysts expressed concern over its push to the mainstream because it would mean that RIM would be competing more directly with its consumer-friendly rivals. " (Perez) • Due to the relatively higher prices of BlackBerry products, it has a harder time competing in emerging markets. " Nokia has a strong presence in the low-cost part of the market. And it's likely that the company will continue to maintain strength here, leveraging its massive scale to keep costs low. (Reardon) Opportunities

- Consumers are more receptive to purchasing media online. This has created a market that Apple has capitalized on with its services like iTunes and Apple App Store. RIM has recently introduced their own app store which has so far received positive reviews. " RIM's app storefront will be key to the firm's long-term success. Just as Apple's App Store and iTunes drive sales of the company's hardware, App World—which has received generally positive reviews—must be attractive enough to lure users away from the other smartphones on the market. " (Gibbs) Due to increased globalization and consumer acceptance of new technology, consumers around the world are ordering smart phones from their local carriers. This opens new markets for RIM to expand in. Despite global recession, the demand for smart phones grew as there was a 27 percent increase from Q2 2008 to Q2 2009. Threats
- Growing competition from Apple, Nokia, HTC, and Palm among others. Apple is expanding into a large number of countries while lowering their prices

which is increasing their sales volume significantly. Nokia is the largest smart phone provider with ample capital to develop their technology and products. But as the iPhone and other rivals expand their reach, RIM could find itself fighting for previously uncontested territory. " (Leader-Post) • The world economy is going through a downturn. This has inevitably changed the consumer behaviour towards higher end devices. " The current economic climate is negatively impacting sales of higher end devices," (Gartner) • RIM is susceptible to lawsuits because it holds countless patents for its products and its immense success makes it a target for patent holding companies like NTP. " On March 3, 2006, RIM announced that it had settled its BlackBerry patent dispute with NTP.

Under the terms of the settlement, RIM has agreed to pay NTP US\$612. 5 million in a " full and final settlement of all claims. " (Reardon) Competitive Analysis: In the global smart phone market, Apple is growing exponentially with market share increasing from 2. 8% to 13. 3%. RIM has a gradual increase in market share of 1. 4%, which brought their number to 18. 7%. Nokia, the top manufacturer of smart phone is lagging behind with market share dropping from 47. 4% to 45%. Nokia is more affordable and is very prominent around the world especially in the emerging markets such as India and China. They also have a strong base with medium to lower income consumers. Because of the lower price point, they provide limited functionality compared to its counterparts. BlackBerry appeals to a vast customer base and its market is separated by products rather than income. The financially sensitive customers are more accepting of products such as BlackBerry Curve and BlackBerry Pearl. In this segment, RIM competes

directly with Nokia's smart phones. This increases the popularity and brand recognition of RIM. RIM also invests heavily towards Research and Development to create superior products for satisfying the demands of higher end consumers.

This customer base is more accepting of higher priced products because of their superior quality. This increases the margin RIM enjoys compared to Nokia. Apple's iPhone and RIM's BlackBerry Storm/Bold are in the same price range. However, RIM has a varied portfolio of products that range from \$100-\$500 US dollars. BlackBerry Storm and iPhone 3G are very similar products that share features such as touch screen interface and 3G software and hardware capabilities. Palm, Motorola, HTC and others are very limited in their market share. Their products are usually cheaper compared to RIM and Apple with inferior quality.

Examples of the inferior quality will be no built-in Wi-Fi and low-resolution cameras. Unlike RIM and Apple, these companies use third party software such as Windows Mobile which has garnered negative reviews. According to a survey by CFI group, it showed that Windows Mobile users had a low level of customer satisfaction when compared to users of other smart phones. Out of a possible 100 points, Windows Mobile rated only 66, compared with BlackBerry (73), GoogleAndroid (77), and iPhone (83). This corresponds with the decrease in Windows Mobile's share of the Smartphone market by 2. % in 2009. (Wikipedia) Target Market: Our target market for the problem is the entertainment-focused users who range in age from mid-teens to early 30s. They see a mobile device as a lifestyle choice, and they're willing to pay

extra for a device that'll help keep them entertained. This group will use the device for things like multimedia entertainment, social messaging, and gaming. Our target group needs to be relatively affluent with disposable income; therefore, they will likely be based in developed continents such as North America, Europe and Australia.

RECOMMENDATIONS: Alternative 1: “ We gain market share in the consumer smart phone market by lowering the price of BlackBerry Storm and BlackBerry Bold. The price of the Storm and Bold series will be lowered by \$50 in an effort to increase sales by 25%. ” Advantages: 1. Lowering the price of BlackBerry Storm and BlackBerry Bold will be a strong incentive for mainstream consumers to choose those products over BlackBerry's competitors. 2. As lowering the price will make the products more affordable, new users and carriers from other countries will adopt BlackBerry products. . Lowering the price of BlackBerry Storm and BlackBerry Bold will not only bring in users from the established mainstream consumer base but also new users who are transitioning to smart phones from handsets. This will create a greater awareness of BlackBerry products. BlackBerry could use this recognition to introduce new products. Disadvantages: 1. A part of the customer base might assume the decrease in price will correlate with a decrease in quality. Therefore, they might avoid buying lower priced BlackBerry products. 2.

Competitors might lower their price to compete with BlackBerry which will create minimal additional revenue from new customers. The already decreased profit margin from lowered price combined with minimal increase

in revenue will decrease profits. 3. RIM might lose money by over producing BlackBerry Bold and BlackBerry Storm as its sales forecast didn't meet actual customer demand. They might lose customers and harm their brand by under producing the products as their supply won't be enough to meet the demands of the customers. This will generate anger and dissatisfaction towards RIM. Alternative 2: We gain market share by offering diverse products targeted to specified segments of consumers (niche marketing). ”

Advantages: 1. RIM will create new market segments (market segmentation) that will correspond with the needs of specific demographic of consumers. 2. RIM will attract more consumers with the larger line up of products and services. This will be able to expand their brand name. 3. RIM will have greater margins with these targeted products as customers are willing to pay more for products that are more in sync with their needs. The increased margins will increase the profits.

Disadvantages: 1. Introducing new products involves a significant investment in start up for Research and Development. Niche markets are usually much smaller than the mainstream market and therefore it will be harder for RIM to sell enough BlackBerry devices to recuperate its initial investment. 2. Consumers may not be interested in the new products. Keeping in mind the current economic conditions, consumers might delay their purchase of luxury products like a BlackBerry. They might also continue with traditional alternatives like handsets to meet their needs. 3.

It will dilute the brand. BlackBerry already has an established brand that their customers identify with. Expanding the product base rapidly will

confuse customers about BlackBerry products and negatively affects sales of their bestsellers such as: BlackBerry Storm, Bold, and Curve. Alternative 3: “ We gain market share by increasing advertisements on TV and internet which would increase our brand recognition. ” Advantages: 1. With unique and creative marketing campaigns, RIM's products will be more recognizable compared to its competitors such as Apple and Nokia.

RIM will gain market share by getting its competitors customers as well as attracting new customers switching to smart phones. 2. A successful advertising campaign will retain encourage brandloyaltyfrom RIM's existing customers. These customers might choose RIM's product in the future because of their comfort level with the BlackBerry brand. 3. It will attract new customers by detailing the merit of RIM's products over its competitors. Disadvantages: 1. RIM's campaign might be ineffective because of the oversaturation of advertising campaigns from the different smart phone manufacturers. 2.

Increased advertising does not necessarily result in increased sales. RIM might spend excessive amounts on promoting their products which may not be successful and hurt their bottom line. 3. Self-destructive advertising might alienate a portion of their existing customer base. An example would be: RIM's spokesperson (celebrity/athlete) commits a crime. In this case RIM's image might be tarnished by association to the person. Solution: Problem: How does RIM gain market share in the consumer smart phone market? Alternative 3: “ We gain market share by increasing advertisements on TV and internet which would increase our brand recognition. We believe this

solution is most likely to succeed and deliver results. For the near term, RIM will follow Apple's example and attempt to meet the functional and psychological needs of consumers. An example of meeting a psychological need would be to primarily use BlackBerry products as a fashion statement or a status symbol over its intended purpose. This is only possible by extensive promotion in order to make the BlackBerry the "it" brand among the mainstream consumer. BlackBerry has a more diverse selection of products compared to Apple and Nokia.

It should capitalize this strength by advertising the benefits of its products to the consumer segments. Promotions will bring in new customers. In future, these new customers might upgrade to other BlackBerry devices. They will also spread the word about BlackBerry creating goodwill and admiration for the brand. Advertising also has a long term goal in mind which is to grow the BlackBerry brand worldwide for years to come. Implementation Plan: Step 1: Divide the consumer base into manageable market segments. Step 2: Target a segment to pursue. Step 3: Determine how BlackBerry would be positioned in the segment.

Step 4: Our marketing objective will be to gain share in our segment. Step 5: Communicate the value of the BlackBerry through the use of television, magazines and the Internet. Step 6: We will evaluate our performance and make adjustments for an improved process. Plan B: Problem: How does RIM gain market share in the consumer smart phone market? Alternative 1: " We gain market share in the consumer smart phone market by lowering the price of BlackBerry Storm and BlackBerry Bold. The price of the Storm and

Bold series will be lowered by \$50 in an effort to increase sales by 25%. This plan will also increase BlackBerry's market share. It will bring in new mainstream customers for the very popular BlackBerry Storm and BlackBerry Bold. These products are direct competitors for Apple's iPhone. The price decrease might lure Apple customers to switch to BlackBerry products as the quality difference between the products is minimal. The likelihood of RIM's competitors lowering their price to counteract the decrease in their sales is low, because that will lower the margin of the whole sector rather than just one company (RIM).

To avoid these price wars, they will let RIM enjoy the increased market share. Course Concepts: Major concepts used were: a) The Marketing Research Process: We used the format showed in Exhibit 5. 1 in page 122 of the Marketing book. We made a rough copy in class that defined the problem clearly and the objectives. We delegated the objectives to group members. We performed researched on it and collected the secondary data. We then analyzed all the data and wrote this paper. b) The MarketingEnvironmentAnalysis Framework: We used this framework extensively throughout our project.

We analyzed SWOT (Strengths, Weaknesses, Opportunities, and Threats) of RIM in detail. SWOT analysis helped us design solutions based on RIM's strengths and weaknesses. We also made solutions that let us develop the opportunities and guard us from the threats. We integrated the Macroenvironmental Factors such Competitors, Demographics, Social/Cultural and Economic. c) We identified segmentation, targeting and

positioning in our Implementation Plan. This helped us focus on a group of customers and to come up with solutions that will meet our goals concerning this group. References

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