The RIM BlackBerry PlayBook Disaster: B2B or B2C?

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ABSTRACT

This case covers the BlackBerry entry into the consumer phone/tablet market up until the decision to launch the PlayBook. RIM made its entry into a heavily competitive market while alienating its previous target markets. Despite having a strong B2B background, RIM did not successfully meet the needs and wants of the B2C market. By trying to target the B2C market, RIM was unable to meet the needs and wants of both the B2C and B2B markets. This case illustrates target market selection criteria as well as the importance of promotional strategy to successfully meet the needs and wants of individual markets. Students should understand that the same techniques used to successfully reach the B2B market cannot be transferred to the B2C market.

Keywords: business to business marketing, RIM, BlackBerry, PlayBook, product disasters, segmentation, market targeting, differentiation

CASE OBJECTIVES

The purpose of this case is to illustrate a number of elements of strategic marketing, including:

1. The importance of selecting a target market
2. The importance of understanding the target markets' wants and needs
3. Knowing the size and growth rate of a target market
4. How to use the Promotion P to reach the selected target market
5. The importance of having a defined competitive advantage
6. The importance of understanding options for future growth

This case is suitable for both undergraduate and graduate courses in marketing, management or entrepreneurship in areas where the students are studying target markets and promotions.

INTRODUCTION

With all of the new touch screen phones being released, BlackBerries and their keypads were becoming outdated. So what better way to respond than with the sleek new BlackBerry Storm? With its touch sensitive screen, LCD quality, and the similar business-oriented software layout maintained on all BlackBerry cellular devices, CEO's Mike Lazaridis and Jim Balsillie thought this to be the new era in the BlackBerry line of products (Gillette et. al, 2013). However, mot everything went according to plan with its critical feedback and surprisingly less than constructive reviews (Gillette et. al, 2013). The BlackBerry phone, for the first time, was on the defensive end of a battle for market share in the wireless telephone market (Gillette et. al, 2013). It was left to Mike and Jim to figure out how to solve this problem and they had to ask themselves, "What is the next move?"

RIM HISTORY

Co-Founded by Mike Lazaridis, Jim Balsillie, and Douglas Fregin, in 1984, this Canadian-based company was a booming business for a decade (Research in Motion, 2003). With a focus in the high-tech industry, Research In Motion made its claim to fame on mobile networking devices. Initially its first major known research, development and production began with its release of a two-way paging network, designed for the Mobitex network (Research in Motion, 2003). "In 1996, RIM launched its first sales success, a clamshell wireless handheld device called the RIM 900 Interactive Pager. It was a two-way communicator that also had the ability to send faxes, as well as link to the Internet and email" (Friend, 2013). This successful product was used to compete against Motorola's two-way paging network. The company continued to progress and grow in the technology market and in 1997 became a publicly traded company on the Toronto Stock Exchange (TSE: RIM), where it raised more than $115 million from investors (Timeline of RIM's Rise, 2014). By 1998, Research In Motion came out with its RIM 950 Wireless Handheld, and the following year was developed into the Blackberry Wireless email solution, which was provided through the RIM 957 model (Fingas, 2013). This BlackBerry wireless email solution could connect to a computer and send or receive emails wireless, and even dock with a PC to synchronize contact lists (Fingas, 2013). It was the innovation needed for BlackBerry to move in the direction of making an all in one phone, email, and messaging device. In 2002, the first BlackBerry mobile phone was developed and released for production onto the

market, all with a focus on their famous QWERTY keyboard and BlackBerry Messenger. This strategy was part of a BlackBerry era that started in earnest, when RIM unveiled the BlackBerry 5810 (Fingas, 2013). However, RIM has had a lack of innovation in the years since and has been struggling with providing solutions for the B2C market and the B2B market (Timeline of RIM's Rise, 2014).

INDUSTRY ANALYSIS OF THE SMARTPHONE MARKET

In the mid 1990s, when the majority of mobile phones were still quite basic, people who were business professionals needed more functions such as the ability of accessing their email account and checking their calendar or contact book while travelling (McCarty, 2011). When the concept of the smartphone, the combining device with both telephony and computing features, came into the market, it was targeted primarily to business people (Brans, 2014). "The phone manufacturers took phones, which they were experts at making, and added PDA features. The PDA manufacturers took PDAs, which they knew all about, and added phone capabilities" (Brans, 2014). Early products included Nokia 9000 communicator, which had a list of functionality of Personal Digital Assistant (including contact book, note pad, email, calendar, etc.), and Ericsson GS88, which was the first labeled "smartphone" in the market (McCarty, 2011). Later in the decade, the smartphone market became more and more crowded with the increasing needs and wants of its consumers, using specialized mobile operating systems to strengthen their resolve (The Global Mobile, 2014). Hardware platform and software development are the two core technologies of Smartphone makers (The Global Mobile, 2014). As major companies developed the hardware operating systems for their smartphone product lines, such as iOS of Apple, Symbian of Nokia, Android of Google, BlackBerry OS of RIM, Microsoft Windows Phone, and Bada of Samsung, the market share of smartphones in all mobile phones was increasing significantly (Viken, 2011).
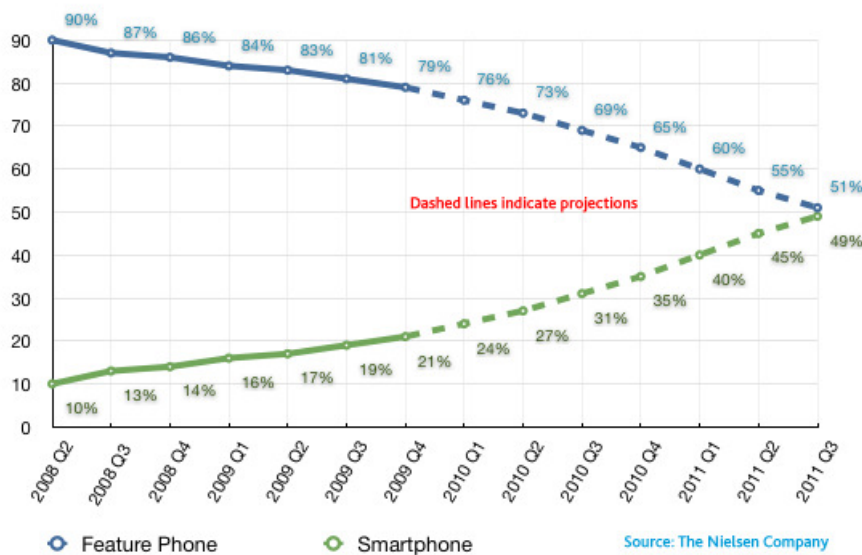

(Source: Privat, 2010)

Competition has become more and more intense among major players in the market. From year 2008 to 2009, the worldwide market share of BlackBerry has increased from 16.6 to 19.9 percent.

Worldwide Smartphone Sales to End Users by Operating System in 2009 (Thousands of Units)

Company	2009 Units	2009 Market Share (%)	2008 Units	2008 Market Share (%)
Symbian	80,878.6	46.9	72,933.5	52.4
Research In Motion	34,346.6	19.9	23,149.0	16.6
iPhone OS	24,889.8	14.4	11,417.5	8.2
Microsoft Windows Mobile	15,027.6	8.7	16,498.1	11.8
Linux	8,126.5	4.7	10,622.4	7.6
Android	6,798.4	3.9	640.5	0.5
WebOS	1,193.2	0.7	NA	NA
Other OSs	1,112.4	0.6	4,026.9	2.9
Total	**172,373.1**	**100.0**	**139,287.9**	**100.0**

(Source: Gartner Says Worldwide, 2009)

According to the Gartner research data, the market share has changed rapidly from 2009-2011 for worldwide smartphone operation system.
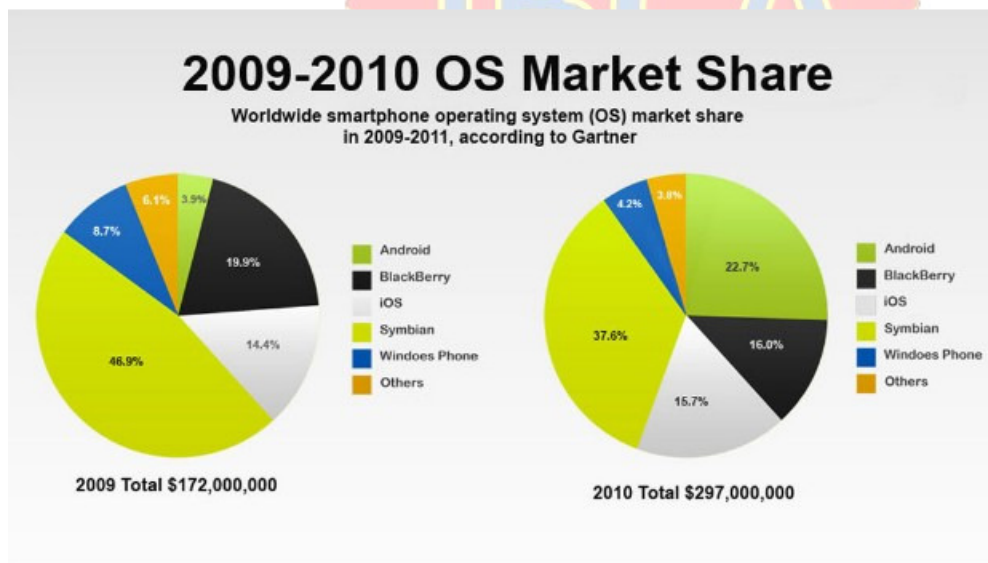
(Source: Gartner Says Worldwide, 2010)

The graph shows how the Android and iOS increased by 18.8 and 2.3 percent respectively and BlackBerry's market share has decreased by 3.9 percent.

ENTRANCE OF BLACKBAERRY IN THE B2C MARKET

RIM edged its BlackBerry products into the consumer market in September 2006, with the launch of the BlackBerry Pearl, the first device equipped with a digital camera and an MP3 player (Korzeniowski, 2006). The device came with extensive wireless e-mail features, 64 MB of built-in flash memory, a music player, camera and RIM's predictive text technology. Blackberry's Pearl was also lighter compared to its predecessors at 3.2 ounces and very portable (Shah, 2007). The device also supported maps, instant messaging and a picture-based caller ID (Korzeniowski, 2006). It was said that RIM was trying to target someone who needs a phone for business purposes as well as personal communications (Shah, 2007). Additionally, the BlackBerry Pearl was priced at less than $200, significantly lower than traditional BlackBerries, but still more than most cell phones (RIM Hopes Consumers, 2008).

(Source: Lynley, 2010)

While this all sounds like a wonderful product, analysts and consumers were unimpressed with the keyboard (image above). This usual strength for BlackBerries in the B2B market seemed to be a weakness for the B2C market. Squashing a full-size QWERTY keyboard onto this small of a device was an issue for most consumers (Goldfayn, 2012). The 1.3 megapixel camera was also considered to be quite low end compared with 3.2 megapixel cameras in a large number of other phones on the market (Shah, 2007).

RIM's B2C MARKET FAILURE

In January 2007, RIM shares fell 7.7 percent after Apple's announcement of the iPhone. It was said by a business analyst that RIM's BlackBerry lock on the enterprise market, such as businesses, government officials and emergency workers, is "completely safe" and in the consumer market where the BlackBerry Pearl competes, there is probably room for more than one type of device (Paddon, 2009). When asked about the iPhone announcement, RIM's Co-

Chief Executive Jim Balsillie stated, "The new device simply marks another competitor's entry into the smartphone market. It's kind of one more entrant into an already very busy space with lots of choice for consumers" (Briefly: RIM on IPhone, 2007).

In 2008, the BlackBerry Storm was released as RIM's answer to the iPhone. The Storm had an incredibly confusing interface that relied on a "clickable" screen (Reisinger, 2008). To make matters worse, RIM's answer to the iPhone was a mystery to the average consumer (Reisinger, 2008). No one knew about the Storm or what it did, but it was supposed to be for the consumer market (*Love What You Do,* 2009). On the other hand, the iPhone was no mystery, media covered the unveiling of the product and a huge buzz was created for the product. An editor for CNET News pointed out that, "All RIM can do is keep releasing compelling products that make businesses and the tech-savvy crowd take notice and wait for that knowledge to trickle-down into the mainstream" (Reisinger, 2008). The release of the Storm also came with the crash of the economy but RIM followed quickly with the release of a more traditional BlackBerry two months later, the BlackBerry Curve (Vogel, 2011).

In 2009, BlackBerry users experienced two service outages in less than a week. RIM was incredibly slow to respond to the events and eventually blamed these glitches on upgrades to popular services such as BlackBerry Messenger (Lee et. al, 2009).

BLACKBERRY PROMOTIONAL EFFORTS

Following the glitches, RIM started their "All You Need is Love" campaign, targeting younger users with Beatles tunes (*Blackberry "Love,"* 2009*).* The campaign aimed to target a younger, consumer target market than are typical BlackBerry users. However, The Beatles typically reach out to a significantly older age group of people. It appeared that the campaign could have caused more confusion than BlackBerry intended with regard to what type of phone user was being targeted. The image below depicts stereotyped phone users.

BLACKBERRY TABLET RUMORS

After competing against the iPhone, RIM focused its efforts on the tablet market (Dvorak et. al, 2011). The tablet market is in the growth stage with the first mover being Apple's iPad with 300,000 iPads sold within the first day of its announcement and a million sold within just one month (Dvorak et. al, 2011). The industry is booming and the growth potential was unprecedented. Rumors were swirling about the upcoming "BlackPad," a name the public created for the undisclosed tablet (Ratner, 2011). With the timing of Blackberry's entrance into the market, their "BlackPad" would directly compete with Apple's growing empire (Ratner, 2011). RIM started to compete in the consumer market without huge success and is now rumored to go into the tablet market, another new territory. With the rumors of its release, consumers were also wondering who RIM was making the tablet for, business workers or the general consumer (Dvorak et. al, 2011). With BlackBerry's brand built upon quality mobile phones and the industry moving quickly, RIM needed to get its tablet to the market as soon as possible.

(Source: IPhone vs. Android, 2010)

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(Source: Van Densen, 2014)

The rumored "BlackPad" was officially introduced by RIM as the PlayBook in a press release dated July, 2009 (Dvorak et. al, 2011). The PlayBook boasted a new proprietary

operating system, QNX Neutrino (Ratner, 2011). The BlackBerry PlayBook runs apps through Adobe AIR, which also allowed for websites that utilized flash to be displayed in their entirety (Arthur, 2011). The PlayBook can also be linked to any BlackBerry device similar to Apple's iPad (Arthur, 2011). Different compared to the iPad, the PlayBook boasts a HDMI video output and could playback high quality video and audio formats that the iPad cannot (Arthur, 2011).

PROMOTIONAL CAMPAIGN

While RIM dipped its toes in the growing consumer market, management was torn on whom to target with its PlayBook (Gesserman, 2011). Co-chief executive, Mike Lazaridis, and co-chief executive, Jim Balsillie, differed in their views of the target market. Lazaridis wanted to stick to RIM's bread and butter market of the large corporations and business people, while Balsillie felt that the consumer market was the future and wanted to change views (Lynley, 2010). To help alleviate the confusion, RIM hired the ad agency 72 and Sunny, a small California ad-agency (Gesserman, 2011). However, the bickering of who should be the target market did not stop. Lazaridis was geared toward professionals after speaking with many corporate chief technology officers who were already using BlackBerry phones (Lynley, 2010). Others felt that they were ignoring the general consumer and it should aggressively target those consumers (Lynley, 2010). Months were spent debating back and forth until, in early February, Mr. Pardy resigned as RIM's Chief Marketing Officer (Lynley, 2010). To add to the dysfunction, RIM fired the 72 and Sunny ad agency (Lynley, 2010). Two months later, the PlayBook was ready to be released but a target market had still not been chosen, causing confusion among the general consumers and business workers (Gesserman, 2011).

DISCUSSION QUESTIONS

1.   Who should RIM target with the Playbook: businesses or consumers? What principles should then be applied? If RIM decided to target the business market, what should they do to maximize their competitive advantages?
2.   How would you define the strengths, weaknesses, opportunities and threats for Blackberry?
3.   If you are one of RIM's co-CEOs Mike Lazaridis or Jim Balsillie, what would you do to make sure you are making the right marketing decisions? Hire a new CMO? Outsourcing a consulting company? Or simply making the decisions yourself? Why or why not?
4.   What is the type of promotion RIM should use if they decided to target the business market? On the other hand, what should they use as a promotion method if they chose to target the consumer market?
5.   From the view of RIM, which market, business or consumer, do you believe to be more suitable for the company? Why?
6.   If you were the designer of the PlayBook, what would you do to make it meet the needs and wants of its potential customers? Use the marketing mix elements of product, price, place, and promotion to formulate your answer.

TEACHING SUGGESTIONS

1.   Ask how many of the class own or have owned a Blackberry. Ask them the specific product they owned, the pros and cons of owning a Blackberry, especially compare to other cell phones they have owned. Ask them what feature(s) they prefer the most, why?
2.   Have your students used Blackberry for daily life communication or business uses? Let them talk about the experience of using it, the feature(s) they like the most or dislike the most.
3.   Let the students pick the target market of Blackberry after the SWOT analysis. Which market should Blackberry choose? Why?
4.   Ask your students to forecast the possible future of Blackberry, both operationally and financially? Then show them where Blackberry is right now.

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