

Over the years, Canadian firm Research In Motion (RIM) has increased its focus on emerging markets like India. From positioning itself as the “handset of choice” for business users and enterprise customers, the company has now begun to target the Indian youth as well.

Aiming to tap the high potential and the fast-growing Indian handset segment, it has launched devices targeting the price-sensitive Indian middle classes and has tried to cater to India-specific applications and services. These initiatives have paid off. BlackBerry has proved to be more popular than Apple’s i-phone in the country. In the second quarter of 2011-12, while Apple’s sales accounted for just 2.6 per cent shipments to India, BlackBerry garnered a substantial 15 per cent shipment share, not far behind Samsung’s 21 per cent.

RIM’s success in India comes as a breather for the company, which has been facing tough times in the American and European markets. Its market share plummeted from a substantial 50 per cent to 17 per cent in North America between 2009 and 2011. RIM has also witnessed a steep fall of over 60 per cent in its share prices since February 2011. In the quarter ended August 2011, the handset maker’s revenue was \$4.2 billion, down 10 per cent from that of the previous year, while its profit, at \$329 million, was down by more than half. According to research firm Gartner, in the second quarter of 2011, RIM’s share in the global smartphone market declined to 12 per cent from the 19 per cent a year earlier. It continues to lose market share to Apple and other Android-based handsets.

Indian market

In light of the state of affairs in the global market, ensuring success in the Indian market has become all the more critical for RIM, which entered the country in 2004. Between 2009 and 2010, when RIM’s American business was shrinking, its Indian arm was expanding.

Breaking away from its strong brand image of a business phone has been a key factor for BlackBerry’s success in India. A campaign, in partnership with Vodafone, has worked well to define its new market positioning. “We are the Blackberry Boys” – the Vodafone-Blackberry commercial – features a group of a black tuxedo-clad corporate leaders working on their BlackBerry handsets, who are soon joined by a group of youngsters who are singing, chatting

and surfing the web.

The BlackBerry Messenger (BBM) application has also added to the popularity of the device among youngsters as users could message each other for free without the internet. BBM, as it is popularly known, has become an instant hit with the urban youth and has been a key driver of the company's growing sales.

RIM has witnessed a surge in demand and enhanced its retail distribution network to cater to it. It appointed Redington India as its retail distribution partner in January 2009. While it initially began with distribution in nine cities, BlackBerry smartphones are now available at thousands of customer touch-points across 70 cities in India. The company currently has over 4,000 multi-brand stores selling its handsets.

RIM has set up over 500 BlackBerry Experience Zones within multi-brand stores at key locations in Delhi and Mumbai, which will be expanded across other cities in the near future. These outlets allow BlackBerry users to have a first-hand experience of the company's product offerings.

Meanwhile, RIM has continued to focus on its key strength, the enterprise segment. In August 2011, it entered into an alliance with channel distributor Ingram Micro to offer BlackBerry mobility solutions. Ingram Micro will distribute the full portfolio of BlackBerry enterprise solutions in India including mobile solutions to boost productivity, increase sales and improve customer service.

Issues

Despite its success in the Indian market, the going has been far from smooth for RIM. The Indian government has been skeptical of RIM's handsets since its highly encrypted messenger, email and web exchange services pose a serious threat with regard to national security. While the Indian government had been trying for almost two years to get BlackBerry to allow it to monitor, intercept or decrypt its messenger and e-mail services, the issue has attained a new level of seriousness after it was found out that the terrorists had used BlackBerry services to communicate with each other during the terror attacks in recent years.

Following several rounds of negotiation, in January 2011, RIM gave the Indian government access to consumer services including messenger services, but stated that it could not allow the monitoring of its enterprise email. However, the Indian authorities were not convinced. In September 2011, RIM came up with a solution for real-time interception of its BlackBerry enterprise service after seeking several extensions of deadlines for nearly a year.

The solution offered by RIM is being tested by the Department of Telecommunications, which is expected to submit its report in November 2011. Also, things seem to have eased up with the telecom ministry stating that a complete ban on encrypted communications is not desirable as long as solutions exist to have the data intercepted in a readable format.

These developments may have broken the logjam in a stretched-out dispute; however, the fate of the handset manufacturer in India is far from secure.

It must be remembered that the high level of encryption has been a USP for RIM, especially amongst corporate users and government officials. RIM's high-level encryption provides users the ability to transmit information wirelessly with the knowledge that the data is secure and not even RIM can access it. However, the feature, which added to its popularity, has become a bone of contention with the governments of several countries opposing such encryption. BlackBerry has already been banned in the United Arab Emirates and faces similar risks in Saudi Arabia, Kuwait and Bahrain.

It faces a number of other issues as well. Faster time to market is a key ingredient missing in RIM's technology offering, and has led to its slipping position in the global market. To remain competitive in the rapidly evolving Indian handset market, RIM will need to deliver pertinent offerings to suit the consumers' tastes.

Companies like Apple have shown how innovative content can boost a company's smartphone sales. This is another area RIM needs to work on. The company currently has 17,000 developers who are working on applications for BlackBerry's global audience. However, it is lagging behind Apple, which has over 400,000 applications on its App Store or Android-based handsets with over 200,000 applications.

RIM's entry into the tablet market was again a disappointment. The handset maker shipped 500,000 PlayBooks in the first quarter after the launch but only 200,000 during the second quarter. Gartner estimates that RIM may sell three million tablet units in 2011, but this is far below the 47 million i-pad sales expected during the same period.

The handset industry has already witnessed the fall of once market leader Nokia. It is about time RIM learns from the mistakes of its rival, which has rapidly lost foothold primarily due to its failure to adopt new technologies in a timely manner.

Key offerings

BlackBerry currently offers nine handset models in India. Of these, the top selling Blackberry mobile phones are the BlackBerry Curve and the BlackBerry Bold. The BlackBerry Curve 8520 was an instant hit in the Indian market after its price was reduced to Rs 9,990. The move was an attempt to offer handsets in the sub-Rs 10,000 segment. Another popular offering is the Blackberry Bold series – Blackberry Bold 9780, Blackberry Bold 9650, Blackberry Bold 9700 and Blackberry Bold 9000. Other popular handsets are the BlackBerry Torch 9800, BlackBerry Storm2 9520 and BlackBerry Pearl 3G 9100.

Given the high potential of the tablet PC in the Indian market, RIM launched the PlayBook, a tablet PC that runs on the BlackBerry operating system, in June 2011. The company now seeks to replicate the success it had with the BlackBerry smartphone in India's nascent but quickly growing tablet market. The 7-inch touch-screen tablet aims to target both the consumer and the enterprise markets.

However, a major shortcoming of the PlayBook is that it does not have an email application of its own (personal information management function) and cannot access the internet through a mobile connection. It can only use a Wi-Fi connection to access the internet or pair the tablet with BlackBerry's cellular connection. Such a feature makes it less appealing to non-BlackBerry users, especially when other manufacturers like Apple sell both the Wi-Fi as well as the 3G-enabled version of tablets.

The way forward

According to current estimates, there are about one million BlackBerry subscribers in India. Going forward, this number is expected to grow manifold. As per Gartner's estimates, RIM's shipments in 2011-12 are expected to cross 1.2 million (300,000 per quarter), whereas its arch rival Apple's shipments are expected to touch just 5,000-10,000 per quarter. Moreover, RIM expects its Indian shipments to increase by nearly 70 per cent each year till 2015.

With its growing market size, RIM is planning to set up an Indian manufacturing facility in order to tap the potential offered by the market and its surrounding regions. It may develop India into an export hub going forward. It is also evaluating investment opportunities in India, including those in manufacturing and logistics, as it seeks to expand its presence in the world's fastest-growing mobile phone market.

Net, net, though RIM has managed to carve out a place for itself in the Indian handset market, it has a long way to go before it enters the league of the top five players in the handset market.

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