

The SmartBusiness Team



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The Outline

- The Theme
- Values, Mission, Vision
- The Smartphone Industry
- Financial Ratios
- Current Strategy
- Strategic Objectives
- Issues
- Recommendation
- Methodology
- Bibliography

Helping Business On the Move



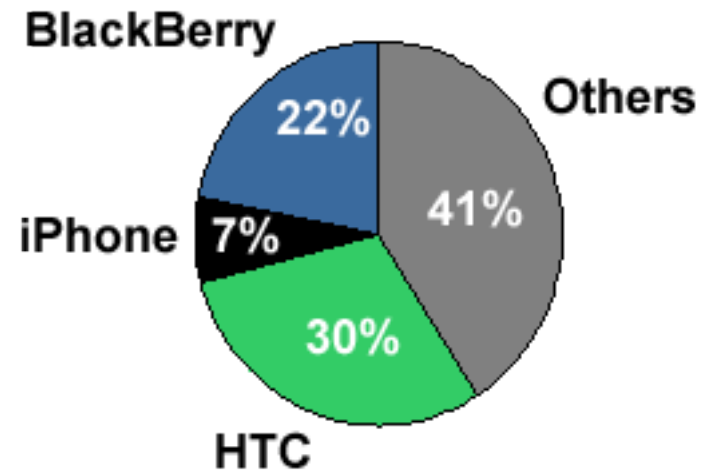
Reliability, Innovativeness, Mobility

- Innovative, customer-oriented provider of mobile communication services
- High-quality business solutions worldwide
- Become a leading, innovative full-service provider worldwide
- Taking life beyond the traditional mobile phone

BlackBerry is Runner Up

Brand	Market Size
HTC	5 billion €
BlackBerry	4.3 billion €
iPhone	1.3 billion €
Other Brands	7.4 billion €
Total	18 billion €

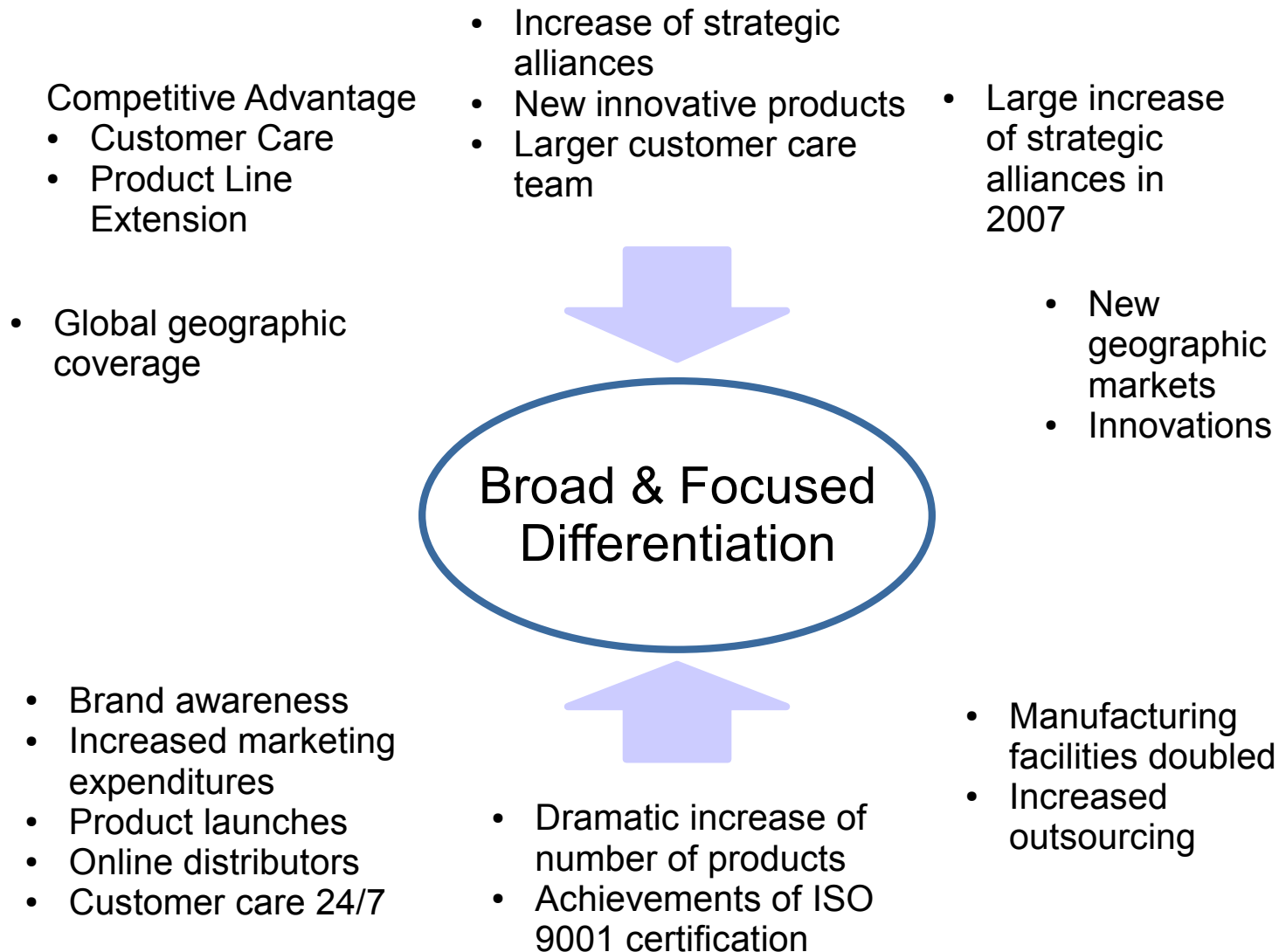
Smart Phone Market Share



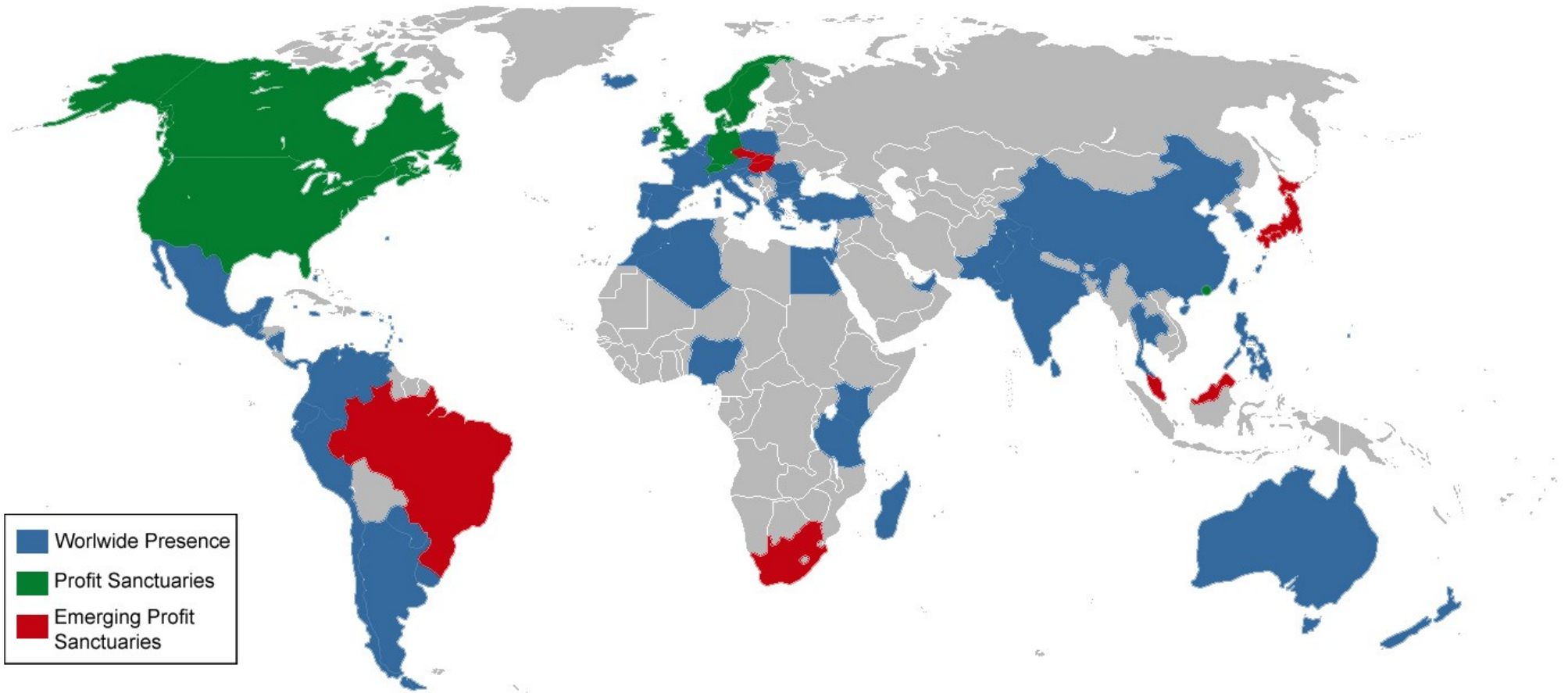
Shorten Average Collection Period

	Objectives		2007 (RIM)	2006 (RIM)	2007 (Apple)
	Short – Term	Long - Term			
Gross Profit Margin	55%	57%	54.58%	55.21%	34%
Net Profit Margin	21.5%	23%	20.79%	18.49%	14.6%
ROE	30%	35%	28.20%	18.46%	24.10%
EPS (Diluted)	4	6 - 7	3.31	1.96	4.56
Debt to Asset Ratio	0.2%	0.70%	0.214%	0.269%	n/a
Debt to Equity	0.230%	0.2%	0.266%	0.343%	n/a
Average Collection Period	63	59	66.67	61.33	24.89

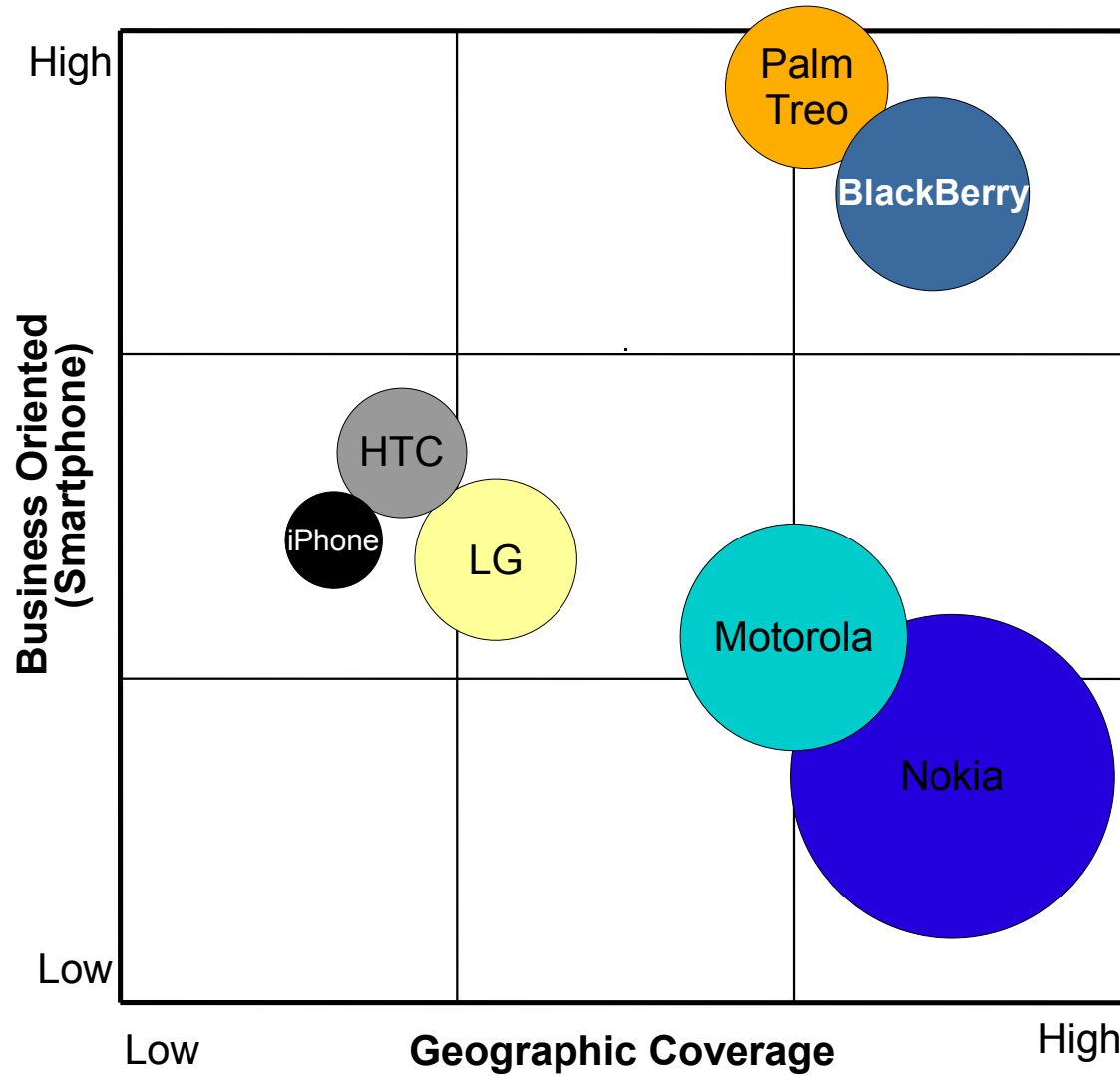
Broad & Focused Differentiation Strategy



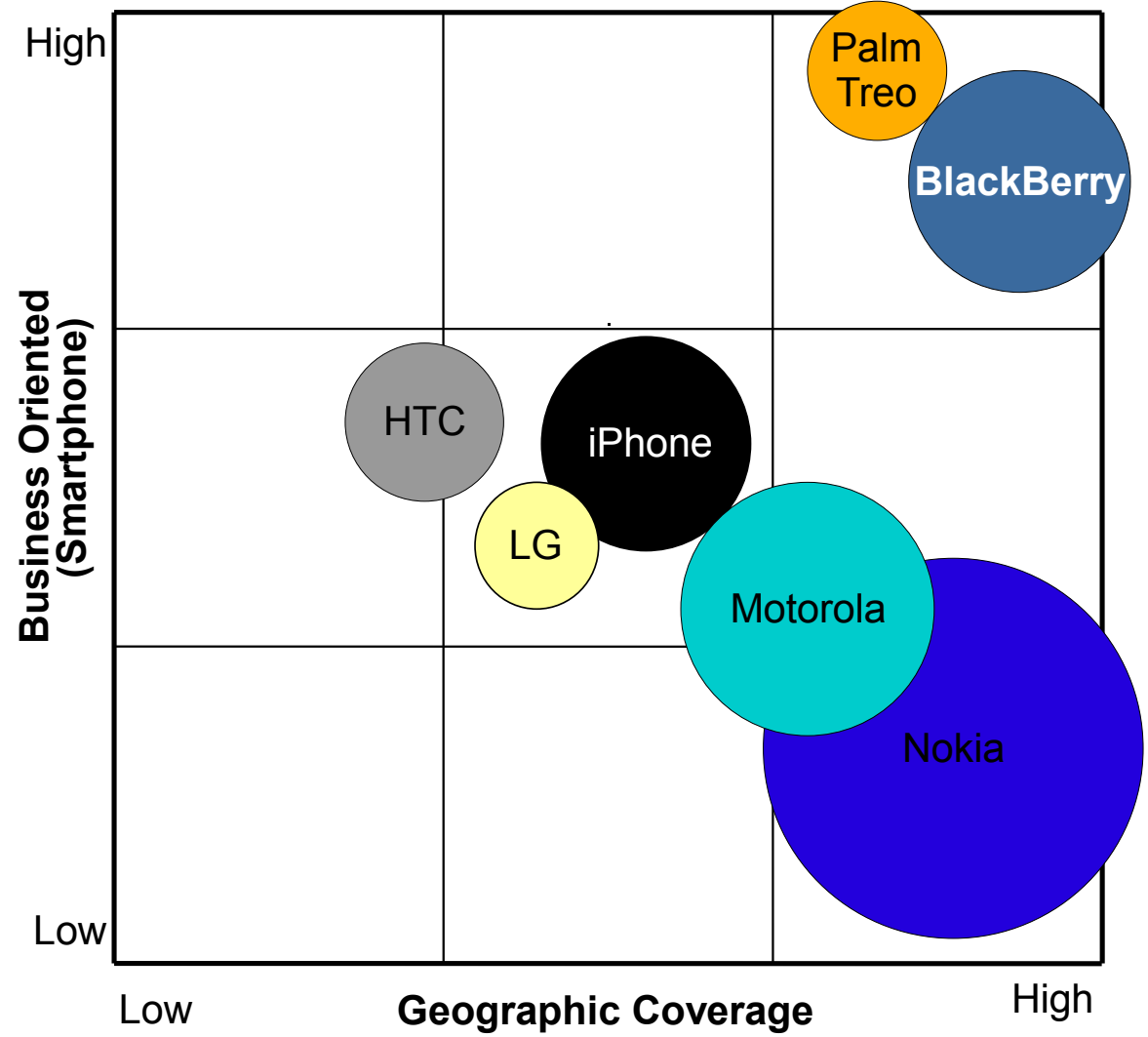
Present Around the World



Smart Positioning Everywhere



Roadrunner – BlackBerry Is Still Ahead in 2012



Leading Changes

- Pioneer new and better technologies
- Pursuing rapid product innovation
 - Invest aggressively in R&D on technical know-how
→ 10%
- Expanding the company's product line
 - Specific to each market and business customer
- Rely on and develop strategic partnerships
- Expansion of outsourcing relationships for manufacturing

But Still We Need Improvements...

- Product quality & performance
- Product innovation capability
- Customer service capabilities
- Minor faults in software applications

...What Needs to Be Done

- Expansion of new geographic & emerging markets
- Exploitation of new technologies
- Face increasing competition

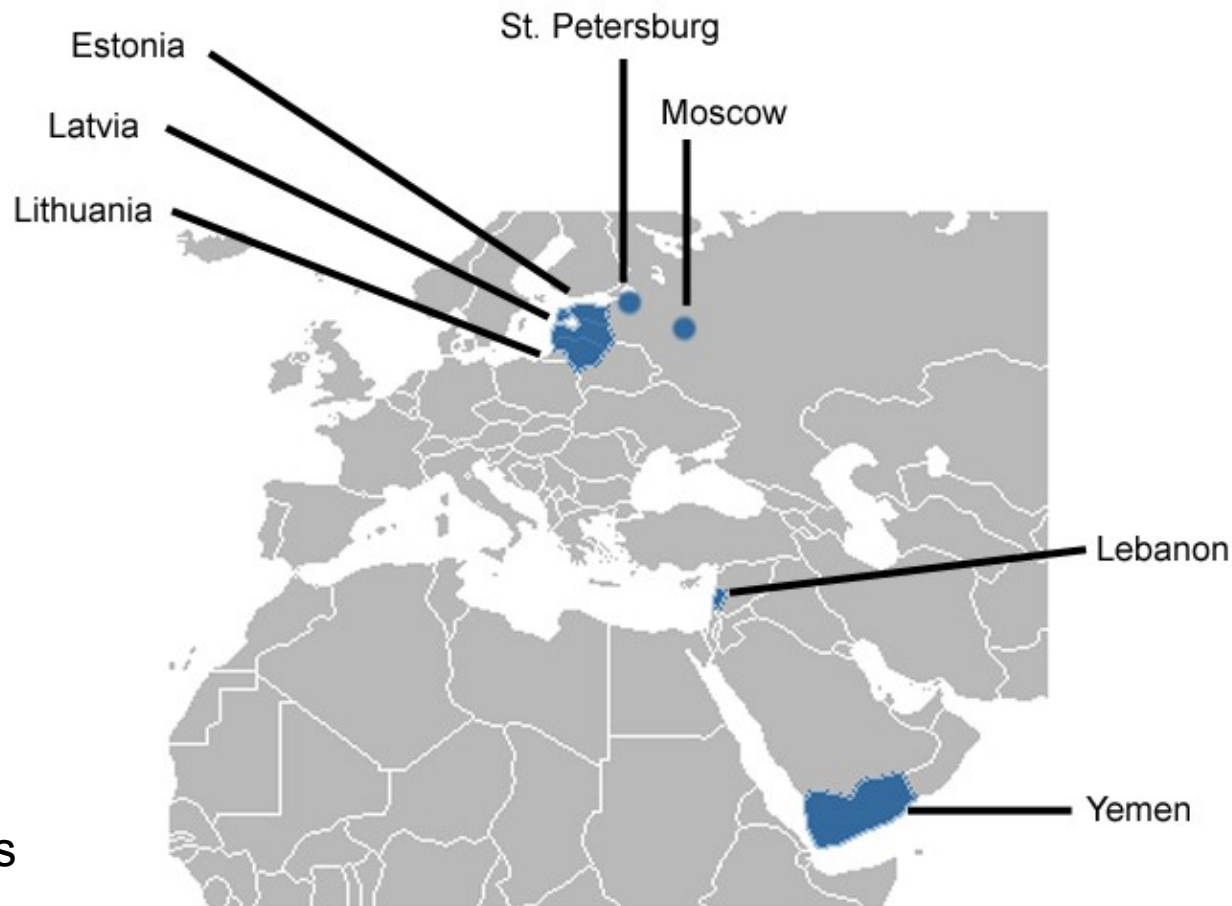
May the Force Be With Us!



- Constant Innovation
- Reach Leader Position
- Spot Niche Markets (Public Sector)

This Is the Future...

- Maintain Broad Differentiation Strategy
 - Change Focused to Broad Differentiation



Our BlackBerry Journey

	Week 15 th Feb	Week 22 nd Feb	Week 29 th Feb	Week 7 th Mar	Week 14 th Mar	Week 28 th Mar	Week 4 th Apr	Week 11 th Apr
Abdullah	Team Leader - Organisation of Team Meetings; Business Model	7 Questions, Chapter 3	Market Size, Competitive Forces, Outlook	Chapter 5 "Competitive Strategies"	Graph 7.2	-	-	Execution Strategy
Jessika	Key Figures/ Financial Ratios	Finances – update; External Environment	Market Position of Rivals; Financial Ratios iPhone	Team Leader; Revision of Supply Chain	Revision Supply Chain, Question Chapter 8	Organisation of Slides	Case Analysis and Slides	Organisation & Editing of Slides
Isabell	Current Actions/ Proactive, Reactive Strategy	Strategy & Actions – update	Competitive Position (Chapter 4, 5 Questions)	Revision of Slides; Putting Slides Together	Revision of Slides; Putting Slides Together	Organisation of Slides	Case Analysis and Slides	Organisation & Editing of Slides
Tanguy	Current Ethic Issues	Case #3 – notes, issues, questions, members	Strategy – Competitors' Actions	Tests for Winning Strategy	Graph 7.1	Organisation of Slides	Industry Assessment/ Competitive Strength	Supply Chain Analysis
Liliya	Vision/Mission/ Corporate Values	Competitor Analysis – iPhone & HTC	Factors Driving Industry Change	Improving "Competitive Advantage"	Exempt	-	Industry Assessment/ Competitive Strength	Execution Strategy

Thank You For Your Attention!

Have a Nice Day...

Back-Up Slides

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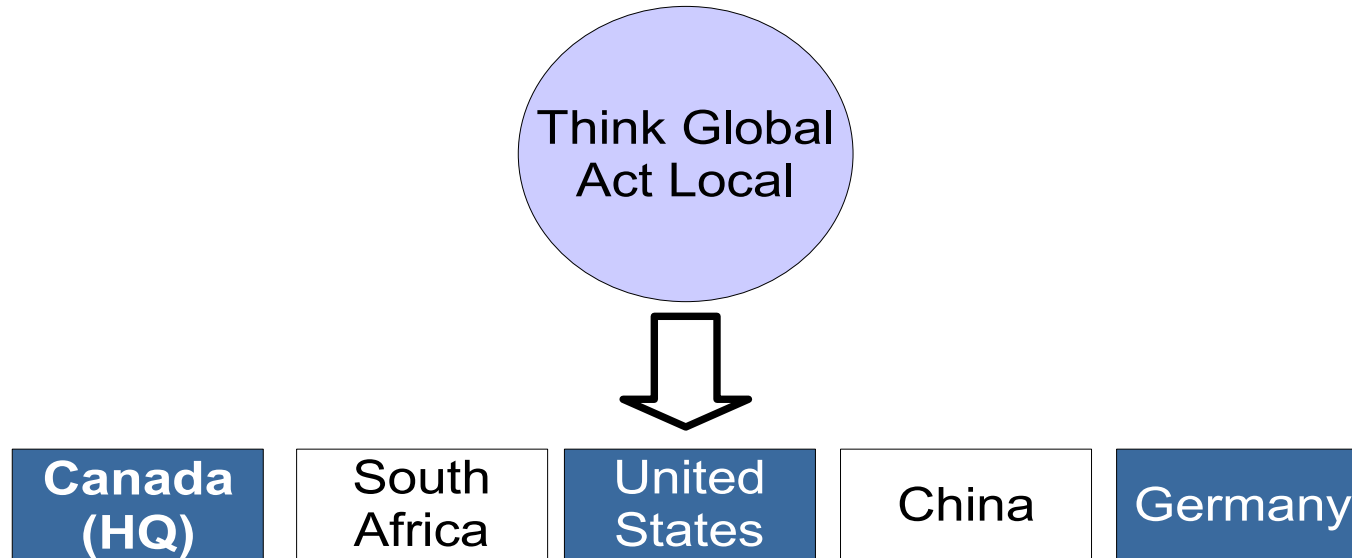
- Company's Website
 - Press Releases
- BlackBerry Website
- Annual Report RIM
- Wikipedia RIM
- Wikipedia BlackBerry
- ValueWiki
- BlackBerry Cool (Collection of Info)
- Smartphone Analysis '06

- Events
- HTC Press Release
- HTC Article
- iPhone Blog France
- Wikipedia Smartphone
- Mobile phone Market Share
- HTC
- Sony Ericsson
- Nokia
- iPhone

The Company - RIM

- Market Size and Growth Rate
 - 150 million users representing €78,000,000,000
 - Expected Growth ~90%/year
- Market Share last quarter 2007 in U.S.
 - BlackBerry: 41%; iPhone: 28%
- Expected Market growth in smartphone industry market 44%/year
 - U.S.: 30%/year
 - Eastern Asia: 50-70%/year

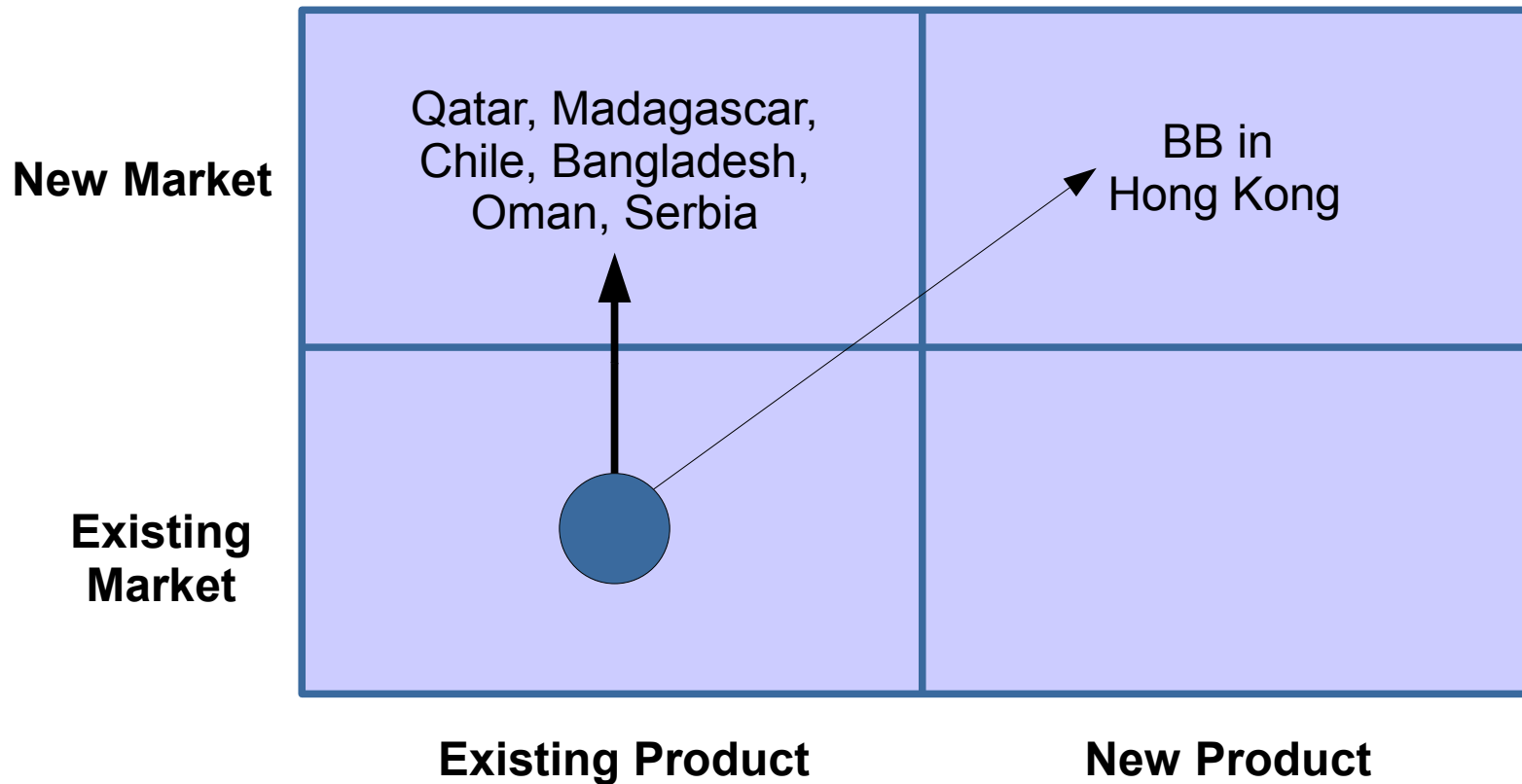
Our Current Strategy



Collaborative partnerships & strategic alliances with leading telecommunication companies to launch improved/new products/solutions for SME's & large businesses in existing/new geographic markets.

New Geographic Market Entries are Prevalent

New/Existing Product Market Entry



Tests For a Winning Strategy

- Goodness of Fit Test
 - R&D spending of \$774,095,000 (25.49% of revenues; 46.70% of gross margin) to acquire the best showing constant development of new software to suit RIM's products and customer needs
- Competitive Advantage Test
 - State-of-the-art manufacturing facilities
 - Wide geographic coverage
 - Strategic alliances with leading telecommunication companies
- Performance Test (RIMM)
 - ROE = 25.26% (HTC: 20.73% ; Apple: 24.10%)
 - Net Profit Margin = 20.79% (HTC: 6,22%; Apple: 14.6%)
 - Net Income = \$631.6 Million (Increase of 69%)

Competitive Costs and Prices?

- In terms of absolute price, BB and iPhone are competitive.
- In terms of costs they are not competitive:
 - 10% of sales difference and ~400 times the amount of debt for iPhone explains the higher cost of its product
 - BB → main expenses for support activities
 - iPhone → spending on primary activities

Results of the Company's Present Strategy (2007 vs '06)

	2007	2006	↓/↑
Revenue	\$3.04 billion	\$2.07 billion	↑ by 47%
Gross Margin	54.6%	55.20%	↓
Net Income	\$631.6 million	\$374.7 million	↑ by 69%
Employees	Approx. 6,250	Approx. 4,700	↑

Conclusion Concerning Our Business Situation

- Core competencies
 - Innovations
 - Entries in new geographic markets
 - Strategic alliances
- Attractive market opportunities
 - Further entering in new markets with new products and software solutions
- Likely competitors to enter market and catch up with technology and product offerings

Competitive Strength Assessment

- RIM's Competitive Advantage lies in
 - Quality
 - Distribution network
 - Innovation
- End results show that Apple Inc. is a serious-to-take competitor strengthening its success factors

Competitive Pressure Keeps Us Going

- Rivalry among Blackberry, iPhone & HTC
- Competitive pressures created by jockeying for better market share, and competitive advantage

Weapons for Battling Rivals and Attracting Buyers

- Different Advanced Features
- High-product performance
- Special Executive Functions
- Models designed to suit a serious environment
- Selective Advertising
- Fast innovation capabilities
- Efficient Dealer Network

Current Issues

- Substitute products taking market share away by providing efficient products
- Companies like BlackBerry, HTC & iPhone are threatening each other by trying to merge with its suppliers
- Buyers pushing the price down, because of
 - Low product switching costs, concessions, large-volume purchases, inconsistent demand
- Tough competition faced by present established companies

Strategic Issues and Problems

- How to maintain present growth of rate regarding emerging competitors?
- How to fend off increasingly becoming strong competitors?
- Whether to improve customer service capabilities?

Strategic Issues and Problems (1/2)

- Technological change
- Customer demand for quality along with utility
- Economies of scale making it cheaper to produce
- Availability of substitutes, resulting to decreasing demand for business phones

Strategic Issues and Problems (2/2)

- Driving forces increase mobile's industry products
 - Cell phone's sale increased more than 20% in one year
- The mobile's sector is highly competitive
 - Worldwide: iPhone market size -7%; HTC-30%; Blackberry- 22%; Others-41%
- More competitors- less profitability
 - iPhone: net income in 2007- 0,146%; HTC: net income in 2007- 6,22%; Blackberry net income 2007-?

Key Factors for Future Competitive Success

Technology-related KSFs	Provide a better WIFI service
Manufacturing-related KSFs	Reduce costs by diversifying its production in cheaper areas
Distribution-related KSFs	A compact distribution channel required for developing markets
Marketing-related KSFs	Recognition and identification of key services
Skills- and capability-related KSFs	Emphasis in R&D to improve quality and simplicity of product

Strategy Options

- Broad Differentiation Strategy
 - Acquired Ascendent Systems
 - Improve the quality of the product
- Informative website emphasizing every single aspect of the product
- \$160 million in R&D and \$300 million in MKT, Selling and Admins
- A first mover in the market

Actions for Improving Our Strategy

- Innovation at a faster rate
- More specific and improved business solutions
- Continuing new/ existing geographic market entry through:
 - Expansion and amelioration of distribution network
 - Tightening strategic alliances and collaborative R&D




The Broad Differentiation Strategy

Strategic Target	Targeting a broad cross section of the market (business executives)
Basis of Competitive Advantage	BB offers a completely different kind of service than a classical phone
Product Line	BB provides high and different functionalities
Production Emphasis	Product designed for whatever the buyer is willing to pay for
Marketing Emphasis	Charges an extra charge for its value addition
Keys to Sustaining Strategy	Investments in R&D to reduce costs and find best suppliers




Business Model

- BlackBerry Business Solutions allow you to connect and collaborate wherever you are.
- Supports leading enterprise email platforms to meet the needs of one person or an entire enterprise, to any scale, in any industry.
- Provides all of the software tools that is needed to allow mobile workforce to seamlessly access email and enterprise applications and services.
- Distribution via strategically chosen carrier partners

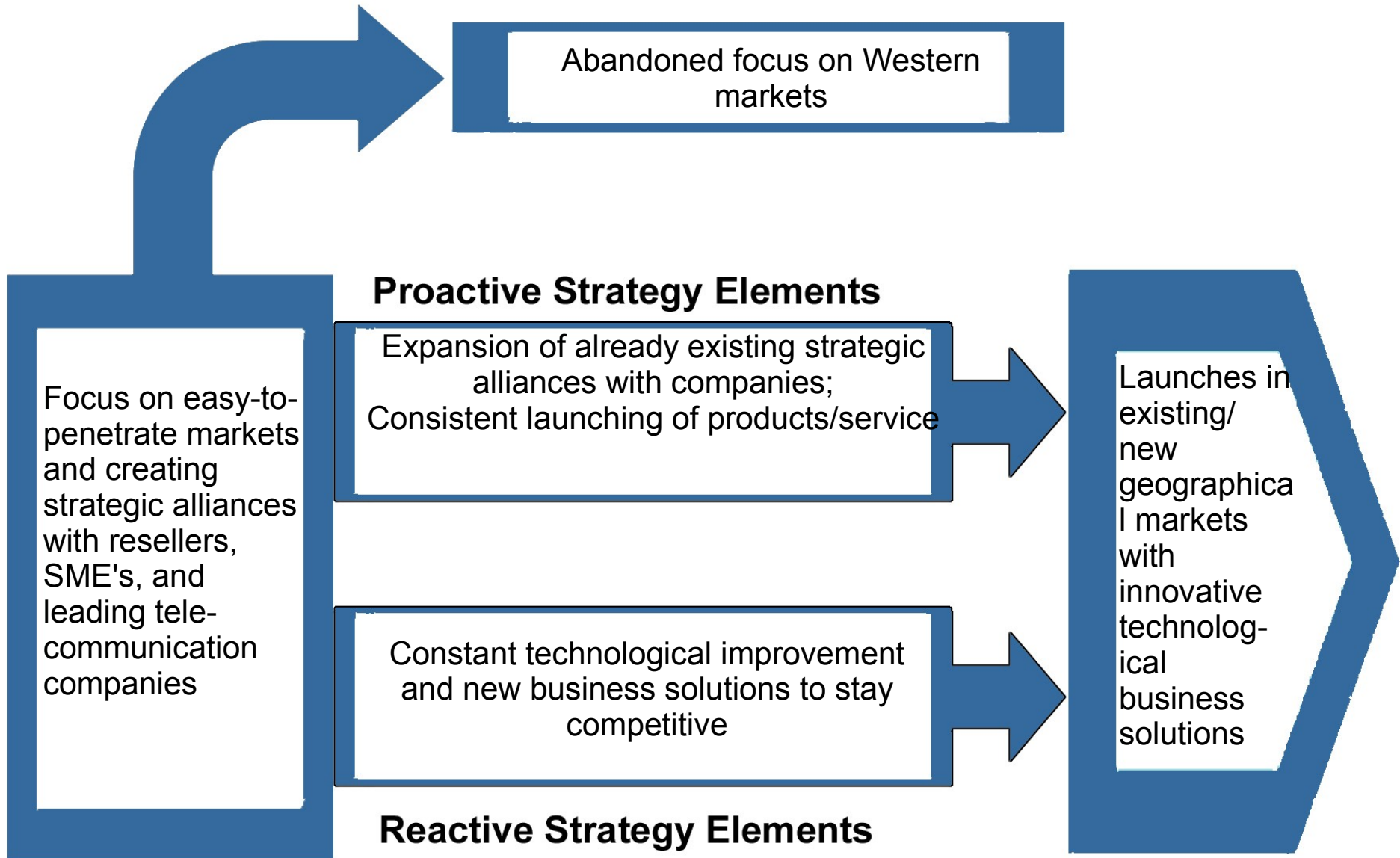
Strategic Actions (1/2)

Companies Actions			
Collaborative Partnerships	Alliances with leading telecommunication companies in respective countries (Vodafone, Rogers Wireless, Orange, Vodafone, MTN, Qtel, EMS)	Partnership with Sony (use on Sony radios); Partnership with BMW to make iPhone compatible with their cars (avail. In Dec.)	
Strategic Alliances	Alcatel-Lucent for Distribution of BlackBerry Smartphones in China (world's largest wireless market) (Oct 23, 07); Expansions of strategic global alliance with Yahoo! Inc. to bring Yahoo! Go for Mobile 2.0 (Jan 8, 07)		Launch of the HTC S730 with Microsoft
New Product Market Entry	BlackBerry Pearl 8110 with built-in GPS in Hong Kong (Feb 13, 08)	Only sold in U.S., France, Germany, UK	HTC S730 provides faster processor and adds 3G/HSDPA for users and business professionals; HTC Shift is enhanced with Microsoft's Origami Experience 2.0 (a software designed around Windows Vista); HTC developed first 3G smartphone in the world
New Geographic Market Entry	BlackBerry solution in Qatar; BlackBerry® 8800 in Madagascar and Chile; Bangladesh; Serbia; Oman through Oman Mobile & EMS		

Strategic Actions (2/2)

Actions			
Strengthening Competitive Capabilities	Integrated GPS (UK); Constant improvements (advanced security features, user-friendly navigation application, use as a wireless modem for laptops); IBM Lotus Connections social software for business	Always staying a step ahead in terms of technology, design, functionality and additional services offered (warranties, extra compatible items)	
Market Opportunities & Threats	Introduction of Mobile Voice System (extension/replacement of a user's desk phone) ; QuickPlay Media Introduces First Free Streaming Video Service for BlackBerry Smartphones (Video Conferences); Launch of A New Wireless Solution for SME's	The DC police officers are now trying iPhones in place of police radios; Diversify and increase revenue by launching additional product lines according to necessities of main consumers	
R&D, Sales & Marketing, Finance Management	Investment in marketing initiatives to expand brand's strength beyond enterprise market; Record number of product launches with carrier partners (2007); Significant expansion of indirect/third party distribution channels; Dramatic increase of new products	Numerous research to counter the hackers and the grey market (China & Czech Republic); Different quality tests to identify & repair weaknesses, focus strategy on strengths	

Proactive Initiatives/ Reactive Adjustments



Competitive Forces Faced by Industry Members

Substitute Products
Motorola, Samsung,
Nokia

Competitive pressures
of companies outside the industry
to win buyers

Rivalry among
Blackberry,
iPhone & HTC
Competitive pressures
created by
jockeying for
better
market share,
and competitive
advantage

Competitive
pressure
stemming
from buyer
bargaining
power and
buyer-seller
collaboration

Business Executives
(Buyers)

DBX
Electronics

Competitive pressures
stemming
from supplier
bargaining
power and
supplier
collaboration

Competitive pressure
from new rivals

Potential New Entrants
HP, QTEK

Industry's Dominant Economic Features (1/2)

Market Size & Growth Rate	150 million users representing €78 000 000 000 Expected Growth ~90%/year Demanding & Innovative Sector
Number of Rivals	Apple & HTC Both established in their domain
Scope of Competitive Rivalry	All competitive in the global market, emphasizing more on the foreign market
Number of Buyers	Demand concentrated towards a particular sector (executive business sector)
Degree of Product Differentiation	Product different in outlook
Product Innovation	Rapid product innovation & short life-cycles Invested \$160 million in R&D Hard to beat rivals with next generation products

Industry's Dominant Economic Features (2/2)

Supply/Demand Conditions	Prices are not affected by surplus as only a few brands are able to offer a similar service
Pace of Technological Change	It is crucial to keep up and reduce manufacturing costs
Vertical Integration	Most companies operate in multiple stages of production
Economies of Scale	Offering a better service is more important than benefiting from the economies of scale
Learning/ Experience Curve Effects	“Learning by doing” is important, but, in this sector, offering a perfect product is crucial

Weapons for Competing & Factors Affecting the Strength of Rivalry

Weapons for Battling Rivals and Attracting Buyers

- Different Advanced Features
- High-product performance
- Special Executive Functions
- Models designed to suit a serious environment
- Selective Advertising
- Fast innovation capabilities
- Efficient Dealer Network

Rivalry among Competing Sellers

- Fancy models for everyday use
- Mass advertising
- Low prices
- Simplicity

Rivalry is generally stronger when

- iPhone and HTC campaigning to improve their market
- Demand towards the imaginary perfect product is growing slowly
- Distributors such as Fnac or Orange find themselves with excess inventory when buyer demand falls
- Increasing number of competitors
- When difference between classical and Smartphones are weekly differentiated
- iPhone and HTC have diverse strategies and located in different countries

Rivalry is generally weaker when

- Demand is growing fast
- The difference between rival products are differentiated
- Costs to switch brands are high

Factors Driving Industry Change and their Impacts (1/2)

- Technological change
- Customer demand for quality along with utility
- Economies of scale making it cheaper to produce
- Availability of substitutes, resulting to decreasing demand for business phones

Factors Driving Industry Change and their Impacts (2/2)

- Driving forces increase mobile's industry products
 - Cell phone's sale increased more than 20% in one year
- The mobile's sector is highly competitive
 - iPhone market size -7%; HTC-30%; Blackberry-22%; Others-41%
- More competitors- less profitability
 - iPhone: net income in 2007- 0,146%; HTC: net income in 2007- 6,22%; Blackberry net income 2007-?

Outlook for the Present Company

- Market leader in the smartphone industry in US
- Bringing good returns from emerging markets
- Expects a positive 2008 with the decline of iPhone
- Blackberry Pearl doing a good job in the international market

Financial Key Figures (1/4)

- Gross Profit Margin = 54.58%
 - Operating Profit Margin = 26.56%
 - Net Profit Margin = 20.79%
- 33.79% (=Gross Profit – Net Profit) are used in the operations and the financial obligations of Blackberry.

Financial Key Figures (2/4)

- ROE = Profit Margin x Asset turnover x Financial leverage
= 25.26%
 - 5% is earned through debt and 20% is due to Profit Margin and Sales.
 - For every dollar invested Blackberry creates 25 cents in Assets.
- % Yield return: (4.81) RIM
(9.61) HTC
(39.69) Apple

Financial Key Figures (3/4)

- Debt to Asset = 0.00214
- Debt to Equity = 0.00266
- LT debt to equity = 0.00255
 - The strategy is not based on borrowing.
 - They are using sales and shares to generate cash flow.
 - RIM does not spend much on their financial liabilities, but spends more on R&D, technology and advertising.

Financial Key Figures (4)

- Average collection period = 67.66 days
 - It is long for the type of product they are offering.
- Current ratio = 3.51
 - This high ratio shows the possibility they have to pay their liabilities if needed.
- EPS
 - Basic 3.41
 - Diluted 3.31

Comparing Key Figures - Apple

- Huge cost of sales = **66%** (vs 45% for BB)
- Gross Profit Margin – Net Profit Margin = **19.4%** (vs 33.79% for BB)
 - Apple is spending less of their sales on administrative, selling and R&D than BB.
- Thanks to its fees from the phone operators, Apple increases its GM.

RIM's Annual Revenue and BB Subscriber Base



Competitive Advantage

Strengths	Difficulty to Copy	Durability	Competitiveness	Difficulty to Be Trumped
Continuous innovations and new product solutions	medium	high	high	high
Quick and constant entries in new markets	low	medium	medium	medium
State-of-the-art manufacturing facilities	low	high	medium	low
Talented and dedicated employees in R&D, carrier support, business development, marketing, customer care & manufacturing	medium	medium	high	medium
Strong network of distributors	medium	medium	low	medium
Strong balance sheet	low	medium	medium	low
Strong buyer loyalty as strong brand name: BlackBerry	medium	medium	medium	medium
Leader in smartphone market	low	high	high	low
Large product range & wide geographic coverage	medium	high	high	medium
Strategic alliances with leading telecommunication companies	low	high	high	medium
Enhancing quality and performance through development of additional product/software solutions	low	high	medium	low

Competitive Strength Assessment (1/2)

(Rating scale: 1 = very weak, 10 = very strong)

Key Success Factor/Strength Measure	Weight	RIM		Apple Inc.	
		Strength Rating	Score	Strength Rating	Score
Quality/product performance	0,15	7	1,05	6	0,90
Reputation/image	0,10	9	0,90	7	0,70
Manufacturing capability	0,05	6	0,30	9	0,45
Technological skills	0,10	8	0,80	8	0,80
Dealer network/distribution capability	0,15	10	1,50	4	0,60
New product innovation capability	0,15	8	1,20	7	1,05
Financial Resources	0,10	7	0,70	7	0,70
Relative cost position	0,10	8	0,80	6	0,60
Customer service capabilities	0,10	6	0,60	9	0,90
Sum of importance weights	1,00				
Weighted overall strength rating		69	7,85	63	6,70

Weaknesses

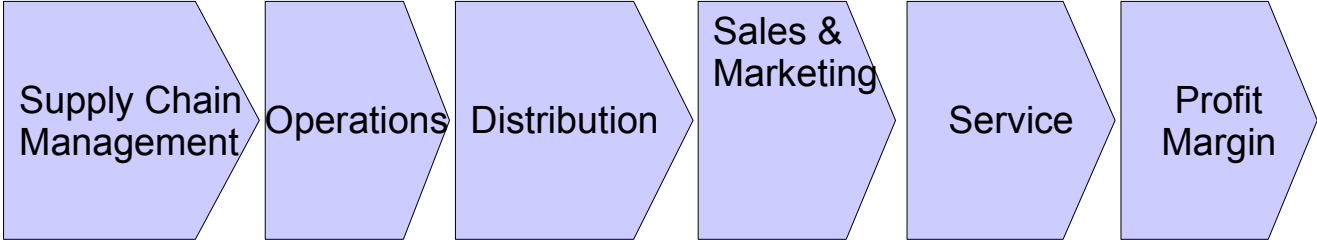
- Shifting keyboard (short-lasting)
- Different fonts for different applications
- E-mail service is now a standard feature
- (E-mail data collection platform based in UK may not be as secure as thought due to interceptions in Europe in general)

Factors in Favour for BlackBerry

	Opportunities	Threats
Political	Expanding into new geographic markets	
Economical	<p>Increasing buyer demand and purchasing power;</p> <p>Expanding product line to serve more growing needs;</p> <p>Falling trade barriers in attractive foreign markets (globalisation);</p> <p>Favourable exchange rates offer lower operating costs without compromising the quality of service;</p> <p>Expanding into new geographic markets</p>	<p>Increasing competition (iPhone, HTC);</p> <p>Economical crises decrease the purchasing power;</p> <p>Possible entry of new competitors;</p> <p>Loss of sales to substitute products</p>
Socio-Cultural	<p>A world-class telecommunication infrastructure;</p> <p>Increased addiction to communication/telecommunication</p>	<p>People do not want to become slaves of work;</p> <p>Consumer loyalty is low</p>
Technological	Exploitation of emerging new technologies	Technology development is too fast

RIM's Value Chain

Primary
Activities
& Costs



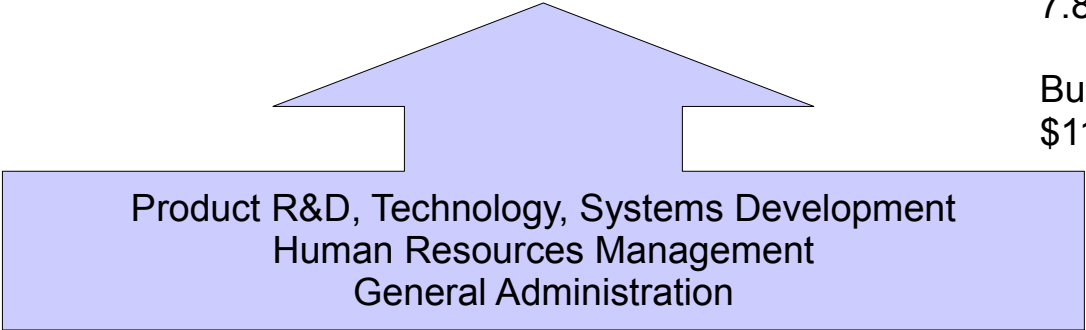
Year 2007
Total =
\$1,690,448

Raw materials: \$121,439	Manufacturing \$304,778 \$117,958 \$141,938	Carrier support licensing	MKT: \$537,922 17.7% of rev. (major increase from 06)	Customer care \$114,050	\$1,657,802 54.6% of rev.
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R&D = \$236,173
7.8% of revenue

Bus. Acquisitions:
\$116,190

Support
Activities
& Costs



Strategy Execution Process

