

New BlackBerry is badly needed flagship for RIM

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Ralph de la Vega, president and CEO-AT&T Mobility and Consumer Markets, holds the new BlackBerry Torch during a product introduction, Tuesday, Aug. 3, 2010, in New York. (AP Photo/Richard Drew)

(AP) -- BlackBerrys still fly off the shelves. They still convey the message that their owners mean business - that they're people who are important enough to need e-mail access all the time.

But BlackBerrys are now being challenged by phones that say you can have your e-mail, and have fun, too.

[Research In Motion](#) Ltd., the maker of the BlackBerry, [revealed a new phone Tuesday](#) that says the company is still in the game, but it's doing so by catching up to the competition rather than by breaking new ground.

The Torch will be RIM's first device with both a touch screen and the BlackBerry's signature full-alphabet keypad. It hits AT&T stores on Aug. 12 for \$199 with a two-year contract.

Meanwhile, RIM is scrambling to deal with suspicion from foreign governments threatened by the very thing that's made the phones such a success in the corporate market - the assurance that a user's e-mail is private.

The United Arab Emirates announced over the weekend that it would block BlackBerry e-mail, messaging and Web browsing services starting in October because authorities don't have enough access to communications from the devices. India is also pressuring the company for more access, but isn't explicitly threatening a shutdown.

The conflicts pit national security against corporate security, and BlackBerry is caught in the middle. The company is closemouthed about the issue, hoping that quiet negotiations will resolve it, as it has in the past. At the same time, it is reassuring corporate customers that their e-mails are safe from snooping foreign governments.

RIM, which is based in Waterloo, Ontario, sold its 100 millionth BlackBerry this year. It's still the most popular smart phone in the U.S., ahead of the iPhone. It's been holding its own against Apple Inc.'s phone, but in the last year, a new challenger has zoomed out of nowhere to put a dent in its market share: Google Inc.'s Android software, used by several phone manufacturers, including HTC Corp. and Motorola Inc.

Research firm Canalys estimates that Android had 34 percent of the U.S. smart phone market in the second quarter, compared with 32 percent for the BlackBerry and 22 percent for the iPhone, which is hamstrung by its exclusive relationship with AT&T Inc. Android and BlackBerry phones are sold by many carriers.

RIM has had success expanding the appeal of the BlackBerry beyond the corporate world to consumers. The question is now whether it can hold on to its core constituents in corporate information-technology departments.

IT people like BlackBerrys because they're relatively secure and easy to manage. But that also means they're locked down in ways that frustrate their users, who may not be able to install the third-party applications they want.

Corporate IT departments are now increasingly being swayed by demand for phones that are popular among consumers.

RIM shares have fallen more than 25 percent since April because of fears that the iPhone would take over in the corporate world. Shares fell \$1.45, or 2.5 percent, to close Tuesday at \$55.53.

The iPhone and Android phones are defined by their touch screens, and that's an area where BlackBerry has stumbled. It introduced its first touch-screen phone in 2008, more than a year after the iPhone, and took a gamble that it could take the technology further. It gave the BlackBerry Storm a feature the iPhone didn't have: springs under the screens. The user could push in the whole screen to distinguish a hard press from a light touch.

"The Storm was an exercise in differentiation, but unfortunately, it introduced more challenges than it addressed," said NPD analyst Ross Rubin.

The phone was thick and heavy compared with the iPhone, and it was beset by software problems. Reviews were scathing.

The Torch, by comparison, is quite conventional. It has a large [touch](#)

[screen](#) that isn't spring-loaded. Its keyboard slides out from underneath the screen, just as it does on the Palm Pre or a few Android phones.

"It's not particularly flashy, but it should extend the company's reputation for solid, efficient, reliable products that have good battery life," Rubin said.

The Torch comes with a new version of the BlackBerry operating system, BlackBerry 6, that adds touch-friendly features that are mostly already available on other phones:

- The Web browser should now work faster, render pages better, and respond to iPhone-like maneuvers like spreading two fingers to zoom. It's based on WebKit, the same underlying software used in the iPhone, Android phones, the Palm Pre and high-end Nokia Corp. phones. (The phone's name comes from Torch Mobile, a Web browser developer that RIM bought last year.)
- The applications store will come pre-installed on the phone, a first for an AT&T BlackBerry. RIM launched its equivalent of the iPhone's App Store last year, but users have had a hard time finding it.
- BlackBerry 6 provides for "universal search" - one field to search all the content on the phone. This is a long-standing feature of Palm phones and was adopted by the iPhone last year.
- Swiping a finger left or right on the home screen reveals favorite and oft-used applications, much like on the iPhone.

RIM said the [BlackBerry](#) 6 software is compatible with three previous models, the Bold 9700, Bold 9650 and Pearl 3G. However, it's up to the carriers to approve the software upgrade for their subscribers.

The Torch is likely to come to other carriers besides AT&T, but as usual when a phone launches with an exclusive carrier, RIM won't say which carriers or when.

RIM's been in trouble before, most notably when it was sued by a small patent-holding firm. RIM ended up paying \$612 million settlement to avoid a shutdown of its U.S. network. But that lawsuit was a symptom of success: RIM was the target because it was the leader in the industry. Now, it needs to fight the new leaders: iPhones and Android phones.

Matt Robison, an analyst at Wunderlich Securities, said the investors are clearly betting against RIM, as the stock's value doesn't reflect its strong earnings - \$769 million for the quarter that ended May 29. The Torch could well end up earning RIM some respect, he said, even if people won't line up outside stores to buy it, as they have with the iPhone.

"I do think that at least thoughtful consumers and corporate IT guys that look at this are going to say 'Hey, this is a pretty viable alternative,'" Robison said.

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