

# BlackBerry maker insists it's healthy, but customers prepare for worst

July 23 2012, By Ryan Faughnder

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BlackBerry's Research in Motion insists it's not in a "death spiral," but that isn't stopping many companies from preparing - just in case.

Most analysts who have been following the Canadian smartphone maker don't think the company will go out of business soon. Still, some companies that have relied on the BlackBerry for years are starting to hand out other smartphones to their employees.

Suffolk Construction Co. in Boston has been a RIM customer for more than a decade, but now it is looking to switch most of its 700 BlackBerry-equipped employees to iPhones by the end of the year.

"We had plans to move in that direction, and with the recent news that's been out about RIM lately, we've accelerated our plans," said Corren Collura, the company's [chief information officer](#).

RIM's troubles underscore how a ubiquitous technology could lose its cachet so quickly. Until the past few years, businesses and government organizations looking to supply employees with mobile devices went almost exclusively with BlackBerry.

Two years ago, BlackBerry devices accounted for nearly 42 percent of all smartphones in the U.S. That's fallen to barely over 11 percent as Apple and Android-based smartphone makers continued to roll out new features and apps.

Some companies began planning for a non-BlackBerry workforce after RIM announced last month that smartphone shipments dropped by nearly half in the [first quarter](#) and posted a worse-than-expected \$518 million loss. The company also delayed the [launch](#) of its BlackBerry 10 line of phones and said it would lay off about a third of its staff as part of its \$1 billion cost-saving plan.

In a media blitz this month after the poor earnings report, RIM Chief Executive Thorsten Heins told a Canadian radio show that "there is nothing wrong with the company" and that it's not in a "death spiral."

RIM still has loads of cash - about \$2 billion - and no debt, but analyst Shaw Wu of Sterne Agee said those strong financial numbers have done little to inspire confidence among its customers. He estimates that the company's cash may only last a year or two. "They could burn through that cash pretty quickly," he said.

The lack of new smartphone offerings has been harmful to RIM, said Michael Holt, an analyst with Morningstar. He called the delay of BlackBerry 10 "almost inexcusable," given the rate at which competitors are taking up market share. "If they fail to roll out compelling new devices quickly, they're not going to survive," he said.

Though it is losing retail consumers, RIM continues to have a major footprint among corporate customers. The company counts 90 percent of the Fortune 500 as customers and continues to operate a major network of servers to service the phones, about 250,000 in all.

Pete Devenyi, senior vice president of RIM's enterprise software business, said the company is communicating directly with its corporate customers, some of whom have expressed concerns about RIM's future.

"They desperately want us to succeed, and that's important for us to

know," Devenyi said. "They don't want to give up their BlackBerrys, and they're looking for reassurance that we have a clear strategy."

BlackBerry's woes have spawned a cottage industry of firms that help companies make the transition to other mobile devices. A recent report by research group Gartner Inc. counted dozens of companies that offer mobile device management services for businesses and governments looking to switch.

AirWatch LLC in Atlanta said it has 3,000 customers and is growing at a rate of 500 customers per month. The company has gone from 150 to 700 employees in the last 18 months, and expects to break 2,000 by the end of next year, said Alan Dabbiere, the chairman of AirWatch.

"In the last couple months - really in the last weeks since RIM's announcement - we've seen CIOs looking at this from a strategic and defensive posture," Dabbiere said.

He said he would expect a potential RIM wind-down to go smoothly, but CIOs he has talked to are still preparing for the unlikely event of a "catastrophic" downfall. "CIOs are saying, 'I can't switch gears with these devices overnight,' " he said.

David Satterwhite, vice president of Americas sales for device management company Good Technology, said his company's customers typically have three-year plans to make a transition from RIM. Now some of his customers are looking to make the move in six months.

"We feel very fortunate to be in the right place at the right time," he said. "No one wishes anything ill for [RIM](#), but it certainly is an interesting time for us."

Nationwide Mutual Insurance Co. is letting employees bring their own

[mobile devices](#) for work. Nationwide had 8,500 BlackBerrys a little over a year ago and now has about 7,000, said Bob J. Burkhart, director of new technology innovation at Nationwide. "If you had asked me a couple years ago, 'Are you going to use personal smartphones in the office?' I would've said, 'No, you're crazy,' " he said.

Publicly traded forest resource company Rayonier Inc. had been a loyal BlackBerry customer for years. But in light of the difficulties with BlackBerry's servers and the company's inability to produce a competitive phone, the Florida-based conglomerate decided to switch its 400 [smartphone](#) users to iPhones. "We just couldn't go on faith anymore," said Rayonier's IT Director Adam Rasner.

The company started its transition in May and is about a third of the way done.

For Rasner, the transition from [BlackBerry](#) has been a reluctant one. "I really thought somewhere they were going to turn it around," Rasner said. "They were the king of the castle, and they blew it."

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