RIM seeks patience until BlackBerry 10 ready

July 10 2012, by CHARMAINE NORONHA

Thorsten Heins, President and CEO of Research in Motion (RIM), speaks at the company's Annual General Meeting, less than two weeks after announcing disappointing financial results, deep job cuts and the latest delay in its BlackBerry 10 software, in Waterloo, Ontario, Tuesday, July 10, 2012. Analysts believe RIM is running out of time to turn itself around. Sales of the once-pioneering BlackBerry phones fell 41 percent in the latest quarter and likely won't pick up again until new phones come out next year. (AP Photo/The Canadian Press, Dave Chidley)

(AP) — The CEO of embattled BlackBerry maker Research in Motion Ltd. asked disgruntled investors for patience Tuesday as the company develops new devices to rival the iPhone and Android smartphones.

Thorsten Heins, who replaced longtime CEOs Mike Lazaridis and Jim Balsillie in January, said the past year has been very difficult for RIM, as its once-pioneering BlackBerry devices lost market share to smartphones

that do much more than email and phone calls.

RIM has been developing the BlackBerry 10 operating software to catch up with competitors and even surpass them, but the software has faced repeated delays. Devices running it will now miss the lucrative holiday shopping season. By the time they go on sale, RIM will have even more competition, including a new iPhone expected from Apple this fall.

Heins said the company has spent the past several months reorganizing operations and is working "around the clock" to get BlackBerry 10 out in the first quarter of 2013, a year after analysts had expected it.

"I want to assure you that I am not satisfied with the performance of the company over the past year," he told investors during RIM's annual shareholders meeting. "The management team and I have already instituted some major changes and there will be more as we work to turn around the company's performance."

Heins said the company will try to tap its strengths in corporate markets once new devices come out, but he warned that the benefits of BlackBerry 10 "will take time to have a meaningful impact on our performance." He reiterated that the next several quarters will be challenging for the company.

Heins said Tuesday that he expects the company will book another operating loss in the current quarter as the company cuts prices to sell its older BlackBerry models.

Analysts believe RIM is running out of time to turn itself around.

Sales of BlackBerry phones fell 41 percent in the most recent quarter and likely won't pick up again until new phones come out next year. By then, people will have even more choices, likely including a new iPhone

and devices running the latest version of Google's Android software, called Jelly Bean. Phones running a revamped version of Microsoft's Windows system are also coming this fall.

Although BlackBerrys were once a staple in corporate environments because of their reputation for security and reliability, they've lost their cachet as iPhones demonstrated that smartphones are good for more than email. The BlackBerry's U.S. market share has plummeted from 41 percent in 2007, when the first iPhone came out, to less than 4 percent in the first three months of 2012, according to research firm IDC.

The shareholders meeting, which took place in RIM's hometown of Waterloo, Ontario, and was monitored by webcast, came less than two weeks after the company reported quarterly results that were worse than analysts had expected. It also said it will be cutting 5,000 jobs, or 30 percent of its workforce, and delaying the launch of BlackBerry 10 yet again.

All 10 directors on the company's board were re-elected Tuesday, though some investors questioned the wisdom given the company's poor performance. Investors also questioned senior management's ability to turn the company around in the face of continued declining sales and the BlackBerry 10 delays.

"We understand shareholder support is not unanimous, and it's a difficult period for our shareholders," Heins told the capacity crowd at an auditorium at Wilfrid Laurier University.

One shareholder, Vic Alboini, the CEO of Jaguar Financial, asked whether the board was searching for additional technology talent to augment the board. Board Chairwoman Barbara Stymiest replied that the company had enlisted a firm to search for new members in an attempt to appease shareholders.

Shares in the company, which traded for more than $30 less than a year ago, have recently dropped below $8, near a nine-year low. The stock fell an additional 38 cents, or nearly 5 percent, to close Tuesday at $7.29.

The stock performance has increased the pressure on RIM to find a buyer or sell assets. RIM has hired a team of bankers to help it weigh its options as it loses market share.

Despite the poor performance, Heins expressed optimism about the company's future, once it gets BlackBerry 10 out.

"In May, we had BlackBerry World, where we had 5,000 attendees. And we provided a sneak preview of the BlackBerry 10 interface and some camera features and we got some extremely good feedback," Heins said.

Few details about BlackBerry 10 have been released, but the company has said it will include the ability to run multiple programs at once and will let users switch between programs without returning to the home screen. It promises the multimedia, Internet browsing and apps experience that customers now demand.

Heins reiterated that the latest delay resulted from the challenge of integrating large amounts of software code. He said the product's quality is more important than rushing out the software, and he argued that some telecom carriers prefer a 2013 launch because next-generation wireless networks will be more widely operational by then.

Frank Boulben, who became chief marketing officer just four weeks ago, said he's confident RIM will have a receptive audience when the new operating system is launched next year. He said RIM will try to get the products to BlackBerry fans first in order to encourage a word-of-mouth marketing campaign.

Heins said the company plans to save money by cutting its external manufacturing facilities from 10 to three, and by outsourcing its global repair services. It is also cutting jobs as part of a plan aimed at saving about $1 billion this year.

The company also said it is examining all options, including partnerships and strategic business model alternatives to ensure RIM's success moving forward.

More information: A look at RIM's much-delayed BlackBerry 10

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