

New BlackBerry Device Portends Change in Direction for RIM

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With the smaller, lower-priced Pearl smartphone, Research In Motion is seeking to appeal to consumers as well as enterprises. A lower monthly service charge sets the stage for the next phase of wireless e-mail growth.

Event

On 7 September 2006, Research In Motion (RIM) introduced the BlackBerry Pearl 8100 multimedia smartphone, its smallest mobile device, measuring 4.2 inches by 1.97 inches by .57 inches and weighing 3.1 ounces. The device will support quad band GSM (Global System for Mobile Communications), GPRS (general packet radio service) and EDGE (Enhanced Data Rates for Global Evolution), as well as Bluetooth 2.0. It also features:

- A slightly modified standard phone keyboard, with predictive typing
- A 240-by-260-pixel screen with built-in light-sensing technology
- 64MB of flash ROM, expandable with a microSD card
- An integrated 1.3 megapixel digital camera and built-in media player

The Pearl will be available from T-Mobile in the United States beginning 12 September 2006. Rogers Wireless in Canada and a variety of carriers in Europe will offer the Pearl in October 2006. Later in 2006, RIM states the Pearl will be available in Asia-Pacific and Latin America. Through T-Mobile, the Pearl will be priced at \$250 with a one-year contract and \$200 with a two-year contract. Monthly service charges are expected to be less than \$20.

Analysis

The BlackBerry has dominated the emerging wireless e-mail market, which has been characterized by high-end devices backed by a highly structured and secure value proposition. Gartner believes that RIM offers an example of a company poised to "cross the chasm" of adoption, according to the concept identified by Geoffrey Moore. To cross the chasm, RIM must pursue much broader markets for its products. The current market for "push" wireless e-mail is small, with approximately 12 million users worldwide. But Gartner believes that by year-end 2016, all mobile phones will be shipped with wireless e-mail functions, effectively making all 2.4 billion phone users worldwide candidates for wireless e-mail use. RIM seeks to appeal to more potential users by offering lower-priced, fashion-oriented, feature-laden designs like the BlackBerry Pearl.

The Pearl's design, which eliminates the track wheel, portends major changes in BlackBerry functionality and designs. Many users will likely complain about the loss of the track wheel, which enabled them to quickly and efficiently scroll through lists of messages. But the track wheel could not provide the omnidirectional movement required for Web browsing. The new track ball — whose spherical shape and pearl-like sheen suggested the device's name — also serves as a fully functional mouse. We expect all BlackBerry models to eventually include this feature as well as other general design attributes of the Pearl.

The Pearl will appeal to users who rely on Internet service providers for their e-mail; it will also connect to the BlackBerry Enterprise Server for corporate installations. In the short term, customers could be confused regarding the positioning of the older-style BlackBerry devices relative to the Pearl. Today, RIM offers the older-style classic BlackBerrys, with their user-friendly keyboards but slow processors; the 8700 models, with XScale processors; and now the Pearl (which effectively replaces the 7100 line). We believe RIM should bring all of these form factors forward; however, we predict RIM will settle on the form factors for the 8700 PDA and the 8100 smartphone, with and without multimedia capabilities.

Customers may also be confused in the short term by service pricing, since the T-Mobile service charge is half what is normally charged (typically, \$40 to \$50 per month). RIM needed to force its prices lower to compete against vendors that deliver e-mail over simplified, lower-priced wireless Internet connections. We believe that RIM must act quickly to expand the Pearl throughout its carrier network and must follow up by introducing a product similar to the 8700, but with the Pearl's design and lower price.

RECOMMENDATIONS

For enterprises:

- Prepare to support another new RIM device design. Expect high-end users who often change devices frequently to request the BlackBerry Pearl. Follow existing policies regarding device allocation.
- Test the device with users before making purchasing decisions. The Pearl's predictive typing keyboard — a characteristic of RIM smartphones — will appeal to voice-centric users rather than to data-centric users.
- Examine the value proposition for the Pearl, which differs from that offered for previous BlackBerry models. The Pearl could place a BlackBerry device within the price range desired by small and midsize businesses. Current users should assess whether pricing renegotiation on service plans is in order.

RECOMMENDED READING

- "How to Support PDAs and Smartphones in Business, 2006" — A three-tier approach can help IT organizations better manage the allocation and use of mobile devices. **By Federica Troni and Ken Dulaney**
- "Dataquest Insight: BlackBerry Competition Arrives, Spurring Cellular PDA Growth" — A wide range of new PDAs with cellular connectivity and full keyboards is making mobile wireless e-mail more attractive. **By Todd Kort, Robert Cozza and Ken Dulaney**

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