

## INSIGHT

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### RIM Poised to Leverage Enterprise Dominance in the SMB

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#### IDC OPINION

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RIM continued its dramatic growth in the fiscal third quarter ending December 1, 2007. It continues to be buoyed by its ongoing dominance in the enterprise but is also seeing emerging success in the small and medium-sized business (SMB) and consumer market. IDC views the SMB customer as an essential component for RIM's strategy going forward. IDC makes the following observations regarding RIM's future success in the SMB market:

- ☒ Adoption of converged mobile devices (CMDs) by SMBs will show strong growth in 2008 as mobile data becomes increasingly accessible and valued.
- ☒ RIM now has a number of products aimed at consumers and SMBs and should see the share of revenue derived from sources other than BlackBerry Enterprise Server (BES) continue to increase in 2008.
- ☒ Owing to RIM's position as an industry leader in mobile middleware, the launch of BlackBerry Professional Software and devices such as the BlackBerry 8100 and 8300 series, RIM will gain traction in the SMB segment ahead of its competitors in calendar 2008.

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#### IN THIS INSIGHT

This IDC Insight examines the potential of the small and medium-sized business (SMB) market to drive revenue for software vendors and device manufacturers by highlighting the November 2007 launch of RIM's BlackBerry Professional Software.

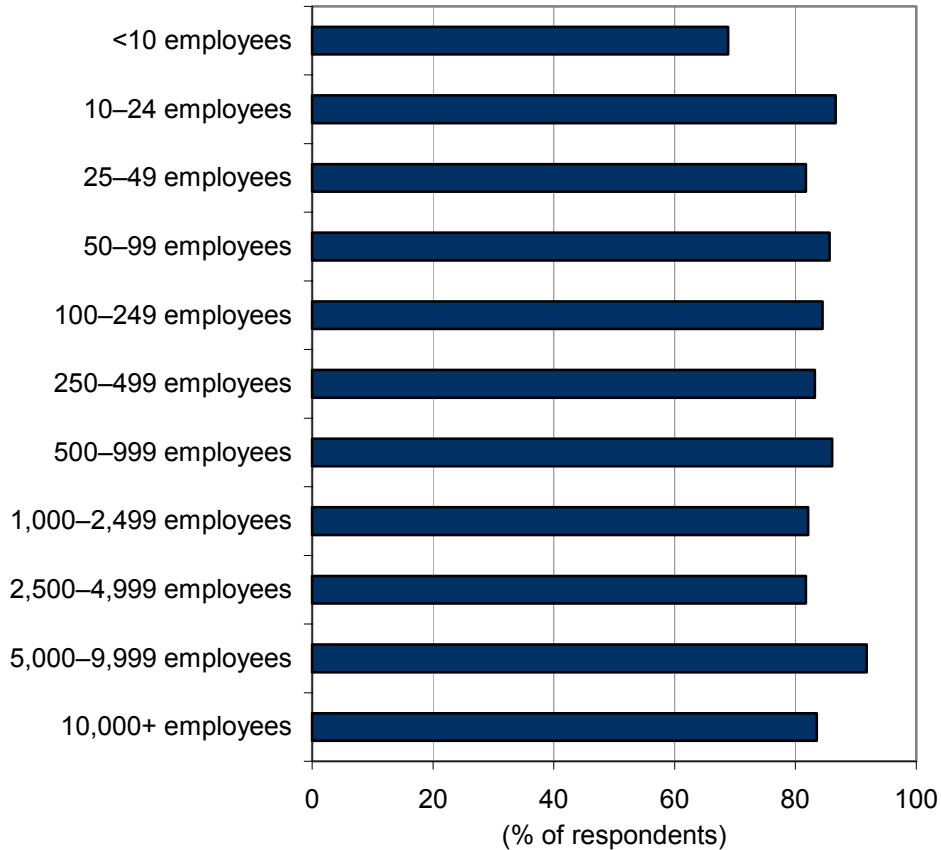
#### SITUATION OVERVIEW

According to IDC's *2007 Mobile Enterprise Worker Survey*, there is an unaddressed need for targeted mobility solutions among small and medium-sized business workers — a need that provides significant market opportunity for vendors, manufacturers, and mobile operators alike. Save for a slight drop-off among the smallest companies (0–10 employees), employees of small and medium-sized businesses have a desire for mobile email and texting similar to that of workers in larger enterprises (see Figure 1). The survey investigated the ways in which mobile users utilize mobile devices and services, explored mobile user intentions toward mobile device adoption, and examined the decision-making process among enterprise workers for outfitting workers with mobile devices and services. Respondents included mobile users in the United States, Western Europe, and Asia/Pacific.

**FIGURE 1**

**SMB Interest in Emailing and Texting (Somewhat Interested and Very Interested) by Company Size**

Q. *How interested are you in using or continuing to use a mobile device (i.e., mobile phone or smartphone) to do each of the following in the next 12 months? (Email and texting)*



n = 1715

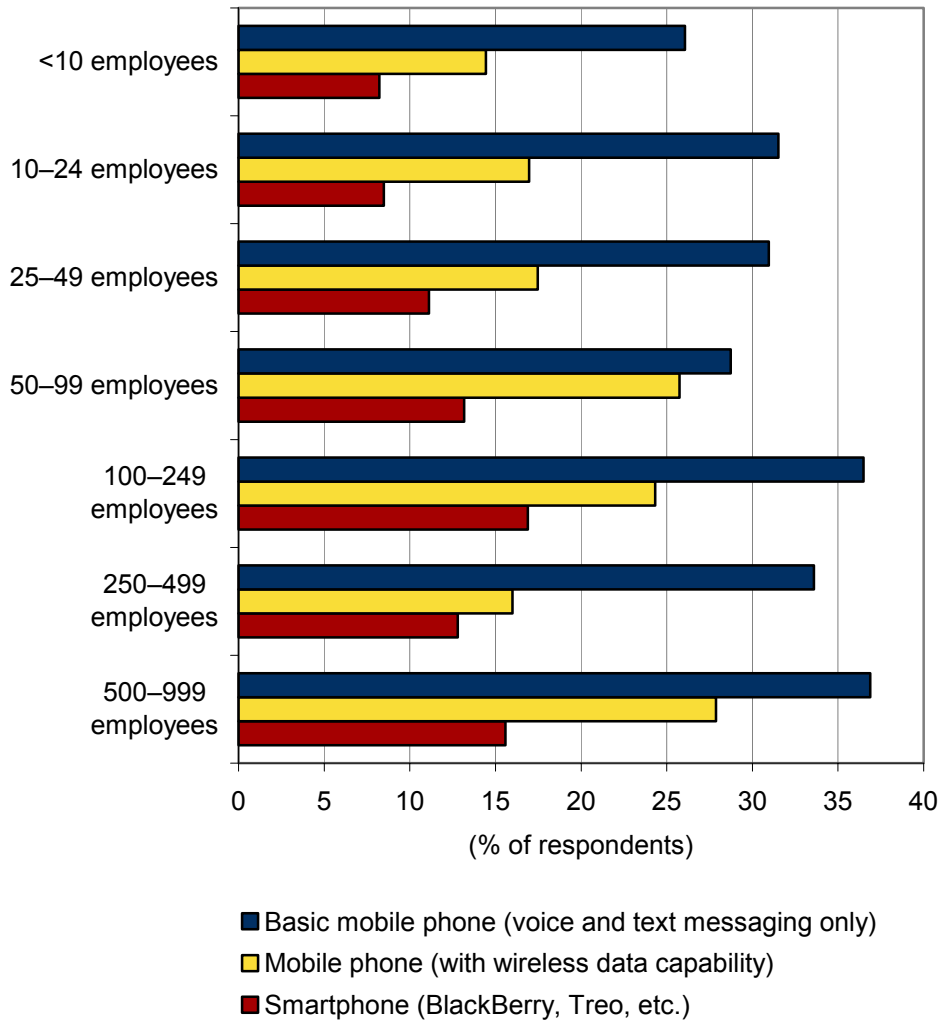
Source: IDC, 2008

Although SMBs recognize the value of mobile data, the limited number of targeted SMB mobile services, solutions, and devices has historically inhibited companies from adopting converged mobile devices (see Figure 2). Other factors contributing to slower adoption of converged mobile devices by SMBs include price of services, email integration challenges, lack of a dedicated IT resource, and lack of affordable devices on the market. However, the last factor has been increasingly alleviated by SMB-friendly converged mobile devices such as the BlackBerry Curve and Pearl handsets, Palm Centro, Samsung BlackJack, and Motorola Q. The past few months have also seen price reductions in data service plans, which will definitely open up interest among SMB customers.

**FIGURE 2**

**Devices Provided to SMB Employees by Company Size**

Q. *What devices do you own and use regularly for work purposes? Please select all that apply.*



n = 1206

Source: IDC, 2008

IDC defines a converged mobile device as a mobile phone with the features of a handheld device. CMDs are positioned to solve the multiple-device question; they are designed to replace the need to carry a mobile phone and a pen-based handheld, or a mobile phone and a pager, for example. These devices must match wireless telephony capability to evolved operating systems or application environments, such as BlackBerry OS, Mobile Linux, Palm OS, Microsoft Windows Mobile Professional and Standard Editions (formerly Pocket PC and Smartphone), and the Symbian OS.

RIM's November 2007 launch of BlackBerry Professional Software, its streamlined SMB mobility solution, demonstrated a recognition that the SMB mobility space offers a significant source of revenue that RIM has not fully tapped. Prior to the launch of

BlackBerry Professional Software, RIM offered SMB-focused pricing on its BlackBerry Enterprise Server Small Business Edition. This was essentially the same product as BES and, aside from pricing, was not customized for SMB needs like BlackBerry Professional Software. SMB workers tend to be more mobile than workers of other segments — and they have been more commonly voice-only users. The need for mobile email and data capabilities among SMB workers is increasing, but a mobility solution must include focused packaging, simplified user interface, and support services to realize adoption by SMB organizations.

RIM has customized its BlackBerry Enterprise Server for small and medium-sized businesses through a combination of streamlining, support, and pricing. As a rule, SMBs do not have the same IT resources that larger enterprises possess, despite having many of the same mobile data and application needs. RIM has scaled its product such that it may install on the same server as a company's email system, eliminating the need for smaller businesses to purchase additional hardware. Perhaps more importantly, BlackBerry Professional Software includes a preinstall wizard to simplify installation and recommend configuration setting — an enormous value to small companies in need of IT simplicity — and RIM provides one free customer support call. The BlackBerry Manager Interface is replete with wizards and IT policy templates to ease ongoing system management. Despite its streamlining, BlackBerry Professional Software uses the same security architecture and encryption as the BlackBerry Enterprise Server. Both Microsoft Exchange and IBM Lotus Domino email platforms are supported. Novell Groupware is anticipated to be added in future releases.

To ease transition for existing customers of BES Small Business Edition, RIM is providing free migration to BlackBerry Professional Software. To some businesses that have been using the Small Business Edition, the reduced functionality of BlackBerry Professional (lack of Enterprise Instant Messaging and MDS Studio) may not be sufficient. RIM is not mandating that customers migrate. Further, RIM allows BES Small Business Edition users (and BlackBerry Professional Software users for that matter) to upgrade to BlackBerry Enterprise Server — for a fee. By offering this seamless upgrade, RIM has proven itself adept at addressing the needs of its SMB clientele while finding a way to generate additional revenue. By and large, however, BlackBerry Professional Software should be best suited to meet the needs of small and medium-sized businesses. SMBs, for example, tend to eschew enterprise instant messaging tools in favor of Web-based tools like Yahoo! Messenger and Google Talk. Nor, for that matter, do they generally make use of the MDS development studio. By trimming these from BlackBerry Professional, RIM has allowed companies to host the suite on the same server that hosts email. This is a high-value proposition for SMBs wanting to manage the costs of migrating to a mobile email service.

Since the November launch of BlackBerry Professional Software, RIM has continued to roll out the service worldwide. On January 30, RIM announced the availability of BlackBerry Professional on the Orange Spain network. Vodafone Spain announced the service earlier in January, coupled with a promotional offer that provided two free months of service and covered license fees for up to 30 users if they signed up before January 30. For the cost-conscious European SMB, this offer should be very appealing despite (or perhaps coupled with) the already aggressive pricing of BlackBerry Professional Software.

To itself encourage uptake of BlackBerry Professional Software, RIM is offering a free download of BlackBerry Professional under the BlackBerry Professional Software Express promotion. RIM includes one free BlackBerry Professional Software for Microsoft Exchange or IBM Lotus Domino, one user license (expandable to up to 30 with purchase), and one customer support call.

BlackBerry Professional Software starts at \$499 for 5 users or \$849 for 10 users; additional users can be added for a cost, to a limit of 30 users. For comparison, BlackBerry Enterprise Server starts at \$3,999 for 20 users; clearly, BlackBerry Professional Software provides an affordable alternative for SMBs in need of a secure mobility solution. The migration path from BlackBerry Professional Software to BES allows for changing customer needs and company growth.

## **FUTURE OUTLOOK**

In December 2007, RIM announced that revenue for its third quarter was \$1.67 billion, up 22% from \$1.37 billion in the previous quarter and 100% year over year. RIM partially attributes its growth to the growing adoption of BlackBerry devices among the small and medium-sized business and consumer markets. With BlackBerry Internet Service, BlackBerry Unite (focused on small groups of 5 or fewer users and designed with families in mind), and BlackBerry Professional Software, the company has a number of solutions that will resonate with the non-BES (enterprise) audience. RIM explains that approximately 34% of its revenue is derived from this non-BES audience. This is a healthy increase from 26% just a year ago.

IDC expects continued growing demand for CMDs in the SMB segment and believes RIM's increased focus is a wise move. The availability of a truly SMB-focused version of RIM's industry-leading platform should resonate with smaller companies. BlackBerry Professional Software will help contribute to RIM's revenue growth in the current quarter and beyond. Both BlackBerry Professional Software Express and the free upgrade path from BES Small Business Edition will drive uptake of BlackBerry Professional. RIM should also look to operator partners to help drive adoption through broader promotions similar to that offered by Vodafone Spain.

IDC expects that with its SMB-friendly Curve and Pearl devices, timely offering of the streamlined BlackBerry Professional Software, and the combination of user-friendly install and free customer support, RIM stands to gain the greatest traction in SMB adoption of mobility solutions in 2008. SMB adoption across platforms should see strong growth in 2008, thanks to the proliferation of SMB-friendly and prosumer devices over the past 18 months. Other device and software vendors are likely watching BlackBerry Professional closely as they consider making similar adjustments to their offerings to better address the SMB space.

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