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BlackBerry Goes for a Triple Play

BlackBerry has been attempting to make a major recovery from its difficult market position. Its share of Smartphone devices has fallen drastically, and its user base is shrinking, although modestly so far. It is clearly in turn-around mode. But can the creator of the first ubiquitous smartphone communications devices find new footing and become a credible market force once again? Does it have a solid strategy to do so?

Under new management for the past almost 2 years and with some significant product and personnel corrections, BB has begun to chart a new course. It has pinned its hopes on three primary market areas in which it feels it has competitive strengths. We have defined these three business opportunities as “BlackBerry The Device”, “BlackBerry the Service” and “BlackBerry the Community”. Below we define and evaluate each.

BlackBerry the Device

This is the most visible area for both BlackBerry’s previous success, and its current market difficulties. Although it has released several new smartphones over the past several quarters (e.g., Z10, Q10, A10), its overall market share continues to shrink, and precipitously so in North America. BB is feeling intense pressure from Android and iOS powered devices in the rapidly evolving world of consumer devices choice (BYOD), and even its loyal enterprise base of users are beginning to move off-platform. It will be hard for BB to regain its luster as a major force in the smartphone market if its share continues to slip. Its new devices powered by BB10 OS are credible competitors, but need more marketing push in a very crowded and over-messaged marketplace. We are concerned that BB may not have enough focus to aggressively pursue a more forceful stance in the market. If it can’t, it risks losing share even in markets it currently enjoys a significant following (e.g., Indonesia, LatAm). With new products coming in the next 1-2 quarters (e.g., Z30), this is a critical time for BB to show its marketing muscle if it wants to stay relevant in the marketplace. We should know in the next 3-4 quarters whether it can stop the outflow of users and recapture some of its former base (many of whom switched to alternatives that they are not completely happy with based on numerous surveys).

BlackBerry the Service

BB believes that by extending its existing infrastructure components built upon BES10, it can stem the defection of corporate users. Indeed, BES10 now has some significant capabilities to deploy, manage and secure alternative platforms (e.g., iPhones, Android devices). Many enterprises are struggling to manage the plethora of devices they now need to deal with, and a cross-platform infrastructure approach is very attractive, especially if part of the infrastructure is

already in place. While we don't expect BB to go directly after the major mobile management vendors (e.g., MobileIron, AirWatch, SAP, Citrix), its focus on cross-platform support offers it an opportunity to keep its BES infrastructure installed within enterprises, as well as make it possible for users to easily switch back to BB if they find the new devices attractive. Further, these services generate revenues for BB that would be lost if companies simply eliminated BES installations and went to Microsoft ActiveSync instead (which many of the newer BB device allow, as do iPhone and most Android). We believe that BB can have a competitive product in BES10, but it must enhance the product to be easier to use/deploy, and have a more unified code base. Once this is accomplished (in the next 1-2 quarters), it will have a credible service available to bring Android and iPhone to a closer approximation of what BB has been able to do with its managed and secure platform (although BB will still enjoy many enhanced features unavailable with the alternative devices). BB must position BlackBerry Enterprise Services as an easier to use, better to deploy, and user friendly environment if it hopes to get enterprises to consider them as an infrastructure staple. Further, it may have difficulty bringing new clients on-board the platform, given the intense competition in mobile management. Finally, success must include a fully capable cloud-based service so that companies do not need to install new or updated infrastructure (an area BB has actively targeted and is working to complete and we expect product shortly).

BB the Community

This is one area where BB can substantially increase its users, even those not on BB devices or using BES. With over 60M users of BBM, and even those leaving the BB platform saying they would like to maintain connectivity, BB extending the BBM capability to Android and iPhone makes a good deal of sense. Indeed, building community, and then monetizing that community, is a way that many companies have been successful. BBM offers many high level features not easy to get, or not available (e.g., screen sharing across devices, voice and/or video calling, music sharing). BB is now finding new ways to monetize the installed base of users, and the community has the potential to both grow large and to generate significant revenues for BB. The biggest challenge is to let the non-BB diehards, who already know about BBM, understand the benefits of being on the platform. The word will be spread socially, with current users inviting their friends. Nevertheless, BB should make a concerted effort to market BBM and dramatically increase the numbers of users. With increasing numbers, BB will be able to charge larger fees to advertisers, and for other premium services. Done right, the BB community has the potential to add significant revenues through advertising, partnerships, placements, optional services, etc. We believe it will take 1-2 years for BB to fully implement its community strategy, but once completed, it will have a significant positive impact on revenues, and may ultimately get users to reconsider BB devices as they purchase new equipment.

Bottom Line: While BB remains challenged on the Smartphone front, it has entered some very interesting peripheral areas that could put it in good shape over the next couple of years, and could even boost the device market. It remains to be seen if BB can aggressively undertake a marketing push to make the new messages heard and to get more users looking at BB's new offerings through fresh eyes. It further remains to be seen if BB can truly monetize the new directions it is heading and add significantly to the bottom line. We remain cautiously optimistic BB can do so.

Commentary written by Jack Gold, Principal Analyst.

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