Technology Brief...

June, 2007

J.Gold Associates LLC, 6 Valentine Road, Northborough, MA 01532
www.jgoldassociates.com 508-393-5294
Research, Analysis, Strategic Consulting

Virtual BlackBerry: Expanding the Market

INSIDE THIS ISSUE

1 Virtual BlackBerry: Expanding the Market

2 Good Goes for the User: Getting More Personal

3 Nokia tries a new approach to the enterprise

4 White Paper: IM and Presence: Achieving Mission Critical Status in the Enterprise

Research In Motion recently announced its Virtual BlackBerry (VBB) client that runs on Microsoft's Windows Mobile (WM) 6 platform. The software application emulates the features found on BlackBerry (BB) devices, enabling connection through a BlackBerry Enterprise Server (BES) or via the BlackBerry Internet Service, and providing push email, calendaring, tasks, IM, browsing, etc. We believe that the VBB client is one of the most important products RIM has announced recently for the enterprise market, perhaps even more important than some of its new devices. Although this was not perceived by the marketplace as a major announcement, we believe it could potentially alter the landscape for enterprise based push email and applications.

Many enterprises have invested in BES for their push email, and have deployed BB devices to their users. Although some corporate apps are currently running on BBs through the Mobile Data System (MDS), as more companies push into the mobile application space, a significant number are deploying back office applications to WM powered devices. VBB provides these enterprises with investment protection. Companies that have already installed BES may continue to use it with any WM devices they deploy. Without this product, it would have been more likely that companies deploying newer devices/applications would have "ripped out and replaced" the BES over time. By maintaining BES connectivity, and hence maintaining BES in the infrastructure, RIM now gives users a broader choice on the device they wish to obtain while maintaining a "BlackBerry option". And since most mobile app providers do not have a strong embedded email offering, VBB allows inclusion of a proven email solution, and may even increase MDS app deployments.

"…We believe that the VBB client is one of the most important products RIM has announced recently for the enterprise market .. we believe it could potentially alter the landscape for enterprise based push email and applications...."

Further, although the VBB software was targeted for WM 6 devices, of which there are relatively few in the market to date, we see no reason why the VBB software could not be made to run on previous versions of WM devices. Indeed, Microsoft's push email solution requires users to have the latest versions of Exchange and WM (at least V5, but V6 for all of the latest features). VBB runs as a J2ME application in a standard JVM. Therefore, older versions of WM devices (assuming they have enough memory and processing power) could easily install a JVM and run VBB (although RIM has not certified the client for anything but WM 6, we see no reason it should not run effectively on earlier versions or even other platforms, e.g., Symbian, with some minor "tweaking"). Further, we expect to see VBB replace the BlackBerry Connect clients on other companies' products (e.g., Nokia, Palm), which has never been very popular and requires the manufacturer to install it on the device. VBB can be user/company installed.

Although the use of Microsoft DirectPush technology is growing, there are a very large number of enterprise email seats based on IBM Louts Notes which Microsoft can not address. BES and VBB provide companies deploying WM devices with connectivity to Notes email, as well as IM (Sametime).

Finally, VBB maintains the management and security features inherent in the BB experience (e.g., device kill, secure data store, mgmt, etc.). This is a key feature that many companies have come to depend on. BES may even be attractive to companies that have Exchange installed, despite its "almost free" mobile email cost.

We see VBB as a "shot across the bow" of BB's competitors, particularly Microsoft, but also Motorola/Good and Nokia/Intellisync, who have been aggressively trying to take market share from BB and BES. We expect RIM to formally announce VBB for other devices and OSes in the near future as a way to let its installed base know they have options if they move to other devices, as well as preempting its competition's moves at replacing BES and BB.

Bottom Line: RIM has placed itself squarely in the center of the enterprise with this announcement. Even though VBB will represent a small component of its overall business for the foreseeable future, it nevertheless makes an important statement that RIM will work with its installed base to support whatever device they choose (even though we believe RIM will continue to offer highly competitive BB devices). As such, it has strengthened its competitive position and forestalled what could have been significant amounts of defections, and will likely sell more devices as a consequence.

Good Goes for the User: Getting More Personal

Motorola recently introduced Good Mobile Messaging Version 5. This version adds some enhancements to the user interface, more functionality (e.g., email sorting and find, group scheduling, built in MSFT Office doc view and edit, third party integration to phone features), customization features (e.g., RSS reader, email priority, personalized notifications), and enhancements for IT management capabilities that were previously only available in the Good Mobile Defense product (e.g., password management, application lockdown, application policies). While providing enhancements to both end users and IT, this update demonstrates an important characteristic of the competitive but maturing mobile push email marketplace; balancing the desires of the end user for more features, customization capabilities and desktop-like functionality, while realizing companies must maintain control of the environment, and increasingly enforce policies and procedures to maximize security and compliance and maintain a balance between user desires and IT requirements.

"…the secret to success in this market for Good … will be satisfying the users' desires for more and more functionality …. while maintaining the control enterprises must preserve......"

Good is second only to RIM in installed base of mobile push email enterprise users. This is an expanding but intensely competitive marketplace. Good is being pressured on one front by new BlackBerry features and devices, and on another front by several players with smaller market share but "deep pockets" nipping at its heals (e.g., Microsoft, Nokia). To thrive against this intense competition, Good must provide an increasingly rich and secure user experience across an array of devices and back office systems (Good's greatest success has been as a result of its ability to work across many different devices, especially the popular Palm Treo, and multiple back end email systems).

Over time, we expect that Good will embed some of its client technology into parent Motorola's line of smart phone devices to make them more closely coupled to the Good Mobile Messaging product, but to date, Motorola has been a distant runner up in the enterprise smart phone category (despite some promising new products, we do not expect this to change in the near term). Good must therefore compete by offering a rich feature set of functionality across a wide array of devices and not rely wholly on Motorola's ability to grow market share. For the next several years at least, Good must be able to stand on its own while working within Motorola's enterprise group to enhance its market standing.

We believe the secret to success in this market for Good (and others as well) going forward will be satisfying the users' desires for more and more functionality on newer generation devices, while maintaining the control enterprises must preserve. The push email market is maturing and user experience will be a key success factor as the parity among providers becomes more apparent. Seeking competitive advantage, suppliers will have to offer increasingly user friendly functions and capabilities that make users want to select their solution. It is no longer sufficient for suppliers to sell to the IT staff alone. Rather, it is important that companies compete with rich features, particularly as users grow accustomed to rich consumer offerings.

Bottom line: Most users desire to have the equivalent experience on their mobile devices that they have on their desktops. While this isn't completely possible, at least not yet, Good (and Palm, Nokia, MSFT, Blackberry, etc.) are stretching the limits of what can be included on the mobile form factor. A battle is developing amongst the vendors, each claiming to have the most feature rich and desktop-like clients for all user needs and wants, while maintaining IT control. They will likely leapfrog each other, as each releases its next version of its client. This will be an ongoing battle for the foreseeable future.

Nokia tries a new approach to the enterprise

Nokia has had a relatively difficult time impacting the enterprise device market for its mobile smartphones and applications. While it does have a large share of the overall marketplace for mobile phones, and makes a staggering array of devices from low end to feature rich smart phones, its direct impact on enterprise deployments of smart devices has been limited. Indeed, despite purchasing Intellisync for a significant sum, it has not had a major impact on the enterprise marketplace leaders, RIM's BlackBerry and Palm's Treo. With over 8M subscribers, RIM has by far the largest installed base of enterprise smartphones and users. Nokia is attempting to capture a piece of this market by launching a new generation of enterprise devices into North America (highlighted by the new E61i smart phone device, a redesign of is previous E60 which sold mainly in Europe), and more importantly, trying a new distribution strategy.

"…Nokia believes the dual mode nature of the E61i device... will make acceptance of the device more attractive to the enterprise user, and is betting on Fixed-Mobile Convergence (FMC)......"

Nokia believes the dual mode nature of the E61i device (both cellular and WiFi) will make acceptance of the device more attractive to the enterprise user, and is betting on Fixed-Mobile Convergence (FMC) as a motivation to adopt this device. It has been working on voice over IP (VoIP) technology for some time and has a substantial capability in this space. Further, Nokia has forged alliances with Avaya and Cisco, who are major players in the enterprise FMC/VoIP market, to make the Nokia technology compatible with their installed base of PBXes and VoIP solutions. We believe that FMC is an important capability that many enterprises will deploy in the next 3 years. However, we believe most companies are deploying slowly and carefully, and as such FMC will not have a major positive market impact on E61i volumes in the short term. Moreover, Nokia has severely handicapped itself from selling more devices in the North American market. The E61i is only available in a GSM version, and given the approximately 50% market share of CDMA (e.g., Verizon, Sprint), it will not be able to sell this device into half the enterprise market.

As a major component of its new enterprise strategy for the E61i, Nokia has decided on direct distribution of the devices, instead of the traditional method of exclusive distribution through carriers. To make this strategy successful, Nokia is betting on two things. First, carriers can not effectively sell enterprise solutions and high end devices, many of which are being driven as part of a solutions sale by others (SIs, app vendors, etc.). Second, enterprises are willing to forgo the carrier phone subsidies if they can pick their own devices and make them transportable across carriers. We believe both of these points reflect realities in the market. Carriers have been underwhelming in being able to sell enterprise wireless apps, with too much focus on minutes and data plans, and little focus on solutions selling. And many companies are growing increasingly annoyed with carriers who supply phones that can not be used on another carrier's network. Further many companies believe that the phone subsidies used by carriers to lower initial phone costs and lock a user into a long term plan or face stiff penalties are not attractive. They believe, rightly, that they can probably negotiate the equivalent of the carrier subsidy in reduced monthly charges anyway, without the exposure to penalties or the locked devices.

Bottom Line: While we applaud Nokia for trying to change the game with its new enterprise device deployment and distribution strategy, we think it will take time to make any changes in the habits of buying enterprises. They will gain some additional solutions sales through distribution and SIs. However, by handicapping itself (e.g., no CDMA device), it will face a tough time as it has eliminated half its potential market. Nokia will likely not see a dramatic uptake in its North American enterprise sales in the short term from these strategies, as many enterprises may not find them compelling.

Whitepaper: IM and Presence: Achieving Mission Critical Status in the Enterprise

J.Gold Associates has recently released a whitepaper which addresses the growth of mission critical IM and presence in the mobile enterprise:

"IM and presence have an important role to play in the enterprise, but they must be carefully deployed and managed if greatest value for least risk is to be achieved. Companies that do not treat IM and presence as strategic, mission critical systems will quickly find that they have taken on undesirable risks and have not properly taken advantage of an important tool in the battle to improve efficiency and remain competitive."

To request a copy of this important whitepaper, please contact us.

If you would like to be added to the mailing list for Technology Brief, please contact us.

J.Gold Associates

J.Gold Associates, LLC
6 Valentine Road
Northborough, MA 01532

Phone:
508-393-5294

Web:
www.jgoldassociates.com

Research, Analysis, Strategic Consulting