



BBM Won't Save BlackBerry

Description

In the 1930s, there were 2,000 car manufacturers in North America. Today only three are left in the United States — and they're barely holding on. While the automobile was a tremendous benefit for consumers, it was a raw deal for investors.

The same could be said about the instant messaging space today. With dozens of different applications, the industry is bound for a round on consolidation. After the successful release of BBM on iOS and Android this week, many expect **BlackBerry** (TSX: BB, NASDAQ: BBRY) to be one of those survivors. But investors shouldn't count on it.

BBM: too little, too late

There's finally some good news out of Waterloo this week. BlackBerry's instant messaging app was opened to Android and iOS users, and it appears to be a hit. The company announced that more than 10 million people signed up for the service within 24 hours of its release. BlackBerry claims to be processing new users at a rate of 500,000 per hour.

The move is long overdue. Just a few years ago, the company dominated mobile messaging. BBM was the killer app that brought consumers into the BlackBerry ecosystem. But had the service been made available on multiple platforms *right from the start*, BlackBerry could've overpowered the competition and may have survived today as a social network of sorts.

But now it might be too late. Today the space is littered with rivals including iMessage, Skype, **Google** Hangouts, FaceTime, SnapChart, Kik, WhatsApp, and dozens of others. With so many competitors, BlackBerry's first-mover advantage is gone.

Of course, the obvious counterargument is that opening BBM would've eliminated a compelling draw to buy a BlackBerry device. Indeed, hardware, not chat apps, were the company's bread and butter.

But there are some pretty compelling examples in the technology industry where openness was the right move. When **Apple** released iTunes on the PC, it eliminated a big draw to buy a Macintosh. But the move opened the iPod to the 95% of public who owned a PC. Once a user's first iPod became their first iPhone and they saw how good the software was, many switched to a Mac altogether.

What does the future hold for BBM?

Taking off our 20/20 hindsight goggles for a moment, what does the future hold for BBM?

The industry is ripe for a consolidation. Much like what we've seen in the smartphone space, industries that benefit from network effects or economies of scale tend to collapse into two or three major players. Could BBM survive? It certainly has a large and loyal user base. But going up against competitors like Apple, **Google**, and **Microsoft** will be a challenge.

Even if BBM survives, what then? There's no clear business model. Many messaging services are free and only derive revenue from games or gimmicks.

BlackBerry bulls will point to the success of **Facebook** in monetizing its mobile app through ads. But Facebook is a mature platform with 1.1 billion users. If you were a business, where would you rather park your marketing dollars?

It's also hard to compete when your other competitors act like non-profits. Smaller rival WhatsApp is popular because of its position against advertising. Will users drop BBM when their feed is flooded with [pop ups for the Goo Goo Dolls and Mercedes Benz](#)?

These aren't knockout arguments against BBM. The service *could* survive. BlackBerry *could* monetize its user base. But it's a highly risky bet that is more suitable for venture capitalists and angel investors. Even assuming the most optimistic scenario, [BBM may only be worth \\$5 per share](#).

Foolish bottom line

Like the auto industry of the 1930s, the mobile messaging space is poised for a consolidation. But even if BBM survives this phase, it might not be a lucrative opportunity for investors. That's too bad. It didn't have to be this way.

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Disclosure: Robert Baillieul doesn't own shares of any company mentioned in this article. David Gardner owns shares of Apple and Google. Tom Gardner owns shares of Google. The Motley Fool owns shares of Apple, Google, and Microsoft.

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TICKERS GLOBAL

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