The One Trend That Should Worry BlackBerry Ltd. the Most

Description

It's been a wonderful year so far for **BlackBerry Ltd.** (TSX: BB)(Nasdaq: BBRY) and its shareholders, with the company's stock up by nearly half. As the good results roll in, more and more people are gaining confidence in CEO John Chen and his strategy.

Part of Mr. Chen's strategy is focusing on the corporate user. These customers are more likely to appreciate the built-in keyboard, longer battery life, and best-in-class security. But there is one serious headwind the company is facing: the growth of Bring Your Own Device (BYOD).

The growth of BYOD

There are a couple of significant problems with employers issuing smartphones to employees. First of all, it can be very costly. Secondly, employees don't like the idea of carrying around two cell phones, one for personal use and one for business. The alternative is BYOD, which previously was held back by security concerns. But those issues have faded in recent years.

As a result, the growth of BYOD has been phenomenal. And that is only set to continue. According to Gartner, by 2016 nearly 40% of companies will stop issuing devices to employees. And by 2017, more than half of all employers will require employees to supply their own devices.

Another report, released last year by Good Technology, claims that only 5% of employers have no plans to support BYOD, down from 9% the year before.

Why is this bad news for BlackBerry?

Outside of emerging markets like Indonesia, BlackBerry seems to be abandoning the consumer market. The best example of this may have occurred last week, when the company released the Passport phablet.

It is difficult to imagine the Passport catching on outside of the corporate world. Its 4.5-square-inch screen makes phone calls awkward, and the dimensions also make one-handed texting practically impossible. Its only real advantage seems to be increased productivity for the corporate user.

This creates a problem. Practically every Passport user will have to carry a personal cell phone too. So BlackBerry is fighting a seemingly irreversible trend.

The fight

BlackBerry has certainly recognized this problem, and is not standing idly by. On September 11, the company announced the acquisition of Movirtu, a provider of “virtual identity solutions” that allow for multiple phone numbers to be active on a single device. This will enable BlackBerry to offer greater BYOD-related services.

Unfortunately, competitors are not standing still either. Most notable is a partnership between **Apple** and **IBM**, announced in July. And that alliance is a lot more formidable than the BlackBerry-Movirtu combination. Especially if BlackBerry is not providing the personal devices that people are bringing in to work.

The verdict

Mr. Chen should be commended for his efforts thus far. But this is one trend that BlackBerry will struggle with for many years. If you’re thinking of buying the company’s shares, you may want to think again.

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