2 Big Reasons to Avoid BlackBerry Ltd. and 1 Stock to Buy Instead

Description

BlackBerry Ltd. (TSX: BB)(Nasdaq: BBRY) has had a wonderful 2014. Assets have been sold, the strategy is clearer, and profitability has improved. As a result, the stock has risen 30% so far this year. Is now the time to jump on board?

Well, not necessarily. There are still plenty of reasons to avoid the stock, and below are two of them. Then we reveal one stock you should buy instead.

1. BYOD

Part of BlackBerry's strategy shift has involved focusing more on enterprise customers. And with that shift, the company is essentially abandoning the consumer market, at least in North America. Just look at the Passport, a phablet that has practically no appeal outside of the workplace.

But this comes with a serious problem: the growth of bring-your-own-device, also known as BYOD. More and more, companies are insisting that employees use their personal smartphones in the workplace. Initially, security concerns were holding BYOD back, but these concerns have been slowly fading. Meanwhile, employees would rather not carry two phones around. This leaves BlackBerry in a very awkward position.

2. Strong competition

BlackBerry has another big problem. Its competitors, which include companies like **Apple** and **Google**, have more marketing capabilities, deeper pockets, and plenty of determination. More importantly, these rivals dominate the consumer market.

And the environment got even tougher back in July, when Apple joined forces with **International Business Machines**. IBM will help Apple develop enterprise apps, and will also assist with security issues.

Worst of all, this is an industry that requires constant innovation just to hold on to existing customers. That can spell big trouble for those companies that fall behind. And falling behind is not something that

BlackBerry's competitors do very often.

1 stock to buy instead: CGI

CGI Group Inc. (TSX: GIB.A)(NYSE: GIB) may not be as well known as BlackBerry, but it is actually Canada's largest technology company. And it has a number of advantages over BlackBerry.

CGI provides IT outsourcing and consulting solutions to businesses and governments all around the world. And unlike BlackBerry, it has a well-established position here, one that is not under threat from any consumer markets.

Also unlike BlackBerry, CGI's revenues are generally quite sticky. Think about it — for an enterprise to switch away from CGI, there would need to be a complete IT overhaul. So it's usually not worth the trouble. This helps insulate the company from competitors like IBM.

There's one other thing appealing about CGI: It actually makes money. Just in the last 12 months, the company made roughly $750 million (whether measured by net income or free cash flow). So with CGI, you don't have to hope for a turnaround.

There are other good alternatives to BlackBerry, and five of them are detailed in the free report below.

CATEGORY

1. Investing
2. Tech Stocks

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1. NYSE:BB (BlackBerry)
2. NYSE:GIB (CGI Group Inc.)
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Date
2025/09/06
Date Created
2014/10/08
Author
bensinclair