



BlackBerry Ltd. Is Struggling With Android Too

Description

Nearly a year after **BlackBerry Ltd.** ([TSX:BB](#))(NASDAQ:BBRY) adopted the Android operating system for all devices moving forward, the company is reportedly having trouble moving the devices off shelves.

The company launched the Priv smartphone late last year—its first foray into the super-saturated Android market. The device was met with mostly positive reviews, but like nearly every device released in the past five years by BlackBerry, the Priv catered only to a small slice of the market, lacked some modern components found in less expensive competitor devices, and the initial price point was far beyond the reach of most interested parties.

The trouble with BlackBerry's devices

In the most recent quarter, the company sold just 600,000 devices; analysts were expecting that figure to be closer to 850,000. Even more troublesome is the fact that the figure included sales of all devices, not just the latest Priv handset. The average selling price the company reported at the time did quote a bump over previous quarters that was attributed to the high-priced Priv device, but most pundits argue it was too little, too late.

Recent reports suggest that multiple carriers have already stopped selling the device or are considering not selling device because of the sluggish sales.

Company CEO John Chen has stated on several instances that the sustainability of the hardware division was contingent on the unit being able to move three million devices in a year. Failing to do so, Chen stated, would result in the company shuttering the hardware unit and moving forward solely as a software and services company.

Out with the old and in with the new

The fact remains that the devices BlackBerry makes remain overpriced and unappealing to the market (apart from a small and diminishing set of devoted users). With the Priv now over six months old and still rivaling the price point set by other Android OEM flagship companies, reality must set in for the

company—the market has moved on beyond BlackBerry hardware and a physical keyboard on a device.

While the company has stated there are two additional Android-powered handsets due to be released this year, it is arguable whether or not a market will be there for the beleaguered manufacturer when the devices launch.

Chen has excelled at revitalizing the company's focus on catering to the enterprise and security-minded users. Looking past the dismal hardware numbers, the company has reported notable increases in the enterprise, software, and services segments, which is where the future of the company may lie.

BlackBerry acquired U.K.-based cyber-security firm Encription. The company has since been set up as a new cyber-security consulting arm to meet the changing needs of enterprise security, and this is where the company has a great amount of expertise and needs to focus its attention.

Industry experts see the cyber-security market as being worth an estimated \$16.5 billion annually with forecasted growth expected to increase this figure to \$23 billion. That market sounds more fitted to BlackBerry's core audience and niche more than the company's attempts to make a device the market does not want.

In my opinion, BlackBerry remains an interesting option for a portfolio. The company is heavily weighed down by the hardware unit, which investors and analysts continue to associate as the primary product of the company, but the truth is that hardware has played a reduced role in the company in every quarter since Chen took over.

BlackBerry without a hardware unit would be a very attractive opportunity for investors, but at the moment the company might be too risky for most.

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2. Tech Stocks

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1. Editor's Choice

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Author

dafxentiou

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