



Apple Inc. Just Proved Why BlackBerry Ltd. Is Dead

Description

On September 7, **Apple Inc.** ([NASDAQ:AAPL](#)) unveiled a slew of new products, including the iPhone 7, Apple Watch Series 2, and AirPods.

The products showed off Apple's brand of innovation. Apple often forcibly upgrades customers to the future. For example, the iPhone 7 has no headphone jack. Users either have the option to plug into the phone's only port (lightning connector) or, in October, purchase Apple's first wireless headphones, deemed AirPods. Other updates include a dual lens camera on the iPhone 7 Plus with optical zoom, a big boost in processing and graphics power, water resistance, and a new Home button.

There's been plenty of preliminary pushback on certain features. The removal of a traditional 3.5 mm headphone jack is perhaps most controversial. One year from now, however, millions of iPhone users will likely lament the days when they had to detangle their corded headphones before every use. History shows that users will still line up to buy Apple products, because, quite literally, they are the future.

Let's compare the latest iPhone 7 launch to some of **BlackBerry Ltd.'s** ([TSX:BB](#)) (NASDAQ:BBRY) recent hardware products.

In August, BlackBerry released what it coined "the world's most secure Android smartphone." There's no doubt that BlackBerry hopes to fight off the success of Apple's iPhone, which has stolen many of its contracts. For example, a few years ago 17,600 users in U.S. Immigration & Customs Enforcement were switched from BlackBerry devices to Apple's iPhone after it was determined that Apple could better meet the department's security requirements.

The phone, named the DTEK50, has been a joke thus far.

Its price starts at just \$299—a big drop from BlackBerry’s previous options. The Priv, for example, debuted at over \$600. The low price means that the phone won’t have many of the specifications that long-time smartphone users will expect, namely adequate battery life, processing speed, and memory. The expected battery life is so low that BlackBerry includes additional battery packs with the phone for \$59.99.

With such limited specs, it’s hard to see what the market will be for BlackBerry’s new device.

On September 7, BlackBerry revealed that it will launch the Priv (BlackBerry’s first Android smartphone) in Seoul, South Korea, by the end of the month. Moving internationally is a desperate move considering the phone found a very limited audience in many major markets.

According to *CNET*, an “executive at carrier partner **AT&T Inc.** admits the Priv phone is ‘really struggling’ and suffers a disappointing rate of returns.” According to BlackBerry, the company sold 600,000 phones last quarter, well below expectations for 850,000 units. The results also fell below the 700,000 units it sold the quarter before.

BlackBerry has sunk billions into its hardware segment for years to no avail. Competing against innovative behemoths like Apple isn’t a viable strategy.

Eventually, it will need to accept its fate as a smaller, more focused security software company. The company expects to grow software and services at about 30% this year—a big component to management’s expectation of positive free cash flow and EBITDA by 2017. Ditching hardware sooner rather than later will only expedite this transition.

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1. Editor's Choice

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2. NYSE:BB (BlackBerry)
3. TSX:BB (BlackBerry)

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