



Why BlackBerry Ltd. Is Losing the Corporate Consumer

Description

It has been almost eight years since smartphone maker **BlackBerry Ltd.** ([TSX:BB](#))(Nasdaq:BBRY) closed at an all-time high of US\$230.52 on the stock market. Today, with a stock price of just US\$9, it's obvious that BlackBerry has been shouldered out of the uber-competitive smartphone industry.

Once the industry's top dog, Waterloo-based BlackBerry has not given up hope. The company launched two smartphone products in the fall of 2014, and upgraded its software offerings for corporate consumers. But how should investors react to consistently disappointing sales? Here is an analysis for Fools who look at the once beloved smartphone company and don't know what to think.

Strengths:

Mobile security remains the BlackBerry's standout feature, which appeals to corporate markets.

BlackBerry's capacity for mobile security has always been a major selling point. The company's phones come equipped with software that allows for encrypted messages, emails, and more. For this reason, BlackBerry has always been a favorite in what it calls "regulated industries": government agencies, financial services, the military, and more. This, however, may be changing fairly soon.

In addition, BlackBerry is also upgrading its mobile software services for large enterprises. In November 2014, the company launched BES12, its latest enterprise mobility management (EMM) software. BES12 allows companies to securely manage their data on any smartphone platform. It seems that BlackBerry hopes cross-platform software products will mitigate the effects of underwhelming device sales, but it is unclear if the new software will stand up to competitors in the EMM industry.

Weaknesses:

Hardware device sales are at their lowest point ever.

Years ago, BlackBerry phones were the preferred device for professionals (one can still remember hordes of "CrackBerry" devotees). Today, however, the phone is just not selling. In the first quarter of

2009, BlackBerry captured a 20.1% share of the global smartphone market. By this quarter, its share will shrink to only 0.3% of the same market. The company will also only sell 1.3 million units. *Worldwide*.

BlackBerry phones don't offer the bells and whistles that mass consumers want.

Innovative competitors like **Apple**, **Samsung**, and **Google's** Android have completely swallowed up BlackBerry's portion of device sales. While struggling to keep up with fun, user-friendly features that consumers want from personal smartphones, the traditionally no-nonsense BlackBerry continues to heavily market mobile security as its main offering.

I don't know about you, but security is *not* the first thing I consider when buying a new phone. And despite recent data hacks into Apple's Cloud, consumers keep reaching for BlackBerry's more whimsical competitors.

Opportunities:

BlackBerry's impressive intellectual property portfolio makes the company a prime candidate for acquisition.

BlackBerry owns a whopping 44,000 patents relating to mobile technology that is valued at over US\$1.2 billion. Though the company is down on its luck, its impressive patent portfolio would be a huge boon to any company seeking to acquire it.

Recently, rumors have circulated that Samsung and **Xiaomi**, a Chinese smartphone company, looked into the possibility of a takeover. As of yet, none of these rumors have proved true. But if it were to happen, an acquisition by a more successful company could drive up BlackBerry's floundering stock.

Threats:

"Regulated institutions," the prime target of BlackBerry's marketing strategy, have been ditching the longtime Wall Street staple.

Banks and financial institutions, a famously loyal crowd of BlackBerry users, are starting to abandon the phone in favor of newer security software. According to *Business Insider*, institutions such as **JPMorgan**, **Credit Suisse**, and **Citigroup** are asking employees to turn in their expensive work-issued phones and instead use their own personal devices. In particular, JPMorgan has reportedly issued an order forcing all employees to return their BlackBerry devices within the next six to 12 months.

These cost-cutting movements towards Bring Your Own Device (BYOD) work environments are proving that BlackBerry is falling out of favor even with corporate types, its once-upon-a-time evangelists.

Instead, businesses are choosing downloadable enterprise apps, such as Good Technology or Citrix, to manage company data on any phone. The BYOD movement is a huge hit to what was BlackBerry's core market, and there are no guarantees that the company will be able to retain customers with its competing BES12 software.

What now?

BlackBerry has fallen behind the innovation curve of its competitors ever since 2007 (the year Steve Jobs unveiled the iPhone), and will continue to struggle to reinvent its identity in a saturated market. Unless the Waterloo company advances a game-changing technology soon, the number of BlackBerrys in the world may soon fall to zero.

But with its high value patents, BlackBerry remains a prime target for acquisition. The company should take seriously consider an offer by a competitor if acquisition rumors turn out to be true.

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