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BlackBerry Secures It Voice

Blackberry announced it is acquiring Secusmart, a German supplier of highly secured data and voice solutions used for the protection of maximum security level organizations. Customers include German Chancellor Angela Merkel, and a just announced contract to supply tech to NATO. We expect this capability to be repurposed and achieve widespread adoption in mainstream enterprises.

BlackBerry's new management team has been focused on reestablishing BlackBerry's original credentials in secured communications for enterprise customers, and particularly in regulated industries. While its user base has focused primarily on secured digital communications (e.g., email, messaging, data transfer/apps), a new area of growing concern is the need to secure the voice channel, where a large amount of sensitive information is exchanged. The purchase of Secusmart indicates that BlackBerry plans to make this a key competitive strength going forward.

With this acquisition, the first since the new management team arrived, Blackberry is signaling its intentions to apply more focus to the needs of its core loyal customers in the highly security conscious markets, particularly in worldwide government agencies where BlackBerry still has a very large installed base. With Secusmart, which has primarily been used to enhance BlackBerry devices, although the technology can potentially be used on other platforms, BlackBerry can now state it has a much higher level of secured communications than any other standard smartphone platform. And although the Secusmart technology is currently an add-on through an SD card inserted into the device, we fully expect the technology to be migrated into the device level hardware in the future, although it may remain an "option" to be used as an additional service offering, and one that BlackBerry could potentially generate additional revenues from.

It is critical that BlackBerry stay ahead of the other mainstream device vendors in the level of security built into its devices. This is one of the primary competitive differentiators it has in the marketplace and why many customers remain with BlackBerry. The Secusmart acquisition provides BlackBerry with a technology it currently doesn't have and will be increasingly important going forward. Secusmart provides a secure voice communications capability that no device vendors, including BlackBerry, currently address. This acquisition provides BlackBerry with a clear competitive advantage for a relatively low investment (although acquisition cost was not stated), and it keeps the technology out of the hands of competitors.

The amount of sensitive corporate information transferred via voice as opposed to email/data is very large, and subject to relatively easy interception. Unlike in the past where tapping into a call in a circuit switched network was hard to accomplish, in today's world nearly all voice is

transferred as an IP data stream over standard data networks. And nearly all of it is transmitted unencrypted. There are many “bad actors” for whom tapping into a voice communications is the same as hacking any other IP data stream and pursued aggressively for industrial espionage or other purposes. For unencrypted data this is fairly easy, and is probably undetectable when it happens. So the need to include enhanced encryption/security of voice communications is becoming mission critical, even though many users and organizations don’t recognize this requirement yet. Further, since Secusmart secures the entire voice channel, it also protects SMS/text messages initiated from the device. With the continued increase in texting as a means of corporate communications, this added protection to an otherwise unprotected communications channel is critical to protect sensitive information, and is a good complimentary technology to BlackBerry’s BBM protected messaging solution.

BlackBerry has been promoting its Balance products as a way to protect corporate data while allowing users to maintain a personal side of the device. Secusmart can easily be added to the Balance family of products to be used as a protected voice and texting channel, while allowing personal communications to proceed over “in the open” connections. This capability will extend Balance to become a complete secured corporate solution for email, data, apps and voice, making it more attractive to enterprises.

Bottom Line: BlackBerry is betting on a new market opportunity that currently no other mainstream platform addresses. This is the real goal behind the Secusmart acquisition – actively promoting a secure voice market where BlackBerry can lead all of its competitors. If BlackBerry can raise the awareness and get the market, particularly in enterprise and regulated industries, to recognize the need for secure voice communications to protect from potential loss, then BlackBerry could be a big winner. It will take some effort, but this could be an excellent channel for BlackBerry to grow share. Time will tell if this works, but clearly secured voice communications will be an important criteria going forward for most enterprise customers, and BlackBerry is now positioned as a leader to take advantage of this growth market, and ahead of its rivals.

*Commentary written by Jack Gold, Principal Analyst.
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