



Technology Flash...

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J.Gold Associates, LLC 6 Valentine Road, Northborough, MA 01532 USA
www.jgoldassociates.com +1-508-393-5294
Research, Analysis, Strategy, Insight

“BlackBerry Inside”

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A not-so-subtle transition has been taking place at BlackBerry over the past 24-36 months. BlackBerry is not the mobile phone company anymore that once supplied devices to almost everyone that had a smartphone. Indeed, they virtually invented the smartphone market for communications conscious users, but have clearly faded with the advent of newer generation iPhone and Android devices. To many, BlackBerry is synonymous with the device and not the company in general. Such perception may be hard to change especially among consumers who may not follow the company closely.

But looking at BlackBerry’s business paints another picture. In the latest quarter (Q1 FY16), devices accounted for relatively flat 40% of total revenues while software and services increased to 21% of total revenues, up from just 6% one year earlier. Its clear where future revenue growth is coming from and it’s not from phones.

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So let’s be clear about what BlackBerry is now and where it’s future lies. BlackBerry is no longer a phone company. It’s a security company. Devices are just a way for them to show off their security capabilities. And software systems that enable a variety of secured communications capabilities is where BlackBerry is now concentrating its fairly formidable security DNA. And the need for secured communications is no small market to attack.

That’s not to say BlackBerry can’t leverage what it’s been good at for so long - its communications devices. It recently announced its Radar product, which is a tracking device for high value items, and it’s basically a re-engineered phone repurposed for its task. Radar is probably the first commercial IoT device/tracker that includes the level of security needed to prevent hacks (nothing is 100%) in a world in which most trackers are susceptible to compromise. We expect to see more hardware leveraged devices being offered by BlackBerry as it uses its significant device IP to address specialized needs in a variety of industries.

But that is not all that has changed at BlackBerry. If you look at the acquisitions it’s made over the past few years, all of them have been about securing mobile infrastructure (even Good, with extensions to BES, is about security and not just about management). BlackBerry is transitioning to a purveyor of highly secured communications infrastructure components and platforms specifically focused on enterprises and organizations that need to

meet the highest security standards. Starting from its QNX operating system and working up through networks (BES) voice and data (SecuSmart) actionable alerting (AtHoc), storage and delivery of multimedia data (WatchDox), BlackBerry is creating a “food chain” of communications security going forward. And it’s likely BlackBerry is not yet finished “bulking up”. I expect more targeted acquisitions to come in the future.

Bottom Line: BlackBerry has been realigning to a secure communications across any device platform strategy. But perceptions of the “new BlackBerry” have not yet caught up to its new persona. BlackBerry needs to shift focus to a more robust “BlackBerry Inside” labeling to get the market to dissociate it from being only a phone company, and associate it with preventing what’s truly scary - having corporate (and personal) information hacked on the wide range of devices soon to come to market. It has started down this path with compelling products for iOS and Android, but still has a way to go. If it can do this effectively, it will have a bright future.

Jack Gold is the founder and principal analyst at J.Gold Associates, LLC., an information technology analyst firm based in Northborough, MA., covering the many aspects of business and consumer computing and emerging technologies. Follow him @jckgld

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Phone:
+1-508-393-5294

Web:
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