

Once-cool BlackBerry failed to keep pace with rivals

23 September 2013, by Rob Lever



A BlackBerry Z10 and BlackBerry Bold for sale at an AT&T store on March 28, 2013 in Chicago, Illinois.

In just a short time, BlackBerry went from being the coolest gadget-maker on the planet to one apparently destined for the history books.

The firm, which [agreed to a \\$4.7 billion buyout](#) to take the firm private, appears close to a breakup, which might salvage some parts of the once high-flying Canadian tech pioneer.

While BlackBerry was considered perhaps the hippest if not the largest [smartphone](#) maker several years ago, the company quickly lost momentum as it failed to keep pace with innovations from rivals.

"They had a syndrome where they didn't think anyone could displace them," said Gerry Purdy, an analyst who follows the mobile sector for Compass Intelligence.

Purdy said BlackBerry, previously known as Research in Motion, reacted too late to the threat from Apple's iPhone launched in 2007 and manufacturers using the Google Android [operating](#)

[system](#) announced the same year.

"The one gigantic issue was the delay in getting an advanced operating system into the market," Purdy told AFP.

"They had an operating system in 2010 and it took them three years to get in the market. And that was three years after the iPhone was released. So that's six years. The market was moving too fast."

Roger Kay at Endpoint Technologies Associates agreed that BlackBerry was too complacent, and became "blinded" to competitive threats.

"BlackBerry hung its hat on the [physical keyboard](#), they believed that for people who do a lot of typing they need a keyboard," Kay said.

"By the time it got the [touchscreen](#) it was too late. In this industry if you miss a couple of product cycles you're pretty much toast."

BlackBerry announced Monday it has signed a letter of intent agreement with a consortium led by Fairfax Financial Holdings Limited to buy the Waterloo, Ontario, firm, subject to financing and due diligence.

Fairfax, a Canadian firm headed by [billionaire](#) Prem Watsa, is already BlackBerry's largest shareholder with approximately 10 percent of its shares. Watsa resigned from BlackBerry's board when it announced in August its intent to search for a suitor.

Analysts say BlackBerry's handsets are unlikely to draw much interest but the company's software and services, which have a strong reputation for security, might offer the most value.

"Their device management solution is as good as it gets in the industry," said Purdy, referring to BlackBerry's ability to allow IT managers to control

and monitor devices for a large number of employees.

been rumored) could buy them some time to put the house in order."

"The highest value is in their security and software manageability suite, that's been their stronghold in government and enterprise. They could have gone off the devices and onto software a few years ago but they got intoxicated with the revenue from hardware." © 2013 AFP

BlackBerry still has some 70 million subscribers worldwide, but most of these are using older handsets, with the newer devices on the BlackBerry 10 platform failing to gain traction.

According to research firm IDC, BlackBerry's global market share was just 2.9 percent in the second quarter, the lowest since the firm began tracking.

Because BlackBerry has some \$2.6 billion cash on hand, the Fairfax offer is worth around \$2 billion for the value of the enterprise, analysts point out.

Still, Kay said Fairfax "is taking quite a risk" with an equity buyout, which he maintained would be an interim solution until it is able to find a partner in the industry.

"Fairfax will be lucky to get its money back and to make a profit," Kay said.

"If BlackBerry is going anywhere it has to have some strategic relationship with another company in the enterprise solutions business."

Jack Gold, analyst with J. Gold Associates, argued meanwhile that BlackBerry is worth more as a single entity than the sum of its parts.

"I believe there is more value in keeping the three parts of the company (devices, services, and collaboration) intact, which works better for longer term value," Gold said in an email.

"But BlackBerry still faces a huge mountain to climb to get back into the device marketplace, given the precipitous decline in sales.

"Going private and potentially bringing back the founder of the company, Mike Lazaridis (as has

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