

Time to hang up on BlackBerry?

Endless losses, more redundancies and ‘a handset death spiral’ – BlackBerry’s woes are deepening, says Matt Warman



New RIM CEO Thorsten Heins introduced BlackBerry 10 in Florida Photo: Bloomberg

By Matt Warman, Consumer Technology Editor

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BlackBerry’s fortunes hit a new low this week: faced with the news that sales, already depressed, were down a further 41 per cent year-on-year, analysts struggled to find the words to adequately describe what was happening to the once mighty Canadian company.

Edward Snyder, of Charter Equity Research, was one of the kindest: “Wow, what a disaster” pales into insignificance compared to Matthew Thornton of Avian Securities saying that looking at the company was “like watching a puppy die”.

Worse still, BlackBerry-maker Research in Motion pushed back the launch of its forthcoming operating system, BlackBerry 10, to the beginning of 2013. Remaining products this year will be based on old technology and face the gathering momentum of new Windows Phone 8 and iPhone 5

devices, along with the continued growth of Google's dominant platform, Android.

IDC analyst Kevin Restivo said that unveiling BB10, when it finally comes, "would be like launching fireworks underwater". Snyder added that BlackBerry was already in "a handset death spiral" from which it may struggle to escape.

BlackBerry's new round of bad news came as some were beginning to think that the company might not be as doomed as previously suggested. After demonstrating a prototype device at the BlackBerry World Conference in Orlando, Florida, earlier this year, some thought that an exceptional screen, impressive build quality and some clever features such as being able to pan around a photograph on screen simply by moving the phone might yet be pointing to a brighter future.

Then this week in San Francisco Google announced that 1 million phones and tablets using its Android operating are activated each day; BlackBerry says that in the most recent quarter, it sold 7.8 million. That's barely an eighth of Google's total, and RIM's sales are likely to get worse.

The losses - 37 cents per share compared to an anticipated 3 cents per share - have increased the pressure on the company's board to consider previously unpalatable options. Selling part of the business or moving over to Microsoft's operating system are just two of them.

Indeed, Microsoft's Chief Executive Steve Ballmer is said to have already approached BlackBerry, but the firm will no doubt look at the declining sales of Nokia, and Microsoft's willingness to hurt short-term sales by announcing distant improvements. That makes RIM's prospects even bleaker. And as Shaw Wu of Sterne Agee observed, the company's plan to make 5,000 more redundancies will burn faster through the cash pile that the company needs in order to survive to launch new BlackBerry devices at all.

All of this marks what could be the beginning of the end of a once great brand - many commentators continue to doubt whether even Nokia will survive, despite its new relationship with Microsoft, and BlackBerry is two years behind them.

Thorsten Heins, RIM's long-time employee but new chief executive, justified the latest failure to launch BlackBerry 10 with the idea that he wouldn't compromise customers' experience by launching a half-baked product. But that argument rings hollow because ever since Apple and Google entered the market, BlackBerry's failings in devices have been masked by profits bolstered by sales to young people on a budget.

While many BlackBerry users are still loyal to an operating system that is largely solid and reliable, and even more admire the keyboard, it's hard now for any expert to recommend that a user buy a BlackBerry over an iPhone, Android or Windows Phone device. Even if BlackBerry launches a device of peerless brilliance on January 1 next year, few people think it will come soon enough to stop the company from slipping further from its previous position.

Malik Saadi, an analyst at Informa, argues that "it is becoming clearer than ever that the company needs to wave goodbye to hardware and focus more on delivering services and licensing software." He says the only option is for RIM to offer the BlackBerry software to other manufacturers. But the challenge would still be: who wants a BlackBerry?

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