

For folks asking by email or in person (you can also Comment via blog post; it's private) I'll answer your Blackberry themed questions all in one spot:

### **1. How did I know this quarter's results BB would disappoint?**

I *didn't* "know"; I merely predicted, based on classic market behavioural factors(see **#6** below).

### **2. What's next for Blackberry?**

I can't tell you what's next; I'm not on the Inside. I can tell you what they SHOULD do: maintain a focus on a smaller, tighter better defined market or two (the highly security conscious Enterprise market in Western Nations; Emerging overseas mid-entry affordability geographies in Africa, Middle East, Asia). And I'll say it again- they should shop for a win-win\*\* tech partner.

### **3. Why didn't they make bigger changes, sooner?**

Thorstein *did* make changes: improved company focus (no more half-baked Playbooks lacking email (tangent projects that drained resources yet were useless to most Core Enterprise users); he rightsized the workforce (layoffs); and he did a surprisingly good job of communicating & motivating (front-line employees, investors, lenders, customers, carriers). But he didn't *partner* for R&D/Launch resources (eg with Microsoft) and was unable to coax more launch speed from his team. The Z10, Q10 and Q5 came out with few if any flaws, but were sooooo sloooooow to market that many Loyalists had moved on to Android, Apple or Windows devices. Thorstein's offer to 'open up' the BB software platform to partners and competitors alike, was wise [being 4th isn't a strong or necessarily sustainable situation] - but it came too late.

### **4. If I still hold BB shares, which markers/ issues should I monitor?**

Watch for how much 'push' Microsoft puts behind their Window Phone with Enterprise customers, and if other Significant Flagship security conscious customers (U.S. Military, U.S. Customs, etc) move away from Blackberry. Watch for whether Blackberry shows signs whether it can or cannot handle the stress & resource drain to fund BOTH the Western World Enterprise market battle, *and* the Emerging Markets efforts. Watch for how many more senior Exec's leave BB for greener pastures.

### **5. How would I sum up Blackberry's situations and chances of survival?**

It remains *viable and valuable*, though I still say it's value might better be leveraged as TWO sets of assets:

1. a smartphone maker (still very successful at the tech, features, patents, etc especially for emerging markets); and 2. a B2B supplier to a big base of security-conscious, travel-friendly connectivity-focused Enterprise clients.

Apparently the customer base is now 72M global users; I'd like to know how many are upscale Professional/ Enterprise users in the West, versus how many are Emerging Economy users in Nigeria, Saudia Arabia, India, Indonesia- didn't see that info yet, but i.m.o. the market fears the *trend* - 72M is *down* from 80M a year ago, in a *growing* market! The market seems to wonder how fast 'loyal' core Western clients are leaving.

I know *one* such customer with low tech needs, a loyal BB customer for 8 years & 3 smartphone models, who *could wait no longer* & bought a Windows phone. There are plenty more like me, too.

But I'd like their chance for success *better* if they ditched the Ego & found themselves a win-win tech partner.

## **6. Re: your final question: If I'm not a tech-head or finance geek, just *how* did I manage to predict this?**

Because this situation was *never* about Finance or Tech. It was about **Strategy** and **Customer Behaviour**.

### Strategy Principals:

A **small contender** must *Focus well* and *move Fast*, to win against better-resourced opponents (as per Sun Tzu)

*B2B Buying Centers Have Short-Lists!* In a **Product Life Cycle**, as a tech market matures, niche *product choices increase* but viable *op systems choices shrink*. Happened in PC's. Happened in Home Entertainment. Happening in Smartphones. The smartphone market can support 3 platforms. But 4? iOs, Android... and Windows? or Blackberry? Enterprise managers who pick a loser platform (that becomes obsolete/unsupported) lose face- and lose their jobs. Picking a 4th ranked system is risky.

The issue of whether BB is now down another ranking spot due to Windows phones is critical. In the Enterprise Market, the acceptable RFP list for smartphone suppliers is

Hobbesian- ie *nasty, brutish and short*.

Customer Behaviour Principal:

**Customer patience is limited.** The Z10/Q10 didn't need to launch before *XMas 2012* (in the Enterprise market, unlike the Consumer market, XMas gift purchases aren't a factor). But that didn't excuse BB from launching not in January or February ("So sorry; that's the "announcement" date - you can't get *product* yet) but March ("sorry, not in the *USA* just yet") or even April ("oh the *keyboard* version... it's available *later than the* touchscreen"). **Slow!** For entrepreneurs, diplomats, Enterprises, a smartphone is for *productivity!* **Delays = Lost Productivity.**

Even patient, loyal longstanding BB customers had second thoughts when it sunk in that the new BB Op System, would behave NOTHING LIKE previous BB systems. An all-new interface, windowing, screen movement, icons meant there was *no productivity advantage* to a Loyalist staying with BB (and learning an all-new platform) vs going to the already-available Windows phone & learning that one.

In summary: Blackberry has great tech, a patient backer (Fairfax) and improved focus, but **speed kills**. In *this* case, it's *insufficient* speed that's killing BB.

**\*\* Who would be a good win-win tech partner for Blackberry?**

Look at BB's enviable *twofold* asset base!

i) Culture fit aside, BB's **Enterprise User Access** asset could be a dream fit for facebook if they seek access to the business/ 'serious users' market. Or Canon, Sharp, Oracle/salesforce.com, to cement their B2B access. Or Microsoft/Skype to cement theirs.

ii) BB's **Emerging Market phone maker & patent holder** asset could appeal to fb, HTC, Nokia or a global Electronics firm wanting to leave a declining category & enter a growing one - eg Canon, Ricoh, Toshiba, Panasonic, Konica-Minolta, Sharp (or HP or Dell, if both were not so internally distracted right now).

*Samsung* could swallow BB with their pocket change, but they're betting on Android. *Sony* could, but the synergies are weak, given how little use BB's Enterprise Users would have for

Sony's entertainment/ leisure Audio-Video library. Cisco? They wandered into Consumer hardware with the 'flipcam' and retreated, despite their entry being a success. Intel or Fujitsu? Chip makers will likely stay upstream; competing with one's customers tends to have ugly consequences.

Odd partner ideas? *Yahoo*, on an acquisition tear. Or *LinkedIn*, *Symantec*, *Adobe*.

And there's *always G.E.*

### **Will things improve for BB?**

Now THAT is a real-time issue which I'd prefer to discuss in person.

Steven Litt