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BlackBerry's Short List of 'Strategic Alternatives'

By [Joshua Brustein](#) on August 12, 2013

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BlackBerry released a statement Monday morning saying that it was “exploring strategic alternatives,” including partnering with another company or selling itself outright. The company formed a special committee and hired JPMorgan ([JPM](#)) as an adviser. The chief executive of Fairfax Financial ([FFH:CN](#)), BlackBerry’s largest shareholder, has resigned due to potential conflicts with the negotiations of a sale.

The company’s move is a telling one. People who purchase struggling tech businesses usually don’t need a public invitation, and it’s a long-open secret that BlackBerry is game for this kind of deal. Its statement reads as an acknowledgement that so far, its more private efforts to sell have failed.

BlackBerry ([BBRY](#)) was always going to be a tough sell. Its share prices are down more than 40 percent from this year’s peak in January—trading was suspended on Monday—yet its market cap is still \$5.5 billion. This seems like a lot for a company that’s rapidly shedding market share in its main business, hardware. BlackBerry shipped 6.8 million smartphones in the second quarter of this year, according to researcher IDC, giving it 2.9 percent of the world market for smartphones. That’s down from 4.9 percent during the same period the year before. While roughly two-thirds of the company’s business now comes from emerging markets, it’s rapidly being overtaken in those countries by cheaper phones running Google’s ([GOOG](#)) Android OS.

That’s not to say BlackBerry has run out of valuable assets. The company played an important role in the development of the smartphone, and it has the patents to prove it. This would likely provide a revenue stream for any buyer. BlackBerry Enterprise Server, a corporate e-mail system, might also appeal to an up-and-coming mobile services company. Still, these advantages clearly haven’t been enough to persuade anyone to pay what BlackBerry is asking. “Five billion for a corporate e-mail system and a rapidly shrinking hardware business seems like a lot of money,” says mobile consultant Benedict Evans of Enders Analysis.

Evans says BlackBerry’s main mistake has been refusing to admit that times have changed. Apple ([AAPL](#)) changed people’s expectations about what a smartphone should be, and Android offered a way more or less to satisfy these expectations cheaply. BBM, the popular BlackBerry messaging system, lost much of its luster once other apps could offer roughly the same services. Yet instead of using its security expertise to build a better Android, BlackBerry plowed ahead as though the world needed another major platform, and the world remains unconvinced.

It’s unclear who would take BlackBerry forward from here. There’s little reason to think a public assertion that the company is on the auction block would change its grim situation. BlackBerry says that it can’t guarantee it’ll find an acceptable buyer and that it won’t discuss the matter again until it does so or gives up on selling. So why come out and say anything?

“It’s probably another PR mistake,” says Francisco Jeronimo, who tracks the mobile market for IDC. “They’ve have some in the past.”

