



BlackBerry: The Q10 Holds the Key

Description

By now, it's well known that **BlackBerry** ([TSX:BB](#)) has begun to cut the price of its Z10 touchscreen smartphone at **AT&T** and **Verizon**, just a few months after its U.S. launch. The Z10 price has dropped from \$199, to \$99, at both carriers, and it can even be found for less at some other retailers. BlackBerry has portrayed these price cuts as a normal part of the device life cycle, but they are a pretty clear indication that Z10 demand is weak.

However, that shouldn't be too much of a surprise. The Z10 is targeted at winning over current iPhone and Android users, and that's clearly a tough sell because of BlackBerry's limited app availability, among other things. The iPhone 5 and top-of-the-line Android devices sell for \$199 (the Z10's original price) with a two-year contract, and both ecosystems offer very good phones at lower price points.

Thus, not only was the Z10 priced equivalently to the top iOS and Android phones, it was also *more expensive* than the iPhone 4S and a variety of second tier Android phones.

By contrast, the Q10 phone — which has a physical keyboard unlike most phones on the market today — can appeal to a niche of loyal BlackBerry users.

Despite BlackBerry's terrible results last quarter and the recent Z10 price cuts, it's too early to count BlackBerry out. The Q10 was BlackBerry's biggest hope for a 2013 rebound all along, and that device still appears to be meeting expectations.

The Q10's promise

There are good reasons for investors to believe that Q10 demand will far outstrip Z10 demand over the long term. While most smartphone users are now accustomed to touchscreens, the Q10 marries a 3.1? touchscreen to a physical keyboard. For users who use a smartphone primarily for email, the physical keyboard is a big plus; indeed, this is BlackBerry's built-in market.

Earlier this week, I spoke to a Verizon sales rep about the relative merits of **Apple's** iPhone 5 and the Q10. She recommended the iPhone over the Q10 because of its better app selection, but also said that the Q10 was a big improvement over previous BlackBerry phones in terms of speed and usability. Ultimately, while the representative clearly preferred the iPhone, she said that the Q10 was a good

alternative if you care more about email and messaging than using apps.

The next six months are key

Q10 sales clearly did not have much of an impact in BlackBerry's first quarter as it was only available (in limited markets) for the last month of the quarter, and it did not reach the U.S. until after the quarter ended.

Furthermore, corporate customers — who make up a large part of the remaining BlackBerry customer base — often go through a multi-month testing phase before rolling out new devices. These corporate rollouts may begin in the current quarter, but they are not likely to gain steam until the fall.

Too early to call

Apple's iPhone clearly still rules the U.S. market. Last quarter, iPhones represented more than half of all smartphone activations at Verizon for the third straight quarter, and Verizon has historically been more supportive of Android than AT&T. Meanwhile, Android rules most of the rest of the world.

BlackBerry's bet for survival is to maintain control of its niche: smartphones with physical keyboards. This strategy offers a higher chance of success than attempting to compete directly with Apple and Android vendors on their own turf, as BlackBerry did with the Z10.

Investors and pundits should give BlackBerry until the end of the year before writing off the whole company. Q10 sales to individuals have only just begun, and big corporate rollouts are not likely to begin until later in 2013. The Z10 may have just flopped, but ultimately, that's not the key to BlackBerry's future. The key is the Q10!

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The original version of this post, authored by Adam Levine-Weinberg, appeared on Fool.com.

Fool contributor Adam Levine-Weinberg owns shares of Apple and BlackBerry. Adam Levine-Weinberg is also long January 2015 \$390 calls on Apple and long January 2014 \$13 calls on BlackBerry. David Gardner owns shares of Apple. The Motley Fool owns shares of Apple.

CATEGORY

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TICKERS GLOBAL

1. TSX:BB (BlackBerry)

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Author

tmfohcanada

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