



After a Slow Start for BlackBerry 10, Can the Q5 Turn the Tide?

Description

Following a [dismal fiscal first-quarter earnings](#) release, **BlackBerry** (TSX:BB, Nasdaq: BBRY) is on the ropes again. It was the first quarter of full availability for BlackBerry 10 devices, and the company only shipped 2.7 million devices running the new platform, short of what investors were hoping for.

The only two BB10 devices available during the quarter were the touchscreen Z10 and QWERTY-equipped Q10. BlackBerry had previously announced the mid-range Q5 at BlackBerry Live that also features a physical keyboard and targets emerging markets, but the device didn't launch until after the quarter closed.

Can the Q5 turn the tide?

Emerging market targets

On the conference call, CEO Thorsten Heins said the Q5 has earned technical acceptances at 149 carriers, with 106 of them looking to launch the device in 59 countries this quarter. The Q5 launched in Dubai last month, and debuted in India, the U.K., and South Africa this month. As rivals **Apple** and Samsung take over the smartphone market in developed countries, BlackBerry hopes to defend its strong position in emerging markets.

Sales in North America fell 4% last quarter. BlackBerry grew Canadian sales quite well, but that only partially offset the 28% decline in U.S. revenue. The Europe, Middle East, and Africa, or EMEA, geographical segment put up revenue growth of 31%, and Asia Pacific is now 17% of total sales. These are the key areas where BlackBerry needs to focus the Q5 to defend from low-end competitors like **Nokia's** ([NYSE: NOK](#)) Asha family and Samsung's wide range of Galaxy devices.

The Finnish smartphone vendor shipped 4.3 million Asha phones last quarter, slightly ahead of the 4.1 million BlackBerry 7 devices that were shipped. Geographically speaking, Nokia still generates most of its device revenue in emerging market segments like EMEA and Asia Pacific as well. Combined, those areas comprised 71% of Nokia's devices revenue last quarter, and the year-over-year declines are mostly related to dropping Symbian than anything else.

BlackBerry realizes that its BlackBerry 7 devices that do target the low end still hold their own, which is

why it is planning on launching a new BlackBerry 7 smartphone later this year, but eventually it wants to transition entirely to BlackBerry 10.

Less for more

Early reviews of the Q5 have begun to roll in, and some initial impressions aren't good. The Q5 is a lower end offering compared to the Q10, but is still priced too high. For instance, [CNET UK](#) calls the Q5 a "budget phone at a higher-than budget price." The physical keyboard is one of the main selling points of the Q5, but [Engadget](#) found it "terrible."

BlackBerry's average selling prices and gross margins had been declining for years on BlackBerry 7 devices. The company is counting on BlackBerry 10 to change all of that, and is pricing devices running the new platform to that end. At the same time, BlackBerry has been implementing numerous cost cutting initiatives through its CORE program. The combination of these goals yields a Q5 that has low-end hardware quality but sits firmly in the mid-range pricing spectrum, making it a difficult value proposition for emerging market consumers when a plethora of competitive alternatives exist.

BlackBerry would see a greater chance of the Q5 selling well if it had priced it more aggressively. As it stands, the Q5 simply isn't competitive.

Six at a time

Last quarter, BlackBerry should have had an early spike in unit shipments as it filled its global distribution channels and stocked inventory. That failed to materialize, which calls underlying sell-through trends into question.

BlackBerry has said that it plans to only have six devices on the market at a time, in order to focus its efforts in a limited number of target segments and simplify its product portfolio. If the first three BlackBerry 10 devices fall flat, can the next three do any better?

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This post was created by Fool.com contributor Evan Niu.

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