



## Is This BlackBerry's Next Big Move?

### Description

With **BlackBerry** ([TSX: BB](#))(NASDAQ: BBRY) set to report earnings next week, CEO John Chen made a very interesting comment during an interview with *The Jakarta Post*:

"If we will do another thing, we will probably go to phablet. I think if you look at our strategy and if you look at where the market goes, there is definitely a good market for something between a phone and tablet," said Mr. Chen candidly. Would such a device help BlackBerry in its turnaround? How should shareholders react?

### The rise of phablets

A recent report from IDC notes that "phablets", defined as smartphones with a screen size between 5.5 and 7 inches, have grown dramatically in popularity. At the beginning of 2013, phablets accounted for only 4.3% of smartphone shipments, but that number had jumped to 10.4% by the beginning of this year.

That same report also noted that tablet sales are slowing down. Back in 2013, tablet sales grew by over 50% year over year, a number that is projected to drop to 12% this year. Part of the reason for this slowdown is people holding onto tablets longer than expected (yours truly still uses his iPad 2 purchased in 2011). But there is no denying the fact that phablets are at least partially cannibalizing tablet sales.

### Is this a good product for BlackBerry?

Ironically, the slowdown of tablets should be satisfying for BlackBerry. The last thing it wants to do is miss out on a skyrocketing market that like it did back in 2011. With the rise of phablets, BlackBerry could ideally avoid reliving its Playbook disaster.

There is reason to believe that a phablet would gain more traction than the Playbook did, especially with BlackBerry's enterprise customers. Having the functionality of a tablet while still being able to make calls should appeal to anyone looking for more simplicity in the workplace. Just to speculate, the device's size shouldn't be an issue if people are carrying the phone in the inside pocket of a jacket or

suit — especially if headphones with a microphone are being used during phone calls.

### **What will this mean for the company?**

If BlackBerry ends up making a phablet, it will not make or break the company. With manufacturing now being outsourced to Foxconn, manufacturing and inventory risk has been greatly reduced. At the same time, BlackBerry's turnaround will depend a lot more on Mr. Chen's ability to win back enterprise customers and monetize assets like BBM.

That being said, the phablet idea is a very interesting one, and Mr. Chen is likely going to be asked about it when BlackBerry reports earnings next week.

### **CATEGORY**

1. Investing

### **TICKERS GLOBAL**

1. NYSE:BB (BlackBerry)
2. TSX:BB (BlackBerry)

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