



Will the Classic Resurrect BlackBerry Ltd's Share Price?

Description

On Wednesday, **BlackBerry Ltd.** ([TSX: BB](#))(Nasdaq: BBRY) is set to release the Classic, a phone meant to draw on the company's past success. But what will this phone do for BlackBerry, here in late 2014?

Below we take a look at three things you need to know about this device.

1. A blast from the past

The BlackBerry Classic is quite simply a reincarnation of the company's traditional product offering. And by releasing such a phone, BlackBerry is breaking from tradition in the technology sector. But in this case, the move makes perfect sense.

The phone is targeted at, as *The Globe and Mail* puts it, "its most die-hard, change-averse customers". These customers were completely neglected as BlackBerry tried to compete with iOS and Android devices in recent years. But this phone brings back the features these customers have come to love.

For example, the phone comes with the QWERTY keyboard, a staple of the company's most popular products in years past. Other features include the quick access tool belt, mouse trackpad, and popular keyboard shortcuts.

Ideally, this phone will appeal most to the company's enterprise users, exactly the ones that Mr. Chen wants to appeal to most. Not only are enterprise users BlackBerry's most loyal customers, but they also purchase software-related services too. It makes perfect sense for Mr. Chen to give these customers what they want.

2. Lower revenue?

It's important to make one thing clear: the Classic is more about winning back customers than about boosting revenue. There are two reasons in particular to conclude this.

For one, the selling price of the Classic is not particularly high, at US\$449 unlocked. By comparison,

the BlackBerry Passport sold for US\$599.

Second, the Classic does not come with any service access fees attached, unlike some of its legacy phones. These fees amounted to over \$400 million last quarter alone, about half the company's total (this revenue stream is also undoubtedly extremely high margin). And the Classic will prompt numerous users to upgrade from a device with fees to one without them.

This is of secondary concern for Mr. Chen, who sees these enterprise power users as the key to BlackBerry's turnaround. He will do anything to appeal to them.

3. Already sold out?

Interestingly, BlackBerry has already announced that the Classic has sold out in North America. Does this mean the product is flying off the shelf?

Well, not necessarily. BlackBerry made a similar announcement with the Passport, despite sales of only 200,000. By comparison, the iPhone 6 sold 10 million devices in its first weekend. So the Classic may turn out to be very successful. Just don't expect revenues to jump too much, and don't read into the "sold out" notice.

CATEGORY

1. Investing
2. Tech Stocks

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1. NYSE:BB (BlackBerry)
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