



How BlackBerry Ltd. Needs to Evolve for Revenues to Grow

Description

BlackBerry Ltd. ([TSX:BB](#))(NASDAQ:BBRY) is no stranger to controversy. The troubled phone maker has been circling the drain for the past few years as subscriber revenue and hardware sales have dwindled.

Just a few short years ago the stock traded at over \$100 and the company had billions in sales each quarter. Now the stock is worth under \$10 and the market cap of the entire company is under \$3 billion.

The latest set of quarterly results showed some progress from the company, but more than ever, the results highlight two core issues that BlackBerry needs to address.

BlackBerry MUST stop making phones

When John Chen took the reins of the company, he began a transformation that refocused the company on its security and enterprise roots, which had been notably quiet since the company's ill-fated attempt at launching a tablet five years ago.

Part of that refocus meant moving away from devices. Gone were the multiple form-factor releases in a calendar year. Instead, BlackBerry opted to now release one or two devices per year. Gone also was the full touchscreen form factor. BlackBerry opted to put its iconic keyboard somewhere on the device. This presents a myriad of problems.

Firstly, the market has largely moved on from physical keyboards in favour of touchscreens. The larger real estate a touch screen provides simply cannot be replicated with a physical keyboard device. BlackBerry has now tried three different configurations of keyboards in the past two years, and none of them has resulted in any success.

Secondly, BlackBerry simply cannot compete on a hardware-feature level. The Priv, the current flagship device, has an anemic 2MP front camera and lacks any of the newer features that competitors offer, such as a low-light camera lens and fingerprint reader, among others. These may sound like gimmicky features, but BlackBerry needs to recognize that even the most security-focused user is still a consumer that will look for value in terms of features.

Lastly, there's the price and availability factor. The Priv, which is nearly six months old, is still not available on all carriers and is still priced at a premium. Consumers shopping for a device can pick up a more feature-complete device from any of BlackBerry's competitors for a lower price.

The Priv's paltry 600,000 in sales are not going to come anywhere close to meeting the downwardly revised target of three million devices sold in a year for the hardware division to be profitable. Even the rumours of two new additional devices to come this year will not stem the flow of users away from BlackBerry's antiquated devices.

Market the Priv's productivity software to all Android users ... for a cost

What BlackBerry does very well is software and security. To release the Priv, the company released an entire suite of applications for the Android audience that brings the core set of applications closer to what was offered in BB10—and users have responded overwhelmingly positively.

The only problem is that the software can only be used by those who've purchased a Priv. This perceived benefit to loyal BlackBerry users has been attempted before and failed miserably.

When the company's messaging platform expanded to encompass all other operating systems a few years ago, BlackBerry maintained several features that were going to remain core to BB10 users. This did not garner any additional interest, but rather pushed users to other platforms and pushed the competition to step up their product to surpass BlackBerry's offering.

BlackBerry now has a real opportunity to both grow usage and monetize some of the software that is offered on the Priv to other users and not repeat the same mistakes of the past. Whether or not the company will come to this realization remains to be seen, but there is already a fair amount of interest in porting these applications to other devices. A number of dedicated developers have already done so—for free.

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