



## Here's Why You Shouldn't Buy BCE Inc. Shares on the Dip

### Description

**BCE Inc.** ([TSX:BCE](#))([NYSE:BCE](#)) shares have been a must-have core holding for conservative income investors over the last decade, and although the recent pullback may seem like an opportunity to load up, there are several reasons why this dip probably isn't the opportunity you're hoping for. I believe BCE is going to be a sub-par performer going forward, and if you're expecting a similar magnitude of total returns, you're going to be very disappointed.

It's not just rising interest rates that are going to hit BCE where it hurts; its history of mistreating customers, I believe, will come back to bite the company over the long term, as the Canadian wireless scene becomes more competitive with the entrance of Freedom Mobile of **Shaw Communications Inc.** ([TSX:SJR.B](#))([NYSE:SJR](#)).

### Loss of customer loyalty from sub-par customer service and questionable sales tactics

The lack of competition in the Canadian telecom space has allowed the Big Three players to enjoy next-level profits through a cartel-like pricing structure. As a result, Canadians pay some of the highest wireless rates in the developed world.

You would think that higher fees would come with a higher quality of customer service, but you'd be wrong. With such low competition in the wireless space, there's little to no incentive to invest in customer-satisfaction initiatives. **Telus Corporation** ([TSX:T](#))([NYSE:TU](#)) has arguably been the best of the Big Three when it comes to customer service, but its efforts have still been unable to attract a meaningful amount of subscribers away from Canada's largest carrier, BCE.

Moreover, BCE has been found guilty of [unethical sales tactics](#). Many sales staff members are subject to incentives and guidelines that push for desperate and overly aggressive sales tactics at the expense of the consumer. Upselling and misleading customers has become the norm. These customers won't forget the experience, and BCE may find itself sacrificing long-term loyalty for a short-lived ARPU boost.

BCE is leaving a bad taste in the mouths of its customers and with increasing competition and regulation, I think BCE is going to have a tough time retaining its subscribers. And if it is going to hang

on to its subscribers, BCE is going to take a major hit to its margins.

I think more aggressive promos will be on the horizon, giving Canadians an incentive to switch away from their current wireless provider. That means BCE's massive wireless subscriber base is vulnerable to aggressively targeted poaching, similar to the switching promos and incentives that the American telecoms offer.

### Bottom line

BCE may seem like a bargain at these levels, and based on traditional valuation metrics, it is; however, when you consider the unfavourable environment and the fact that BCE won't be able to boost its bottom line with its unsustainable and unethical means, I think the stock could remain depressed for a lot longer than most would expect.

If income is what you want, you'll get just that with BCE's dividend, which currently yields 5.31%, but don't expect much in the way of capital gains over the next three to five years. There are [many other headwinds](#), and the company certainly hasn't done itself any favours by frustrating many of its subscribers. Add meagre growth into the equation, and you've got a stock that's poised to be a major underperformer.

Stay hungry. Stay Foolish.

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joefrenette

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