

Samsung's Galaxy Note 7 Fiasco: A Response to Why and How it Occurred and the Strategies
That Can Be Taken to Reduce Public Outrage

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Introduction

Samsung's much anticipated release of the Galaxy Note 7, came with many reasons for concern. The new Galaxy device would eventually become known less for its technical capabilities, as it would for its tendency to explode. After numerous incidents of customers experiencing their Galaxy Note 7 exploding or catching fire; Samsung still did not find it necessary to recall all phones and discontinue usage until further investigation. Samsung's approach to the Galaxy Note 7 crisis was passive and ineffective. If they would have been proactive instead of reactive on this issue it would have garnered a lot of support and curbed further outrage. Samsung's response to the Note 7 exploding was ill advised and unplanned causing the possibility of further shame, and eventually the loss of customers.

Situation

There was much anticipation for the Samsung Galaxy Note 7 which would come equipped with a bigger battery which would allow the phone to stay on for at least 9 hours (Wang, 2016) but as is often the case in business ventures it doesn't always turn out as we envision it. The Samsung Note 7 was soon reported to have exploded. The first lawsuit was filed by a Florida citizen who said that the Samsung Galaxy Note 7 blew up inside his car while he was charging it (Wang, 2016) which was shocking for him because a phone exploding is the last thing you would expect from a new product of Samsung.

This incident amongst others caused the U.S. Consumer Product Safety Commission to recall "...all of the new Samsung phones, saying that defective Note 7 batteries had been linked to '26 reports of burns and 55 reports of property damage..." (Wang, 2016, p. 1) and this is what forced them to take some kind of action albeit slow and deliberate. This governmental

agency as well as the customers who buy the Samsung products are both a part of the audience that Samsung must address based on this incident. The governmental agency will be addressed because of the restriction it imposed on Samsung. Now it will be Samsung's responsibility to show that it can move forward. The general public, more specifically the customers will be a part of Samsung's target audience as well because they need to be shown what Samsung products are about and reminded of the reason they are interested in Galaxy products anyway.

The use of pure advocacy and pure accommodation are PR techniques utilized by Samsung when combating this crisis of Galaxy Note 7's exploding. The pure advocacy approach is shown by Samsung being adamant about not discontinuing its Galaxies Note 7's, while the pure accommodation approach is shown slightly where we find Samsung putting forth a voluntary recall. These are both PR issues that have arisen and we see the ramifications of both.

It is important to note that the "...cellphone lithium battery" when overheated can contribute to physical harm (Nankowski, Kanevsky, Bakirtzian & Cugno, 2015) and that with the correct actions taken Samsung can rectify the situation in a way that ensures a better battery for the Galaxy Note 7 and a more favorable corporate image that appeals to the customers and stakeholders alike.

Context

When analyzing the context of the Samsung Galaxy Note 7 disaster, it is first important to understand the competition amongst smartphone retailers. Since the invention of the smartphone, retailers such as Samsung and Apple have constantly been in competition over their phone releases. Trying to one up each other on each released phone, the rush to release the next best smartphone is on every company's mind. Such was the case for the Samsung Galaxy Note 7.

To beat out Apple's release of their new phone, they pushed forward the release of the Samsung Galaxy Note 7. By moving up the release date of the Galaxy Note 7, there were undoubtedly safety tests and quality checks missed or rushed in the effort to beat Apple. "Historically known for its premium, iPhone-rivalling Android phones, its exploding handsets have instead become the frequent butt of jokes after they hospitalised at least one person, and airlines issue constant warning against using them on planes", (Price, 2017). Since the release of the Galaxy Note 7, Samsung has been in a public relations nightmare trying to combat their public image due to the "exploding" phones.

Recalling over 2.5 million phones, and halting sales in ten countries, ethically Samsung did the right thing by issuing a recall and stoppage of the Galaxy Note 7 (Mullen & Kwon, 2016). With this recall Galaxy users were able to be issued a new Galaxy Note 7 for free, in return for their "defective" device. The problem with this recall and replace is that Samsung was still unaware of the reason for the exploding phones when they sent out the new phones. In this new device, Samsung claimed that by changing the batteries the problem was fixed and the phones were now safe. It took only a matter of time before these new batteries were also claimed to be catching on fire. That this disastrous mistake was not made once but twice shows what Samsung values--profit. If the company valued their customers over earning money, they may have recalled the phone completely and not allowed it to be sent out without extensive testing. Having a phone battery catch on fire and recalling it was the most ethical approach Samsung could have taken and should be commended. Where they ethically did wrong was their rush to then replace the "defective" original phones. Using a new battery company, Samsung issued these new Galaxy Note 7 and *assured* customers that these new devices were safe (Tibken & Cheng, 2017). Samsung's main priority should have been the safety of their customers and not

trying to get them new phones. If they followed a stricter procedure on phone testing, it should have taken them a larger amount of time to test these new phones and become aware of problems. As Samsung was concerned with the money they were losing due to the recall, they again rushed the release of the new Galaxy Note 7 phone to the previous customers. Samsung has lost the trust of their customer base by issuing two sets of defective phones. A large corporation has an ethical obligation to ensure the safety of their customers.

Response

After the issue became a crisis, Samsung was being looked at under a microscope by consumers, news organizations and the public, all waiting for some type of response to the malfunctioning phones.

In public relations, it is a well-known fact that the faster you get your response/statement out to the public, the better, because waiting makes a company or organization look bad all around. However, these responses must be quick, while also being factual. Samsung did the right thing when deciding to get their response to the crisis out quickly but made a big mistake when their statement was not true. “For example, earlier this month Samsung released a statement in Hong Kong, assuring customers that their phones used a different battery than the ones being reported about, and that as a result, their Hong Kong customers would not be affected. However, the very next day Samsung was forced to retract that statement when they realized that 500 phones in Hong Kong had in fact been affected after all” (Agnes, 2016).

While Samsung’s actions may be perceived as that of an honorable and genuinely sorry company, many people were frustrated and thought the company’s reputation was soiled;

according to The New York Times, because of their actions, \$14 billion was shaved off Samsung's market value (Agnes, 2016).

The company did not necessarily make the greatest effort to let their customers know that they are aware of the issue either. While they did recommend that customers turn their phones off and bring them to whichever retail outlet they purchased it from to get a refund/exchange, this advice/instruction was relatively hidden on their website. In public relations there must be a clear and straightforward communication between the organization and its stakeholders for relations to be effective and successful. "For people to see those words, they had to click a link at the top of Samsung's home page with the not-so-urgent label "Updated Consumer Guidance for the Galaxy Note 7." As of Tuesday afternoon, the instructions had not been posted to Samsung's Facebook page nor the company's twitter account" (Maheshwari, 2016). Information regarding exploding phones ought to be a bit more accessible and visible to the public and should be posted to all social media accounts to ensure that it is out there for more people to see. This response by Samsung was very passive by its consumers, considering not many people would think to go to the company's website and check the top corner of their home page. In our day and age when crises like this occur, responses, while being put out quickly, should also be posted on all social media platforms so the message being relayed is as spread out as possible and available to all publics.

After figuring out that the reason for the exploding phones was due to a battery that did not fit correctly, Samsung had no other choice than to recall every single Galaxy Note 7. The malfunction resulted in "a flurry of consumers reporting injuries from exploding phones, and incidents on airplanes caused the Federal Aviation Administration to ban the device from flights" (New York Post, 2016). After recalling the phones, the decision to replace the faulty batteries

with new ones from the same Hong Kong-based company was made. Unfortunately, these batteries also turned out to be bad, and Samsung decided to finally discontinue the Galaxy Note 7 altogether.

The responses made by Samsung were altogether messy, unprofessional and could have been carried out in a more thought-out manner. The discontinuing of the phone should have been the priority of the company once they got word of their exploding devices.

Evaluation

Overall, Samsung's response to the Galaxy Note 7 crisis was not effective. While the company was quick to respond to the crisis, the statements they made were not factual and accurate. Samsung did not make a concerted effort to make this issue public and made it difficult for the public to understand what was happening with the phones and where they could find further information. Samsung's approach to the crisis and response made it appear as though they were trying to cover up this issue and make consumers believe the phones were still safe to use and did not pose a threat. The main issue with Samsung's response was that they put efficiency before safety, which made it seem as though they valued their own business and profit over the safety and well-being of their customers, which then reflected negatively on their company. Samsung was quick to downplay the severity of the situation but lagged in issuing recalls and publicly acknowledging the extent of the issue.

For Samsung's response to have been more effective, they would have needed to focus more on potential customers and those who had been affected by the faulty Galaxy Note 7 phones. Samsung should have discontinued the model as soon as issues began to arise. Rather than defending their product or continuing to sell items that were potentially dangerous, Samsung should have acknowledged the issues with these phones and kept them from being sold

to anyone else. This would have helped the public feel like Samsung cared about their customers and wanted to focus on fixing what was wrong, rather than appearing as though the phone issues were not a big deal. Additionally, Samsung should have put safety first in their approach, doing what was best to ensure the cause of the problem was found and addressed to prevent it from happening in future models. Finally, to change the public's perception and to make their response more effective, Samsung could have offered to pay for any medical costs and damages to property that occurred as a result of using their products. Doing this would show that Samsung took the injuries caused by their phones seriously, and that they wanted to make sure their customers were taken care of. By not helping those who were injured by the phones, Samsung again appeared as if they were unconcerned with their customers who were affected by the faulty items they produced. Had Samsung focused on the customer more than the product, their response to this crisis would have been much more effective.

Strategy

According to the Samsung Newsroom, DJ Koh, President of Mobile Communications Business for Samsung Electronics, expressed his sincere apology and gratitude to Galaxy Note 7 customers, mobile operators, retail and distribution partners, and business partners for their patience and continued support. Samsung took the steps they saw fit for the company to regain the public's trust (Samsung, 2017). However, there are several additional insights that could have aided key decision makers. These insights could have been possible if Samsung had the proper leadership. Without proper leadership, the company risked having this crisis go on to impact other parts of its business.

As a public relations counsel responding to this case, the first initiative we would have taken was to discontinue the Galaxy Note 7 from the very beginning. The phone was initially

released in mid-August, and Samsung announced a recall of 2.5 million Note 7 devices in September due to claims that the phone was exploding. Samsung blamed a battery fault and decided to continue shipping new Galaxy Note 7s, this time with batteries from a different supplier. The company promised that the replacement devices would be safe. However, the replacement phones went on to be explosive as well, which led to a bigger problem for the company. What Samsung thought was a solution to their problem, ended up creating a problem bigger than the original. Furthermore, we believe Samsung should not have even risked the chance of a bigger problem and should have completely discontinued the hazardous product from the very beginning instead of waiting about two months. According to the New York Times, companies tend to keep trying to improve a product rather than pull it altogether (Chen, Sang-Hun, 2016). However, we believe if Samsung took responsibility and pulled their product altogether from the moment the issue came about instead of blaming the battery, the company may not have experienced such severe damage.

This goes hand in hand with our next insight which is that Samsung should have focused on being the best, not the first in the market. If the devices had been properly made and tested, Samsung would have never been in this situation. According to the Samsung Newsroom, the main cause of the explosions was that the negative electrode was deflected in the upper-right corner of the battery and the tip of it was incorrectly located in the curve, not the planar area. Another contributing factor was that several batteries were missing insulation tape. Since the Note 7 recall, Samsung reassessed every step of the smartphone manufacturing process and developed an 8-Point Battery Safety Check, which involves putting the batteries through extreme testing and careful inspection to ensure highest quality (Samsung, 2017). In our opinion, this safety check should have been implemented from the beginning for Samsung to be the best in the

market. According to Creative Strategies President Tim Bjarin, “Samsung did not do the type of quality assurance and testing to make sure the Galaxy Note 7 was designed properly and totally safe.” Instead, Samsung rushed the device production to market ahead of the September 7th launch of the new iPhone (Lopez, 2017). Furthermore, the company put being first in the market above being the best in the market, which was one of their biggest mistakes.

Lastly, Samsung should have been willing to pay medical expenses and property damage expenses for all the customers affected by their devices. CBS News correspondent Jim Axelrod reported that, “Some people who are now trying to sue Samsung feel like they are getting burned twice.” On the last few pages of the warranty guide in the phone’s box was a clause requiring all disputes with Samsung be resolved through final and binding arbitration, and not by a court or jury. Basically, consumers had 30 days to opt out or else they cannot sue. For example, Michael Taylor decided to test this clause and sue Samsung for damages after his Note 7 caught fire leaving him with severe burns. However, Samsung sent their lawyer to court to argue that the case should be put to rest because Taylor never opted out (Samsung Exploding Phone, 2017). As a public relations counsel, we believe Samsung should have accepted responsibility and paid all expenses for those affected by the Note 7, even if that clause was in writing. Samsung sticking by this clause even when the damage was that large to its customers did not leave a positive public opinion of the company.

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