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Samsung: Hot and Bothered

One of the biggest rivalries in the technology world is between Apple and Samsung. The companies battle in the realms of personal technology, going head-to-head for the title of “Best Cellphone,” “Best Laptop” or “Best Tablet.” While Apple has generally received positive feedback in the media lately, Samsung has faced serious scrutiny for its crisis management of the Galaxy Note 7’s tendency to overheat and spontaneously combust. We chose to explore this crisis in order to analyze Samsung’s reaction to such a critical incident.

The crisis specifically revolves around the Galaxy Note 7 and its literally explosive nature. The phone was known for overheating and spontaneously catching fire for reasons that Samsung initially could not explain. The explosions risked many lives and severely impacted the credibility of Samsung. Throughout the course of the crisis, Samsung as a company changed its response strategies and tactics to best fit the situation. For example, they were passive and quiet at first, but once they could no longer ignore the issue, they became more vocal.

Samsung’s Galaxy Note 7 crisis is of particular interest to us because of its relevance and prominence in the news over the course of the crisis, the severity of the crisis and the example Samsung set as to how a crisis can be dealt with. Samsung and this particular case can provide multiple lessons in terms of public relations as it relates to crisis management, consumer relations and community relations. Crisis management tactics had to be employed

to save face and to recover from what could have been a detrimental, or even fatal crisis for Samsung. The crisis also involves consumer relations as Samsung had to effectively communicate and work simultaneously with the people who had purchased or were considering purchasing the phone. Finally, Samsung had to focus on community relations to rebuild their credibility and associate their name with more positive thoughts.

Samsung as a company has grown exponentially since its humble beginnings in 1938 (Samsung, 2008). It has become one of the world's leading providers for electronics and is known across the globe for having top-of-the-class products. Because of its reputation for high quality products, it was quite a shock to the public when Samsung's phones malfunctioned. Samsung was obviously not expecting such a horrific thing to happen with the Galaxy Note 7, and their lack of preparedness showed.

There were many publics involved with and affected by the crisis. Some groups are surprising, but each group and their particular worries were justified in this situation. Specifically, Samsung's consumers, stockholders, various airlines and passengers and Samsung employees were impacted. Their consumers were concerned about Samsung products' overall safety and feared the phones they had purchased would burst into flames without warning. For obvious reasons, Samsung stockholders and investors wanted to know what the economic repercussions would be. Airlines banned the Galaxy Note 7 from being on flights for fear of the safety of their passengers should the phone explode. Employees of the company were concerned about how Samsung would recover and move forward – would they be able to maintain their jobs? Once all the parties involved and affected by the crisis were determined by Samsung, they could create a response strategy that would work best for each group of people.

Samsung's strategy in light of the Galaxy Note 7 crisis was to keep the crisis concise, contained and quiet. Their main objectives were to maintain customer safety and make sure that the faulty phones were replaced as quickly as possible. Their first point of action on September 2, 2016, less than a month from the release of the phone, was to recall 2.5 million of the exploding phones and promise to replace them with new functioning versions (Tapase, 2016). Samsung made it clear they wanted to get a phone back in their customers' hands as soon as possible in a press release, "We acknowledge the inconvenience this may cause in the market but this is to ensure that Samsung continues to deliver the highest quality products to our customers. We are working closely with our partners to ensure the replacement experience is as convenient and efficient as possible," (Samsung Newsroom, 2016).

Once the reports of the replacement phones exploding came pouring in, Samsung moved quickly to stop all production of Note 7s and to strongly advise users to return all devices. Tim Lockett of Hill+Knowlton Strategies said, "Samsung acted incredibly quickly to withdraw the Note 7, to claim it had found a fix and to reintroduce the product. When further Note 7s started catching fire it was clear the company did not understand the source of the issue, which created confusion and an extra wave of reputational damage," (Holmes Report, 2017). While it was admirable that the company moved so quickly to remove the dangerous phones from the hands of their customers, they acted in too much haste leading them to make even more mistakes. With a crisis of this severity, they needed to slow down and triple check to make sure the replacement phones were safe enough for shipment.

Samsung's communications strategy was to be extremely passive throughout the crisis. Their main medium to spread news was on their company website and through texts to users in conjunction with service carriers. Samsung took a "death by 1,000 cuts approach and

let information keep coming out piece by piece,” which was much more damaging to them than if the information had been thoroughly displayed from the beginning (Young, 2017). Dean Crutchfield, a brand consultant in New York, criticized Samsung for down-playing the seriousness of the issue with its lack of communication and for making communication “bureaucratic” without a face or spokesperson (Maheshwari, 2016).

Samsung had the opportunity to take a swift yet cautious approach to the crisis and have open, clear communication with all parties involved. However, their approach was too quick and lacked proper communication methods, which hurt their relationships with the involved publics. Customers were left in the dark and it cast the company in a poor light when they did not have an answer to the problems that were occurring. As time went on and the second round of phones failed, “it was clear the company did not understand the source of the issue, which created confusion and an extra wave of reputational damage,” said Lockett (Young, 2017).

Once the issue was too great to ignore, Samsung put their plans into action using numerous news releases on their company website from the start of the crisis (Samsung Newsroom, 2016). However, overall they communicated ineffectively with their consumers and other affected publics. In a survey of experts conducted by the University of Georgia and PROI Worldwide, 74 percent of respondents said, “Samsung failed to manage early information and thereby was unable to stay ahead of the crisis,” (Holmes Report, 2017). In addition, 70 percent reported that “Samsung failed to provide relevant information on the crisis and did not provide information that would help the public understand the crisis,” (Holmes Report, 2017).

In order to alert their consumers of the changes throughout the crisis, Samsung frequently updated the website, sent reminders to the affected phones through service companies and posted occasional updates on their Twitter (Samsung Newsroom, 2016). Samsung assured users that “consumers’ safety remains their top priority,” (Samsung Newsroom, 2016). Andrew Gilman of CommCore Consulting Group said that the brand “ought to be more visible – this is pretty serious. The brand has to show they care and are concerned through consistent communication on their home page, Twitter, Facebook and other social channels,” (Maheshwari, 2016). While they did use these tools to put their strategy into action, they were criticized for being too quiet and passive on the matter.

Samsung first recalled the 2.5 million phones, replaced them with the solution phone and then had to recall that phone as well. These steps were communicated progressively, and even as trouble brewed when a Southwest Airline flight was evacuated because of smoke from one of the replaced phones on October 6, Samsung remained quiet apart from its brief news releases (Tapase, 2016).

As the investigation continued, the company released that the batteries from the first recall were from Samsung SDI and from Amperex Technology Limited in the second (Dolcourt, 2017). They rushed the reissuing of the phones, taking only a month to identify the issue – the batteries. There was no conclusive answer on what was causing the batteries to engulf the entire phone in flames. Samsung continued their investigation and found the answer. In the batteries from Samsung SDI, the problem was that the batteries did not have enough space in the phones, causing short-circuiting (Moynihan, 2017). In some of the batteries from Amperex Technology Limited there was no insulation tape, once again

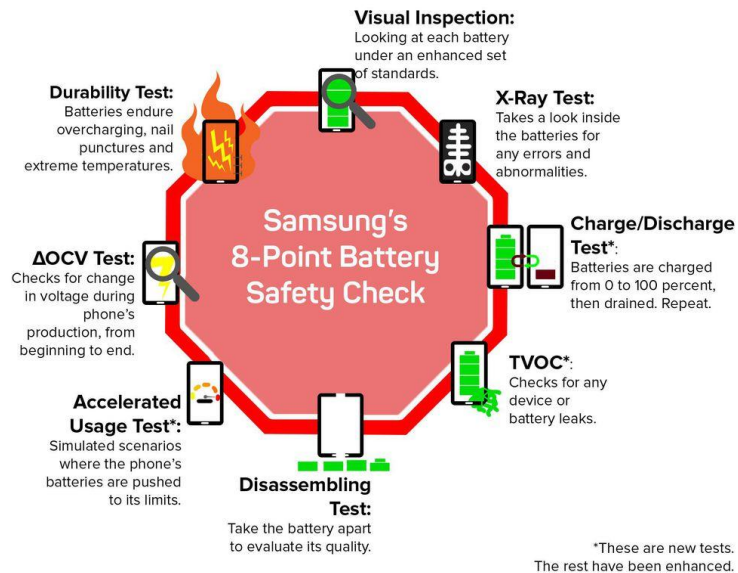
causing short-circuiting (Moynihan, 2017). The recalls made no difference, unless Samsung was ready to redesign their phones.

Essentially, Samsung identified the batteries as the issue and put their energies into reforming their safety check. The company also halted all production and sale of the Samsung Galaxy Note 7 and strongly urged the return of all devices (Tapase, 2016). As aforementioned, many customers lost trust in the company because of the multiple recalls and extensive damage caused by the phones. Specifically, many South Korean customers felt extreme frustration with the company's lack of communication. This is problematic as Samsung is linked with patriotism and economic well-being in South Korea because the company was started there (Hu, 2016).

With the Note 7 discontinued, Samsung assured customers that an investigation was being completed, and news of the actual cause was released in a press conference on January 23, 2017. The speakers included not only executive business leaders, but scientists and leaders of the company that created the battery for the Note 7, TÜV Rheinland AG (Samsung Newsroom, 2017). Samsung created a Battery Advisory Group including consultants and esteemed professors in order to implement "a broad range of internal quality and safety processes to further enhance product safety including additional protocols such as the multilayer safety measures and 8-Point Battery Safety Check" (Samsung Newsroom, 2017).

As Samsung began to further open up their communication to the public, they posted several videos including "Galaxy Note 7 – Why it happened," and "Samsung's New and Enhanced Quality Assurance Measures for Product Safety." They also used graphics to explain what went wrong and what they had changed moving forward. The tools are very informative and well done.

Samsung solved this problem in two parts – changing the way they inspect batteries, and redesigning the phone. The battery inspection process is now eight steps that are shown in this infographic (Infographic by Alfred Ng/CNET, 2017).



Samsung addressed the design flaw in the new Samsung Galaxy Note 8. The new model had begun to be designed at the same time of the second recall (Dolcourt, 2017). Despite frustration with the handling of the Samsung Galaxy Note 7 crisis, the Galaxy 8 is projected to outsell its predecessor exponentially. The uptick in sales comes amidst the recalls, \$100 price increase and cellphone carriers not including discounts (Pressman, 2017).

Samsung's main troubles stemmed from adherence to top-down internal and external communication. Samsung is a conglomerate. The company website describes its activities by saying, "For over 70 years, Samsung has been dedicated to making a better world through diverse businesses that today span advanced technology, semiconductors, skyscraper and plant construction, petrochemicals, fashion, medicine, finance, hotels, and more. Our flagship company, Samsung Electronics, leads the global market in high-tech electronics

manufacturing and digital media,” (Samsung). Basically, Samsung does everything their way-- without communicating to their key audiences.

Employees and those who have researched the company’s culture state that is not an environment of any refusal or deviation from orders (Hu, 2017). The company has been family owned since its inception over 70 years ago, but they have had several financial scandals in the past 10 years. This being said, Samsung is a company concerned with image and tradition. They have allowed themselves to be shrouded in secrecy. This secrecy and concern for reputation amplified the recall crisis.

Samsung can no longer sit in an ivory tower as the world can now see into it. Samsung must utilize transparency. Transparency would have bought them ample time in the recall and allowed them to somewhat salvage their reputation. By sharing each step of the recall process, the public would have felt informed and would have maintained trust in the company. Two-way communication does not always come in the form of social media interaction. The company could have created a separate website or microsite for the crisis. This microsite would have held all of the information that customers would have needed, as well as 24/7 chat services with support agents, explanations from senior executives and the design/production team. This site would also exist as the hub for media inquiries, so that everyone would not be waiting on pins and needles for an official statement from Samsung.

To ensure that this will no longer happen, Samsung would need to continue this transparency. Samsung would need to employ two-way communication via social media platforms to break down this image that is shrouded in secrecy. They could perhaps answer consumer questions taken from Reddit, Twitter or Facebook. Moreover, they need to show

the process of how the new phones are being made (very reminiscent of Domino's after the YouTube scandal).

Although the Galaxy Note 7 is still on hold, Samsung has held its own in 2017 with the delayed launch of the Samsung Galaxy 8. While it may have been a risky move to keep the name of the phone, Samsung's audiences trusted the new design and safety checks, and the strong launch of the Galaxy 8 is a testament to that. The Galaxy 8 has outsold the 7 by "strong double digit percentages, even at higher prices," (Pressman, 2017). Moving forward, Samsung needs to re-establish their reputation and keep open communication with their customers and key publics, and they might be able to fully recover from the Galaxy Note 7 crisis. Overall, the crisis that had the potential to sink the company, along with a large portion of South Korea's economy, was resolved as well as it could be as time went on.

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