**Apple’s batterygate scandal (2017)**

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**Executive Summary**

Apple Inc. is a multinational techgiant company which develops and sells different electronics products like Iphone, Ipod, Ipad, Apple watch, Apple TV, AirPods, Macintosh and many more. The annual revenue of the company is around 274.515 billion US dollars and is valued for 2.288 trillion US dollars. Even after being the world's biggest tech company, it has engaged into many controversies and unethical business practices.

In this paper, I will discuss the Iphone batterygate scandal uncovered in the year 2017. It was one of the biggest scandals in company history. Apple sells millions of Iphones every year from the time it was launched. Every new model of Iphone was on top of the table with new eye catching features. The graph of the sales was increasing drastically from the year it was launched. But, after the year of 2015, the sales slowly declined and was plateaued around 200 million units. This was mainly because the older Iphone models were yet functioning quite better then other phones in the market. To increase the sales of new Iphones, the company slowed down the performance of the older phone, thus forcing Iphone users to upgrade to newer models.

The ethical issues this assignment focuses on is the fraud and dishonesty of Apple which wrongfully forced old Iphone model users to upgrade to new models and increase the sales of new products. The company rolled out an IOS (operating system) update to slow down the performance of the old Iphone models which were iPhone 6, iPhone 6 Plus, iPhone 6s, iPhone 6s Plus, and iPhone SE. Also, they neither informed their user about it nor did they allow their user to choose for this update as an option. In our class, I have learned that dishonesty and fraud are unethical because it leads to loss of trust from people in the company and affects the overall growth of the company. It also affects the long term growth and sales of the company. Not only this, but it will also affect the reputation of the brand and will lead to overall downfall of the institution.

In this paper, I have used three ethical theories which we learned in our class to discuss and analyse this scandal. Also, I have discussed consumer rights and due care theory. Utilitarian theory says that an action is morally right if its consequences are more beneficial than harmful to others. Thus, the best decision will yield the greatest benefits to the society. In Apple’s decision to roll out an update to slow down the performance, millions of people were forced to upgrade to new models which financially affected them, thus causing net harm to a large number of people.

Deontology theory focuses on duties, obligation and principles, thus it focuses on doing what's right rather than doing what will maximize societal welfare. According to the deontology theory, Apple not only broke the trust of their consumer but also broke many Laws. Initially two different lawsuits were filed against the company in California and Illinois. Whereas another lawsuit was filled in recent times in the UK as the same scandal was found there. Apple has violated laws of California as well as violated the state law of Illinois. Apple later confessed about slowing down older Iphones and gave reason that they did it to increase battery life of older models. But by the time it was too late and many people switched to other brands and lost interest in Apple products. Apple however offered 25 dollars compensation to the users and also decreased the replacement cost of batteries from 79 dollars to 29 dollars.

Virtue ethics theory focuses on the integrity of the company rather than their act. According to the virtue ethics theory, we should consider what a vitreous company would do in the similar scenario. An ideal company would consider all things and then make decisions. They should have at least let their user know about this or else gave them an option to select for the update or not. Thus, we can conclude that Apple’s decision was surely unethical and to gain a short term sales, they lost the reputation of the company which will affect them in long terms.

**Introduction**

In this paper I will use different theories which I have learned in this class to justify the actions taken by Apple in this batterygate scandal. Many Iphone users experienced a slow down of performance after updating to the latest software version of IOS. Apple did not address this issue for a year. Later on 17th december 2017, a company which tested software and processing power compared the older version Iphone with the updated version of IOS and discovered that the new update slowed performance of the phones. They posted a blog on this issue. When customers started questioning Apple about their wrongful practices, they replied with a series of statements. The reason which they provided for slowing performance was to increase battery life and save older batteries from draining power. This statement did not satisfy their customers who believed that Apple indeed did this to increase the sales of new Iphones. Apple however disagreed with this and stayed with their original reasoning for the performance slowdown.

This was not the first time the tech giant company was involved in controversy. Before this, Apple was entangled in legal issues as they refused to sell replacement batteries for their Iphones. The lithium ion batteries have a short life span of around three years whereas the Iphone can last longer. The problem faced by Iphone users was that Apple did not provide an option to replace batteries. Thus, they were forced to switch to new phones. This was unethical for the company to do so and it also harmed the environment by creating lots of electronic waste. Apart from this Apple has been involved in many scandals like child labour in China, not paying wages to their employees in India, tax scandal and many more. Apple removed standard 3.5 mm headphone jack from Iphones to promote their wireless bluetooth headphone sales. The reason which they gave for this was that there was no space as the models were too compact. In recent days, Apple removed the charging adapter from the new Iphones, claiming they did this to save the environment. But, they indeed did this to promote their wireless chargers. Every new Iphone user has to buy the charger separately, thus not only saving Apple millions of dollars for not including it in the box but also making millions of dollars from selling these chargers separately.

Thus, Apple is involved in many unethical business practices. The ethical issues here are fraud and dishonesty from Apple to their customers. They also break customer rights like the right to be informed and the right to choose. Also, I learned from the due care theory that the company should not just look into aspects like design, material, production but also provide notification and after sale services for protecting the interest of the consumer. Apple failed to follow this theory.

In the next step, I will identify all the stakeholders involved in the Apple’s batterygate scandal. In our lecture, I got to know that a stakeholder is anyone who has an interest or share in some effort or undertaking or a claim or right to something. I have also learned that there are primary as well as secondary stakeholders. In this paper, I will try to identify them.

It is very difficult to identify all the stakeholders affected by this. The primary stakeholders involved in Apple’s batterygate controversy include Tim Cook (CEO of the company), Apple’s software development team, Apple’s higher authorities, Apple’s employees, Apple stores and Iphone consumers. The secondary stakeholders involved in this controversy are Apple’s stockholders, the government, other customers, other electronic brands and the community as a whole.

As soon as I read about this scandal in an article from BBC News, I completely lost my trust towards the brand. At the time, I was even using an Iphone, but later decided to switch to an Android device and never look back to Iphone. I was completely shocked by the unethical business practices followed by the biggest multibillion tech giant company. Not only this, but on further research I found many more wrongful practices followed by Apple to gain profits and capture large market share.

**Discussion**

In this section, I will try to use different theories, the consumer rights and due care theory which we have learned in our class to analyse Apple’s batterygate scandal.

Utilitarianism

In my class, we learned that the utilitarian theory states the action is right if it results in more benefits than harm. According to me a consequentialist would agree that Apple acted unethically because their decision to decrease the performance of the phone was not beneficial to most of the stakeholders. By doing so, they wanted to increase the sale of the new product and switch old Iphone users to newer models affecting them financially. Only a small portion of major stakeholders were benefited by this decision. Apart from this, the decision affected the growth of the company as well as many customers switched to different brands after they knew about this scandal. Millions of Iphone customers were directly affected by this whereas the sales of other Apple products was also affected by this decision. If the company followed the utilitarian theory then they would never make a decision which would yield greatest net harm.

During the class, I have learned that a company which follows utilitarian theory, must consider the consequences for all the stakeholders. Apple did not follow this and made a decision which resulted in net harm for their stakeholder. Apple may have made this mistake because it is very difficult to identify all the stakeholders and what would be the consequences of the decision.

Deontology

According to deontological theory, the decision should be based on abstract universal principles such as: honesty, promise keeping, fairness, right, justice, respect. We have learned in our class that this theory does not focus on the consequences of the action, but focuses on doing what's right. Apple broke many laws of different countries. Many lawsuits have been filed against the company. They broke the law of trespass of chattels in California and violated the consumer fraud and deceptive business practice act (IFCFA) of Illinois. They have also violated the right to be informed and the right to choose. They practised unethical business tactics to increase the short term benefit of the company, breaking many rights and regulations. Apple did not even inform their users about the update which will slow down their phone performance. Thus they failed to make decisions based on universal principles of honesty, right and fairness.

Virtue ethics

In our class, we have learned that virtue ethics focuses on integrity of the moral actor. In this theory, we need to identify the relevant community. We need to consider how a virtuous company would act in such circumstances. Thus, what would be the decision of a virtuous company and would they do the same thing as Apple did.

I strongly believe that any other ideal company would have not taken this kind of decision. Apple’s decision to launch an update which degraded Iphone’s performance without letting their user know about it was unethical. This leads to dishonesty and loss of trust from their customers. To increase the short term sales of the company, they breached many laws and rights of their customers. Apple should have asked the question of what a virtuous company does in a similar situation. Therefore, I believe that they have failed to follow the footsteps of this theory.

Due care theory

In our class, I have learned about Customer rights and due care theory. The theory states that the company should take adequate care from the initial stage of production and the product should not conceal any danger. All necessary information and any changes in the product should be provided to the customer. Also, as per the customer rights, the customer should have the right to be informed and right to choose. In this case, Apple neither informed their customer about the update nor did they allow them to choose the performance over the battery. Thus, Apple did not consider customers right and they failed to follow the due care theory.

**Conclusion**

From all the above theories we have discussed, we can conclude that Apple’s decision to slow down the performance of their old Iphones and not letting their customers know about this was unethical. Apple would have avoided this if they would either inform their customers about it or else made an option whether to update or skip the update. In my class, I have learned that it takes a long time to build a good reputation, but a single mistake like this can completely lose the trust to the company.

Apple’s unethical decision affected the company's long term revenue and the trust of people. They later apologized for their mistake and also compensated 25 dollars to every Iphone user who experienced issues due to batterygate. They also decreased the price they charged for replacing batteries from 79 dollars to just 29 dollars. They also ensured that they will be looking for a more clear communication process and will let their customers know for all the changes they will be making in future. But it was too late by the time. Even after this scandal, Apple didn’t learn from their mistake. They recently removed the charging adapter from their Iphone box and sold them separately, giving reason that they will save tonnes of electronic waste by doing so. But many tech experts believe that they took this step to promote the sale of their wireless charging and making millions of dollars in profit by selling them separately.

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