

Samsung and the Galaxy Note 7 Crisis:  
A psychological case study analysis

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## Overview

The Samsung Group is a Korean multinational company that was founded in 1938, comprising of various subdivisions including food, textiles and retail. However, it was not until 1969 that Samsung entered the consumer electronics market; thus, creating the Samsung Electronics subdivision, which is now responsible for the vast majority of its revenues.

Samsung Electronics, in particular, has a strong presence in the US market. It has a business-to-business core, selling hardware and internal components such as batteries and memory chips to other companies including Apple and Sony. Alongside this, it manufactures consumer electronics; phones and tablets make up a majority of these sales, but the company also manufactures products in a number of categories such as televisions, refrigerators, home computers, kitchen appliances and washing machines. This consumer-facing division operates with the mission to “inspire the world with our innovative technologies, products and design that enrich people's lives and contribute to social prosperity by creating a new future.” (‘Vision’)

The current paper focuses on this consumer electronics division, specifically its mobile phones. In late 2016, Samsung unveiled its flagship phone, the Galaxy Note 7. Soon after it went on sale, however, there were reports of the phone's battery malfunctioning and exploding. After a round of recalls and replacements, the problem still persisted, and the phone was banned on airplanes worldwide. Eventually, Samsung had to recall all phones and cease production permanently. A year later, Samsung is still thriving in the industry, with stock prices at an unprecedented high.

The present paper will develop a psychological case analysis focusing on how Samsung successfully managed to navigate through this crisis and continues to enjoy a good reputation in the market. It discusses the effectiveness of Samsung's brand identity; it looks at Samsung's response to the crisis from a psychological point of view, as well as drilling down into the accompanying marketing campaign and how it was perceived in the minds of the consumers. Finally, it presents recommendations for the future, grounded in learnings from consumer psychology.

## Brand identity

In analyzing Samsung's brand identity, the first question that arises is how, if at all, to limit the analysis to a subset of the company's many divisions. Samsung produces everything from internal chipsets and hardware components for other businesses, to consumer electronics ranging from dishwashers to televisions. Even if one were to limit this to just consumer electronics, and further limit it to the mobile phone division, there is still a wide range of phones Samsung produces, each coming with its own challenges: from very basic low-end phones to top-of-the-line premium phones.

Samsung attempts to build a single brand identity across all its products. The Samsung name stands for quality, but in recent years, the company has pushed for more recognition in innovation. The same name and logo is used on all its devices and appliances. The logo itself has not been updated since the early 1990s, and simply consists of the word ‘Samsung’ in (barely) stylized letters (see Fig. 1 in Appendix). This does not lend much space for creating an association between the logo and the brand, and its products.

In cognitive psychology, schemas are a set of associations in long term memory that are linked to a concept, and has semantic, affective, and behavioral components. A brand image is a specific schema for what one may associate with a particular brand: what it stands for, how it makes the consumer feel, how it affects consumer behavior, and so on (Hoyer et al., 2013). An effective logo would activate a schema for positive associations with the brand. Given that Samsung’s vision focuses on innovation, it seems odd that this is not reflected in the very first representation of the brand: its logo.

According to Chapman (as cited in Dissanayake, 2015), “a strong Brand Visual Identity (BVI) contributes immensely to differentiate a brand; whether it is a symbol, such as Nike’s swoosh, or LG’s tagline ‘Life is Good’, the BVI plays a major role in building brand value.” Samsung, with no distinctive design cues across its products, and no memorable visual elements in its logo, struggles to achieve a visual identity of note. Its phones look similar to other competitors, giving the impression that the devices are simply interchangeable (see Fig. 2 in Appendix). This leaves it at a disadvantage when competing against companies like Apple, which “has gained an edge in visual identity” (Dissanayake, 2015) and has a distinctive logo and design philosophy. Samsung leaves much to be desired by not having a strong visual identity that is able to have consumers retrieve positive associations about the brand from long term memory with just a glance at the products.

In the smartphone market, Samsung places itself as a functional brand. Its phones boast of dozens of new features every year, and the marketing is focused on how these powerful devices can be used to achieve almost any task on the go. Aaker & Joachimsthaler (2002) mention that in Samsung’s case, the brand identity is linked “to a compelling functional benefit whenever possible and generates deep consumer insight in the construct of their brand.” Through this identity, Samsung “dominates the mass market by providing wider functional benefits at a lower price compared to iPhone and continuously competes to outnumber iPhone in terms of functionality and pre-emptive introductions to the market” (Dissanayake, 2015).

While this positioning allows Samsung to compete with Apple, it also puts the company in something of a brand identity crisis because it attempts to push two different market positions under the same guise. Phones in the low-to-medium- end spectrum of the market are expected to provide basic functionality and be reasonably priced, and Samsung caters to this segment very well. Phones in the high-end market, however, lean towards being aspirational – meaning that consumers purchasing an expensive smartphone are not just doing so for the functionality, but also to feel a sense of pride and achievement in just being able to own that phone. Schembri et al. (2010) call this the symbolic relationship: one where the consumers use the object as a symbol of

something else. In the case of the Samsung Galaxy Note 7, the phone may act as a symbol of being wealthy, innovative, and highly productive for its users. This positioning is quite different from a low-end phone.

Samsung has produced many successful products over the years, and leveraged this success to extend its brand. Brand extension refers to using a product's well-developed brand image in one category to enter another category with a different product (Hoyer et al., 2013). However, with the same branding being used across all of its product categories, including all of its phones, Samsung attempts to create a singular association with its brand. Competing in so many different categories and markets would ideally require different branding strategies, because each category comes with a different set of associations, or schemas. Using a functional microwave does not evoke the same feelings as that of setting up a state-of-the-art home theatre; it will be different still for unboxing a flagship smartphone – yet all three bear the same Samsung name and logo. Hence, Samsung may want to revisit its branding strategy and fine-tune it for each category.

## **Response to crisis**

Samsung launched the Galaxy Note 7 in August 2016. The Note 7 was the latest iteration of a long line of successful phones in the Note series. It was unveiled as one of their flagship phones for the year, and had all the marketing and publicity that goes along with such a tag.

A few weeks later, however, there were reports of the phone's battery catching fire, causing it to explode. These phones were recalled quickly and the batteries replaced. The second batch of phones also started exploding, despite assurances that the problem had been fixed. As this was a public safety risk, the phone was banned in sensitive areas such as airplanes. The phone was specifically called out by name in public announcements, warning customers not to turn on or use the phone. This left no ambiguity as to which company was responsible for the risk, and caught the attention of consumers and non-consumers alike. Samsung was subjected to much criticism and ridicule in its early handling of the crisis; however, they eventually managed to tackle the issue effectively, and were able to come out of it with a regain of public trust and an improved financial outlook.

There were several repercussions for Samsung following the Note 7 crisis. From a financial standpoint, millions of dollars had gone into the R&D, production, and marketing of the phone. More money had to be spent in actually recalling and disposing of these devices; annual profit forecasts were slashed by nearly 17% (Cheng & Jeung, 2016). More importantly, it had been a PR disaster – one that could have proven to be nearly impossible to recover from. The high-end smartphone market is intensely competitive. While the market is dominated by Apple, second place is still highly lucrative because it is the number one alternative to the iPhone. A number of companies, including Samsung, Google, HTC, and LG, are jostling to be the best Android phone. Slipping up in this race would mean a loss in market share that could be very difficult to regain with the competition pushing ahead with their own new devices in a matter of weeks.

To respond to this crisis, Samsung had to act quickly and decisively. The warmth and competence framework, as applied to brands by Malone & Fiske (2013), is particularly useful in analyzing how they responded. The warmth and competence model holds that one can perceive other people (or brands) on two axes: warmth (degree of helpfulness, kindness, honesty), and competence (the abilities, skills, and resources to act upon their intentions). Depending on the positioning on these axes, the brand or person may invoke feelings of pity, disgust, pride, or envy.

Put in the context of its smartphones, Samsung would likely fall into the highly warm, highly competent quadrant. Samsung's advertisements focus on their phones being used by people having a good time and bonding with each other, with the phone acting as a means of recording and sharing memories. This focus on the human connection creates a warm image of the company, with well-meaning intentions for its customers. In its efforts to curate a brand personality (whereby human attributes are associated with brands), Samsung aims to position its phones as helpful, reliable, and fun, just as a good friend might be. In fact, one of Samsung's earlier taglines for its phones was 'designed for humans', emphasizing the human connection. Additionally, its attempts to take on Apple are generally well-received, with direct comparisons in their advertising. This lends Samsung more warmth, as it positions itself as the alternate choice to the smartphone behemoth that is Apple.

In terms of competence, Samsung focuses heavily on quality, not just in its phones but across its products. The phones, in particular, have generally been praised for the quality of their build, as well as their reliability and toughness, compared to Apple's offerings which are considered to be relatively fragile. This gives Samsung the image of being highly competent in delivering feature-rich devices that are built to last.

Given this positioning in the high-high quadrant, Samsung is able to invoke a sense of pride for its consumers. When the battery issues transpired, however, Samsung's competency took a hit, making it slip down to the high warmth-low competency quadrant. Here, according to the model, Samsung would be evoking pity.

The best plan of action for Samsung, then, would be to attempt to leverage this pity to seek a sympathetic response from the public, and then persuade them that they were focusing on improving the quality control process, shifting them back into the high warmth-high competency quadrant. Because Samsung relies on functionality in its brand identity, communicating the proper and reliable functioning of the phones was especially important. This is precisely what they did in their subsequent marketing campaign, analyzed in the next section.

Samsung also had to change the attitudes of customers towards the brand in the post-Note 7 fallout in order to persuade them to trust the brand again. The elaboration likelihood model of persuasion (Petty & Cacioppo, 1986) posits that attitudes may be formed or influenced using the central route or the peripheral route. In the central route, consumers give careful thought and consideration to the message and content of the information, judging it on the merits of the argument. The peripheral route, on the other hand, uses aspects other than the main arguments, such as the source of the message, the visuals used, and so on. Samsung smartly used both forms: initially the central route to explain what went wrong and how they were improving; and then the

peripheral route in order to influence future purchase behavior when launching the Note 8. This is also analyzed in the next section.

In the aftermath of the crisis, analysts posited that Samsung had rushed the launch of the Note 7 in order to beat the upcoming iPhone 7 launch. Much of Samsung's advertising directly takes on the iPhone, with the running theme of how Samsung's phones have more advanced technology that is introduced years before Apple incorporates them in the iPhone. Samsung considers being the first to market with new features to be of supreme importance in its competitive strategy. Porter's concept of making trade-offs is particularly relevant here. According to Porter (1996), a company must make trade-offs in choosing what to do and what not to do – it cannot do everything for everyone. Samsung was unable to deliver high quality *and* be the first to innovate; it would have done well to choose one or the other. This ties in with the brand identity crisis mentioned earlier: some of Samsung's products would require choosing a trade-off in favor of quality; others in favor of innovation – yet they all share the same branding.

According to Kovach (2016) there now appears to be a culture shift happening at Samsung, in which the balance of these trade-offs is being addressed. “The culture of urgency is deeply entrenched in the company and broadly diffused across disparate operations that include everything from the production of semiconductors to batteries...part of that change [in culture] ...is to make sure products are fully baked before releasing them to the public.” Apple manages to make this trade-off by being willing to lag behind in delivering the latest technological innovations, but taking its time to perfect them before launching them in future products.

Additionally, Porter (1996) preaches the importance of good ‘fit’: in order to have a strategic advantage, all of a company's activities must reinforce one another towards achieving the company's goal. It is possible that Samsung, in its efforts to deliver on both quality and innovation, did not have an adequate fit between its activities to do so. To achieve the highest quality, the production process would have to incorporate rigorous product testing; but such rigor would have taken valuable time away from Samsung's efforts to be the first to market. The company's quality control process would have been at odds with its mission of innovation, and hence its activities seemed to be contradicting one another – perhaps because the leadership did not fully devise a strategy that fit together towards a common goal.

## Marketing campaign analysis

In the aftermath of the Note 7 recall, Samsung pushed out a marketing campaign over the next several months to explain what had happened.

In one of the first videos as part of this campaign, Samsung focused on swaying public opinion back towards their usually high competency, and chose to use the central route to persuasion in order to do this. (<https://www.youtube.com/watch?v=juIZAoY-ixM>)

From the very title of the video, ‘Committed to Quality’, it is clear that Samsung wanted to reinforce previously held schemas about the quality of its products. By reminding consumers

about its usually high standards, they hoped to activate other positive associations in the viewer's mind. This would help regain the dip in competency. The plain black background and white text, and tone of the voiceover make for a simple, serious ad with a somber mood. The ad provides a clear explanation of the problem and is apologetic in nature, with Samsung admitting it was at fault. A swift and sincere apology helped Samsung retain its high warmth. As the ad goes on, there are assurances of new methods of quality control, and clips from Samsung's testing laboratory to provide evidence of the rigor with which this is being done. This will likely have activated schemas that associate these visuals of labs, complex machinery and white coats with other industries that have extremely tight quality control, such as hospitals and pharmaceutical companies. All these factors made for the use of the central route to persuade the public that Samsung made a mistake, learnt its lesson, and was now moving on as an improved company.

Similarly, the print ad issued in the Wall Street Journal (Fig. 3 in Appendix) uses many of the same techniques to deliver the message. There is a lot of negative space around the full-page ad, immediately drawing attention to the content. It is a text-heavy ad, providing a full and clear explanation – again using the central route to persuasion. The choice of words builds on the current analysis: the very first line repeats Samsung's mission of high quality and safety; next, they admit that they “fell short of this promise”, followed by a plain and simple apology: “we are truly sorry”, which is repeated as the last line of the ad. The sincerity of this explanation and apology feeds into the idea of leveraging Samsung's high warmth to move back up on the competency scale.

Interestingly, Samsung chose the same ad to address concerns about unrelated problems with a certain model of their washing machines. This is an example of how having a singular brand identity across its products may not be a good idea, as a fallout in one product line may bleed into another and amplify the effects of both. Given that this ad was published in the Wall Street Journal, perhaps it may indeed have been the case that Samsung feared a loss of investor trust across the entire company based on faults with just two specific models of two specific products.

It is interesting to analyze a second ad in the same series – one that came out just prior to the launch of the Note 8 the following year. While this ad retains many of the same visual elements, the mood is quite different. (<https://www.youtube.com/watch?v=CehSgE38IOI>)

The same white-on-black visual acknowledges how the issue remains a serious one and provides continuity in the series of ads; however, this ad plays on emotion and uses the peripheral route to nudge customers back towards trusting Samsung as a brand. The ad starts with clips of customers excited at the prospect of using earlier phones in the Note series, evoking nostalgia. This strategy is important in the context of Schembri's (2010) indexical relationships. An indexical relationship with a product emphasizes a factual connection with the object. In this case, the connection is with the good memories associated with earlier generations of the Note series. The ad moves on to examples of these good memories, by showing user-created content using Note phones, adding a relatable human element. It then acknowledges that the brand caused disappointment amongst its fans, and thanks them for their loyalty. Establishing the indexical relationship through past memories with the brand, *and* highlighting the warmth of the brand by showing user content and customer loyalty, along with suitable production elements such as the

music and copywriting, makes for an emotional advertisement that seems to have been very well received.

Because this ad was launched just prior to the Note 8, the underlying idea would likely have been to tip consumers towards purchasing it. The use of emotion and the peripheral route to spur purchase intention is well documented in consumer psychology (Petty & Cacioppo, 1983). With the ad having a narrative being told by consumers themselves, stirring good memories, and showing users willing to forgive Samsung and looking forward to the next phone in the series, this tactic was used effectively to win customers back.

## **Recommendations**

Undoubtedly, Samsung will have used the experience of this crisis to learn valuable lessons. Moving forward, however, it needs to revisit its brand identity and strategy.

Samsung may want to consider splitting into multiple brand identities. The ‘Samsung’ brand should not be a catch-all identity to cover the vast array of products it now produces. According to Aaker (2008), “There is a large body of evidence in psychology that the perceptions of an object will be affected by what is associated with it... There is also empirical evidence that one brand can drive perceptions of another linked to it.” Samsung has achieved phenomenal growth over the past few decades, but expansion into far too many product categories has meant that it cannot effectively control brand perception because of the numerous associations being created in disparate categories. An effective brand needs a well-developed schema in the minds of the consumer; this schema cannot be controlled if there are too many irrelevant associations.

For example, Schembri (2010) studied consumers mentioning how they have different identities with different cars: a BMW used for business meetings, and a Ford used for the family. A Porsche is very different from an Audi, and different, still, from a Lamborghini. But all three of these brands are owned by the same company: Volkswagen Group. By diversifying their brand, they are able to create multiple identities and focus their marketing on each of these separately, instead of marketing a ‘Volkswagen for the family’, a ‘Volkswagen for the businessman’, and a ‘Volkswagen for the racetrack’. It is telling that when Volkswagen was hit by a scandal that brought similar disrepute to its brand, the bad PR did not affect its subsidiary brands and was contained to just Volkswagen, making it easier to tackle.

Perhaps Samsung could learn from this: a separate brand to manufacture dishwashers, a separate brand to make televisions, and so on. If this is an extreme step, an easier way would be to separate its brands within the mobile phone market. It already attempts to do this with different naming conventions for its phones, such as the Galaxy, the Alpha, and so on. But as Dissanayake (2015) notes, “a Samsung [customer] would say “I bought a Samsung Galaxy S5 or Samsung Galaxy Note 4 – note the referral to the corporate brand prior to the extended brand...[compared to an Apple customer who] rarely states that he or she bought an Apple – it is always an iPhone,



an iPod, or an iPad.” Samsung finds it difficult to shed its corporate brand when pitching different brand extensions in the market.

Aaker & Keller (1990) mention the need for there to be a good ‘fit’ between products made as part of a brand extension, but the brand identity is hurt when a \$25 burner phone bears the same name and logo that adorns an \$800 flagship phone. Owners of both types of phones can claim to use a Samsung phone; but the psychological needs of each of these consumers is quite different: one purely functional, the other largely aspirational. Indeed, Spiggle et al. (2012) mention how brand extension authenticity is less effective for functional brands because of different expectations; and this creates problems when an aspirational brand is put under the same umbrella as a functional one. By splitting the brand, Samsung can address each need in a more focused manner and create a marketing mix suitable for each type of user without conflating the product lines.

To do this requires a substantial overhaul within the company, and the leadership must effectively manage this change. Mitchell (2002) argues that the perfect time to introduce branding and visioning exercises is when “the company is experiencing some fundamental challenge or change”, which makes people more receptive to the exercise. Mitchell mentions how there is a mismatch between internal and external communication at most companies, and that these should be linked together so employees receive the same message being communicated to the market.

Samsung can use this moment as an ideal time to execute the recommended branding strategy, as employees will be willing to adapt to changes after a public failure. By splitting the brand, and then having separate brand messages for each division, Samsung can communicate these more effectively to employees. For instance, a good refrigerator will be judged on its quality and reliability, and the refrigerator production team need not be too concerned with regular innovation on a yearly basis; the message to the market is that Samsung refrigerators are designed to last for years; the message to the employees is to prioritize building high quality refrigerators, without worrying about luxurious design or cutting-edge innovation every year. The smartphone team may be communicated a different set of messages tailored to the nuances of the smartphone market, and thus can focus their energies on delivering what that specific market has been promised.

Samsung has done well to bounce back from the failure of the Note 7. It banked on its reserves of goodwill and warmth, in order to rebuild its image in competency by using relevant advertising. However, it operates in a highly competitive market, and may want to revisit its branding strategy for the future and use this opportunity to decide what trade-offs it wants to make, create a good fit between its activities, and deliver a consistent message internally and externally.

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Appendix

# SAMSUNG

Fig. 1: Current Samsung logo



Fig. 2: Samsung and other similar Android phones

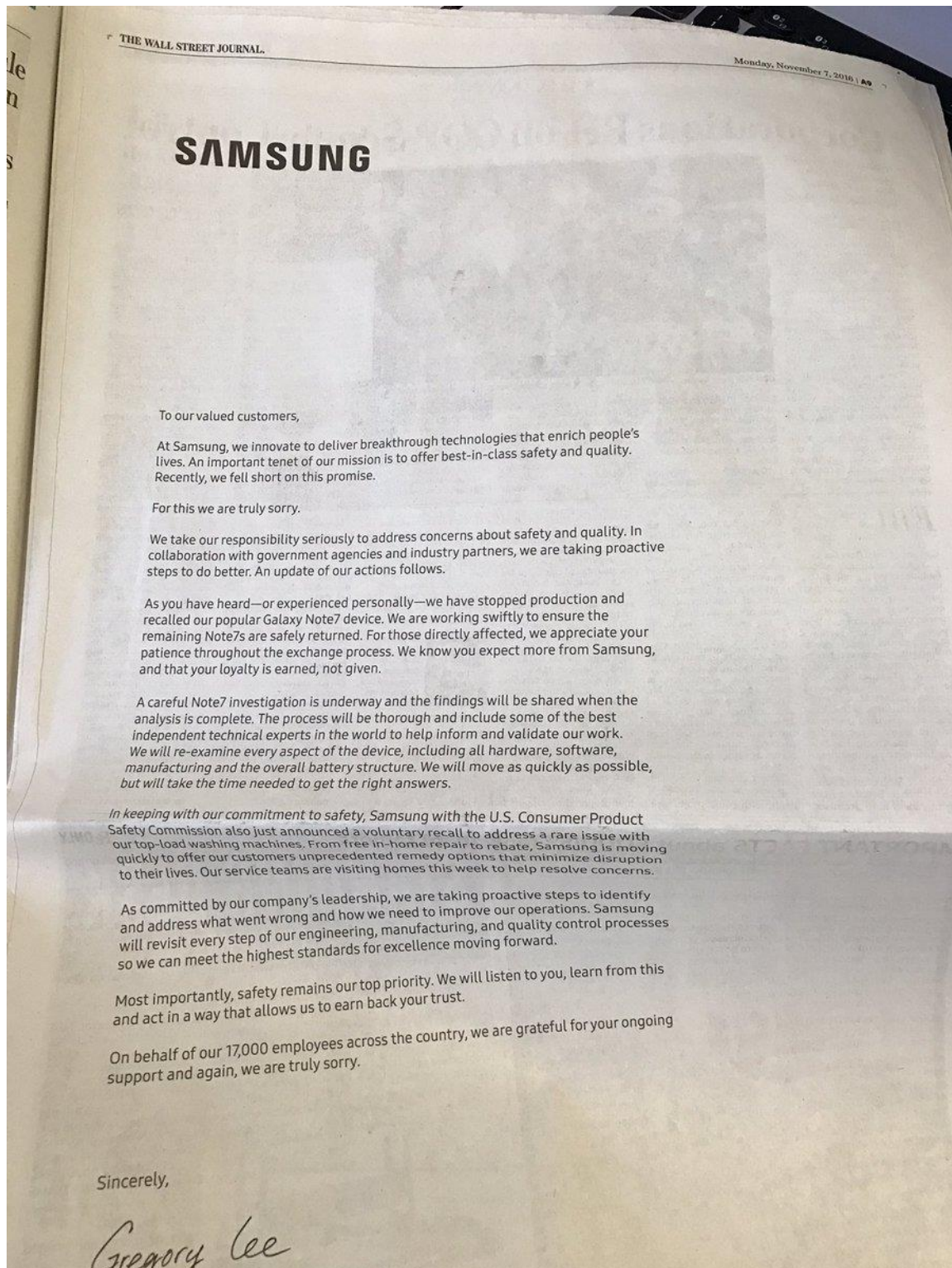


Fig. 3: Apology note published in the Wall Street Journal