

**How *explosive* should the launch of the new Samsung Galaxy Note8 be?**

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**MANAGEMENT DECISIONS**

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## A bold step into the future

In August 2017, a couple of months after the crisis, Samsung launched the Galaxy Note7's successor model: The Galaxy Note8. The launch was of great success, and the actions can (retrospectively) be divided into two steps. The *first step* centered around communication initiatives that were executed before the launch to show responsibility and ensure customer safety as critical values of Samsung. Meanwhile, the *second step* focalized around the new phone and its features to communicate the Samsung Galaxy Note8 as being the best smartphone on the market. Hence, the company framed the incident and focused at one thing at a time, and this clean cut enabled Samsung to launch the Galaxy Note8 with only little reference to and an independent stand towards the previous crisis. In fact, the thorough crisis management was an essential part, or rather a condition, of the product launch that had not been planned or integrated as such but assumed an important role to allow for both crisis recovery and future success.

### Step 1: Wrapping up the old chapter

Before the launch of the new Galaxy Note8, the Samsung executives firmly communicated responsibility by going to the bottom of the crisis with a thorough and independent investigation to find the cause of the Galaxy Note7 incidents. In January 2017, the company disclosed findings from the several months of in-depth investigations with both internal and external experts. During a press conference, DongJin Koh, CEO of the mobile communication business at Samsung Electronics, shared the details and expressed his sincere apology but also gratitude to the loyal Galaxy Note7 customers for their patience and continued support:

*"We learned from the Galaxy Note7 issues and have made changes as a result. From re-assessing every step of our smartphone manufacturing process to redesigning our quality assurance program, we are committed to implementing every learning to ensure quality and safety going forward [...] We are committed to earning the trust of our customers."*

Hence, Samsung showed credibility and trustworthiness by implementing learnings in the company's development and reviewing processes to ensure security and safety. In line with its core values, the company repeatedly emphasized the importance of customer safety prior to any innovation to reinstate brand trust. The actions taken by the company ranged from implementing stricter quality and safety processes to forming an external battery advisory group, with an extension of the assessment period in which batteries are put through a rigorous eight-point test.

The initiatives taken by Samsung positioned the company with a strong voice of trust and leadership, and the public's opinion swiftly moved from consternation to confidence. Further, the company was able to make up for its rather low-key engagement when the crisis emerged by transparently including the public – with an extraordinary effort in regard to the recall and an open communication about current

and future steps. Here, the company communicated to all key stakeholders, referring to employees, customers, shareholders and suppliers by sharing information, contemplating solutions and minimizing uncertainty. Subsequently, the company was ready to turn the page, and the Co-CEO Kwon Oh-hyun summarized:

*“The latest crisis made us look back at ourselves and think maybe we have grown complacent, and it served as momentum for a new start. We should continue to push for innovation in order to strengthen our competitiveness and technology leadership.”*

## **Step 2: Turning the page**

On July 20, 2017, Samsung tweeted a teaser video with a darkened device on display and the information that an “Unpacked” event shall take place in New York on August 23, 2017 (**Exhibit 1**). At this event, the Samsung Galaxy Note8 was unveiled with speeches from the CEO, leading managers and product developers as well as stunning visuals and on-stage demonstrations. Both the event and the news were shared across owned (**Exhibit 2**) and earned media, and a press release (**Exhibit 3**) introduced the new phone as “the Next Level Note” to the whole world with detailed product information and a continued commitment to safety. Overall, the battery safety was in focus but by no means referred to in connection to the predecessor model—hence, Samsung demonstrated a confidence about having fixed the problems without a reference to either the Galaxy Note7 or the Galaxy Note7 incidents.

Samsung announced a release for September 15, 2017, and the marketing campaign characterized the Galaxy Note8 as the safest and most innovative phone that the company had ever produced. Hence, all communication centered around the message to *#dobiggerthings*. Foremost, the Galaxy Note8 embraced new features such as updated hardware and software, an even better infinity display, improvements to the S Pen, and the addition of a dual-camera system. Here, Samsung wanted to reward its loyal users with the most innovative Note yet, and the company directed the communication towards anyone valuing productivity, entertainment, and creativity:

*“We appreciate the relentless passion of the Note community. They’ve been a constant inspiration to us and we designed the new Note for them [...] From the Infinity Display to the enhanced S Pen and a powerful Dual Camera, the Galaxy Note8 lets people do things they never thought were possible.”*

After heated discussions, Samsung decided to keep the product category name and to clearly position the Galaxy Note8 within the product line as an upscaled device. Hence, the new Note comes from a highly recognizable and loved product line (and brand) that owns a strong heritage and a loyal customer base. Further, it successfully competes—together with the Galaxy S premium devices line—against Apple in the battle for having the best smartphone. Overall, Samsung was able to turn the page and to adequately focus on the future by resolving all concerns about the previous crisis before the new launch, allowing for a fresh start and a strong positioning. The battery incident with the Galaxy Note7 and the launch of the new Galaxy Note8 were handled

separately to avoid the new phone's associations with exploding batteries. However, DongJin Koh keeps the crisis in memory and made sure to also remind the audience at the launch event that “[n]one of us will ever forget what happened last year”. By this, Samsung did not only address external but also internal stakeholders to assure that the brand moves forward as a community.

## **Brand impact**

One of Samsung's senior executives summarized the Galaxy Note7 crisis as “*rising up to the heavens and abruptly falling into hell without warning*”. Yet, the company had been able to enhance its business resilience for the future by promptly responding to short and medium-term as well as first- and second-order impacts, by effectively adjusting strategies to overcome initial pitfalls, and by vigorously identifying and addressing failings. Following the executive's imagery, Samsung has risen from the ashes like a phoenix and appeared in an even better shape:

*“We were determined. We reset everything. I mean everything. There wasn't a thing that we didn't review again; it was back to the basics.”*

Hence, Samsung did not flinch from showing affection or weakness by admitting faulty manufacturing but moved forward to getting back to its core business—in a most mature way. The Galaxy Note8 was loaded with the full responsibility to re-establish Samsung as a safe and responsible brand, and the product's launch was the first and only opportunity to overcome the crisis—a fail would have meant a long-term damage. Luckily, the Galaxy Note8 lived up to the company's expectation of and — more importantly — the need for a strong new flagship product to make up for the decreased sales, lost profits and tremendous costs during the crisis. Here, the improvements across the company and along the value chain paid off in regard to both tangible (e.g. sales and profits) and intangible (e.g. customer loyalty and satisfaction) assets. Hence, the company reaped the benefits of transformation with a renewed confidence of and a positive reputation among consumers, investors and the market on the whole. Samsung had already been known for a loyal consumer base that contributes to a strong performance in the core business, but it has now proven to be crucial for a successful and quick recovery as well.

## **Financial impact**

The Samsung Galaxy Note8 hit the highest-ever number of pre-orders for the Note series and, thus, beats its predecessor by around 2.5 times: with more than 650,000 orders within five days only. Further, Samsung expected its highest quarterly profit ever in Q3 2017, with \$ 14.5 trillion in total and a third of these earnings sourcing from its mobile division and mainly from its new flagship product.

Therefore, the company successfully competed with the latest iPhone and also protected its position on the global smartphone market — with a technical prowess that attracts both Galaxy Note fans and new users.

## Glance into the future

With the Galaxy Note8, the product line had been able once more to put forth one of the most influential Android smartphones, and DongJin Koh expressed a genuinely positive outlook on the future:

*"We hope consumers are satisfied with the Note8 experience and look forward to improving it further."*

Hence, the brand stays true to its vision to develop the best products and services for contributing to a better global society. The Galaxy Note series has cracked the 100 million mark of sold units for all its devices since the Note2, and the company's next innovation – a foldable handset – will do the company's purpose justice:

*"We are digging thoroughly into several issues we must overcome, as we don't want to just make a few, sell a few and be done. We want to hear that Samsung made a very good product."*

## Appendix

### Exhibit 1 Samsung's tweet announcing their "Unpacked" event



### Exhibit 2 Samsung's social media communication

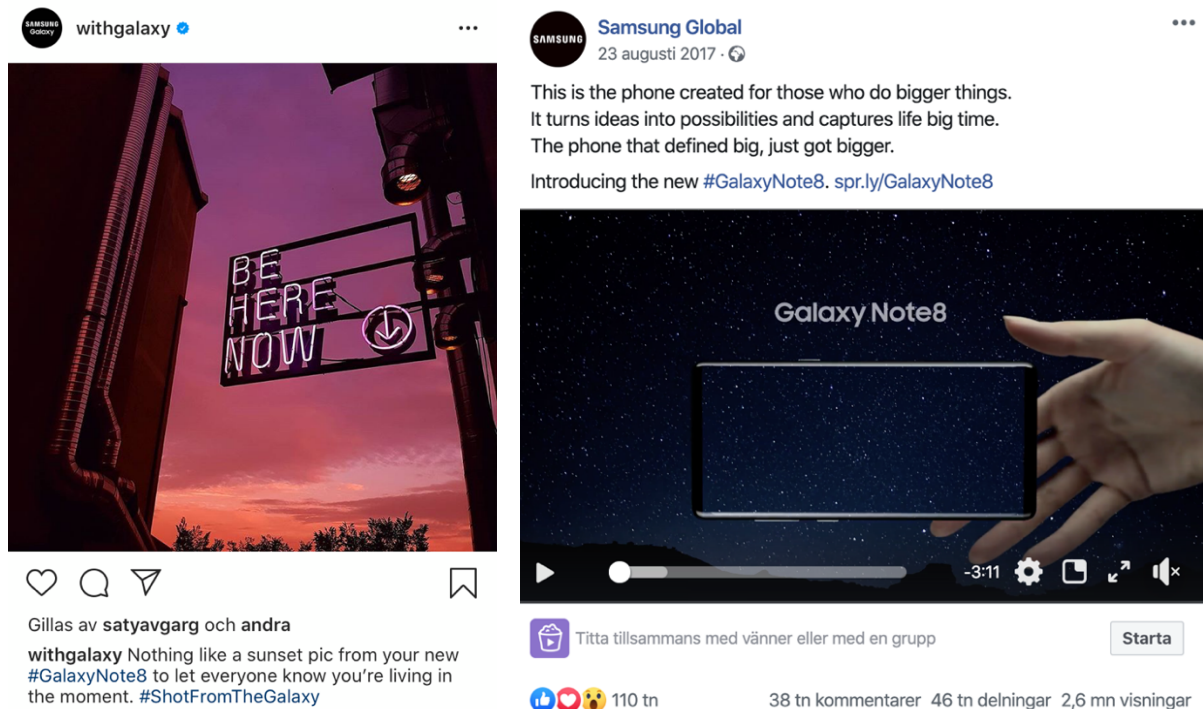


Exhibit 3 Samsung's press release about the Galaxy Note8

## Do Bigger Things with Samsung Galaxy Note8, the Next Level Note

Korea on August 23, 2017

Audio   Share  

*Designed to help you achieve more in work and life with an Infinity Display,  
enhanced S Pen and Dual Camera with Optical Image Stabilization*



Samsung Electronics introduces the Galaxy Note8, the next level Note for people who want to do bigger things. With the Galaxy Note8, consumers get a bigger Infinity Display that fits comfortably in one hand, S Pen to communicate in more personal ways, and Samsung's best-ever smartphone camera to capture stunning photos. The Galaxy Note8 is designed for the way consumers lead their lives and lean on technology today.

"We appreciate the relentless passion of the Note community. They've been a constant inspiration to us and we designed the new Note for them," said DJ Koh, president of Mobile Communications Business, Samsung Electronics. "From the Infinity Display to the enhanced S Pen and a powerful Dual Camera, the Galaxy Note8 lets people do things they never thought were possible."

Samsung first introduced the Note series in 2011. Since then, a community of enthusiasts emerged through their affinity for Note's signature expansive screen and S Pen. According to Samsung market research<sup>1</sup>, 85 percent of Note users say they're proud to show off their Note and recommend it to friends, and 75 percent say it's the best phone they've ever had.