

# Consumer Response and Corporate Crisis Communication Strategies in Brand Crisis Events: A Case Study of Samsung Galaxy Note 7

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**Abstract.** This paper examines brand crisis management through four key aspects: psychological foundation, business strategy, communication relationships, and crisis communication practices. Using the Samsung Galaxy Note 7 battery explosion incident as a key study case, the research analyzes the brand's coping strategies and their effectiveness during the crisis. The study draws upon attribution theory, Coombs' Situational Crisis Communication Theory, and Benoit's Image Repair Theory to explain consumer response mechanisms to brand crises and corporate response strategies. Despite Samsung's corrective measures in product recalls and apologies, the crisis escalated due to poor initial responses, resulting in significant brand image damage and market share loss. The paper explores the negative impacts on Samsung's social impact, business operations, and brand promise, highlighting the importance of rapid response, transparent communication, and multi-stakeholder collaboration. Using Bernstein's step-by-step model of crisis communication, the research summarizes how companies communicate effectively during crises and suggests specific practices on how to engage with consumers, investors, employees, and suppliers in a brand crisis event.

**Keywords:** Public Relations, Crisis Management, Crisis Communication, Samsung.

## 1. Introduction

In the contemporary business landscape, brand crises have become increasingly common and can significantly impact a company's reputation, market position, and financial performance. The Samsung Galaxy Note 7 battery explosion incident serves as a prominent example of how a product-related crisis can escalate into a global brand crisis, affecting multiple stakeholders and requiring comprehensive crisis management strategies.

This paper aims to provide an in-depth analysis of brand crisis management, focusing on consumer reactions and corporate crisis communication strategies. The research is structured around four key aspects: psychological foundations, business strategies, communication relationships, and crisis communication practices. By examining these elements, the paper seeks to offer insights into effective crisis management approaches and their practical applications. The psychological foundations section explores attribution theory, explaining how consumers interpret and respond to brand crises. Attribution theory provides a framework for understanding the cognitive processes that influence consumer perceptions and behaviors during a crisis event. This section further discusses Coombs' Situational Crisis Communication Theory and Benoit's Image Repair Theory, offering guidance on developing appropriate communication strategies based on different types of the crisis events. The brand crisis management part examines the factors that can transform an isolated incident into a brand crisis. It highlights the importance of effective brand crisis management in maintaining long-term business success and market position. The communication relationship focuses on developing comprehensive strategies for engaging with various stakeholders during a crisis, emphasizing the need for tailored approaches to address the concerns of different groups. Throughout the paper, the Samsung Galaxy Note 7 battery explosion incident serves as a central case study, illustrating the practical application of crisis management theories and strategies. This real-world example provides valuable insights into the challenges and complexities of managing a global brand crisis. By combining theoretical frameworks with practical case analysis, this research contributes to

the understanding of effective crisis management strategies in the context of brand crises. The findings and recommendations presented in this paper can be valuable for both academics and practitioners in the fields of crisis management and crisis communication.

## **2. Psychological Foundations**

### **2.1. Attribution Theory**

Attribution Theory plays a crucial role in explaining consumer reactions to brand crises. This theory suggests that consumers attempt to identify the causes of brand crises and determine whether these causes are internal factors, such as management errors or product quality issues, or external factors, like market conditions or uncontrollable events. The attribution process directly influences consumers' emotional responses and behavioral decisions [1, 2]. Attribution theory states that people try to infer the causes of social events. In the spread of negative word of mouth, consumers will try to evaluate the motivation of the communicator when sharing the information. Consumers will try to infer whether the issue stems from the brand's performance or the communicator's personal bias. The content dimensions of negative word-of-mouth information, such as consensus, consistency, and uniqueness, affect whether consumers attribute the problem to the brand or the communicator [1]. Attribution Theory describes that consumers are more likely to attribute negative word-of-mouth to the brand rather than the disseminator [1]. When consumers attribute the crisis to the brand, they tend to develop stronger negative emotions, such as anger or disappointment. If consumers believe that inadequate brand technology, poor management, or product quality issues caused the problem, they will attribute blame to the brand itself.

### **2.2. Situational Crisis Communication Theory**

Coombs' Situational Crisis Communication Theory categorizes crises into three types: victim crisis, accidental crisis, and preventable crisis [3]. This theory advises companies to choose appropriate communication strategies based on the crisis type. In victimized crises such as natural disasters, companies are victims of uncontrollable events. In a victim crisis, consumers often have low expectations towards companies. Companies should focus on expressing sympathy and support. In accidental crises such as technical failure without subjective intention, companies need to emphasize their sense of responsibility and act timely to solve the problem. A preventable crisis is one in which the company is clearly negligent or intentional such as management negligence or ethical problems, which requires a full admission of fault, remedial action, and a long-term improvement plan.

The Samsung Galaxy Note 7 battery explosion can be classified as an accidental crisis. The Samsung Group released the Samsung Galaxy Note 7 in August 2016. The company declared that the Note 7 would serve as the flagship model for its upcoming smartphone lineup. The smartphone was designed to compete with Apple's recently announced iPhone 7, Samsung's biggest rival. Within two days of its debut, more than 200,000 South Koreans placed preorders, and in just six days, an impressive 2.5 million units were sold [4]. However, South Korean media reported two Note 7 battery explosion incidents on September 1, 2016, shortly after the device's launch. Samsung subsequently postponed Note 7 deliveries in order to conduct additional quality control testing.

### **2.3. Image Restructure Theory**

Benoit's Image Repair Theory suggests five main crisis response strategies: denial, blame avoidance, offense reduction, corrective action, and apology [5]. Denial means denying the existence of the crisis or placing blame on other parties. Blame avoidance refers to reducing consumer blame by emphasizing the uncontrollable or unpredictable nature of the crisis. Reducing offense is reducing negative consumer sentiment by emphasizing the positive intentions of the firm or the minor nature of the crisis. Corrective action is taking practical action to address the root causes of the crisis and restore consumer trust. Apology on the other hand is a full acknowledgement of the mistake and demonstration of corporate responsibility through public apology.

In the early phases of the Samsung Galaxy Note 7 issue, the company appeared to use some denial techniques. When reports of the Note 7 catching fire in South Korea's domestic market emerged on August 24, 2016, Samsung initially ignored the issue, merely advising customers to avoid touching the phone while charging and to use the original charger. As the incident progressed, Samsung took some corrective action. After a series of explosions occurred again at the end of August, and in response to intense public pressure, Samsung began addressing the exploding issue. On September 2, 2016, Samsung held a press conference in Seoul and announced a recall of the Galaxy Note 7, temporarily stopping sales of the device in ten countries. As part of its crisis management efforts, the recall program asks customers to return their Note 7s by giving them the option to buy a new one [3, 4]. However, because of the early response's failure, these corrective actions were unable to prevent the crisis from worsening in a timely and effective manner. As a result, the brand suffered more severe damage, and it will take longer for customers to trust Samsung's products again. While in Chinese market, Samsung asserted that Note 7 is safe because it uses a different battery supplier and that excludes the Chinese market from the initial round of recalls when products in other regions have exploded and are recalled. Instead of fully acknowledging its own product design or quality control issues, Samsung addressed the specificity of the products in the Chinese market, attributing the crisis to external factors like different battery suppliers. This makes Chinese consumers feel mistreated and gives Samsung a bad reputation in the Chinese market. In the later stages of the crisis, Samsung held a press conference, where the president of Samsung Mobile apologised. However, the apology appear to be somewhat lagging behind after a series of improper handling in the early stages, and consumers question the sincerity and timeliness of their apologies [4, 6].

### **3. Brand Crisis Management**

#### **3.1. Impact of Brand Crisis**

The Samsung Galaxy Note 7 explosion exemplified the significant impact of a brand crisis in multiple dimensions. In terms of social impact, reports of the Note 7 fire and explosion spread rapidly through various media channels and social networks. Photos of the burning phone went viral online, quickly attracting global public attention. Consumers were extremely concerned about product safety, and discussions about the incident flooded the internet, sparking huge public outcry and intense media scrutiny.

Samsung's sales were hit hard by the crisis event. In the third quarter of 2016, Samsung Electronics saw its sales fall by 7.5% and its profits by 30%. Its share of the Chinese market fell to less than 10% as a result of its mishandling of the crisis [4, 6]. Airlines banned the Note 7 from boarding, further limiting its market distribution. Product recalls and production stoppages led to significant financial losses and disrupted Samsung's business operations. In terms of corporate commitment, Samsung faced a severe test as a well-known technology brand with high consumer expectations for the quality and safety of its products. The explosion directly impacted the core of its brand promise regarding reliable and safe devices. Samsung's handling of the early stages of the crisis, such as the delayed recall of the Chinese version of the mobile phones and inconsistent explanations of the cause, led consumers to question its commitment to quality control and customer safety, which had a long-term negative impact on its brand reputation and consumer trust.

#### **3.2. Importance of Brand Crisis Management**

Handling brand crises properly is crucial to the long-term development of a company [7]. If a crisis is not handled properly, it may not only cause consumers to lose trust and loyalty to the brand but also lead to long-term market share loss. As in the case of the Samsung Galaxy Note 7 explosion, if a crisis is not handled properly, not only will consumers lose trust and loyalty to the brand, but it will also lead to a long-term loss of market share. Samsung initially responded poorly to the incident, and its sales performance suffered heavily. In the follow-up process, Samsung gradually took measures to expand the scope of the recall, stop sales, and publish the investigation of the cause. Although the

early stage caused greater losses, these actions to a certain extent showed its determination to solve the problem. Consumers are particularly sensitive to how a brand responds to a crisis, and their perceptions can have a direct impact on purchase intention and brand loyalty [8]. Therefore, acting quickly and responsibly can not only defuse a crisis but also gain more trust and recognition for the brand image. In the years since the Samsung Galaxy Note 7 explosion, Samsung has learned from its mistakes, actively committed to technological innovation, and focused on building a complete and efficient crisis response strategy. On July 5, 2024, Samsung Electronics, the world's leading memory chip maker, reported that its operating profit in the second quarter showed rapid growth, surging 1452% to 10.4 trillion won compared with the same period in the previous year [4, 6]. This achievement, to a certain extent, demonstrates Samsung's effective efforts and positive changes in crisis management and business development, which have gained a more favorable position in the industry competition and laid a solid foundation for subsequent sustainable development.

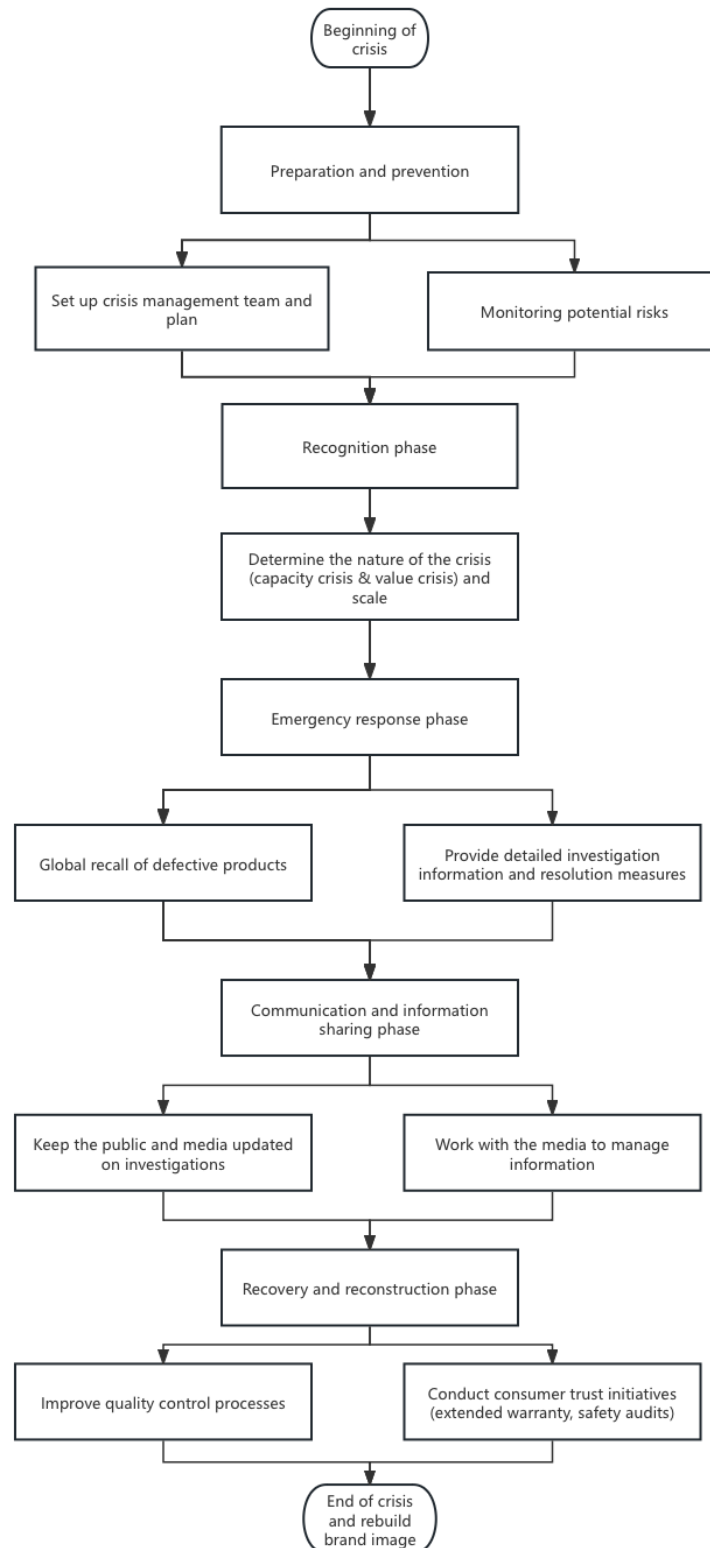
## **4. Communication Strategy**

### **4.1. Communication Relationship**

During the crisis communication process, Samsung needs to adopt differentiated communication strategies for different stakeholders to effectively respond to the Galaxy Note 7 explosion crisis and rebuild trust. For consumers, Samsung should restore trust through transparent and timely information delivery. Samsung initially failed to do so in the Galaxy Note 7 explosion case. When reports of Note 7 fires appeared in the South Korean market on August 24, 2016, Samsung simply advised users to use the original charger and stay away from the phone while charging, failing to fully and promptly disclose the severity and possible causes of the problem to consumers. Ideally, Samsung should have quickly announced on its official website the progress of the investigation into the mobile phone explosion, the measures it has taken to deal with it, and its follow-up plan. Setting up a special customer service hotline and feedback platform to respond to consumers' concerns and questions in a timely manner would have shown its determination to solve the problem and restore consumers' trust. Samsung should focus on solving its own problems and not try to shift the blame. During the Note 7 explosion crisis, Samsung should focus on the quality of its products and actively seek solutions, rather than taking actions that could be misinterpreted as shirking responsibility, to maintain its credibility and image in the industry. Cooperating with market participants such as suppliers and distributors to deal with the crisis will help Samsung avoid supply chain disruptions and ensure supply chain stability. In the wake of the Note 7 crisis, Samsung should quickly join with suppliers to thoroughly investigate the quality of batteries and other components, as the final investigation found that it was manufacturing defects and battery imperfections that led to the explosion crisis.

### **4.2. Steps of Crisis Communication**

Bernstein's Steps of Crisis Communication offer a clear plan for companies to handle a crisis. In the "prepare and prevent" stage, companies should create a crisis management team, make a plan, and watch for risks [9]. In the "recognize" stage, they need to understand the crisis and how serious it is [9]. In the "emergency response" stage, companies should apologize or take corrective action. Sharing information openly and quickly is also very important, so companies should keep the public and social media informed. In the "recovery and rebuilding" stage, long-term plans are needed to rebuild trust in the brand. By following these steps, companies can recover quickly, rebuild their image, and come out stronger [9]. Figure 1 outlines the suggested steps of crisis management for the case of Samsung Galaxy Note 7.



**Figure 1.** Steps of Crisis Management

In crisis communication, Samsung should use different strategies for different groups to handle the crisis and rebuild trust. For consumers, a sincere public apology, reasonable compensation, and clear sharing of information are key to regaining confidence. When the phone exploded, Samsung should have quickly apologized and admitted the serious product issues. At the same time, they should have started a full recall process, offering convenient ways for refunds or safe replacements and providing compensation like coupons or extended warranties. They should also keep consumers updated with real-time information on the investigation, the cause of the problem, and solutions, while actively addressing concerns and questions. For investors, Samsung needs to focus on specific

measures and long-term crisis management planning to maintain market confidence. Investors should receive timely and detailed updates about the explosion's impact on finances and market prospects, as well as the resources and strategies used to resolve the problem. Clear timelines and goals should be shared to show improvements in the quality control system, reassuring investors of Samsung's ability to handle the crisis and restore stability. For employees, Samsung should ensure they understand the company's response plan through internal communication and training to avoid misinformation. Timely staff meetings should update employees on the situation, the company's strategies, and their roles in managing the crisis. This helps employees accurately share the company's message and avoid spreading false information. For suppliers, cooperation is key to solving problems and maintaining the supply chain. Samsung should work closely with suppliers to investigate battery and part quality issues, analyze causes, and develop improvement measures. Strengthening testing standards and optimizing production processes will help ensure product quality and supply stability. By meeting the needs of different stakeholders, Samsung can more effectively rebuild trust and maintain its brand image during the crisis.

## 5. Conclusion

The Samsung Galaxy Note 7 battery explosion incident serves as a valuable case study in brand crisis management, highlighting the importance of effective communication strategies and rapid response in mitigating the negative impacts of a crisis. This research has examined the psychological foundations, business strategies, and communication relationships involved in managing such crises, providing insights for both academics and practitioners in the field of crisis management.

The study emphasizes the critical role of attribution theory in understanding consumer reactions to brand crises. It demonstrates how consumers' perceptions of the crisis's cause can significantly influence their emotional responses and behavioral decisions. The application of Coombs' Situational Crisis Communication Theory and Benoit's Image Repair Theory further illustrates the importance of selecting appropriate communication strategies based on the nature and severity of the crisis.

Samsung's initial handling of the Galaxy Note 7 crisis revealed several shortcomings in their crisis management approach. The company's delayed response and inconsistent communication across different markets led to a rapid escalation of the crisis, resulting in substantial financial losses and damage to the brand's reputation. However, Samsung's subsequent efforts to address the issue, including product recalls and transparent communication about the investigation's findings, demonstrated a commitment to resolving the problem and rebuilding consumer trust.

The case study also highlights the importance of a comprehensive stakeholder communication strategy during a crisis. Differentiating communication approaches for consumers, competitors, suppliers, and other stakeholders is crucial for effectively managing the crisis and maintaining relationships with various groups.

In conclusion, the Samsung Galaxy Note 7 incident underscores the need for companies to have robust crisis management plans in place, emphasizing rapid response, transparent communication, and a willingness to take decisive action when faced with a brand crisis. The long-term recovery of Samsung's brand and market position in the years following the incident demonstrates that with proper crisis management and a commitment to innovation and quality, companies can overcome even severe brand crises and regain consumer trust.

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