

Swaps or cash? Final choice for Samsung Note 7 owners

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Customers return their Samsung Note 7 mobile phones at a dealership in Seoul on October 13, 2016

South Koreans returned their discontinued Samsung Note 7 smartphones Thursday, with the beleaguered electronics giant offering swap incentives in the hope of retaining customer loyalty after a damaging recall fiasco.

Two days after the company announced it was finally killing off the flagship handset over issues with exploding batteries, owners were given the option of a full refund or an exchange for a different Samsung smartphone.

Those opting to get their money received a 30,000 won (US\$26) gift card, while anyone choosing to swap for another Samsung handset got an additional 70,000 won phone bill credit.

"This is compensation for our customers who experienced a big inconvenience," the company said in a statement.

The world's largest smartphone maker initially recalled 2.5 million Note 7s on September 2 after reports of units burning up.

The already damaging move turned into a full-blown crisis when replacement Note 7s also started catching fire.

The debacle triggered a three-day stock rout that shaved 10 percent—around \$23 billion—off Samsung's market value. The plunge was only arrested on Thursday when stock closed up 1.4 percent.

A day earlier, Samsung slashed its third quarter profit estimate by one third.

'Long-term brand damage'



Samsung announced a recall of 2.5 million units of the oversized Galaxy Note 7 smartphone in early September after several devices exploded or caught fire

Fitch Ratings said the heavy losses would be cushioned by Samsung's "ample liquidity" and a strong balance sheet.

"Potential long-term brand damage ... is a greater threat to its credit profile than the direct financial impact," the ratings company said.

Samsung is so dominant in South Korea—it accounts for around 17 percent of the country's GDP—that the company's woes were cited by the central bank when it trimmed its 2017 growth outlook from 2.9 percent to 2.8 percent.

"Because it makes up such a large portion of our economy, we considered the impact from the disruptions in its production in our

forecast," bank governor Lee Ju-Yeol told reporters.

Not all of those who returned their devices on Thursday were happy at the company's decision to halt Note 7 production completely.

Lee Jae-Kyung, a 43-year-old office worker, said he had been very satisfied with his Note 7 and was only returning it because the model was being discontinued.

"They won't offer any firmware upgrades and warranties from next year so there's no real choice," Lee said.

Shift to Apple

Roh Kwang-Soo, a 31-year-old sales manager at a mobile store—and a Note 7 user himself—said he was leaning towards the new iPhone from Samsung's arch-rival Apple.



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"I'd been using Samsung's Galaxy Note 4 Edge before I got the new Note 7," Roh said. "Now, I think I might use this opportunity to try something new."

Apple launched the iPhone 7 last month and the phones will be available in South Korea from October 21.

Customer defection is one of Samsung's biggest concerns, especially as the Note 7 was specifically aimed at taking on the iPhone in the premium handset market.

"I was so excited about the new Note 7 and now I'm furious that I had to

go through all this," said office worker Park Jong-Won, 33, who was also considering a shift to Apple.

South Koreans returned their phones in person, but in some markets the process was more complicated.

US customers living some distance from an outlet had to struggle with a special Samsung "return kit" that included protective gloves and fireproof packaging.

Samsung said the precautions were required by the US Postal Service.

Britain's Royal Mail banned the delivery of Note 7 devices altogether, citing safety reasons.

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