Samsung abruptly drops Galaxy Note 7 smartphone due to dangerous overheating

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14 October 2016

South Korean electronics giant Samsung announced on Tuesday it was discontinuing its flagship Galaxy Note 7 smartphone following numerous reports that the device was spontaneously overheating and in some cases catching fire. The decision to immediately and permanently terminate the model came less than a month after Samsung first acknowledged the issues and started replacing the smartphones, only to learn that the replacement devices were also burning up.

According to media reports at the beginning of September, Samsung had received 92 reports of batteries overheating in the US, with 26 instances of people being burned and 55 reports of property damage. In one instance, an automobile caught fire in St. Petersburg, Florida, after a Galaxy Note 7 burst into flames while charging. In a later report, Southwest Airlines evacuated a flight on the ground when one of the devices started smoking and making popping noises even after being turned off.

In a statement on October 11 to US consumers, Samsung said, “Since the affected devices can overheat and pose a safety risk, we are asking consumers with an original Galaxy Note7 or a replacement Galaxy Note7 to power it down and contact the carrier or retail outlet” to obtain a replacement or get a full refund.

The Note 7 is the latest and largest—with a 5.7-inch display—of the internationally popular Samsung Galaxy line of smartphones. It was launched on August 19 in 10 major markets amid highly positive reviews and was expected to be the best-selling Samsung mobile device ever. At the time of the recall, more than 2.5 million of the smartphones were sold globally, with 1 million of those sold in the US.

Much of the media coverage of Samsung’s unprecedented decision has focused on the damage to the Galaxy brand and the financial impact of the fiasco on the tech company. Some estimates put the long-term cost of ditching the Note 7 at $17 billion, possibly the costliest product safety failure in the history of consumer electronics.

Meanwhile, Samsung Electronics stocks fell by 8 percent on Tuesday, wiping out about $8 billion of the company’s market value in its biggest one-day drop since the financial crash of 2008. The stock plummet took place just four days after the firm had reached an all-time high on Wall Street on October 7.

Prior to the crisis, Samsung held approximately 22 percent of the $425 billion worldwide smartphone market, with the Apple iPhone coming in at around 11 percent. The technical failure occurs at a time of transition in the industry, with global sales growth of smartphones beginning to flatten after many years of rapid expansion.

The damage to Samsung’s reputation in the global smartphone markets is expected to be significant, with many consumers never again going back to the company’s products. It is for this reason that some industry experts are suggesting that Samsung should cut its losses and abandon the entire Galaxy line and start all over again.

Samsung seriously bungled the handling of the technical problems that started being reported almost immediately after the Note 7 was released. At first, the company stopped selling the model and told consumers who had purchased one before September 15 that they could get a replacement or refund. Working with the US Consumer Product Safety Commission (CPSC), the company investigated the issue and reported that the overheating was caused by faulty lithium-ion battery components provided by Samsung SDI, one of the company’s subsidiaries.

Then, in the midst of distributing the replacement

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smartphones with batteries made by another supplier, Samsung (and their cell phone carriers such as AT&T, T-Mobile, Sprint and Verizon) abruptly stopped exchanging the phones with the explanation that "temperature fluctuations" might occur in the new devices but there was "no safety risk." Samsung then said it would resolve individual cases with customers who had problems with the replacement phones. This was then followed up by the announcement that the Galaxy Note 7 was being pulled from shelves and production altogether.

Some have blamed the top-down management culture at Samsung for the way the crisis reeled out of control. According to a report in the *New York Times* on Tuesday, two former Samsung employees said the workplace was "militaristic," with high-level executives far removed from product design and the technologies deployed. For example, fearing lawsuits and subpoenas over the incinerating phones, Samsung management told staff charged with investigating the root cause of the burning phones that they were not to communicate with each other via e-mail.

Although no new official explanation has been provided, it appears that the overheating is related to electronic components other than or in addition to the batteries. In any case, it is clear that the first measures taken by company executives were designed to protect the corporate interests of Samsung and not the safety of the public.

Samsung was founded in 1938 and is today a $220 billion global conglomerate with many divisions. The current CEO, Yoon Boo Keun, is the grandson of the founder. The company is best known for the manufacture of consumer products such as smartphones, TVs, refrigerators, washing machines and air conditioners. While Samsung smartphones are assembled in Gumi, South Korea, the company has production facilities in dozens of countries including the US, China, India, the UK, Poland and Vietnam.

As a quintessential product of the global economy, the design and manufacture of smartphones is a mesh of complex processes, raw materials and components from many parts of the world. The intense competition in the smartphone market—including the aggressive drive for continuous and rapid product innovation, feature and design enhancements—undoubtedly played a role in Samsung's release of millions of devices that posed a significant health and safety risk to the public.

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