



# Technology Flash...

October 10, 2016

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## Samsung won't suffer long-term fallout from Note7

A PUBLICATION OF  
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Samsung has pulled the plug on its troubled Galaxy Note7 device after repeated problems with both the initial design and remanufactured devices. Certainly having your device catch fire is not good for your sales or your brand image. But is this as bad for Samsung as some suggest?

I expect that the fallout for Samsung will be pretty limited. Of course the company will lose millions of dollars worth of inventory (it probably costs Samsung about \$300-\$400 per device in lost revenues and expenses). And there are some lost design and manufacturing charges as well. But it's quite likely that some of the design will be implemented in future devices, so it's not a total loss (just as many of the design components from previous generations of the device were used in the new one). Below is an analysis of why this Note battery issue will not be a long-term challenge for Samsung or of much benefit to its competitors.

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**Is the Note brand dead?** Should Samsung eliminate the Note brand? Is it now toxic? No. The brand has done very well for Samsung until now, and there is no reason a newly designed Note device won't do well for the company in the future (although it will have to do some additional marketing to make sure consumers feel comfortable the new device won't have the same problems). The Note is a unique form factor for Samsung with very limited competition (Apple does not have an equivalent device that includes pen input).

**Is this a gain for competitors like Apple or LG?** I don't see this as much of a benefit to competitors. Many potential Note buyers will simply shift to Samsung's Galaxy devices. Those who already have an older Note and like the form factor will wait for Samsung to issue the next generation device (which I expect the company to do within the next 3-6 months). Will there be some disillusioned consumers who go to another brand because of this? Yes. But I expect these cases to be limited as Samsung has a pretty loyal following and many consumers who have bought the company's devices in the past will continue to do so. Damage to the Samsung brand will actually be quite limited and should fade within the next few months, particularly if no other problems show up. And other brands are not immune to similar problems.

**Should consumers worry their phones aren't safe?** There is no way to ultimately know how safe your phone is from this effect, either with Samsung or other manufacturers' devices. Very few devices have had any problems.

But remember the many e-cigarettes that caught fire? That was caused by the same problem with Lithium Ion batteries. So it's not uncommon for these batteries to cause problems. How do you know if your phone has a safe battery or not? Even safe battery designs sometime have flawed manufacturing. For the consumer, there is just no guarantee. That's not to say consumers should panic, as these problems are exceedingly rare. But the inherent chemistry and designs of LiOn batteries make this possible and should be cause for concern, particularly as more dense batteries are placed into more compact devices.

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**What is the lesson in this for consumers and vendors?** For consumers: If we keep demanding more and more performance from vendors, we should expect every once in a while to get a nasty shock. This is not just true in phones, but in other things as well (cars, appliances). There is nothing wrong with wanting more. The question is, can you get it safely? Buyer beware.

For vendors: The insatiable demand to outdo your competitors means you may be pushing the limits of tech. While you focus on producing competitive products, you may not be making necessarily safe products. Cutting corners by not having sufficient testing so you can get to market faster is risky and can lead to troubles like Samsung has. Also, pushing the technology to the limits (in this case the battery) could end up backfiring on you. Shipping dysfunctional (or dangerous) products does not give consumers confidence in your brand.

There are fundamental problems with LiOn batteries. The chemistry is pretty well known, as are the various design points you shouldn't exceed. But we have been pushing the limits for some time through smaller footprints that reduce the amount of heat dissipation (all LiOn batteries heat up when charged), rapid charging (producing even more heat than normal), and high power battery drain. There are many examples of LiOn batteries catching fire (remember the airline crash caused by this effect, and the ban on shipping LiOn batteries on airplanes?). Samsung will eventually discover the cause of this problem (whether poor battery design or inherent manufacturing flaws). The question is, will it learn enough to prevent this from happening again?

All that said, in this case Samsung pushed some limits and did inadequate product testing. The battery issue was dangerous in that it caused fires. But in many cases vendors also put out products that have functional flaws (e.g., bad screens, apps that don't work properly). These aren't safety issues, but they do give consumers the impression that the vendor doesn't care and that the product is low-quality. So Samsung will have to make it up to consumers.

The good news is Samsung Galaxy phones are pretty good devices and have done well by consumers, so it's likely the long-term negative ramifications for Samsung caused by the Note7 will be limited.

*Jack Gold is the founder and principal analyst at J.Gold Associates, LLC., an information technology analyst firm based in Northborough, MA., covering the many aspects of business and consumer computing and emerging technologies. Follow him on Twitter @jckgld or LinkedIn at <https://www.linkedin.com/in/jckgld>.*

*This article also appeared in VentureBeat*



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