

Samsung offers financial incentives to stem note 7 bleeding

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Samsung Electronics on Thursday offered financial incentives for U. S. and South Korea customers who exchange Note 7s for other products or refund them, as the tech giant scrambles to shore up its reputation in the wake of a damaging safety crisis.

The consumer electronics company is also expanding a U. S. recall of the fire-prone model to a total 1. 9 million Note 7 phones, which includes the 1 million Galaxy Note 7s it recalled on Sept. 15.

The South Korean giant is in damage-control mode as rivals like Apple Inc. and LG Electronics try to steal market share from the global smartphone leader after it was forced to scrap its latest high-end device.

Samsung is boosting its marketing and promotional efforts around other Galaxy-series smartphones to cushion the blow from the demise of the premium Note 7, which it finally abandoned this week after failing to resolve overheating problems which caused some of the phones to ignite.

Samsung said on Thursday it is offering up to \$100 in bill credit to consumers who exchange their Note 7s for any Samsung smartphone in the U. S.

U. S. customers who exchange their Note 7s for a refund or other branded smartphone will receive \$25 in bill credit.

" We appreciate the patience of our consumers, carriers and retail partners for carrying the burden during these challenging times," said Tim Baxter, president and chief operating officer, Samsung Electronics America.

" We are committed to doing everything we can to make this right."

The U. S. Consumer Product Safety Commission said on Thursday the Note 7's " battery can overheat and catch fire, posing serious fire and burn hazard to consumers."

It added that Samsung has received 96 reports of batteries in Note 7 phones overheating in the U. S., including 23 new reports since the Sept. 15 recall announcement.

In the U. S., Samsung began sending fireproof boxes and protective gloves to customers returning potentially explosive Note 7s, drawing humorous barbs from social media commentators.

The company has commenced offering similar financial incentives in its home market of South Korea, which it says would compensate consumers for their " big inconvenience."

After days of heavy losses, Samsung's shares ended 1. 4 percent higher on Thursday while the broader market fell 0. 9 percent.

On Wednesday, the firm slashed its quarterly profit estimate by \$2. 3 billion to reflect the impact of the Note 7 withdrawal, giving some investors hope that the financial cost of the debacle had been largely accounted for.

" We are confident the 3Q 16 re-statement puts to bed the direct financial impact of the Note 7 recall and termination," UBS said in a report.

" In the near-term, we believe investors will re-focus on shareholders returns ahead of full 3Q results Oct 27th."

Nokia, Blackberry

Customers will have plenty of choice in the weeks ahead, with South Korean mobile carriers including SK Telecom planning to take pre-orders for Apple's iPhone 7 starting Friday. LG Electronics also recently launched its V20 smartphone.

Many analysts say the real risk to Samsung lies in the reputational damage it suffers in a cut-throat industry rather than financial costs.

" Industry experience, such as the decline of Nokia and BlackBerry, shows how successful manufacturers can lose market share particularly quickly in the handset business," Fitch ratings agency said in a report on Thursday.

Moody's also said in a report that day that the Note woes are " credit negative" and " threaten to have a more lasting negative effect on the Samsung brand and would require significant marketing expense to regain consumer confidence."

Meanwhile, South Korea's central bank said the Note 7 failure could undermine economic growth, although it needed more time to assess the effects.

(By Hyunjoo Jin; Editing by Stephen Coates and Sam Holmes)