APPLE
A Case Study in External Communication*

Written by:

Jenny Lee, Ian McCarthy
Andrew Nguyen, Robbie Reid
Bachelor's Degree Candidates

Dr. Robyn Walker
Faculty Advisor

*This case describes a hypothetical problem involving Apple, which is provided as an example of the types of communication problems that could occur if a company launches a defective product and doesn't respond in a way that is expected by the public. Although the case may resemble a problem that Apple has already experienced, it should be viewed within the context of the product that is described in the case.

INTRODUCTION

As soon as the news of the Apple iCommunicator surfaced, David and Mary Jones* eagerly bought two and switched to AT&T, the iCommunicator's exclusive wireless carrier in the United States.

Several weeks later, after a hectic morning in the office, David drove home to meet Mary for lunch. "Hey, David, I wasn't expecting you to be home for lunch today. How's work?" Mary warmly greeted her husband and proceeded to set the dining table.

"It's fine—mundane as usual," David replied. "But my iCommunicator keeps dropping Internet connections and calls. My calls have dropped multiple times during important conference calls, and if I try to view a webpage for more than a minute, it loses its connection," David sighed as he immediately went to the couch and took off his shoes to relax.

Mary had not experienced any problems with her own iCommunicator and wondered if David had somehow received a defective product. She placed a plate of pasta on the dining table and responded, "I'm sorry to hear that; I haven't had any problems with my iCommunicator. You should give AT&T a call and we'll get it figured out."

After lunch David called AT&T and was connected to a customer service representative who said, "We have been receiving a large number of calls regarding the connectivity problems with the iCommunicator. The problem is with the iCommunicator itself and not AT&T, but I apologize for the inconvenience."

David called Apple Customer Service next. "Hello, I am having problems with my new iCommunicator. My calls keep dropping and I keep getting disconnected when I try to access Internet sites. This is a recurrent problem." Bill, a customer service representative, responded, "Mr. Jones, the problem you are experiencing with your iCommunicator is also being experienced by other customers. However, you can solve the problem by getting a special plug-in for your iCommunicator."

Astonished by the customer service representative's comment, David asked, "How would a plug-in prevent my calls from being dropped and solve my other connectivity problems?" Bill continued, "Like most mobile devices, iCommunicators have antennas. The antenna is located on the lower left corner of the iCommunicator. It is sensitive when tightly gripped, and a plug-in by-passes that problem. You may also return the device, but there will be a 10% restocking fee."

David couldn't contain himself. "What are you talking about? The iCommunicator has a defective design. You sold me this defective device. And, now you expect me to pay a restocking fee? This is ridiculous! Apple intentionally misrepresented the iCommunicator. Why would I want a device that doesn't work?"

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*Fictional names used to personify the situation and illustrate the type of issues some in this position would experience.

DISCUSSION OF THE PROBLEM

Apple launched the iCommunicator about two months ago into a highly demanding environment. Prior to the product's actual unveiling at Apple's Worldwide Developers Conference (WWDC) in San Francisco six months ago, there was widespread speculation about the new device. Two prototypes of iCommunicators were "leaked" to the media, garnering much public attention and exposure, resulting in widespread anticipation of the device's release.[2,3]

The iCommunicator is similar to a tablet but has two additional features:

1.   When using the telephone mode, the image of the recipient of the call is projected as a hologram, so the callers can have a conversation as if they are talking to each other face-to-face.

2.   When searching websites, the pages are projected as holograms and the user can move text, images, etc. just with the wave of a hand or finger.

On the pre-order launch date, Apple received more than 100,000 pre-orders for the iCommunicator within the first 24 hours, which was one of the largest pre-orders that Apple had ever received on a single day.[4,5] After a month, Apple had sold more than 500,000 iCommunicators, even considering its $5,000.00 price tag.

Within week of the launch, customers reported connectivity issues and image problems. They said that if they touched the antenna located on the outside of the phone in two places when in use, the images and sound would become blurred.[1]

They also reported that the device would drop signals when tightly held in a particular way. Although the antennas on mobile devices fluctuate in signal strength, it is evident that hardware designers at Apple had failed to take this into consideration when drafting design plans for the iCommunicator.

The problem has been featured on many blogs and on proprietary online forums.[1] Given the environment of high expectations from consumers, the price of the device, and high sales volume, Apple could have expected much scrutiny from the customers once the product was released. Many companies facing a similar situation would have taken extreme measures to ensure the product performed to their standards. What did Apple do?

APPLE'S RESPONSE TO THE PROBLEM

Apple acknowledged that the device had connectivity problems but insisted that the problem was common to all mobile devices. Additionally, Apple issued a press release that compared the iCommunicator's reception to that of smart phone devices, including RIM's Blackberry. The press release also mentioned that connectivity problems were common and simply a "fact of life." However, it was evident that the connectivity problem was caused solely by the way the device was designed, a problem unique to the Apple iCommunicator.

Additionally, Apple announced a press conference, which led to speculation of a fix for the problem, or perhaps replacement of devices to satisfy customers and improve the company's reputation. Instead, the company simply reiterated, "We're not perfect. Devices are not perfect. We all know that. But we want to make our users happy."

Because of problems with signal strength (the phone displayed four bars when it should have been displaying only two), Apple announced that it would adopt AT&T's recommended formula to calculate the number of bars to be displayed. While the signal strength would remain the same, the iCommunicator's bars would accurately report signal strength and provide users with a better indication of the reception in a given area.

Consumer Reports then released information that indicated that a plug-in could mitigate the connectivity problems. And, within a week Apple offered free plug-ins. However, it was a temporary fix to a problem that would eventually recur (perhaps, even within several months).

Lastly, Apple offered consumers the option to return their device if they were ultimately not satisfied; however, Apple would charge a 10% restocking fee if customers didn't return them within 30 days of purchase.

PUBLIC'S REACTION

Apple received serious backlash from the general public in response to the connectivity problem. Since the iCommunicator was a highly anticipated, not to mention expensive product, people expected great performance from their new mobile device. As a result, iCommunicator customers fall into three categories:

1. People who are indifferent to the lack of connectivity

    A large percentage of people (about 40%) have not waivered on their decision to immediately purchase the iCommunicator, even after being informed of problems related to connectivity. According to A. M. Sacconaghi, Jr. (an analyst with Sanford C. Bernstein & Company), the question of why someone would purchase an expensive device that does not operate to its fullest potential is quite simple. They do so because, "It's iconic, it's cool, it's the *it* device and people want it."[6]

2. People who have planned to postpone buying the iCommunicator until the connectivity problem is fixed

    This group consists of people who still plan to buy the device (about 30%), but not until the flaw is fixed and the device can fully function. This public reaction is somewhat negative, but not enough to fully deter one from buying the product. Bruce Namerow, owner of a web consulting company in Washington says, "I'll buy it the day Apple fixes it. I don't see how they can sell a device that has such problems. That to me is unbelievable." [6]

3. People who will cut ties with AT&T and Apple because of how the problem was handled

    People within this group (about 30%) were so negatively affected that they blamed Apple and AT&T for the problem and vowed never to do business with either company again.

Given that the bottom-line purpose of a mobile device is to make calls and connect seamlessly with the Internet, and that this industry is highly competitive with many players, Apple is faced with a communication challenge moving forward.[7] And, with so many challenges, Apple must make decisions about how to move forward if it wants to save its brand image and customer loyalty.

Discussion Questions

Make a list of the most pertinent questions that should be asked in order to address the critical issues, main decisions and possible solutions to this case.