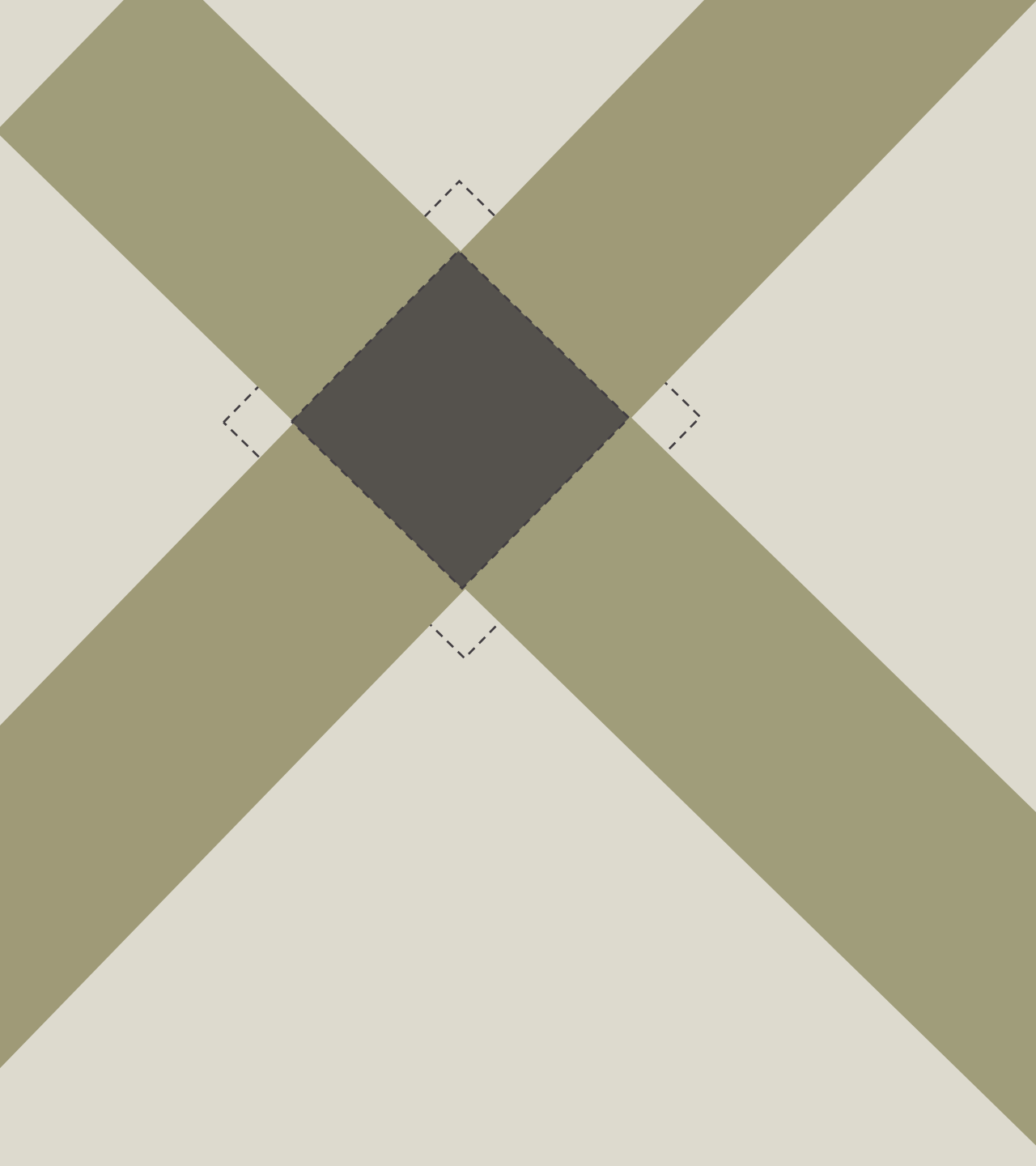




Management

Ethnics

A Case Study of Apple Battery Scandal

Individual Presentation
MBA Full-time Student
WANXUAN CUI
23/04/2018



CONTENTS

- ◀ The **Description** of the Scandal
- ◀ The **Application** of Theories and Models
- ◀ The **Evaluation** of the Scandal

The Description of the Scandal

【Brief Introduction of Apple Inc. 】



- An American **technology company** that designs and sells mobile communication, media devices, personal computers, and a variety of related software, services, accessories.
- One of the **most valuable brands** in the world
- Top 5 in Fortune 500
- **Tim Cook** has been its new CEO since 2011

The Description of the Scandal

【Frequent Scandals in Recent Years】



- iPhone 4: **Antennagate Scandal**

- iPhone 6: **Battery Problems**

- iPhone 6 Plus: **Bend-gazi**

- iPhone 6s, 7: **Slowdown Scandal**



The Description of the Scandal

【Relevant Background Information】

- A perennial question : **Does Apple slow down older iPhones to make you buy new ones?**
- Benchmarking company Futuremark: Despite what you might feel on a day-to-day basis, **your iPhone's processor and graphics chip are as fast as the day you bought it.** (the Guardian, 09/10/2017)
- A new analysis of performance data has reignited the debate: **Whether apple intentionally slows down older Iphones?**
- According to user report: older iPhones with ageing batteries **performed worse** than the same smartphones with replacement batteries. (the Guardian, 19/11/2017)

The Description of the Scandal

【Who actually exposed this scandal】



- **Tyler Barney**, 17, discovered Apple intentionally slows down older iPhones to force users to upgrade.
- He did some research and found that Apple slows performance to preserve the life of older lithium ion batteries.
- Barney then took to the message board website **Reddit**, where he posts under the username TeckFire, to share his findings.
- His post went viral and led to **Apple's admission**.

The Description of the Scandal

【Response from the organization】

21/12/2017
(the Guardian)



29/12/2017
(the Guardian)



30/12/2017
(the Guardian)

Apple admits slowing older iPhones because of ageing batteries

Apple apologises for slowing down older iPhones with ageing batteries

Apple slashes iPhone battery replacement cost by \$50 amid criticism

The Application of Theories and Models

【CSR Theories and Model】

Friedman(1970):

- **Stockholder Theory**
- “the sole responsibility of a business is to **use its resource’s** and **engage in activities** designed to **increase profits** so long as it **stays within the rules of the game**, which is to say, engages in **open and free competition** without **deception and fraud**”.

Sternberg(2000):

- There is a human rights case against CSR, which is that a **stakeholder approach** to **management** **deprives** **shareholders** of their **property rights**.
- **Ordinary decency, honesty and fairness** should be expected of any corporation.

The Application of Theories and Models

【CSR Theories and Model】

Carroll(1991):



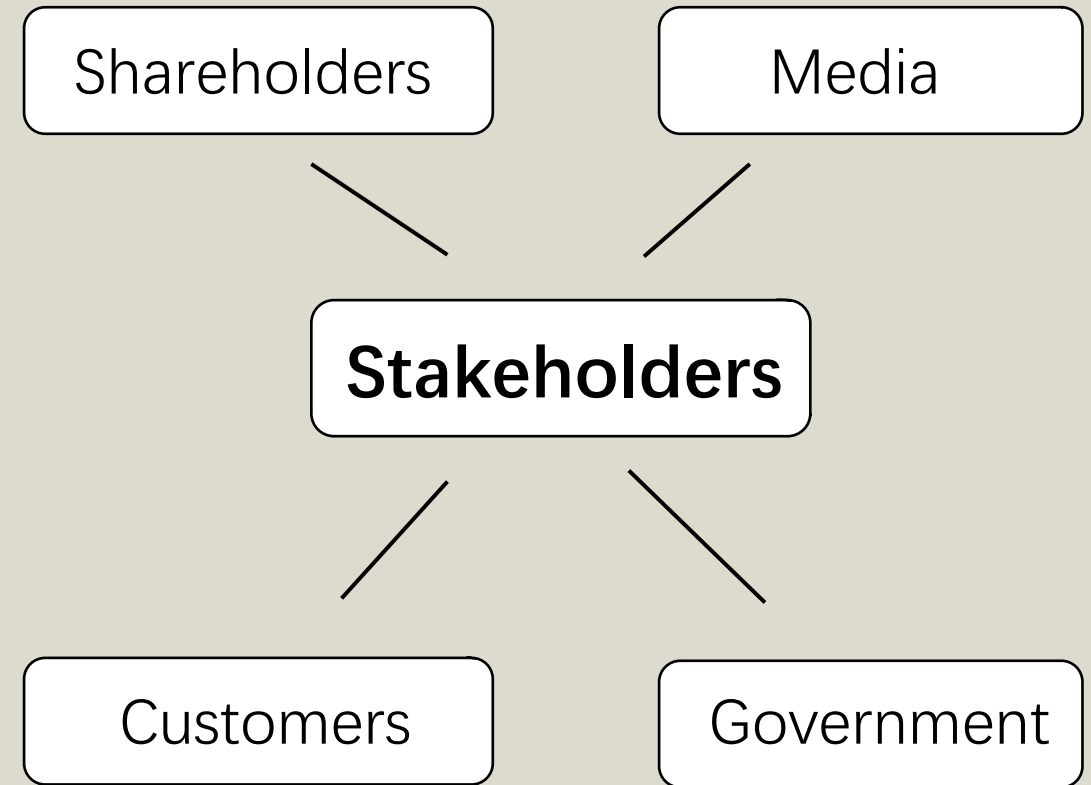
Freeman(2008):

- That the main goal of CSR is to **create value for key stakeholders** and fulfil our responsibilities to them.
- Stakeholder Theory

The Application of Theories and Models

【Stakeholder Theory and Analysis】

- **Any person or organisation** who can **be positively or negatively impacted by**, or **cause an impact** on the actions of a company (Freeman, 1984).
- The individuals and constituencies that contribute, either voluntarily or involuntarily, to its **wealth-creating capacity and activities**, and are therefore its potential **beneficiaries and / or risk** bearers (Post, Preston & Sachs, 2002).



The Application of Theories and Models

【Stakeholder Theory and Analysis】

Shareholders

- Share price dropped sharply.
- 16M iPhone sales “at risk” in light of \$29 battery replacement program.

Customers

- Be suspicious
- Less than satisfactory
- Tested consumers loyalty

Government

- Questioned by US Senate, Department of Justice and the Securities and Exchange Commission
- Even French government opened investigation

The Evaluation of the Scandal

【Possible causes of iPhone slowdown】

Apple Statement ---

- "Our goal has always been to create products that our customers love, and making iPhones last as long as possible is an important part of that."
- In **cold conditions**, have a **low battery charge** or as they **age over time** result in the device unexpectedly shutting down to protect its electronic components.

???

Media/consumers ---

- **A fraud** designated to spur upgrades to the latest model.
- Force customers to **buy a new one**.

The Evaluation of the Scandal

【who was blame for the scandal】

Tim Cook needs to take responsibility for Apple's battery scandal?

- Apple made a rare public apology on its website on Thursday about the issue, But one thing it's **missing is a signature**: The apology comes "from Apple," and it's **not signed by of its high-paid executives**, like Apple CEO Tim Cook.
- No Apple executives have publicly commented on the scandal.
- Making a public apology seems like **part of the job responsibility** for a CEO.
- It seems like attaching his name to an apology is the **least he can** do for Apple users who now feel betrayed.

The Evaluation of the Scandal

A Message to Our Customers about iPhone Batteries and Performance

We've been hearing feedback from our customers about the way we handle performance for iPhones with older batteries and how we have communicated that process. We know that some of you feel Apple has let you down. We apologize. There's been a lot of misunderstanding about this issue, so we would like to clarify and let you know about some changes we're making.

First and foremost, we have never — and would never — do anything to intentionally shorten the life of any Apple product, or degrade the user experience to drive customer upgrades. Our goal has always been to create products that our customers love, and making iPhones last as long as possible is an important part of that.

The Evaluation of the Scandal

Addressing customer concerns

We've always wanted our customers to be able to use their iPhones as long as possible. We're proud that Apple products are known for their durability, and for holding their value longer than our competitors' devices.

To address our customers' concerns, to recognize their loyalty and to regain the trust of anyone who may have doubted Apple's intentions, we've decided to take the following steps:

- Apple is reducing the price of an out-of-warranty iPhone battery replacement by \$50 — from \$79 to \$29 — for anyone with an iPhone 6 or later whose battery needs to be replaced, available worldwide through December 2018. Details will be provided soon on apple.com.
- Early in 2018, we will issue an iOS software update with new features that give users more visibility into the health of their iPhone's battery, so they can see for themselves if its condition is affecting performance.
- As always, our team is working on ways to make the user experience even better, including improving how we manage performance and avoid unexpected shutdowns as batteries age.

At Apple, our customers' trust means everything to us. We will never stop working to earn and maintain it. We are able to do the work we love only because of your faith and support — and we will never forget that or take it for granted.

The Evaluation of the Scandal

【the impact of the scandal】

Economic impact

- Sales and share price **dropped sharply**.
- Under French law, companies risk **fines** of up to 5 percent of their annual sales.

Reputational Impact

- Some **conspiracy theories** may claim
- Many consumers were **frustrated** with Apple.
- A major **hit** to its reputation

Jurisdiction problem

- Facing almost 60 class-action lawsuits.
- Four members of the House of Representatives have sent a letter to Tim Cook about Apple's policy.
- Suits in at least six other countries.

The Evaluation of the Scandal

【current position and what's next】

- Customers can make their own decision about what to do with their current iPhone.
- Faced with a dilemma - - -
- Will it work toward **greater transparency**, to **keep users informed** and avoid PR disasters like this in the future?
- Or will it continue to **work silently**, allegedly preserving the functionality of its devices by whatever means it deems appropriate?

Reference:

Alton, L. 2018. *Everything you need to know about the iPhone slowdown fiasco*. [ONLINE] Available at: <https://thenextweb.com/contributors/2018/01/04/everything-need-know-iphone-slowdown-fiasco/>. [Accessed 17 April 2018].

Apple. 2017. *A Message to Our Customers about iPhone Batteries and Performance*. [ONLINE] Available at: <https://www.apple.com/iphone-battery-and-performance/>. [Accessed 16 April 2018].

Cuthbertson,A. 2018. *SLOW IPHONE SCANDAL: SENATOR DEMANDS ANSWERS FROM APPLE CEO TIM COOK*. [ONLINE] Available at: <http://www.newsweek.com/slow-iphone-scandal-senator-demands-answers-apple-ceo-tim-cook-777891>. [Accessed 15 April 2018].

Eadicicco, L. 2017. *The Real Problem With Apple Slowing Down Older iPhones*. [ONLINE] Available at: <http://time.com/5078060/apple-iphone-slow-down-update/>. [Accessed 17 April 2018].

Freeman, R, E and Velamuri, S, R. 2005. *A New Approach to CSR: Company Stakeholder Responsibility1*. [ONLINE] Available at: <https://poseidon01.ssrn.com/delivery.php?ID=924024068085089107025005024084125078018010057003010003004104092109024014064022016011126002010009009047042127101028116102075068005085066082003090076093118089104122084032007125000009004119075095126004020106030020066028006126112020082019117121027082090&EXT=pdf>. [Accessed 17 April 2018].

Gartenberg, C. 2018. *The US government is investigating Apple over slowed-down iPhones*. [ONLINE] Available

Gibbs, S. 2017. *Apple admits slowing older iPhones because of ageing batteries*. [ONLINE] Available at: <https://www.theguardian.com/technology/2017/dec/21/apple-admits-slowing-older-iphones-because-of-flagging-batteries>. [Accessed 17 April 2018].

Gibbs, S. 2017. *Apple reduces speed of iPhones as batteries wear out, report suggests*. [ONLINE] Available at: <https://www.theguardian.com/technology/2017/dec/19/apple-iphone-reduce-speed-old-batteries>. [Accessed 17 April 2018].

Gibbs, S. 2017. *Is Apple intentionally slowing down your old iPhone? The data suggests not*. [ONLINE] Available at: <https://www.theguardian.com/technology/2017/oct/09/apple-slowing-down-old-iphone-data-iphone-5s-iphone-6-iphone-6-iphone-7-ios-updates>. [Accessed 16 April 2018].

Gibbs, S. 2018. *Apple questioned by US Senate over practice of slowing down iPhones*. [ONLINE] Available at: <https://www.theguardian.com/technology/2018/jan/10/apple-questioned-us-senate-slowing-down-iphones-french-investigation>. [Accessed 18 April 2018].

Greenfield, P. 2017. *Apple apologises for slowing down older iPhones with ageing batteries*. [ONLINE] Available at: <https://www.theguardian.com/technology/2017/dec/29/apple-apologises-for-slowing-older-iphones-battery-performance>. [Accessed 17 April 2018].

Leswing, K. 2017. *Tim Cook needs to take responsibility for Apple's battery scandal*. [ONLINE] Available at: <http://uk.businessinsider.com/tim-cook-needs-to-take-responsibility-for-apple-iphone-battery-scandal-2017-12?r=US&IR=T>. [Accessed 18 April 2018].

Mallen Baker's respectful business blog. 2008. *Arguments against corporate social responsibility - And some responses*. [ONLINE] Available at: <http://mallenbaker.net/article/clear-reflection/arguments-against-corporate-social-responsibility-and-some-responses>. [Accessed 17 April 2018].

Miller, A. and Prigg, M. 2017. *The 17-year-old high school student who exposed Apple's iPhone slowdown which could cost the tech-giant BILLIONS in lawsuits*. [ONLINE] Available at: <http://www.dailymail.co.uk/news/article-5219809/High-school-student-uncovered-Apples-iPhone-slowdown.html>. [Accessed 17 April 2018].

Morris, I. 2017. *Apple Responds To iPhone Slowdown Complaints And Offers Solutions*. [ONLINE] Available at: <https://www.forbes.com/sites/ianmorris/2017/12/28/apple-responds-to-iphone-slowdown-complaints-and-offers-solutions/#26a7cbc679ee>. [Accessed 17 April 2018].

Nusca, A. 2017. *Apple Responds to iPhone Battery Controversy: 'We Apologize'*. [ONLINE] Available at: <http://fortune.com/2017/12/28/apple-iphone-battery-apology/>. [Accessed 16 April 2018].

Petkar, S. 2017. *Apple's iPhone slowdown scandal that could cost the company BILLIONS was exposed by this 17-year-old secondary school pupil*. [ONLINE] Available at: <https://www.thesun.co.uk/tech/5231901/apple-iphone-slowdown-scandal-latest-school-pupil/>. [Accessed 17 April 2018].

Potuck, M. 2018. *Barclays: 16M iPhone sales 'at risk' in light of \$29 battery replacement program*. [ONLINE] Available at: <https://9to5mac.com/2018/01/03/apple-16m-iphone-unit-loss/>. [Accessed 18 April 2018].

Reed, B. 2014. *Ranking the biggest iPhone 'scandals' of all time*. [ONLINE] Available at: <http://bgr.com/2014/09/26/iphone-antennagate-mapsgate-bendgate/>. [Accessed 15 April 2018].

Sky News. 2018. *iPhone slowdown scandal: US authorities launch an investigation*. [ONLINE] Available at: <https://news.sky.com/story/iphone-slowdown-scandal-us-authorities-launch-an-investigation-11231829>. [Accessed 15 April 2018].

Smith, C. 2018. *Apple's claim that it warned us about iPhone slowdowns is corporate spin at its worst*. [ONLINE] Available at: <http://bgr.com/2018/02/07/iphone-slowdown-apple-explanation-congress/>. [Accessed 16 April 2018].

Tibken, S. 2017. *Here's why Apple says it's slowing down older iPhones*. [ONLINE] Available at: <https://www.cnet.com/news/apple-slows-down-older-iphone-battery-issues/>. [Accessed 17 April 2018].