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Spinmeisters sound off on Apple's communications breakdown

by [Erica Ogg](#)



Apple's failure to acknowledge possible hardware problems in the iPhone 4 have created a PR mess.

(Credit: Josh Lowensohn/CNET)

A failure to communicate, as Paul Newman's "Cool Hand Luke" once learned, is never a good thing.

For Apple, the [iPhone 4](#)--a product that occasionally fails to communicate thanks to a funky wraparound antenna design and a corporate marketing department that has failed to communicate clearly what's wrong with the thing--is quickly turning into the company's worst product stumble since those pretty Cube computers started developing hairline cracks 10 years ago. Maybe worse.

[Several lawsuits have been filed](#) against the iPhone maker, claiming deceptive marketing and false advertising for knowingly distributing a defective product. [Consumer Reports amended its review Monday](#), saying it can't recommend the phone because of antenna problems that will not be fixed by Apple's promised software update. [CNET](#) has also rated the phone highly but withheld the Editors' Choice Award due to the device's continued call quality issues. Now many in the media are clamoring for Apple to issue a recall of the iPhone 4.

So if you're Steve Jobs & Co., what do you do about what was supposed to be the most successful product launch in your company's history?

A recall is not likely. This is, after all, about where you hold the phone. It's not about whether the phone will blow up in your pocket. Still, experts on crisis management and public relations say that how Apple has handled the antenna issue is a textbook example of what not to do in these situations.

Instead of addressing the problem and offering to find a solution like Johnson & Johnson's Tylenol tampering in the early 1980s, Apple has come off more like Toyota and BP during their recent reputation-annihilating incidents.

"The biggest mistake (Apple) made is they keep changing their story," said Ira Kalb, professor of marketing at USC Marshall School of Business. Experts in crisis management agree that there's a well-known set of principles all companies should follow when dealing with any problem with a consumer-facing product or service. And Apple has not followed them.

First, acknowledge reports of a problem right away and tell customers that you are investigating it. Once the company figures out the cause of the problem, then offer a solution.

Even if you don't find anything wrong during such an investigation, acknowledging the problem is key. Apple ended up coming off as flip and condescending with [its initial response](#) two days after the antenna issue first surfaced.

"The problem was they said, 'Don't hold the phone like that.' And everybody laughed at them for that," said Kalb. "Then they said, 'We had [a software issue where we miscalibrated the number of bars](#),' and every one laughed at that because that's ridiculous."

Apple has yet to release this software update, but fixing the number of signal bars displayed on the iPhone 4 is unlikely to address the problems of dropped calls and throttled bandwidth that can occur when covering the lower left part of the iPhone 4.

What's resulted is what public relations professionals call "losing control of a story." Apple had the chance to dictate how the antenna issue would play out, but by ignoring it or giving unsatisfactory responses to customers, now they have talk of a recall.

"There is no control over this story," said Merrill Freund, executive vice president of Schwartz Communications. "They're not addressing this by any handbook that any PR person would read from."

While a recall could certainly inflict some damage to Apple's highly regarded brand reputation, its apparent refusal to be up front about the issue with customers could actually be more disastrous.

Changing the story, or shifting blame ("you're holding the phone wrong") recalls Toyota and BP's recent responses, though in their cases, to far more dangerous circumstances. Toyota changed its story several times before admitting there were critical problems with some of their [cars'](#) accelerators. As a result, "Toyota lost credibility," said Kalb. "If you lose credibility, then people don't trust you."

A recall isn't even necessary here. Simply an admission of the phone's antenna design problem and an issuing of free bumpers to everyone who has bought an iPhone 4 would settle the matter for most customers quickly. (It would be cheaper too--a product recall [would likely cost the company \\$1.5 billion](#), or 3.5 percent of its total cash; issuing rubber bumpers would cost roughly \$1 per iPhone 4 sold or less, according to a research note by Bernstein Research analyst Toni Sacconaghi.) So why isn't Apple doing that? It could be the company really doesn't understand the problem and is taking time to look into it further, said Michael Cusumano, professor at the MIT Sloan School of Management. "But if Consumer Reports could do the analysis in a week or so, why couldn't they? It really makes you wonder why they're not responding more quickly."

Complaints about any product are only a couple of mouse clicks away for any customer, especially in light of the lightning-fast spread of product information.

[This problem was first identified](#) by an iPhone customer who posted a video demonstration to YouTube, which was picked up by Gizmodo and then the rest of the tech press and eventually mainstream news outlets worldwide. It's impossible for Apple, or any company, to hide from product quality issues anymore.

Another possibility is Apple has no idea how to handle this. Apple does enjoy an excellent reputation among its passionate fan base and regularly turns out highly rated products. Something like this could be foreign to Apple, suggested Cusumano.

"Toyota was that way as well," he said. "They went decades without any quality problems. Clearly their executive team had no idea how to talk about them or handle them" when problems eventually arose.

Apple has had some product problems in the past: [yellow and cracked iMac screens](#) earlier this year, and the notorious Power [Mac](#) G4 Cube in 2000, which was discontinued after one year [because of the tendency of the casing to crack](#). In the iPhone 4 case, the company's lack of response can come off according to some

as "arrogant." And that can be concerning not only to customers, but Wall Street as well.

As Bernstein's Sacconaghi [wrote in a note to investors Tuesday](#), "Perhaps the bigger longer term concern for Apple investors is the emerging pattern of hubris that the company has displayed, which has increasingly pitted competitors (and regulators) against the company, and risks alienating customers over time."

Added Kalb, "They've got this corporate arrogance where they never admit that they made a mistake. You should admit and apologize, which diffuses all of this. And talk about the solution and say this won't happen again."

And then of course, they have to actually make sure that the iPhone 5, or whatever the next iteration of the device is, completely eliminates the antenna attenuation issue.

It's a simple fix and will go away eventually, but Apple first has to offer a credible solution.



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