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Social Media: IR Savior or Nightmare

Amid fierce competition for capital and the hollowing out of sell-side coverage, much is being made about the power of social media to strengthen investor relations. Sun Microsystems and a few other companies have embraced this new savior, taking the lead in exploiting social media. Most companies have instead opted for a more cautious wait and see approach.

Social media has the potential to be every IROs worst nightmare. The reputational damage social media can inflict upon a company was vividly demonstrated in July in a case involving UAL Corporation, parent of United Airlines.

The story started in 2008 when musician Dave Carroll watched United baggage handlers throw his guitar around. It broke. He spent a year trying to get the airline to pay for repairs. After United conclusively said it would not pay, Carroll wrote the song *United Breaks Guitars* and posted it on YouTube. The song became an overnight sensation. Within 10 days, the clip had been viewed over 3 million times.

As Forbes points out, it is unlikely anybody who has seen the video will want to fly United soon. Some claimed the video cost UAL's shareholders about \$180 million, as the stock dropped 10% in the days following the song's YouTube release, but others have pointed out more important factors such as Q2 earnings results.

United has moved to patch things over, initially Twittering that "This has struck a chord w/us and we've contacted him directly to make it right." United then tried to provide reimbursement. At Carroll's urging, United ultimately donated \$3,000 to charity.

United's nightmare is not over. Carroll has pledged to write two more songs about the mishap. Even if *United Breaks Guitars* were the last song, the melody would linger on. Brandweek says the event "will likely haunt the company for a long time to come" because the song will continue to rank highly in search results for the airline.

Will social media provide all the advantage for which some hope? Time will tell. Can social media be the IRO's worst nightmare? Of this, there's no doubt. All companies should be wary, but airlines and other companies struggling with negative consumer sentiment should be especially careful.

Related Links:

Advertising Age. A Taylor-Made Complaint for United Airlines.

http://adage.com/songsforsoap/post?article_id=137790

Advertising Age. United Breaks Guitars.

http://adage.com/garfield/post?article_id=137864

BrandWeek. United's Guitar Debacle Yields Brand Lessons.

http://www.brandweek.com/bw/content_display/news-and-features/direct/e3icf26a0dad6f10016bd257371e60ef107

Chicago Tribune. United Guitar Video Shows Online Gripes Can Get Results.

<http://www.chicagotribune.com/business/chi-tc-biz-complaints-0713-0714-jul14,0,1999564,print.story>

Consumerist. Did Dave Carroll's Broken Guitar Cost United \$180 Million?

<http://consumerist.com/5322845/did-dave-carrolls-broken-guitar-videos-cost-united-180-million>

Forbes. United Airlines Shows How Not To Run Your Business.

<http://www.forbes.com/2009/07/24/united-airlines-lessons-leadership-managing-mistakes.html>

The Independent. Guitar Lament Strikes a Broken Chord with Airline.

<http://www.independent.co.uk/news/world/americas/guitar-lament-strikes-a-broken-chord-with-airline-1759291.html>

LA Times. Smashed guitar, YouTube song — United is listening now.

<http://travel.latimes.com/daily-deal-blog/index.php/smashed-guitar-youtu-4850/>

Rolling Stone. Dave Carroll's Airline Mishap Goes Viral in "United Breaks Guitars."

<http://www.rollingstone.com/rockdaily/index.php/2009/07/13/dave-carrolls-airline-mishap-goes-viral-in-united-breaks-guitars/>

Seattle Post Intelligencer. 'United Breaks Guitars' has Become an Internet Meme.

<http://blog.seattlepi.com/aerospace/archives/173977.asp>

The Times. YouTube Heroes Dave Carroll and Bing Futch Win Airline Compensation.

http://www.timesonline.co.uk/tol/news/world/us_and_americas/article6708792.ece

Wall Street Journal. United Denies Claim for Broken Guitar, Passengers Sings [sic] for Revenge.

<http://blogs.wsj.com/middleseat/2009/07/08/united-denies-claim-for-broken-guitar-passengers-sings-for-revenge/>

YouTube. United Breaks Guitars.

<http://www.youtube.com/watch?gl=JP&v=5YGc4zOqozo>
