

Measuring the effect of Viral Negative Sentiment on Market Value: Case Study on United Airlines Crisis 2017

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Abstract

Negative word of mouth is something most businesses try to avoid, It could affect the reputation and vision of a company in a consumer's mind. The success of a company lies in the connection of a product or service with a satisfying good image that has been formed on the back of consumer's mind. This image can be the result of a positive past experience or the good reputation a company already has. On the other hand negative word of mouth specifically in social media has the power to destroy the reputation of a company, because of the fast and wide spreading of a crisis in no time. This research will answer the question of how is the market value of a company affected by viral negative sentiment in social media? Focusing on the case study of United Airlines crisis 2017. We show that viral negative sentiment can have a short term effect over a company's market value, but might not affect in the long term in a counter-intuitive manner.

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Chapter 1

Introduction

1.1 Background

Viral negative sentiment is the event where a piece of bad news about a certain product or company goes viral over social media. [Vij and James, 2014] This can be considered to be an instance of negative word of mouth, and we will use both terms interchangeably in this paper.

Word-of-mouth (WOM) is person-to-person non-commercial communication that delivers personal idea about a certain brand, product or a service [Buttle, 1998]. WOM is often called word-of-mouth advertising which is not correct because advertisement is a paid form of marketing unlike WOM, It is not paid communication between people which could be physical or electronic [Bayón and v Wangenheim, 2003].

WOM is one of the most credible forms of promotion because people have nothing to gain from advertising a certain good or service people are usually just sharing their point of view of a brand which could be positive or negative [Buttle, 1998]. WOM differs from traditional forms of advertising, there are no boundaries to WOM a consumer can say whatever they think of a brand no limit to what they can say or recommend [Buttle, 1998].

WOM doesn't have to only revolve around a brand, product or service, it could also be the organization focused [Buttle, 1998]. Consumers feel more emotionally bonded to a company or brand when they feel that they are listened to by the company, That's why lots of companies now are tending to assign representatives to personally discuss and present their products and services to their customers. This type of interaction can stimulate conversations about a company's products. This could also include promotional events [Stern, 1994].

Every business owner considers satisfied customers as an asset for the company, as it is informally well-known that word of mouth is a better promotional tool than any orchestrated advertisement. Since the 1960s, research has gauged the major aspects of the impact and significance of WOM, since it was seen as believable and especially custom-made by people who were viewed as having no willingness or premeditation to push forth a particular product or service [Wirtz and Chew, 2002].

Provided the importance of positive WOM in today's market, a more dynamic method needs to be undertaken to search for approaches to oversee and impact it. As such, the question of why referrals are important for a brand is presented. Virality is frequently the first word that advertisers consider with regards to controlling the energy of verbal promotion. In that regard, however, positive WOM impacts affect a brand for a long time past one-time viral promotion efforts [Abdallah, 2015].

1.2 Research Question and Research Aim

How is the market value of a company affected by viral negative sentiment in social media?

This research aims to contribute to the field of industrial management, focusing on industrial marketing and social media marketing. A gap in the literature was identified in regards of measuring the effect of viral negative sentiment on market value. From a company's perspective, positive comments about a business or about its products and services can lead to more sale and success. On the other hand, negative word-of-mouth may damage a business [Heyes and Kapur, 2012]. In this paper, the effects of negative WOM in social media on a company's market value will be discussed and researched through a case study about "United Airlines crisis April 9th, 2017".

On March 2017 United Airlines CEO Oscar Munoz was named U.S communicator for the year by magazine PR week (Greer and Moreland, 2017). After the incident that happened on April 9th, 2017, when police forcibly dragged a passenger "David Dao" off United Express flight for refusing to get off the aeroplane upon the demand of management because it was an overloaded trip and they wanted to seat other people instead. The passenger screamed as officers pulled him out of his seat into the aircraft's rows. He was later seen with blood around his mouth [McQuilken and Robertson, 2011].

The video of the incident was recorded by passengers and went viral on social media, and resulted in a outrage and anger from the public regarding the violent incident [Blodgett et al., 1993].

Negative WOM starts by two or more people mention people mentioning a bad consumer experience. This could be face-to-face, over the phone or online in reviewing sites or social media networks, It doesn't matter which way or thought which medium. The result is the same. The company, products or services are in very bad position that might cause a loss of potential business [Blodgett et al., 1993].

This is a big problem especially if negative WOM ends up on the internet and social media because the news would spread so fast and broadly in no time a company's reputation could go down the hill [Blodgett et al., 1993].

In this research the effects of negative word-of-mouth will be studied and presented in an understanding way, looking through data that proves the right point of view and answer the question "Does negative WOM in social media affect a company's market value?".

Chapter 2

Literature Review

This section will focus on the previous work or researchers and analysts on the topic of word of mouth and its impacts on a company. It will show the findings of previous research papers and studies and compare the different conclusions and elaborate on it.

2.1 Types of Word of Mouth

There are different types of word of mouth, that has different approaches and different characteristics but they all serve the same idea. It is a customer's personal point of view of a certain good or service that is being passed on to a certain person whether orally or virtually. In this section, a deeper understanding of the types and characteristics of the different types of word of mouth will be presented and explained.

2.1.1 E-WOM

Types of eWOM and their effects

There are two types of eWOM, negative and positive, either advocating the product or warning people from the product. Consumers initiate NWOM when the product or product they received did not live up to the standard they expected. [Verhagen et al., 2013] Many schools of thought believe that positive word of mouth (PWOM) is more effective than Negative WOM [East et al., 2016] while others support the significance between NWOM and Positive WOM where Negative WOM is more effective [Gheorghe and Liao, 2012].

Electronic word-of-mouth can be defined as all informal communication that happens through internet based technology and directed to consumer, sending a personal point of view about the usage or characteristics of a certain good or service [Gheorghe and Liao, 2012].

Effects of eWOM on marketing

Social media is expanding in popularity and importance, thus increasing the spread of electronic word of mouth (eWOM) [Chang et al., 2015]. This leads to a large number of brands to start up groups in order to reach out to lovers of the brand along with other consumers, allowing brands the convenience of interacting with their audience [Relling et al., 2016]. However, since eWOM authorises consumers' experience to reach a larger audience, negative word of mouth (NWOM) can drastically affect other consumers' perspective on the brand, which can lead to unfavourable results [Balaji et al., 2016]

The growing rate of social media usage by consumers affects businesses that find it necessary to be involved to be able to communicate with the consumers. Social media is essential in nature that marketers have very low power over the message it delivers which is different from traditional forms of marketing tools. Communicating through social media has turned

into a cultural phenomenon. A large number of consumers are drifting towards using social media making it the new word-of-mouth (E-WOM). There are several social media networks, Facebook by itself has 750 million users, LinkedIn and Myspace have 115 million users, Twitter has 250 million users and 50 million users respectively [Thomas et al., 2012].

Social media usage doesn't only stop by just having a large number of visitors. 176 million U.S. Internet users watched video's online in May 2011. Around 1 million people watch customer service related tweets with around 80% of them critical or negative personalities. 38 million people in the U.S. announced that their purchasing decisions are influenced by social Media [Thomas et al., 2012].

Electronic word of mouth (e-WOM) is expanding in popularity. In e-WOM it is centralised consumer-to-consumer contacts that happen online. e-WOM is assumed to be relatively new, yet in reality, it's one of the most exploited marketing strategies [Katang et al., 2016]. When consumers encounter products that seem either new, odd, and engaging, they inform their associates or the overall public through their online platforms.

e-WOM is spread through the web, so information is passed on created content, thus reaching an enormous number of consumers giving firms the opportunity to be unmistakably famous [Katang et al., 2016]. This success lead to an increase of the significance of electronic verbal promoting in comparison with traditional verbal promoting.

e-WOM is growing rapidly and evolving to take place of traditional person-to-person traditional word -of-mouth in the marketing environment. The most recent way of e-WOM is through social media video blogging sites and instant messaging. This have greatly changed the way in which companies reach the consumers [Kwok and Yu, 2013].

The recent change in the forms of WOM made marketing communication switch from the traditional one-to-one and one-to-many marketing communication into the new many-to-many and many-to-one communication. [Kwok and Yu, 2013].

Many-to-one e-WOM, for example, is the number of votes to a certain product or trend that shows how many people support it or likes it which makes people motivated to do the same [Kwok and Yu, 2013]. Many-to-many, for example, is online discussion groups which allow a consumer to be engaged in a communication process all the time [Buttle, 1998]. One-to-one e-WOM is instant messaging, for example, it is mostly private[Buttle, 1998].

The following figure shows the types of e-WOM and shows how those different types are processed by the users.

Zappos, an online store for men's, women's and children shoes and clothing, is one of the biggest web based business sites on the planet in that field since they constructed their image around trust and client benefit. They depend actively on the way their customers will share the superior experience they had purchasing shoes from their website. "Our theory has been to take the greater part of the funding we would have spent on paid to publicise and put it into client's benefit and the customer encounter rather, giving our client's a chance to do the promotion for us through informal conversations and interactions over social media and other outlets" [Zappos.com, 2009]. In addition, commitment to getting new customers for the business can be a test, yet with a referrals program, it doesn't need to be. Individuals who have been adverted by an associate usually remain loyal to a brand longer than the people who found the organisation through more conventional methods.

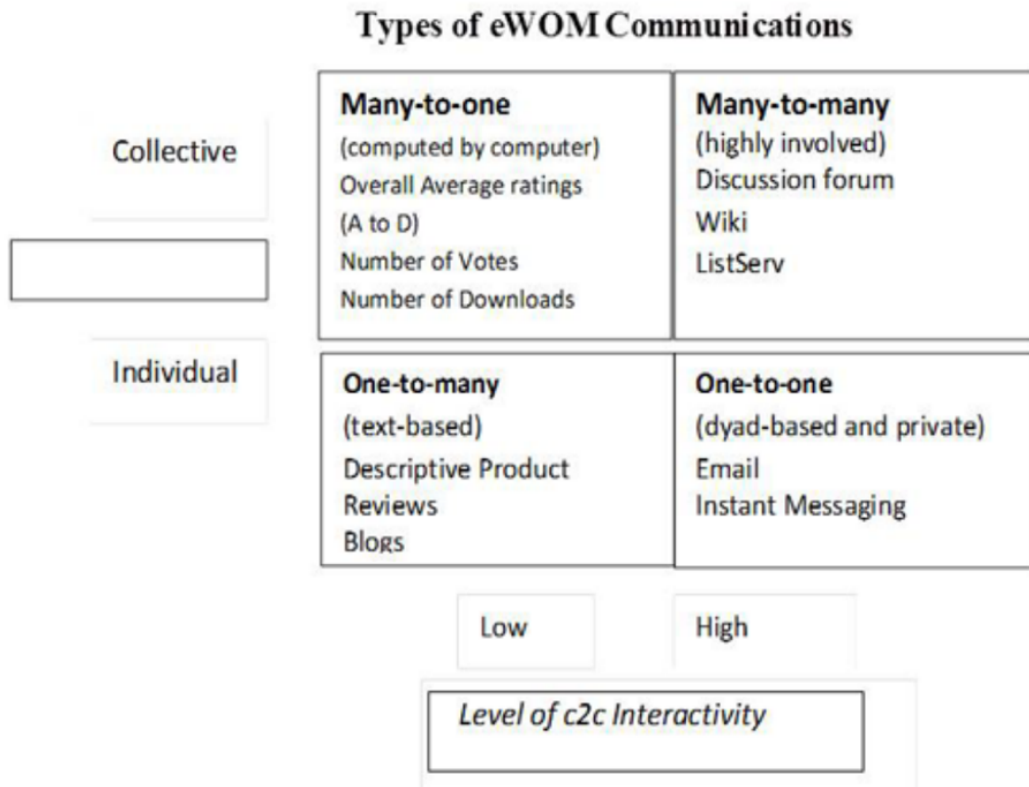


Figure 2.1: Types of e-WOM communication. Source: [Arndt, 1967].

A review done by Goethe University uncovered that clients prescribed to the business were 18 percent more prone to remain with the association than different customers [Forbes.com, 2010][Forbes.com, 2010]. The article emphasises that people have a tendency to have a more grounded connection to an organisation if their accomplices or colleagues share an attachment to a similar foundation [Heyes and Kapur, 2012].

GoPro's "Win Everything We Make" campaign was the ideal example of allowing the customer base to actively participate in advertising campaigns by giving them the chance to submit photographs taken by GoPro products and have the chance to be included and highlighted in later GoPro advertising materials. As a result, Sixty-six percent of customers would later give referrals after being featured in one of the Highlights, thereby giving rise to a larger pool of potential customers. Limiting this campaign to a limited time period ensured the customers are more eager to participate, increasing effectiveness [Kwok and Yu, 2013].

As indicated by a GoPro expert, this unique marketing strategy was about making a progression of showcasing individual efforts which are readily available and relatively affordable to obtain, thereby providing a nearly unlimited supply material for advertising down the line. Showcasing verbal exchange between customers regarding a product need not also to be a stylish, it can also be a continuous process, that constantly connects with brand envoys [Kwok and Yu, 2013].

Clients are four times more inclined to purchase when alluded by a companion, and in today's digitally advanced world, open communications are promptly accessible through email, Twitter, Facebook and LinkedIn. Of course, informal exchange is not a novel idea; however,

with the development of online networking in the most recent decade, it is more essential than any other time in recent memory for brands to outfit their impact on society [Kwok and Yu, 2013].

2.1.2 Negative WOM

From a marketing, prospective WOM can be either positive or negative. The most important goal of the marketing concept is that marketers should aim to reach customer satisfaction. To fully reach this goal it requires that marketers should also seek a cure for customer dissatisfaction. While It is believed that satisfaction leads to brand loyalty, good will and repeat sales, dissatisfaction will lead to a switch in the purchase [Blodgett et al., 1993].

When dissatisfied consumer requests to return a product the retailer is given a chance to remedy the situation. complainants who feel that they are satisfied by the retailer's solution are likely to repurchase that product and even become more loyal, whereas complainants who don't feel satisfied by the solution are likely to engage in negative word-of-mouth, for example could complain to family and friends and give negative feedback and also vow never to purchase from this particular company again [Cheung and Thadani, 2012].

A study found that dissatisfied consumers would complain to nine other people about their negative experience. Some a business could lose ten to fifteen percent of their annual volume due to poor service [Adelman and Ahuvia, 1995]. It would cost five times more to attract a new customer as to retain an old one [Adelman and Ahuvia, 1995]. It is very important that retailers focus on resolving a customer compliant.

WOM has a crucial role in forming consumer opinions and attitudes, and thus, their behaviours. In addition, social media and online social networks have accelerated the spread of WOM between customers and their companions. In addition, web-based long range communication networks and services often contain a client database that they can share with others. However, previous logical models on WOM conduct and the social relations behind it were not adapted for WOM through online networking. As such, the elements of this better approach for correspondence have been so far largely untapped [Richins, 1983].

WOM also plays an important and noteworthy part in shaping and managing the shoppers' expectations, states of mind and practices and is likewise alluded to as referral showcasing [Brown and Reingen, 1987]. Observations into the advertisements in the time frame between the 1960s and 1970s, when the Television set was the dominant medium of execution, demonstrated the significance of the individual impact. Not as much thought was given by the public to the more "casual" promotion methods, WOM included, as they do about the formal advertising means. As such, numerous advertisers started using these novel channels of communications for their advantage [Reingen and Kernan, 1986].

A successful WOM procedure involves the use of four different associations that are needed to encourage the buyers to talk positively about any product or service. These fulfilments are the item, self, other and message associations. Unless the client receives something in return, chances that they will talk about a certain product will be reduced. This hypothesis later emerged supporting the concept of "hedonistic experientialism" [Kimmel and Kitchen, 2014].

2.2 Importance of Word of Mouth

Research usually supports the fact that WOM is more beneficial and has the greater impact on consumers than any marketing controlled tools. WOM influence a variety of conditions some of which awareness, expectation, attitude, perception, behavioural intentions and behaviour [Buttle, 1998].

Researchers concluded that WOM has greater influence and is more important than advertising in raising awareness of an innovation in marketing sure that a consumer would try the product or service [Sheth, 1971].

WOM has become more influential because of source reliability and flexibility in communication WOM is nine times as effective as advertising at converting negative idea about a certain good or service into positive attitudes [Mangold and Faulds, 2009]. From the research of WOM in skilled services context determine that WOM has more influence on purchasing decision than other of influence tools. This is probable because personal sources are usually viewed as more trustworthy and credible [Murray, 1991]. WOM influences the expectation and perception in the industrial purchasing context during the search phase in the purchasing process [Buttle, 1998].

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Reasons driving Negative WOM

There are multiple reasons of why a consumer might start spreading Negative WOM over social media. Insufficient service might ignite anger from customers to feel like they did not get their money's worth, this leads to an emotion-generated response from customers [Heyes and Kapur, 2012]. According to the "social sharing of emotion theory," humans show a trend in enjoying to share their emotional experiences. The atmosphere in which humans are developed in favours when they expose their sensibility to gain affection, support, aid, and comfort [Doh and Hwang, 2009]. Secondly, consumers prefer to assume that other consumers have common

taste and standards to expect from a product, so they feel entitled to share their views with other consumers [Lee and Song, 2010]. Moreover, research has examined how participants on social media start their own groups through sharing and reviewing common interest, building a social bond as well. Consumers are more likely to spread advice if they have received useful advice from other members of the community. Others might use NWOM for their own personal gain, expressing their unfortunate experiences to come to a solution [Verhagen et al., 2013].

How eWOM affects the brand's image

As most interactions on social media mention brand's names, automatically, eWOM has a great impact on purchasing decisions associated with the brand [Relling et al., 2016]. Nowadays, consumers don't just depend on advertisements of their purchasing choices, publicly seeing brand's engagement with other costumers, along with messages exchanged between them, allowed costumers to feel more secure while dealing with the brand [Hornik et al., 2015].

Companies started to acknowledge the destructive effects of NWOM on their revenues, yet they still don't supply quick responses to aid the situation out of fear of making matters worse. However, studies have shown how the firm's "response strategy" has a drastic imprint on the brand's image. [Kwok and Yu, 2013].

[Lee and Song, 2010] has divided consumers in online complaint affairs into three categories, complainers, repliers, and observers. Observers observe the negative sent messages from a far and judge the brand while taking the negative comments into consideration. Observers rarely become active unless a complaint is personal to them [East et al., 2016].

Research has shown the importance of consumer word of mouth (WOM) in a formation of attitude as said by [Bone, 1995]. There is no single theory of how good or bad a consumer will react to the negative WOM in social media rather the study is based on several different theories from various fields of study [Oliver, 1980].

Even though many structures of advertisement processing and response have been developed most test that involves experiments have exposed subjects only to advertising stimuli [v. Wangenheim and Bayón, 2004].

However, customers usually get negative brand information along with advertising (Vogt, 1995). In one of the earliest researches, WOM was defined as Oral person-to-person communication between a receiver and communicator whom the receiver perceives as non-commercial, regarding a brand, product or service [Bayón and v Wangenheim, 2003].

This definition is not correct or accurate because WOM in the present time can be, oral written, using social media and virtual online tools [Bayón and v Wangenheim, 2003] Electronic WOM is increasing in popularity, e-WOM is centralized consumer-to-consumer contacts that happens online [Bayón and v Wangenheim, 2003].

E-WOM is assumed to be relatively new, yet in reality, it's one of the most effective marketing strategies [Katang et al., 2016]. One the most important advantages and disadvantages of WOM is that it has no boundaries or rules, a person can say whatever they want about a good or service weather that could be a positive or negative thought [Stevens et al., 2017].

In some scientific papers, it was mentioned that WOM is a form of advertisement [Bone, 1992]. This is incorrect, WOM is a form of "promotion" because advertisement by definition is a paid form of marketing, Unlike WOM is, actually nicknamed "Free promotion" that is not

sponsored[Buttle, 1998].

2.3 What is Sentiment Analysis

Sentiment analysis means the use of text analysis, natural language processing to systematically figure out, measure and study affective states and subjective information. Sentiment analysis is often called opinion mining or emotion AI. It is widely used and applied to voice of customer materials like reviews and survey responses, online and social media.

Sentiment analysis aims to analyse the attitude of a speaker, writer, or another subject with respect to a certain topic or an overall emotional reaction to a document or interaction. Sentiment analysis is the act of determining positive or negative opinions, emotions and evaluations [Williams et al., 2015].

Sentiment analysis has been posed as a natural language processing tasks at various levels starting from document-level classification to aspect-level classification [Agarwal et al., 2011]. In essence, it is the process of determining the emotional tone behind a series of understanding of attitudes, opinions and emotions expressed within mention in natural text.

Sentiment analysis is very useful in social media monitoring since it allows people to get an over view of the public opinion behind a certain topic. Social media monitoring tools like Meltwater and Brandwatch Analytics make the process more accessible and easier than before. [Poria et al., 2014].

The applications of sentiment analysis are very broad and powerful, they are able to determine insights from social data, Shifts in the sentiment on social media have been shown to correlate with shifts in the stock market [Bannister, 2017].

Chapter 3

Methodology

This part of the research will present and explain the research methods used in this research. The different methods and techniques consist of the purpose of the study, research purpose, research approach, research strategy and data collection.

3.1 Research Purpose

The purpose of this research is explanatory. As all research study will change and progress over time, more than one purpose might be acknowledged. The attention of the detailed research lies in making the problem more apprehensible by reducing them into their components parts [Newman and Benz, 1998]. An exploratory review is an important method for discovering what is happening, a method to gain new insight in a particular research area it is especially useful to clarify an understanding of a problem [Robson, 2002].

Due to the purpose of attempting to show in what way the occurrence of negative WOM in social media affects the purchasing choice of a customer and can affect a business, the research paper has a high explanatory use. [Robson, 2002].

3.2 Research Approach

There are two different methods for the collection and analysis of data when conducting research; qualitative and quantitative [Denscombe, 2002]. The qualitative research method studies things in their natural environment attempting to make sense or interpret a phenomenon [Newman and Benz, 1998]. The quantitative research sets its focus on hypotheses testing to contribute to knowledge. And is more concerned with the design measurements and sampling [Neuman and Kreuger, 2003].

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This paper can be classified as a qualitative study since it aims to gain a deeper understanding through the values and attitudes of interviewees, instead of the quantitative approach of finding numerical, quantitative correlation. When deciding on the approach, there is also a matter

of selecting an inductive or deductive approach. In the inductive method, the researcher collects information, searches for patterns and theory develops from this data collection (Newman and Benz, 1998) while applying a deductive model of thinking [Creswell, 1994]. The deductive approach includes relying on the substantial amount of theory that provides direction for the study. The research in this paper will take a deductive approach since the study has its foundation within theoretical proposition and frame of reference. The inductive research approach does not fit the purpose as it moves from specific observations to broader generalisation and theories.

3.3 Sentiment Analysis

The data were analysed using sentiment data analysis from Brandwatch, a software as a service (SaaS) company that develops and markets media monitoring and business intelligence software, and also analyse several aspects and events of social media using sentiment analysis. Data were collected regarding United airlines crisis of 2017 and analysed a number of people who mentioned United on Twitter the next two days of the incident and the reflect and impact this had on the stock market chart of United. It is important to explain that there are several variables other than negative word of mouth that could affect a companies stock market, but this research in only measuring specifically the effect of negative word of mouth in social media on a companies stockmarket using sentiment analysis.

3.4 Ethics

This research was avoiding the following unethical aspects, Invasion the privacy of interviews, using data that is incorrect and referring them to a company. This research insured ethical guidelines were followed throughout the research process. Interviewees were asked for permission to record the data they were given, names of interviewees were removed and kept anonymous in respect of their privacy. All the data given from Meltwater were referenced to their name.

Chapter 4

Case Study on United Airlines April 2017 Crisis

4.1 Flying Industry history in the United States

An airline is an organisation that provides air transport services for travelling passengers and freight. Carriers utilise aircraft to supply these administrations and may form partnerships or alliances with different aircraft for codeshare assertions. For the most part, carrier organisations are perceived with an air working certificate or permit issued by a legislative avionics body. [Cheung and Thadani, 2012].

Carriers shift in size, from little residential aircraft to full-benefit universal aircraft. Carrier administrations can be classified as being intercontinental, domestic, local, or global, and might be worked as booked administrations or charters. The largest airline currently is American Airlines. [Bluestone and Harrison, 1982].

The principal carriers were called DELAG, Deutsche Luftschiffahrts-Aktiengesellschaft was the world's first airline. It was established on November 16, 1909, with government help, and worked aircraft fabricated by The Zeppelin Corporation. Its central command was in Frankfurt. The principal settled wing planned air administration was begun on January 1, 1914, from St. Petersburg, Florida to Tampa, Florida. The four oldest non-blimp airlines that still exist are Netherlands' KLM (1919), Colombia's Avianca (1919), Australia's Qantas (1921), and the Czech Republic's Czech Airlines (1923). [Penner, 1999].

The United States has an extensive air transportation network. In 2013 there were 86 air terminals in the U.S. that every year took care of more than 1,000,000 passengers and twelve of the world's thirty busiest air terminals by traveller volume in 2014 were in the U.S. (down from 17 in 2004), including the world's busiest, Hartsfield-Jackson Atlanta International Airport. In 2012 88% of all movement was through the 62 busiest air terminals in the country. In expressions of freight, in 2015, eight of the world's thirty busiest aeroplane terminals were in the U.S., including the world's second busiest, Memphis International Airport. [Coulter et al., 2012].

Private flying machine is additionally utilised for therapeutic crises, government organisations, substantial organisations, and people, see general aeronautics. Because of the topography of the United States and the for the most part expansive separations between real urban communities, air transportation is the favoured technique for go for treks more than 300 miles 480 km, for example, for business explorers and long separation get-away voyagers. For urban communities nearer together in the Northeastern piece of the nation (e.g. Boston, New York City, Philadelphia, Baltimore and Washington D.C. the Northeast Corridor rail line conveys

the dominant part of intercity activity [Reynolds-Feighan, 2001].

Since the begin of the Great Recession air movement in the U.S. has declined and the U.S. government revealed 1.2 million less planned household flights in 2013 than in 2007 (with declines averaging in the vicinity of 9 and 24% everywhere and medium-sized aeroplane terminals, individually). In the meantime, the aircraft business has likewise experienced fast solidification with the greater part of country's biggest transporters encountering mergers. The normal household carrier charge has consistently expanded since 2009 and in 2014 it was higher than any time since 2003 [Adelman and Ahuvia, 1995].

The first scheduled commercial airline flight using a fixed-wing aircraft on American soil was on the 1st of January, 1914 [Engel et al., 1969], but the commercial flight market did not thrive until after the Second World War, when an abundance of military aircraft in disuse led to efforts to retrofit them for commercial use to transport passengers and cargo [Penner, 1999].

An account of the American market size and division will be given before studying the effect of WOM (Word-Of-Mouth) on the marketing and profits of a key competitor in this market: United Airline.

With a Gross Domestic Product (GDP) of US \$18.56 trillion in 2016, the American market is the largest economy in the world [Bea.com, 2010]. It represents 22% of the Nominal Global GDP and 17% of the Gross World Product, and its currency is the most used in international transactions, in addition to being the world's most prominent reserve currency [Christopher et al., 1991].

The aviation industry is a major component of the American economy, with a revenue of US\$152 billion in the fiscal year of 2015-2016, an employment base of 304,142 employees, and an estimated annual growth of 1.3% Domestic Airlines Market Research Report [Weisfeld-Spolter et al., 2014].

The United States is viewed as the world's premier free advertise economy. That is on account of the U.S. Constitution ensures the three basic components that make a free market. They are responsibility for property, a focused market, and unregulated costs. The U.S. free market depends on capitalism to flourish. That implies the law of demand and supply sets costs and circulates products and enterprises (Gray, 2016). That fits ideal in with the American Dream. It states that every individual has the privilege to seek after his or her own concept of bliss. That interest drives the entrepreneurial soul that private enterprise needs. The Founding Fathers said every American ought to have risen to chance to seek after their own vision. They composed the Constitution to ensure that privilege. The Constitution likewise educates the central government to advance the general welfare [Kimmel and Kitchen, 2014]. That allows the federal government to utilise focal arranging in territories that of essential significance to the country's development. That incorporates protection, broadcast communications, and transportation.

One of the first aircraft to be retrofitted in this manner was the de Havilland Comet after Sir Geoffrey de Havilland used his influence to push forward the development of a jet-propelled aircraft [Billings, 1997].

This technical achievement was, however, soon overshadowed by the design flaw of not accounting for repetitive pressurisation and depressurisation stresses that resulted in 25 hull-loss accidents that caused 13 fatal crashes and the loss of 426 lives [Denscombe, 2002].

These accidents, however, occurred over a span of over 18 years (from 26-Oct-1952 to 02-Jan-1971), leading to the conclusion that passengers continued to use the Comet despite the lethal accidents caused by the plane. In this example, Word-Of-Mouth was not a factor in marketing, as news of the dangers of the aircraft have not spread to force it to discontinue sooner [Denscombe, 2002].

4.2 United Airlines and Competitors

With a market capacity of US\$21 billion in the year 2016, United Airlines, Inc. (UAL) is the fourth largest aviation corporation in the USA market. It is also the largest in terms of the number of destinations served, making it one of the most significant competitors in the American market [Wirtz and Chew, 2002].

Its main competitors are Delta Airlines, Inc. (DAL), Southwest Airlines, Inc. (LUV) and American Airlines (AA). Delta boasts the highest market share with US\$37.1 billion, followed by Southwest (US\$25.8 bn) and American Airlines (US\$25.3 bn) [Wirtz and Chew, 2002].

United Airlines regularly alluded to as United, is an American carrier headquartered in Chicago, Illinois. It is the world's third-biggest airline when measured by income, after American Airlines and Delta Airlines. Joined works a vast local and universal course organises, with a broad nearness in the Asia-Pacific district. Joined is an establishing part of Star Alliance, the world's biggest aircraft cooperation. The territorial administration is worked by free transporters under the brand name United Express. Its principle rivals are American Airlines, Delta Air Lines, and Southwest Airlines [Hovland et al., 1957].

United Airlines was established in 1926 as Varney Air Lines and was later known as United Air Lines (UAL). Only before the utilisation of the United Airlines name, The Boeing Company operated an ancestor aircraft [Hovland et al., 1957].

United works out of nine airline hubs located in Chicago, Denver, Guam, Houston, Los Angeles, Newark, San Francisco, Tokyo and Washington, D.C. Chicago-O'Hare is United's biggest center point, both as far as travelers conveyed every year (16.6 million in 2016) and as far as takeoffs 181,488 in 2016). This passed George Bush Intercontinental in Houston, which conveyed 15.5 million with 178,019 takeoffs. Unites works upkeep bases in Cleveland and Orlando in expansion to the support areas situated at United's centre points [Rakshit et al., 1996].

4.3 Background on United Airlines Incident

On the 9th of April, 2017 in O'Hare International Airport and after passengers were seated in the United Express flight 3411 aircraft, it was announced that four passengers needed to be removed to accommodate four staff members who were needed to cover an unstaffed flight at another location (USA Today, 2017).

An initial offer of US\$400 was made for passengers who would voluntarily deplane and take a flight 21 hours later, and upon no one accepting the offer, it was increased to US\$800. As none of the passengers accepted the second offer, it was announced by a UA manager that four passengers would be chosen by the computer to be forcibly removed from the flight [BBC-news.com, 2017]. Three of the selected passengers accepted to leave upon being chosen, but Dr

David Dao, the fourth selected passenger refused to leave, saying he needed to see patients the next day at his clinic [BBCnews.com, 2017].

After members of the Chicago Department of Aviation Security were called by the United Airlines staff, conflict between Dr Dao and the officers resulted in Dr Dao suffering injuries to his head and mouth before being dragged unconscious down the aisle by the arms.

During the conflict, some passengers on the flight recorded the events and circulated the footage online [BBCnews.com, 2017]. One of the videos was shared 87,000 times and viewed 6.8 million times in less than a day [BBCnews.com, 2017].

Even though the immediate effect of this incident were not severe UAL shares on the 11th of April dropped to 0.2% less than on the 7th of April, before the incident (Google Finance, 2017), it is speculated that the airliner will suffer noticeable losses in the long term, as a poll of 1,900 people conducted three days after the incident suggest that 79% of prospective fliers who had heard of the incidents will actively seek a non-United Airlines flight if given the choice, even if it costs US\$66 more and took three additional hours (Quealy, 2017).

4.4 How the story developed on social media

The first Tweets appear online

The first tweets started surfacing on social media between seven and eight PM EST on Sunday, April 9th. Jay David's Tweet was posted at 8.01PM EST. Fig 4.1 demonstrates the volume of tweets about United during the initial 48 hours. As proved by the chart, there were barely any Tweets in the hours following the incident forthwith.

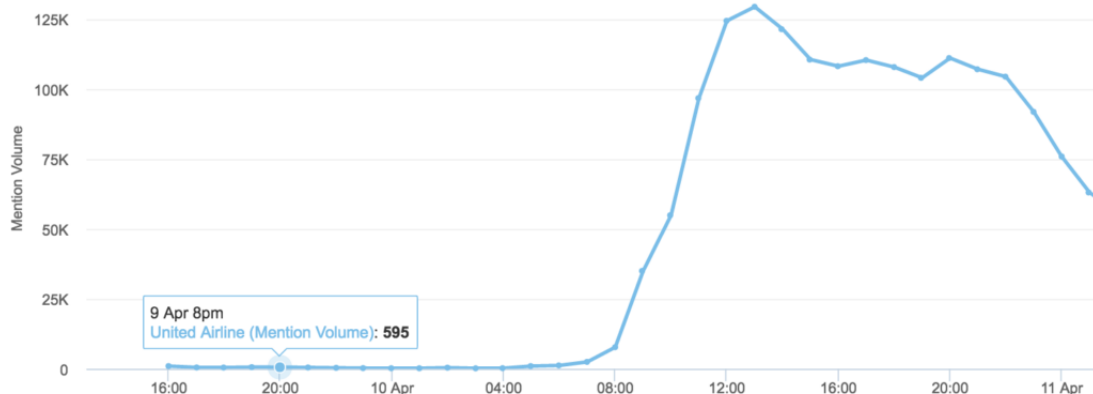


Figure 4.1: Volume of Tweets mentioning United during the first 48 hours. Source: (Brandwatch, 2017).

Brandwatch Analytics is one of the most frequently used employed social listening since it aids firms and business to track real-time discussions about their brand. One of its features is to set up alarms to notify firms when a change of note takes place. [Bannister, 2017] United were facing an obstacle since any detectors would fail to notify them while this crisis was evolving. Conversations about United decreased on social media, causing the United team to be insensitive to the crisis ahead.[Bannister, 2017]

The timing at which the incident has a significant impact on the relatively subtle thread of

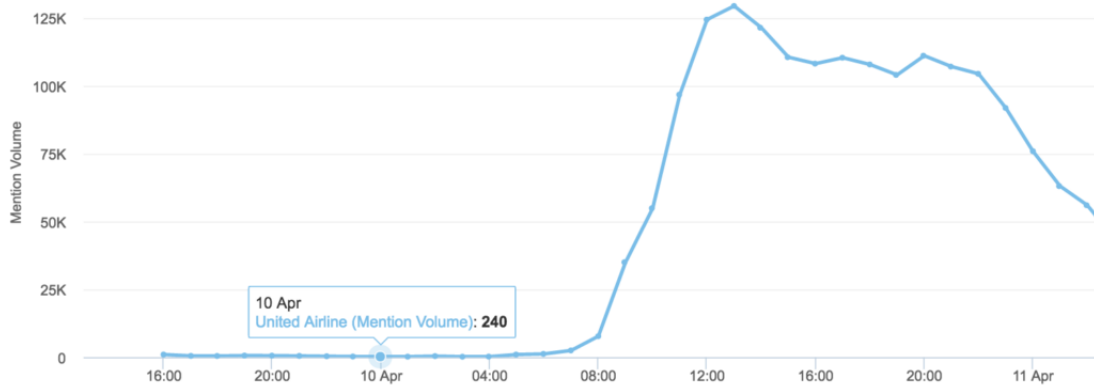


Figure 4.2: Volume of Tweets mentioning United 3 hours after intial Tweets. Source: (Brandwatch, 2017).

discussions. 8 PM wouldn't be considered late, but most English-speaking internet communities have logged off social media for the day. However, an exceptional peak in conversations about Untied did not occur till 5 AM EST on the following day. Only now did a social listening alert start picking up the increase in conversation, nearly 10 hours later after the initial Tweets. [Ohlheiser, 2017]

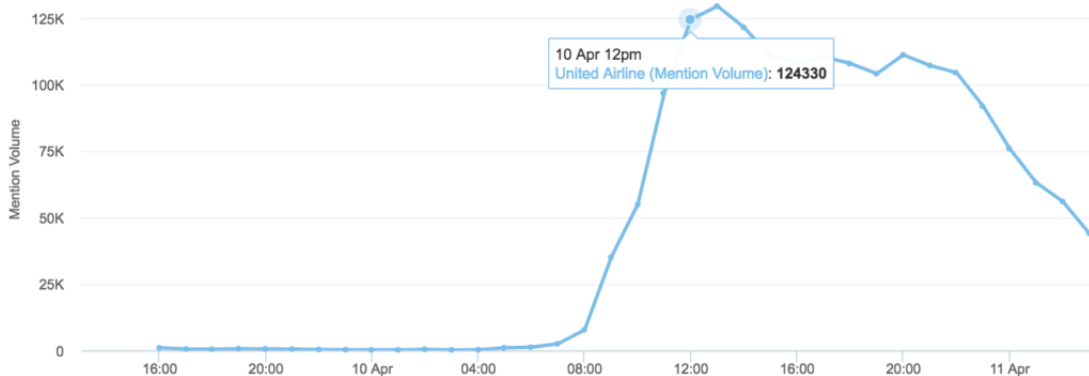


Figure 4.3: Volume of Tweets mentioning United 15 hours after intial Tweets. Source: (Brandwatch, 2017).

In just two hours United mentions elevated by a factor of 250X per hour, from 1,000 to quarter of a million between the hours of 12-1 PM EST. At this point, the small dissatisfaction ignited into a small fire packed with negative responses to United and their action that took place.

4.5 Tracking negative sentiment

Net sentiments can reveal the abnormal shift in sentiment when the mentions fail to detect all conversations about the brand. The vast number of negative mentions will trigger a drop in net sentiment which would, in turn, provoke a crisis alert. United suffered from a downfall in net sentiment after the publishing of the first thread of Tweets. [Ohlheiser, 2017] United's reputation was threatened. Even If United's detectors could not detect a change in the volume of Tweets, the shift in sentiment could have drawn their attention to the spread of negative sentiment regarding the brand on social media and how critical it was to search for a solution. However, the shift in sentiment was just as subtle as the volume of tweets; as shown in Fig 4.4,

the volume of negative tweets hasn't increased drastically until eight AM the next day. Any crisis detecting system depending on negative mentions would fail to spot the essential peak as a result of the insufficient number of mentions.

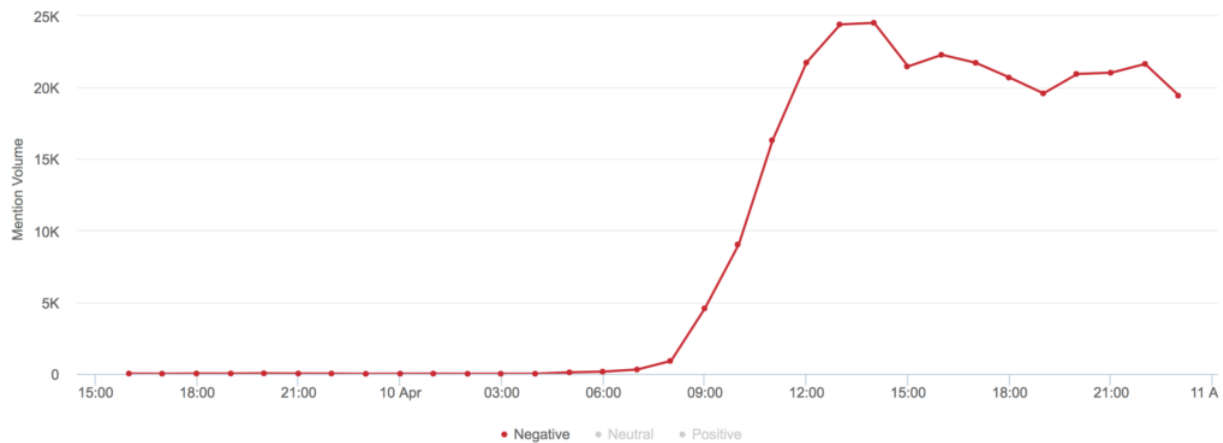


Figure 4.4: Volume of negative Tweets mentioning United during the first 48 hours after the incident. Source: (Brandwatch, 2017).

Net sentiments can reveal the abnormal shift in sentiment when the mentions fail to detect all conversations about the brand. The vast number of negative mentions will trigger a drop in net sentiment which would, in turn, provoke a crisis alert. United suffered from a downfall in net sentiment after the publishing of the first thread of Tweets about the incident. [Tom, 2017]

4.6 Relation between the negative WOM and the stock market and social media trends

Shortly after the incident, on the 11th of April United's stock dropped by 4%, causing United to lose one billion US dollars off their market value Figure 4.5. This clearly shows how the stock market can be sensitive towards negative WOM. United's CEO, Oscar Munoz, tried to calm the escalating waves of anger and negativity towards the brand by issuing an apology which did in fact help in recovery.

However, as seen in Figure 4.5, the company managed to recover its stock value within 3 days, and reached an all time high on 2nd of June 2017.

4.7 Handling the Crisis

Well planned and executed recovery can be an outstanding opportunity to create positive publicity around the brand. [Gregoire et al., 2015] Unfortunately, that wasn't the case with United. CEO Munoz first attempt was to come out with an apology, which backfired due to his use of careless words that did not address the issue directly.[Gunter, 2017] Munoz apologised for having to "re-accommodate costumers" which underestimated how the video published had been perceived around the world. The lack of empathy in his apology caused individuals on social media to burst with more rage at how lightly United was taking this issue. [Sakzewski, 2017]



Figure 4.5: United Airlines (UAL) stock price over the past 6 months. Source: (Google Finance, June 10, 2017).

Social media was packed with people expressing their dismay with the company, people shared pictures of their loyalty cards for United ripped up into pieces as they declare their will to not be associated with the brand any longer.[Creswell and Maheshwari, 2017] It wasn't until a few days later that Munoz posted a heartfelt apology calling the episode "truly horrific" along with a promise that such behaviour will not be seen again from United. The second apology did relief some costumers, yet at this point, far too much damage had been done for the apology to reverse the repercussions of the video going viral. [News, 2017]

Chapter 5

Discussion and Conclusion

In this section we will discuss the results presented in the previous chapter, and conclude based upon them.

5.1 Discussion

After analysing the data and information about the effect of negative word of mouth on a companies market value on the case study of United Airlines crisis of April 9th, 2017. The research showed that an act of violence that affected consumer satisfaction of not only the passenger that this incident happened to but also affected a lot of people all over the world.

People were in a state of anger and outrage which was very obvious in the graph in Figure 4.4. The graph showed the dramatic increase of United Airlines incident mentioning on social media, some examples of the social media types that the indecent was shown on the most on Facebook, Twitter and of course several news sites.

As seen in Figure 4.5 This volume of negative tweets and posts, had taken the stock market by storm, and caused a plunge of 4% in market value of the company. However, as also seen in the same figure, the company managed to recover within 3 days of the incident and reached an all time high by 2nd of June, 2017.

Many studies have shown that negative WOM has a bad effect on market value [Richins, 1983], however, this case demonstrates a very interesting counter example to this phenomenon where negative WOM affects a company short term market value but has little to no effect on the long term.

5.2 Conclusion

After discussing the data and findings, we have seen that negative WOM in social media can have an have a very short effect on market value in contradiction to what most studies have shown.

Acording to most studies, negative word of mouth in social media might affect a business dramatically, however it also seems that it might not. It seems that in some cases, the actual product or service that the company offers is what matters to consumers. But this needs further research to do a larger study on the effects.

5.3 Limitation

This paper has a theoretical, qualitative context which makes it difficult to add measurable options and data. Time was also a limitation that affected the quality of the journal. Not having enough research budget didn't allow the paper to design and execute a campaign to measure the effect of negative WOM in social media on companies market value.

5.4 Future Work

As mentioned in the conclusion, the effects of negative word of mouth seems to sometime differ from the expected outcome as seen in most studies. Therefore, it is important to continue further, analysing more case studies to better understand the reasons for this difference and what conditions can cause a case of negative WOM to be disastrous or very temporary with negligible effect.

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