Strategic Reactions: Corporate Responses to Social Media Consumer Movements

Completed Research Paper

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Introduction

In the late 1990s and through 2001, consumer activists protested Nike's alleged “sweatshops” around the globe. This was a new sort of protest that went beyond the picket lines and boycotts of the past – this protest extensively used email and listservs to spread messages and mobilize action at an unprecedented pace and for a very low cost (Peretti and Micheletti 2011). Nike responded to the consumer movements using the full spectrum of tactics – including everything from attempts to squash the movement and stifle the protests, to changing corporate policy, to coopting ideas from the protests in marketing campaigns (Carty 2002).

It is unclear, however, which responses on the part of Nike were and were not effective, and for what outcomes. Nike is a company used to controlling the message around its valuable image. The company was not accustomed to this new unpredictable and complex force, and undoubtedly made many mistakes as it tried to manage the movement (Zheng 2010). The Internet has all but eliminated the ability of corporations to control their message, and it is only becoming more difficult.

In recent years the Internet has moved well beyond email and listservs to include the entirety of the contemporary socially-networked world: social media, mobile devices, and a variety of related digital affordances (recommendation & feedback systems, games, etc.) provide an unprecedented set of options for digitally-enabled protests to become more accessible and multifaceted due to dramatic network effects and multi-channel capabilities (Kaplan and Haenlein 2010; Samuels 2011). Just as there was virtually no research available to Nike to understand appropriate action to this new form of protest, there is still a dearth of research into effective strategies for coping with the new breed of social media-enabled social movements.

In this paper we take an initial step toward understanding effective actions for corporations in the face of social media protests. We take an inductive, event-based view of five recent social media protests (Bank of America, Go Daddy, Netflix, Chick-fil-A, Abercrombie & Fitch) and the responses of corporations, in an effort to generate theory. We analyze the various events’ patterns of interaction and generate a set of propositions on effective action for corporations in the face of social media protests.

The remainder of the paper is organized as follows. First we briefly review the literature on the corporate impact of social movements. Next, we present our analysis of five recent consumer social movements. We conclude our inductive study with propositions based on patterns we identify in the cases.

Corporate Impacts of Consumer Movements

The 1990s ushered in a new breed of digitally-enabled social movements that drew upon technologies such as the Internet and mobile phones to affect politics, social issues, and corporate activity (Garrett 2006). In recent years the capabilities and pace of such movements has accelerated dramatically with advent of social media, mobile computing, and the related network affects and social practices (Kaplan and Haenlein 2010; Samuels 2011). Literature on the corporate impact of digitally-enabled social movements is still in its infancy, and much of it draws on the research into consumer movements more broadly.
Consumer movements can have substantial implications for a firm’s reputation and revenue. Protests, for example, can bring negative media attention to the firm and send negative signals to customers or investors. Additionally, customer boycotts directly decrease sales when current customers make pledges to stop purchasing a firm’s products or services due to ideological reasons. Studies in the field of management have examined the financial impact of social movements on public firms.

Interestingly, prior studies have not offered consistent support for the hypothesis that consumer protest and boycott activities have negative impacts on firm performance. While stock return analyses suggest that protests and boycotts can result in negative share prices or firm concessions under certain circumstances (King and Soule 2007), not all protests and boycotts are effective at achieving their policy-related goals. In fact, research suggests that the success rates of boycotts can be as low as around 25% (Friedman 1985). Despite inconsistent academic findings, many modern firms’ reactions to consumer movements seem to indicate that they respect the risk of financial implications that might result from the coalescence of a consumer movement.

Strategic decision makers at firms know, however, that they cannot acquiesce to every demand made by a particular consumer movement. After all, classic corporate governance scholarship indicates that firm strategy should be focused on maximizing value created for the shareholders of a firm. Stakeholder theory serves as a contrast to the classic Berle-Means vision of the corporation, proposing that in addition to corporate shareholders, groups such as employees, customers, and communities want to “provide input to corporate decisionmaking” (King 2008). As a result, extant research has also investigated when and why certain corporations targeted by consumer protest activity acknowledge and acquiesce to demands of a consumer movement (see e.g. Amenta et al. 1992).

One such model is known as the Political Mediation Model, which holds that the success of a social movement depends on its ability to “reinforce political action with strong organization of members under favorable political conditions” (Amenta et al. 1992). In King (2008)’s application of the Political Mediation Model to modern consumer social movements, he asks the intuitive next question: if a movement’s success is “moderated by the institutional proclivity to change,” when are institutions particularly open to change such that consumer movements may be successful? As his study indicates, these moments may exist where an institution’s financial performance is in decline or when they face reputational damage (which can result from heightened media exposure to a consumer movement) (King 2008).

Despite the academic work that focuses on when and why firms make concessions to consumer protests (see e.g. Waldron et al. 2013), there is little theoretical work that investigates how, as a practical and strategic matter, corporations targeted by consumer protest activity respond to a consumer movement’s demands to further their own goals. This research question, however, is ripe for study in the field of Information Systems; the availability of digital response channels has rapidly proliferated in the last two decades and, as a result, firms have more (and more diverse) ways of communicating with consumers than ever before. These can include, for example, mobile apps such as Instagram, microblogging platforms such as Twitter and Facebook and direct consumer contact via e-mail in addition to the traditional routes of press releases followed by newspaper articles. Additionally, because the social media tools used by consumer movements have dramatically increased the spontaneity and the rate at which these movements can form, the timing of the response becomes a critically important tool in the corporate strategist’s arsenal. A rapid response can have advantages in coopting search activity (and media narratives) about a particular grievance but also have possible disadvantages in legitimizing a grievance that may have dissipated if otherwise ignored.

This paper serves as an inductive step at developing IS theory in this realm; analyzing five very recent consumer movements. After presenting our analysis, we offer propositions as a starting point for theorizing.

**Method**

To study events associated with social media consumer movements and corporate responses, we drew upon data from Google Trends. Google Trends is a service that analyzes a sample of Google web searches to compute a ratio of searches conducted for a particular term relative to the total number of searches done on Google over time. For this study, search terms used included the name of the firm followed by a
keyword that best described the protest event. For example, when conducting a trend search for the Chick-fil-A protest event described above, the search string used was “Chick-fil-A gay.” The addition of the topic-specific keyword is critical to limit the scope of search coverage to approximately the general area of the consumer protest. This helps us distinguish between searches about the grievance in particular and searches about the firm in general. A list of the firms and search strings used in this sample appears in Table 1. Trends searches are limited to the country in which the consumer movement originates.

Graphs show Google trend information starting from the 14 days before a formal statement of protest, consistent with prior research studying the stock return responses of consumer movements. In contrast with stock response studies that generally used a five day post-event window, we captured trend information for three weeks following the event date.

<table>
<thead>
<tr>
<th>Firm</th>
<th>Search String</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bank of America</td>
<td>&quot;bank of america fee&quot;</td>
</tr>
<tr>
<td>Go Daddy</td>
<td>&quot;godaddy sopa&quot;</td>
</tr>
<tr>
<td>Netflix</td>
<td>&quot;netflix qwikster&quot;</td>
</tr>
<tr>
<td>Chick-fil-A</td>
<td>&quot;chick fil a gay&quot;</td>
</tr>
<tr>
<td>Abercrombie &amp; Fitch</td>
<td>&quot;abercrombie fitch ceo&quot;</td>
</tr>
</tbody>
</table>

Table 1: Trend Search Strings

For the purposes of this paper, we use search interest as a proxy for information about the relative size of the consumer movement and unwanted attention received by the firm at a particular point in time. We believe that this is a reasonable proxy because the data show search interest regarding both a particular firm and grievance; the search data does not simply measure search activity about a particular firm. Although these are not perfect proxies for consumer movements, we believe that mixed-method combinations of aggregated search data and quasi-ethnographic timeline construction allow us to make inferences about the relative size and strength of the movement across time that sufficiently support the validity of our propositions.

One limitation of this method is that it cannot quite distinguish between multiple simultaneous movements around a single grievance. In cases that involve movement and countermovement activity, the search interest information becomes less precise because the methodology cannot distinguish among multiple movements around the same grievance and firm. This is most evident in the Chick-fil-A example, as outlined below.

Sample

Protest events were chosen for their recency, size, social media exposure, and diversity of outcome. We began with a sample of approximately 15 consumer movement events and reduced down to the six events listed below based on the aforementioned factors. A variety of events beginning as early as 2011 (Bank of America, Netflix, Go Daddy) and as recently as May 2013 (Abercrombie & Fitch) were chosen. Although we did not specifically exclude any protest events due to their age, we erred on the side of recency to ensure that the movements we studied were most likely to use digital technologies such as social media in the process of the coalescence of the movement.

The five consumer movement events on which we focus are detailed below. In each case, search interest is plotted on a graph relative to peak search interest for the time period; a search interest score of 100 means that search interest scores on that particular day were at their highest point during the measured time period. On the figures, dotted lines represent firm activities, such as an initial policy change or press release and the solid lines represent consumer movement activity targeted against that particular firm.

Bank of America

On September 23rd, 2011, Bank of America announced that it would be charging customers with accounts below a specified balance $5 per month to use their debit cards. On October 1st, a recent college graduate named Molly Katchpole created a petition on change.org in which she asked for a policy reversal and
noted that Bank of America had received substantial bailout funds and had not paid any income taxes despite making $2b in profits in the previous quarter. Katchpole’s petition reaches 100,000 signatures by October 3rd, 200,000 signatures by October 7th, and 300,000 signatures by the end of the month.

On October 13th, a representative from Bank of America told Katchpole that cancelling the fee would be “premature,” but by October 28th, the firm caved to growing pressure from the media, politicians, and internet petitions and reconsidered the fee.

Additional, on November 1st, a Facebook user created an online event called “Bank Transfer Day,” intended to be a day on which people who were customers of big banks would collectively withdraw their money and open accounts at credit unions. This was scheduled for November 5th and attracted almost 100,000 RSVPs on Facebook. Although this event was not specifically targeted toward Bank of America, that particular firm was specifically cited in a FAQ post written by the event founder.

**Go Daddy**

Go Daddy is a popular web host and domain registrar. The firm publicly supported SOPA in a Congressional hearing on November 15th, 2011 and again in an op-ed piece on October 28th in spite of fairly broad public dissatisfaction with the bill. On December 22nd, a user on the social news site Reddit announced that he had transferred 51 domains away from Go Daddy and suggested December 29th as “Transfer Your Domain Day” for users to act collectively in protest of the firm’s support for the legislation.
News reports indicate that users planned to move as many as 82,000 domains to competing webhosts. Of these users were Ben Huh, known for humor sites such as “I Can Has Cheezburger,” and Jimmy Wales of Wikipedia. On December 23rd—24 hours after Wikipedia threatened to take their business away from the firm—Go Daddy’s CEO revoked support of SOPA via a press release posted to the company’s website.

After Go Daddy revoked support of SOPA, the media linked the firm to stories around the legislative debate. On January 18th, when Wikimedia “blacked out” the Wikipedia site in protest of SOPA, Go Daddy was referenced in news articles despite the fact that they did not change their stance toward SOPA on that date.

**Netflix**

Netflix announces formal plans to split its streaming and DVD-by-mail packages (the latter would have been named “Quikster”) on September 18th, 2011. The two products would require separate subscriptions and result in a net increase in pricing for consumers.

The tech media reported that Quikster launched almost 100,000 tweets: 77% condemned the split, 21% mocked Netflix for not registering @Qwikster on twitter before a teenager registered the account, and only 2% were positive responses to the split. There was mass consumer outrage but little organized and
concerted action aimed at pressuring Netflix to change its plan. On Monday, October 9th, Netflix announced that plans to develop Qwikster have been canceled.

**Chick-fil-A**

Dan Cathy, president and CEO of Chick-fil-A, a fast food chain headquartered in Atlanta, GA, expressed support for the “traditional family” in a small church newspaper on July 16th, 2012. The next day, he was invited to clarify his comments to a larger audience at a radio interview. There, he defends the firm’s contributions to anti-gay marriage organizations using fairly reactionary rhetoric. Over the next week, consumers began to boycott the business in support of gay rights.

As a response to the boycotts, Governor and Presidential Candidate Mike Huckabee began a countermovement via Facebook event. “Chick-fil-A Day”, as it was called, was a call to purchase a chicken sandwich in support of conservative values and Cathy’s right to free speech. Chick-fil-A Day was successful, both as a social media event and a real-world event. Within days, over 500,000 people had RSVP’ed to the Facebook event. On August 1st - the day itself - the firm sold more than it had on any other day in its history.

![Figure 4: Chick-fil-A (dotted line denotes firm activity; solid line denotes movement activity)](image)

**Abercrombie & Fitch**

The fact that Abercrombie & Fitch did not carry XL or XXL sizes of women’s clothing led to consumer boycotts of the brand on May 3rd 2013 when Robin Lewis, co-author of “The New Rules of Retail” was quoted as explaining on CEO Mike Jeffries’ behalf that, “He doesn’t want larger people shopping in his store, he wants thin and beautiful people.” To support her interpretation of Jeffries’ perspective, she quoted from a 2006 interview he gave to Salon in which he said that women that wear these sizes will never be a part of the “in” crowd at their high schools and colleges.

The story reached blogs and social news sites on May 7th; by May 8th, protests and boycotts had been formed across the nation. In addition to calls for boycott, consumers posted online videos that attempted to distort the brand image Jeffries was trying to cultivate. On May 10th, an online petition was started that reached 25,000 signatures by May 16th.
On that day, Jeffries, via Abercrombie's Facebook page, released an apology statement that the firm was “completely opposed to any discrimination, bullying, derogatory characterizations or other anti-social behavior” based on individual characteristics such as race, gender, or body type.

**Results**

If we look across the sample of five consumer movements, we can compare them along the number of peaks in the graph, whether the event initiated with a firm action or a movement, the presence of a countermovement, the presence of a corporate response, and the method of response. These comparisons are summarized in Table 2.

For example, Bank of America had two primary search peaks: the initial social media campaign started by Katchpole and the “bank transfer day” campaign. Interestingly, we identified two major corporate responses to the event: the initial denial and the policy reversal. The initial denial did not create a peak and the policy reversal only created a minor peak. Netflix also had a two-peak structure with strong peaks at their initial announcement and also at their reversal. This is similar to Abercrombie & Fitch’s two-peak structure except that Abercrombie’s began with a movement (which began after a six year old quote was uncovered) while Netflix’s began with a change in corporate policy. In both Netflix and Abercrombie’s two-peak structure, the second peak occurred at the point at which the CEO reached out to the public (particularly, Netflix subscribers and Fans of Abercrombie on Facebook) and admitted some degree of responsibility.

The three-peak structures in Go Daddy and Chick-fil-A tell a different story. For Go Daddy, the initial movement and apology became so entangled with the contextual news surrounding SOPA that even after changing their position on the SOPA legislation, Go Daddy saw a search peak during Wikimedia’s internet blackout. Chick-fil-A, on the other hand, created a three-peak structure due to the protest/counterprotest dynamic. The initial peak came from the event, the second peak came from the original protest and the third (and much larger) peak came from the counterprotest.
Table 2: Summary of Event Comparisons

<table>
<thead>
<tr>
<th>Firm</th>
<th>Peaks</th>
<th>Purpose</th>
<th>Org?</th>
<th>Result</th>
<th>Method</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bank of America</td>
<td>2</td>
<td>Policy change</td>
<td>Yes</td>
<td>Policy change</td>
<td>Press Release</td>
</tr>
<tr>
<td>Go Daddy</td>
<td>3</td>
<td>Movement-led</td>
<td>Yes</td>
<td>Policy change</td>
<td>Blog Post</td>
</tr>
<tr>
<td>Netflix</td>
<td>2</td>
<td>Policy change</td>
<td>No</td>
<td>Policy change</td>
<td>Blog Post</td>
</tr>
<tr>
<td>Chick-fil-A</td>
<td>3</td>
<td>Moral stance</td>
<td>Yes</td>
<td>No policy change</td>
<td>-</td>
</tr>
<tr>
<td>Abercrombie &amp; Fitch</td>
<td>2</td>
<td>Movement-led</td>
<td>Yes</td>
<td>No policy change</td>
<td>Facebook Post</td>
</tr>
</tbody>
</table>

In addition to the structure of the search activity, we can compare the initiation events that spawned the movements. Here, a nuanced look at the events yields allows them to be distinguished along these lines as well. For example, with respect to Abercrombie & Fitch, the consumer movement had taken hold before the firm made any positive statements about the sizes offered—the statements used to fuel the movement were either made in 2006 or were asserted by a nonemployee of the firm. This is similar to the Go Daddy movement. In that case, the firm had made their support of SOPA well known (and had even testified in front of Congress) months prior to the protest. The search score, however, remains totally flat until the movement coalesced around Domain Transfer Day.

Discussion

After breaking down the protest events, we can take initial steps to build theory around the effectiveness of particular responses. The first thing that we notice about each of the search index graphs is that they consist of varying numbers of peaks. This means that search interest spikes momentarily as events occur in real time. It also implies that consumers are not actively conducting searches to inform themselves about the corporate practices of a firm after those initial periods have passed (if they were, we would see extended “ridges” of activity instead of the peaks we do see).

The data are quite specific on this point. With respect to the chart for Abercrombie & Fitch, for example, the entire event from discovery to apology took place in approximately ten days. Peak search interest occurred on May 8th, then dropped down to as low as 13% of peak interest on May 13th, and then jumped back up to 45% of peak interest on the day of CEO Jeffries’ apology. Search interest for Bank of America follows the same general pattern. After search interest peaked with the initial consumer movement on September 30th, it rapidly dropped to the 5-7% range until November, when it jumped up to 11% at when the firm reversed its stance on the fee and then to 26% of peak on bank transfer day. As a result, we present the following proposition:

**Proposition 1:** Consumer interest in corporate policy is generally short-lived and clusters around specific and identifiable events.

In addition to the peak shape of the graphs, we can see that, in situations without countermovement activity, the peaks tend to decrease in size as time goes on. This has strong practical implications for firms that make strategic decisions about how to respond. Given our data, it would appear that the consumers who are interested in a particular grievance are less interested in the resolution of that grievance. The presence of a countermovement, as we saw in the Chick-fil-A movement, can change this phenomenon. In that case, the day on which search interest was at its highest was actually the “event date” for the countermovement (“Chick-fil-A Day”). As a result, we present the following propositions:

**Proposition 2a:** In situations without a countermovement, the corporate response to a grievance generates less public interest than the grievance itself.

**Proposition 2b:** The presence of a countermovement can change the search focus away from the grievance and onto the countermovement.

Proposition 2a and 2b have substantial practical significance for decisionmakers at firms targeted by a consumer movement. If a consumer movement forms against a particular company, Proposition 2b suggests that if a countermovement is present (or can be created), the firm may not need to formally
apologize or reverse any policy decisions. If a countermovement is not present, firms should realize that a formal apology may end up drawing more attention to the issue than would have been required (depending on other situational aspects).

This is particularly relevant given research on the overall effectiveness of consumer movements, both with respect to achieving policy-level successes and also with respect to their ability to do financial damage to a firm. If a firm decisionmaker knows that, many times, consumer movements are ineffective and that a visible acquiescence may only improve the movement’s chances of success, he or she will be able to make more informed decisions about whether to acquiesce (and how, then, to announce it).

In addition to the level of public interest, we are interested in the form of the corporate response. As we articulated above, this is particularly interesting in IT-enabled movements for two reasons: First, the nature of consumer movements has changed such that they coalesce more frequently and more spontaneously due to the technologies that support them and second, corporations have dramatically more possibilities with respect to the available means of response. As a result, we next examine the form and speed of the corporate response (if any).

Furthermore, the method of disseminating news does change the resulting search curve. This difference can be seen in the initial Bank of America response and the Netflix response. In the former case, Bank of America reached out specifically to the individual that started the online petition and told her that it was “premature” to reverse its stance on the debit card fee. This act did not create a discernible peak in the chart and may have actually resulted in a net day-over-day decrease in search interest.

In the case of Netflix, the CEO personally signed a blog post on the company’s corporate blog in which he apologetically took responsibility for the decision and announced the reversal of the policy. This broadly-targeted communication was consistent with Netflix’s prior communications, which had actually been sent to each subscriber via email. As a result, by communicating with the larger audience of customers, Netflix increased with visibility with which reversed its policy regarding Qwikster. Thus, we present a third proposition:

**Proposition 3:** Broadly-targeted corporate communications in response to a consumer movement are more visible than those directed specifically at the movement or its leadership.

The final metric on which we compare these movements is based on the speed with which a firm reacts to the movement. As mentioned above, this is particularly important for modern movements that use social media and other technological tools in their coalescence because those tools increase the speed and spontaneity with which the movements are able to form. This means that firms that wish to respond rapidly to these types of protests may be underprepared at dealing with the issues when they arise.

Our sample contains a fairly broad sample of potential response times. From search peak to final corporate response, the Go Daddy case took approximately three days, the Abercrombie & Fitch case took approximately ten days, the Netflix case took approximately twenty days, and the Bank of America case took approximately thirty days. The two ends of the spectrum, Go Daddy and Bank of America, illustrate why timing matters.

Go Daddy’s response occurred within the same peak of the initial grievance. As a result, many people running internet searches on GoDaddy during that peak period was likely able to find both the initial complaint on social news sites and also Go Daddy’s response (and reversal of their support for SOPA) in the same set of searches. This would not be possible, however, for Bank of America, which took almost thirty days to reverse its stance on the debit card fee. As a result, the search peak for Bank of America’s reversal is dramatically lower than that for Go Daddy.

Although more quantitative research should be performed to test this theory, we present the following proposition regarding response time:

**Proposition 4:** Firms that take too long to respond to consumer movements risk that their responses are less impactful than those firms that respond immediately.
Conclusion

In the late 1990’s, when Nike was dealing with technologically-enabled consumer movements against their manufacturing policies, research into corporate responses to those movements was relatively undeveloped. Now, however, we have had the benefit of observing how these movements have begun to use technologies to allow them to collectivize more quickly and more effectively. As a result, we should begin to consider how changes in technology affect the ways that corporations can and should respond to social movements.

The propositions we suggest represent a good starting point for developing theory in this area. This study was inductive and generative in nature; future work should look to develop operationalizable hypotheses to test these propositions using more rigorous methods. Ultimately, although the primary contribution of this paper lies primarily in digital responses to digitally-enabled consumer movements, the practical implications of this novel stream of research will be to help firm decisionmakers determine which types of responses are most effective for any modern social movement.

REFERENCES


