

# Virtual world, real risks

When social media becomes a liability



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Since setting up its Facebook fan page, Starbucks has amassed a captive audience of 25 million fans across the world to which it can market its products. This number is likely to grow. Starbucks and many other companies are exploring the benefits social media can bring, often for a low investment, but some of the world's biggest brands are also falling foul of its hidden risks.

'Antennagate' – the PR crisis that struck Apple when it launched the iPhone 4 with an inherent design fault – is a recent high-profile example of how social media can work to a company's disadvantage.

When customers use social media to turn against you, the consequences hit right at the heart of a board director's responsibilities – the bottom line, your shareholders and your company's reputation – yet, surprisingly, few board directors include social media in their group-wide risk management strategy.

What Apple's and others' misfortunes prove is that you need to protect your company as vociferously as you promote it on social media platforms; otherwise your hard-earned, but vulnerable reputation is at risk.



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Social media's biggest advantage is also its biggest disadvantage – its pervasiveness. It has millions of frequent users, which means misinformation or malicious falsehoods can be spread as far and as fast as any positive publicity.

## What can go wrong?

Neglecting to manage your presence on social networks by failing to monitor activity relating to your company, can lead to reputational damage, before you know what's hit you.

Many things can go wrong – from losing control of your brand on social media platforms to becoming a victim of brand/reputational damage by anonymous attackers and leaking of commercially sensitive information.

Simple events can have dramatic effects. Comcast, a US telecoms company, suffered extensive embarrassment and reputational damage when one of its home engineers was videoed asleep on a customer's sofa while waiting for an hour for his own helpline to respond. It became one of the most watched clips on YouTube at the time with 1,665,920 hits.

Australian airline Qantas failed to manage social media effectively when one of its planes, having safely landed

in Singapore, was reported on Twitter to have exploded and crashed. The false information reached millions within moments.

Qantas responded to the incident via Facebook but failed to update its Twitter feed for several hours. By that time, the company's brand and reputation had been attacked. Responding immediately via Twitter would have been more effective, not only because it is a real-time medium, but also because it was the vehicle by which the rumour had escalated.

The airline's CEO later revealed that the incident had cost Qantas \$80m and claimed the mixed reports via Twitter had caused the share price to tumble.

## Why do some companies fail to manage their social media risks?

Risk management is high on every board director's agenda, but effective control of social media often slips through the net for several reasons.

## iPhone 4: Antennagate

When Apple's iPhone 4 was released it had an inherent design fault – the antenna would be covered by a user's hand when the phone was in use, significantly impairing reception.

The resulting negative feedback was enormous (the issue even gained its own name, Antennagate). Eventually, Apple offered customers free iPhone cases that reduced the problem by placing a gap between the user's hand and the phone body.

However, leaked documents, distributed on social media sites, revealed that Apple knew about the problem during development of the iPhone but continued to launch anyway. Negative commentary on social media sites escalated to some of the highest levels ever witnessed.

With the free cases – costing a total of \$175m – and consequent losses in sales, Apple took a significant hit to its finances. While those costs may have been recovered, Apple's reputation, which has always been key to its customer base, has been dented.

Had Apple proactively increased its levels of social media activity monitoring up to, during and after the launch, it could have identified and managed its reputational damage much earlier and more effectively.

The image shows the Facebook logo, which consists of the word "facebook" in a white, lowercase, sans-serif font on a blue rectangular background.

# twitter



Quite often, there is a lack of understanding at board level of the risks involved. Sometimes, social media is perceived to be the remit of the marketing director or someone else that has been pressed into taking responsibility for the issue, even though they may not be qualified for it. In many cases, there is no clear strategy or set of policies in place to manage social media risks.

Whatever the reason, the consequences when your company's presence on social media is left unchecked can be so grave, that the only place where responsibility for ensuring the risks are being managed effectively should lie, is at the very top.

### Questions your senior management team should be addressing

Every board should be asking its senior management team to address the following questions to help establish the effectiveness of the company's approach to managing social media risks:

- **Do we have a clear strategy and policy in place for social media?**

The strategy needs to address the potential risks and rewards. Controls are also needed to govern employees' behaviour when using social media – a clear policy helps to mitigate against risks such as negative employee commentary and the leaking of commercially sensitive information. Remember to communicate that policy to all employees.

- **Who is in charge of social media?**

This needs to be an experienced and qualified senior manager who has the full backing of the board and whose remit extends beyond marketing, to group-wide use of social media.

- **Are we listening?**

Ask your management team if it is proactively monitoring relevant social media channels, including blogs, chat rooms and review sites in addition to mainstream platforms such as Twitter and Facebook. Social media activity is driven by events and matters of interest, which means heightened levels of monitoring are advisable during key events such as product launches, market announcements, mergers and times of crisis. This allows you to spot and deal with negative developments at the earliest possible opportunity.

- **Do we have a response plan in case of a social media crisis?**

A comprehensive crisis management plan should be an integral part of your social media strategy.

When managed well, social media provides a valuable additional way to reach customers, key stakeholders and others. When ignored, neglected or managed incorrectly, its impact can be catastrophic.



## The BP oil spill: How not to use social media

Good intentions can sometimes backfire in the world of social media. Energy company BP is a case in point.

BP started using social media in 2010 in response to the Deepwater Horizon oil spill in the Gulf of Mexico.

Speaking about coverage of the oil spill in its wake, BP spokesman Robert Wine says: "There was lots of online commentary, misinformation and poor-quality information, along with straightforward reporting and opinion."

"We used Twitter and Facebook to highlight rapidly unfolding events and Flickr and YouTube to post images and videos of the work we were doing – and still are – around the Gulf Coast states to repair the damage and support the tourist, fishing and other industries."

Wine stresses that for BP, these are just extra channels and don't replace traditional media releases and briefings, community engagement and contact with regulators and governments.

The company's social media strategy may seem sound at first glance but BP made the mistake of using social media platforms to inform rather than engage with stakeholders. Crucially, it often prevented users from commenting on BP content or sharing it with others and failed to address comments or concerns

when they were expressed.

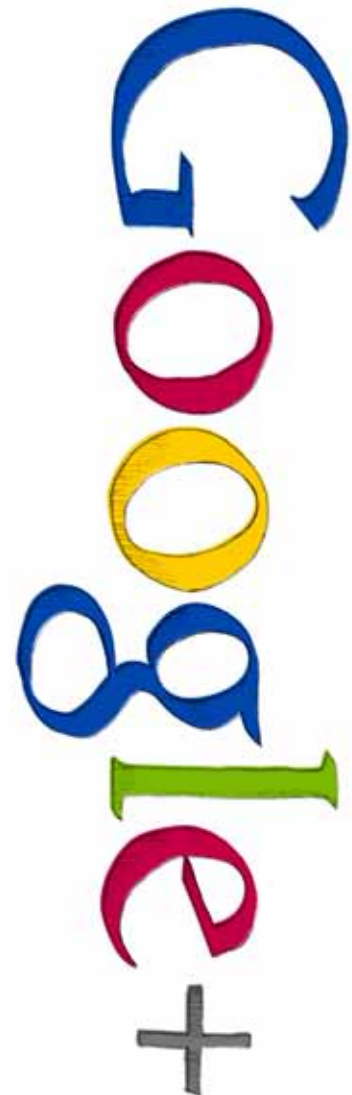
BP hasn't sought to silence negative social media commentators but its perceived head-in-the-sand attitude to the conversations taking place has led to something of a social media backlash. One Twitter feed – @BPGlobalPR – has hijacked the company's brand to offer a satirical take on BP's social media response to the oil spill. It now has around 164,000 followers.

One commentator, Ian Capstick, wrote in his blog post 5 Digital PR Lessons from BP's Oil Spill Response: "The general consensus in the public relations industry is that BP ran its crisis communications in the same ham-fisted manner they've run the clean-up operation in the Gulf."

Indeed, Capstick says the "BP PR disaster" has become a regular case study on the communications or social media conference circuit.

BP started off with having to rebuild its reputation on safety; now it also needs to improve its social media reputation.

Wine says: "We're now looking at how we can use social media in the future, having learned much from a standing start in 2010."



## Helping you protect your reputation

Grant Thornton's Internet Intelligence team is uniquely equipped to help companies proactively manage the risks associated with social media. With experienced practitioners and cutting-edge technologies, they can:

- Help devise a social media policy bespoke to individual requirements
- Audit your brand on social media and monitor activity for key issues
- Provide advice on issues of particular concern
- Carry out reputation due diligence on individuals or third parties
- Assist in legal and regulatory matters

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