



## United Breaks Guitars

In March 2008, Dave Carroll, a musician from Halifax, NS and his band, the Sons of Maxwell, traveled from Halifax to Nebraska via O'Hare airport in Chicago. What happened on the journey became the subject of outrage, embarrassment, amusement, and transformed Carroll from country singer to customer service guru.

Carroll claimed that his guitar was severely damaged by United Airlines baggage handlers at O'Hare. His attempts to pursue a damage claim with United having been frustrated, he posted two amusing videos about the incident on YouTube. The overwhelming response raised questions about brands and the nature of marketing communications in the internet age.

### The Incident and Carroll's Response

In Carroll's own words, what happened was as follows:

"In the spring of 2008, Sons of Maxwell were traveling to Nebraska for a one-week tour and my Taylor guitar was witnessed being thrown by United Airlines baggage handlers in Chicago. I discovered later that the \$3500 guitar was severely damaged. They didn't deny the experience occurred but for nine months the various people I communicated with put the responsibility for dealing with the damage on everyone other than themselves and finally said they would do nothing to compensate me for my loss. So I promised the last person to finally say 'no' to compensation (Ms. Irlweg) that I would write and produce three songs about my experience with United Airlines and make videos for each to be viewed online by anyone in the world."<sup>i</sup>

A more detailed description of Carroll's experience is given in Appendix 1. United Airlines did not dispute the facts as described by Carroll.

As of January 2010, two of Carroll's three promised videos had been posted to the web. They can be viewed at the following links:

Video 1: <http://www.youtube.com/watch?v=5YGc4zOqozo>

Video 2: <http://www.youtube.com/watch?v=h-UoERHaSQg&feature=channel>

*Professor David Dunne prepared this case as a basis for class discussion. It is not intended to illustrate effective or ineffective handling of a managerial situation.*

The first video was posted on July 6, 2009, and by the end of that day had received 150,000 hits. By July 9, the number of hits reached 500,000, and by August 21, 5 million<sup>ii</sup>. Carroll's videos received widespread exposure in mainstream media and were the subject of thousands of tweets, Facebook comments and blogs.

### **The Aviation Industry**

The aviation industry in North America and Europe was under severe economic pressure. In spite of the disruption to travel associated with the terrorist attacks of September 11, 2001, passenger traffic and passenger revenue continued to increase. However, costs outpaced this revenue growth, and industry profit margins continued to suffer. In March, 2009, the International Air Transport Association (IATA) issued a dire forecast for the industry (Appendix 2), predicting that in 2009:

- Industry net losses would reach US\$4.7 billion;
- Airline revenues would decline by 12%, or US\$63 billion
- Cargo traffic would fall by 13%, passenger traffic by 7%, and airlines would cut capacity by 6%.

The major sources of these cost pressures were global recession, competition from low-cost carriers such as Southwest Airlines and Ryanair; high fuel prices and overcapacity<sup>iii</sup>.

Airlines responded by cutting costs wherever possible and by “unbundling” services that had previously been included in the ticket price. Several of the major carriers began charging for checked baggage in 2009.

In a 2009 report, J.D. Power & Associates found that customer satisfaction had declined for the third year in a row<sup>iv</sup>. The major causes of dissatisfaction were in-flight services, flight crew and costs and fees, and in spite of improved on-time arrival and decreased length of flight delays. A spokesperson for J.D. Power commented as follows:

"Despite the economic stresses that airlines are under, they are recognizing the value of passengers' time and trying to make air travel more expedient and efficient. Unfortunately, any improvements in customer satisfaction are being offset by passenger displeasure with cutbacks on in-flight services, increases in fees and issues with the helpfulness and courtesy of flight crews."

There was a widespread view that the airline industry was a commoditized business in which price, rather than brand values, mattered most. One report on the industry found that 75% of travelers chose an airline based on the airports it served, 69% based on schedules and 64% based on price<sup>v</sup>.

In spite of this gloomy picture, there were some successful brands in the industry. Singapore Airlines had built a successful brand on its technological leadership and service, expressed in its “Singapore Girl” advertising campaign originating in 1972<sup>vi</sup> (e.g.

see <http://www.youtube.com/watch?v=ykSBMqffuQ8>). Virgin Airlines had also established a strong reputation with travelers, building on the Virgin brand's cross-category strength and the charismatic personal profile of its owner, Richard Branson<sup>vii</sup>.

### **United Airlines**

Dating back to 1926, United claimed to be the oldest commercial airline in the United States. In the 20<sup>th</sup> century, it had grown with the industry and, along with other airlines, had experienced major disruptions from strikes and regulatory changes. In 1997, United founded Star Alliance with Air Canada, Lufthansa, SAS and Thai Airways, the first such alliance for codesharing and network advantages. In 2010, Star Alliance remained the largest and most successful airline alliance.

As part of the September 11, 2001 terrorist attacks, two United Airlines aircraft were hijacked by terrorists: one crashed into the South Tower of the World Trade Center in New York City and the other crashed in rural Pennsylvania.

As a result of the September 11 incident and economic slowdown, United ran into severe financial difficulty and filed for chapter 11 bankruptcy protection in December 2002. The airline continued operations during its bankruptcy, but was forced to cut costs drastically, laying off tens of thousands of workers, closing city offices, canceling several existing and planned routes, and reducing the size of its fleet. United took advantage of its Chapter 11 status to negotiate cost reductions with employees, suppliers, and contractors.

Nevertheless, United continued to invest in new projects, launching a new low-cost carrier, Ted, to compete with other low-cost airlines and its luxury "p.s." ("Premium Service") service, targeted to business customers and high-end leisure customers in the U.S. coast-to-coast market.

United exited Chapter 11 in 2006; however, with rising oil prices and macroeconomic pressure, the airline's financial performance remained fragile (Appendix 3). J.D. Power's 2009 report ranked United at the bottom among traditional North American carriers on a range of customer experience measures<sup>viii</sup>. In its advertising, United targeted first class and business passengers in a campaign that stressed the customer experience of flying United. For examples of United's advertising, see <http://www.united.com/page/article/1,,51625,00.html>.

### **Consumer-Generated Communications: Parody Advertising**

While the United Breaks guitars video was not a parody of an ad for United, its effect was similar: to satirize United, make a (negative) point about its customer service and damage its brand. A 2008 study of parody ads highlighted the issues surrounding customer-generated communications<sup>ix</sup>.

Even in the early days of advertising, cartoonists and others made fun of ads in print; when advertising moved to TV and radio, it continued to be the butt of many jokes. Advertisers themselves sometimes took this as an opportunity to jab their competitors' products. One of the more famous advertising personalities, the Energizer bunny, was launched through a parody commercial in which the bunny was being filmed in a TV commercial and ran amok through a series of sets for commercials being filmed for coffee, wine, a fictional upcoming TV series, long distance service, breakfast cereal, and sinus medication. Many other parody ads were created, including those authored by Coors Beer (for Energizer batteries), GEICO Insurance, Coca-Cola, Carling Black Label Beer and through comedy shows such as *Saturday Night Live* and *Mad TV*.

Advertisers often tolerated these parodies, either because taking legal action was expensive and risky, or because they reasoned that the extra exposure, even as a parody, was harmless and even beneficial to their brand. However, Eveready batteries unsuccessfully sued Coors beer in 1991 for its spoof of the Energizer bunny campaign using actor Leslie Nielsen. In 1988, when *Hustler* magazine ran a parody of a Campari ad featuring the Reverend Jerry Falwell, Falwell took the case to the U.S. Supreme Court, again unsuccessfully.

However, it was with the rise of the internet, and specifically the launch of YouTube in 2005, that the ability to produce parody advertising (and videos about products and services that did not necessarily mimic ads) came within the reach of consumers at large. In 2006, the company was acquired by Google for \$1.65 billion, and in October 2009 Chad Hurley, one of YouTube's founders, announced that the site was serving well over a billion views a day worldwide. In 2008, YouTube was awarded the University of Georgia's prestigious Peabody Award, cited as "an ever-expanding archive-cum-bulletin board that both embodies and promotes democracy."

10% of ads on YouTube were parody ads. Most widely parodied was the Mac vs. PC campaign for Apple, occupying three of the top five (according to number of unique viewings) parodies on YouTube (see Table 1).

**Table 1**

<b>Top Five Parody Ads on YouTube (2008)</b>
<b>1.</b> South Park Mac vs. PC, a parody of the Apple Mac vs. PC commercials
<b>2.</b> Vote Different, a parody of the Apple 1984 ad featuring Hillary Clinton
<b>3.</b> Powerthirst, a spoof on ubiquitous commercials for energy drinks;
<b>4.</b> Marvel Vs. DC, a parody of Apple vs. Mac using Spiderman (Marvel Comics) and Superman
<b>5.</b> Gates vs. Jobs, a parody of Apple vs. Mac using Bill Gates and Steve Jobs.

Because this was such a new phenomenon, the effect of parody ads on brands was generally unknown. While the authorship of parody ads was usually unknown, there was a risk that competitors could use it to tarnish the reputation of brands. In the case of the “Vote Different” parody of Hillary Clinton, the author was former employee of an online PR firm that had worked on the Obama campaign. The author claimed that his former employer did not endorse the parody ad.

### **Response to the “United Breaks Guitars” Campaign**

The song hit number one on the iTunes Music Store in the week following its release. Its instant success and United’s embarrassment were widely reported in the media<sup>x</sup>.

A company spokesman called the video “excellent” and Rob Bradford, United’s Managing Director of Customer Solutions, telephoned Carroll to apologize and to ask if the carrier could use the video internally for training: the company claimed that it hoped to learn from the incident and change its customer service policy. United offered Carroll \$1,200 in flight vouchers, which he declined, suggesting that the airline give the money to charity. Ultimately, United donated \$3,000 to the Thelonious Monk Institute of Jazz as a “gesture of goodwill”.

The UK *Daily Mail* claimed that United lost 10% of its share value, or \$180 million, as a result of the ad<sup>xi</sup>. The causality of this loss was hotly disputed on the web.

Taylor Guitars issued a video response to the story:

[http://www.youtube.com/watch?v=n12WFZq2\\_0](http://www.youtube.com/watch?v=n12WFZq2_0).

Bob Taylor, owner of Taylor Guitars, immediately offered Carroll two guitars and other props for his second video.

In December 2009, *Time* magazine named “United Breaks Guitars” #7 on their list of the Top 10 Viral Videos of 2009<sup>xii</sup>. Following the incident, Carroll was in great demand as a musician and a speaker on customer service. His website

(<http://www.davecarrollmusic.com/>) offered for sale a “Dave Carroll Travellers Edition” hardshell guitar case by Calton.

### **Implications**

While parody advertising is not new, the United Breaks Guitars story raises some challenging questions for advertisers. Long accustomed to one-way communication with customers, advertisers now have to deal with customers who may talk back, for legitimate reasons or otherwise: customers may make ads for a variety of reasons including grievance, the desire to express their own creativity, or self-promotion. As a result, advertisers have much less control over representations of their brand than in the past, and attitudes may change overnight.

## Questions

1. Why did Carroll's videos garner so much attention?
2. What options did United have once the videos had been launched? What were the advantages and disadvantages of each option? How well did United handle the situation?
3. Could United have anticipated this situation, and if so, what could it have done to minimize the damage to its brand?
4. What suggestions do you have for brands in a world in which customers may communicate about their brands? Are there opportunities for brands in this situation?

## **Appendix 1**

### **Detailed Description of Carroll's Experience<sup>xiii</sup>**

On March 31, 2008 Sons of Maxwell began our week-long-tour of Nebraska by flying United Airlines from Halifax to Omaha, by way of Chicago. On that first leg of the flight were seated at the rear of the aircraft and upon landing and waiting to deplane in order to make our connection a woman sitting behind me, not aware that we were musicians cried out: "My god they're throwing guitars out there". Our bass player Mike looked out the window in time to see his bass being heaved without regard by the United baggage handlers. My \$3500 710 Taylor had been thrown before his.

I immediately tried to communicate this to the flight attendant who cut me off saying: "Don't talk to me. Talk to the lead agent outside". I found the person she pointed to and that lady was an "acting" lead agent but refused to talk to me and disappeared into the crowd saying "I'm not the lead agent". I spoke to a third employee at the gate and when I told her the baggage handlers were throwing expensive instruments outside she dismissed me saying "but hun, that's why we make you sign the waiver". I explained that I didn't sign a waiver and that no waiver would excuse what was happening outside. She said to take it up with the ground crew in Omaha.

When I got to Omaha it was around 12:30 am. The plane was late arriving and there were no employees visible. Although I was told later that it wouldn't have mattered, I should have taken my hard case out of the padded protective exterior case to examine the guitar at the airport but I didn't. The guitar case looked ok and we were tired, went to the hotel and then to sleep for our early morning pick-up by the tour managers the next day. When they picked us up in the early morning we would not be back in Omaha for seven days. It was later that day at sound check that I discovered that the base of my Taylor had been smashed.

One week later I returned to Omaha for my return trip. I explained what had happened and the United agent in Omaha said I needed to start a claim at the airport where the trip began (Halifax). So here is what happened next.

When I got home to Halifax I was told that United doesn't really have a presence there and that Air Canada is their partner. Every plane I flew on that day said "United" on the side but technically they have no presence there. So, Air Canada gave me a phone number to start my claim with United. When I called the number United said I had to return to the Halifax airport with the guitar to show the damage to someone and open a claim. When I returned to the Halifax airport I met with an Air Canada employee, because United has no presence there, and that person acknowledged the damage, opened a claim number but "denied" the claim because Air Canada would not be responsible for damage caused by United employees in Chicago (which still makes sense to me).

I took the claim number and called United back. They never seemed to be able find the claim number on several subsequent phone calls but at the last minute it would always surface. I spoke several times to what I believe were agents in India who, ironically were the most pleasant, and seemed genuinely sorry for what had happened. Three or four months later I got

directed to the Chicago baggage offices of United and after several attempts to speak with someone was told to simply bring in the guitar for inspection...to Chicago...from Halifax, Canada.

When I explained that Halifax is far from Chicago someone then said my claim needed to go through Central Baggage in New York and they gave me a toll free phone number. I phoned that number and spoke to someone. She couldn't understand why someone in Chicago thought she would be able to help me but she seemed to feel for me and asked me to fax her all the information. I did and a few weeks passed with no reply. I called back and the lady said she'd never received the fax. Then I asked her to look for it and surprisingly, there it was. When she found it she asked me to give her a couple of days and to call back. I did, and by the time I phoned again two days later, the number had been discontinued.

I had to start all over again with the same 1-800 # to India, where they were as sorry as ever for what happened, couldn't find my claim at first, and told me I needed to bring the guitar into Chicago's O'Hare for inspection. Six months had gone by and the guitar had now been repaired for \$1200 to a state that it plays well but has lost much of what made it special. I spoke to a customer service manager in India who promised to forward a note to have someone in Chicago contact me. I received a letter about a month later from Chicago with no name or contact info, saying someone would be contacting me about this.

Another month went by and I received an email from a Ms. Irlweg, in Chicago I believe. Basically said she was sorry this happened and denied my claim. Some of her reasons included :

- I didn't report it to the United employees who weren't present when we landed in Omaha
- I didn't report to the Omaha airport within 24 hours while I was driving to places that weren't Omaha
- It was an Air Canada issue
- Air Canada already denied the claim (as I mentioned, because Air Canada would not pay for United's damages), but I'm still unsure as to why I needed to report it in Omaha within 24 hours if it was clearly Halifax's responsibility
- Someone from United would need to see the damage to a guitar that was repaired.

So after nine months it came down to a series of emails with Ms. Irlweg and, despite her refusal to introduce me to her supervisor, our conversations ended with her saying United would not be taking any responsibility for what had happened and that that would be the last email on the matter. My final offer of a settlement of \$1200 in flight vouchers, to cover my salvage costs repairing the Taylor, was rejected.

At that moment it occurred to me that I had been fighting a losing battle all this time and that fighting over this at all was a waste of time. The system is designed to frustrate affected customers into giving up their claims and United is very good at it. However I realized then that as a songwriter and traveling musician I wasn't without options. In my final reply to Ms. Irlweg I told her that I would be writing three songs about United Airlines and my experience in the whole matter. I would then make videos for these songs and share them on YouTube, inviting viewers to vote on their favourite United song. My goal: to get one million hits in one year.



To date I have written "United: Song 1" and "United: Song 2" and I'm proud to now release the first video in the trilogy. The response has been incredible so far. Everyone involved in the recording of the track and filming/editing of the video has volunteered their time and pre-production work is underway for the filming of United: Song 2 (hopefully to be released later this summer).

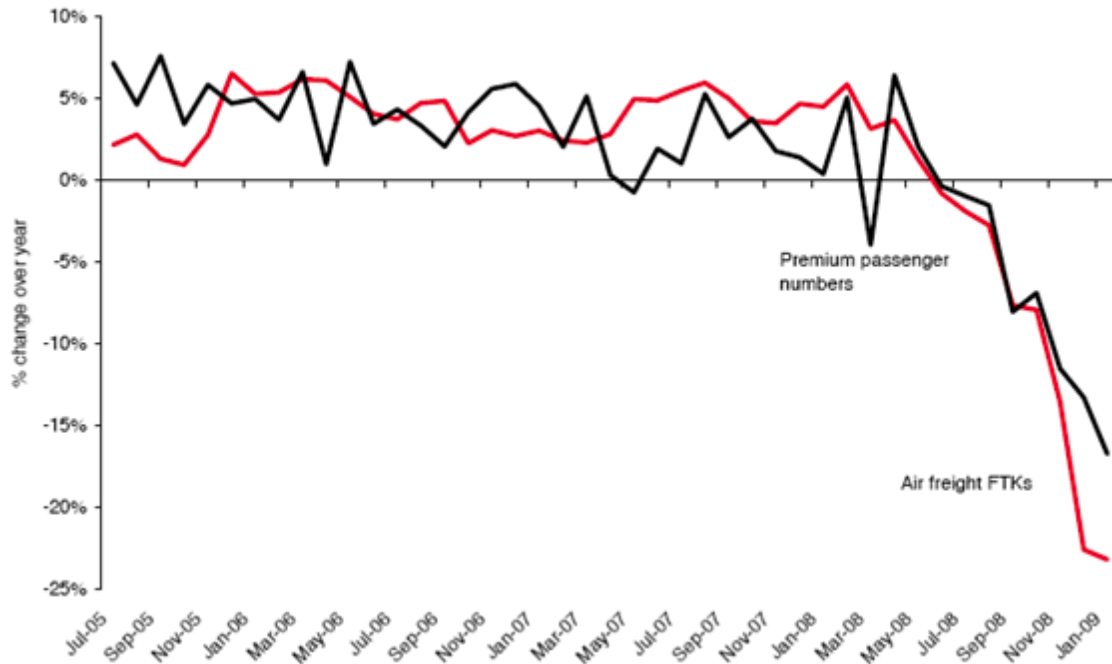
United has demonstrated they know how to keep their airline in the forefront of their customer's minds and I wanted this project to expand upon that satirically. I've been done "being angry" for quite some time and, if anything, I should thank United. They've given me a creative outlet that has brought people together from around the world. We had a pile of laughs making the recording and the video while the images are spinning on how to make "United: Song 2" even better than the first. So, thanks United! If my guitar had to be smashed due to extreme negligence I'm glad it was you that did it. Now sit back and enjoy the show.

**Appendix 2**

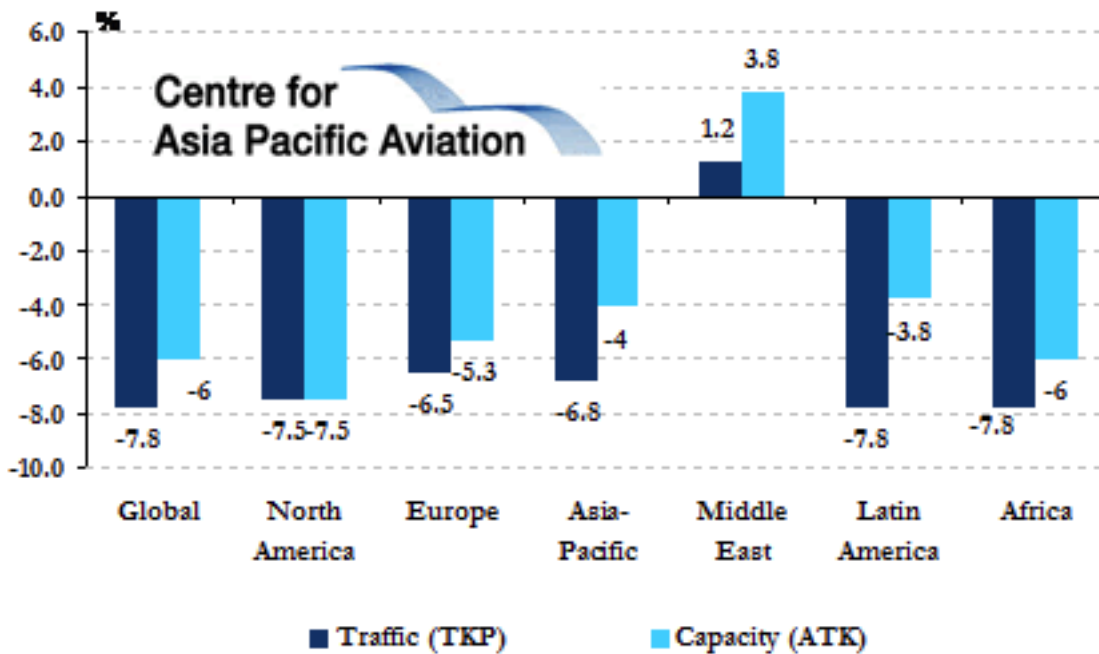
**Selected Data on the Airline Industry**

Source; IATA/Centre for Asia Pacific Aviation

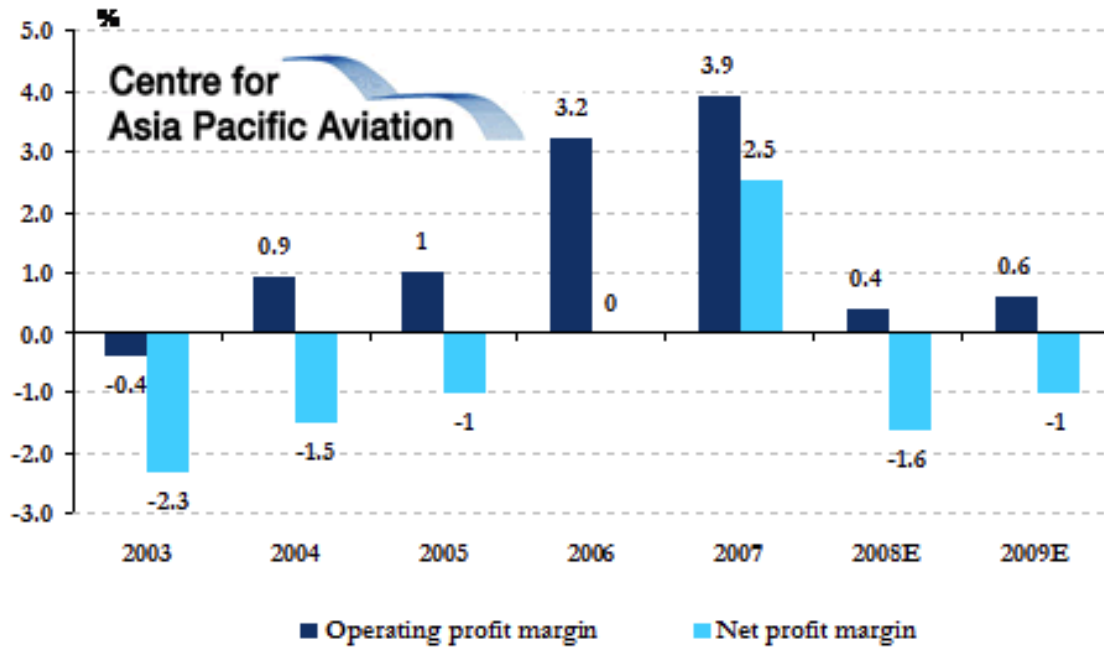
**(i) Passenger & Freight Traffic Growth/Decline**



**(ii) Traffic and Capacity Forecasts**



**(iii) Operating and Net Profit Margins**



**(iv) Fuel Costs as a % of Total Operating Costs**



# Appendix 3 United Airlines Summary Statistics<sup>xiv</sup>

## United Air Lines (UA)

Scheduled Services Only

BTS Data as of 1/8/2010

### Summary Data (U.S. Airports, 12 Months Ending September)

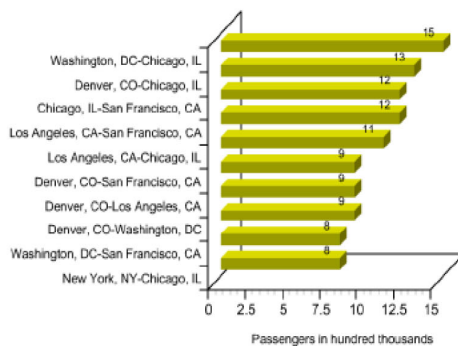
	2008	2009	%Chg	Rank <sup>1</sup>
Passengers	53,248k	46,501k	-12.67%	4
Departures	460k	384k	-16.48%	7
RPM <sup>2</sup>	64,280m	57,141m	-11.11%	4
ASM <sup>3</sup>	78,058m	68,229m	-12.59%	3
Loadfactor	82.4%	83.8%	1.40 pts	6
Air Cargo <sup>4</sup>	395m	347m	-12.24%	1
Markets Served	130	124	-4.62%	
Share <sup>5</sup>	11.04%	10.62%	-0.42 pts	4

- 1 Among 87 passenger carriers for 2009
- 2 Revenue Passenger Miles
- 3 Available Seat Miles
- 4 Air Cargo is the sum of Freight and Mail in pounds.
- 5 Market share based on Revenue Passenger Miles.

### Monthly Flight Operations (ending September 2009)



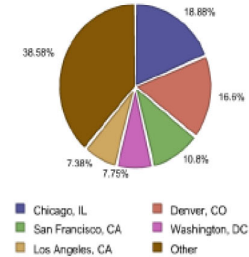
### Top Domestic Origin-Destination City Pairs \*



\* Based on enplaned passengers of all airports for a city pair October 2008 - September 2009.

### Top Domestic Markets\* (October 2008 - September 2009)

Market	Passengers	Share**
Chicago, IL	8.78m	25.77%
Denver, CO	7.72m	33.75%
San Francisco, CA	5.02m	35.33%
Washington, DC	3.60m	21.82%
Los Angeles, CA	3.43m	17.24%
Other	17.94m	3.51%



\* Based on total enplaned passengers at all airports in a city.  
\*\* The table shows the carrier's share in each of the markets.  
The pie chart shows each market's share in the carrier's total air passengers.

### Revenues and Costs

#### 2008 vs. 2009 (4 quarters ending Q3 of each year)

	2008	2009	%Chg <sup>1</sup>
Operating Revenue (millions)	20,662	16,697	-19.19%
Operating Cost (millions)	21,915	17,144	-21.77%
Operating Profit/Loss (millions)	-1,253	-447	...
Net Income (millions)	-2,780	-1,548	...
Passenger Yield (cents) <sup>2</sup>	13.39	11.53	-13.89%
Revenue per ASM (cents) <sup>3</sup>	14.76	13.40	-9.21%
Cost per ASM (cents) <sup>4</sup>	15.66	13.76	-12.13%

- 1 When negative in profit or net income, P=Profit in latest period vs year earlier loss, L=Loss in latest period vs earlier profit, and ...=Not meaningful.
- 2 Calculated by dividing passenger revenue by revenue passenger miles.
- 3 Calculated by dividing operating revenue by available seat miles.
- 4 Calculated by dividing operating cost by available seat miles.

### United Air Lines On-Time Performance Summary

#### Domestic Flights, 2004-2009\*

% On Time	2004	2005	2006	2007	2008	2009	Rank**
Departure	84%	81%	77%	74%	75%	81%	9
Arrival	80%	78%	74%	70%	72%	80%	7
<b>Avg Delay (min.)***</b>							
Departure	61.39	60.05	62.99	63.96	65.31	64.49	16
Arrival	57.02	57.84	60.50	60.82	62.17	60.99	16
<b>% Cancelled</b>							
Total	1.18%	1.30%	2.05%	2.43%	2.34%	1.72%	13
<b>Number of Flights (000)</b>							
Total	556	486	500	490	450	381	7

\* December 2008 - November 2009.

\*\* Ranked for December 2008 - November 2009

\*\*\* A flight is considered delayed when it arrived or departed 15 or more minutes later than the schedule. Average delayed minutes are calculated from delayed flights only.

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## References and Links

- <sup>i</sup> <http://www.davecarrollmusic.com/story/united-breaks-guitars>, accessed January 5, 2010.
- <sup>ii</sup> [http://en.wikipedia.org/wiki/United\\_Breaks\\_Guitars#Response](http://en.wikipedia.org/wiki/United_Breaks_Guitars#Response), accessed January 8, 2010
- <sup>iii</sup> [http://www.zinnov.com/presentation/Global\\_Aviation-Markets-An\\_Analysis.pdf](http://www.zinnov.com/presentation/Global_Aviation-Markets-An_Analysis.pdf), downloaded Jan 10 2010.
- <sup>iv</sup> <http://www.jdpower.com/corporate/news/releases/pressrelease.aspx?ID=2009121>, accessed January 11, 2010.
- <sup>v</sup> [http://www.forrester.com/rb/Research/what\\_airline\\_passengers\\_value\\_%26%238212%3B\\_and\\_what/q/id/53217/t/2](http://www.forrester.com/rb/Research/what_airline_passengers_value_%26%238212%3B_and_what/q/id/53217/t/2), accessed January 11 2010.
- <sup>vi</sup> [http://www.brandchannel.com/features\\_profile.asp?pr\\_id=209](http://www.brandchannel.com/features_profile.asp?pr_id=209), accessed January 11 2010.
- <sup>vii</sup> [http://www.brandchannel.com/features\\_webwatch.asp?ww\\_id=66](http://www.brandchannel.com/features_webwatch.asp?ww_id=66), accessed January 11 2010
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- <sup>ix</sup> Berthon, P. Pitt L. and Campbell, C. (2008) "Ad Lib: When Customers Create the Ad", *California Management Review*, 50, 4, Summer, 6-30.
- <sup>x</sup> e.g. <http://www.youtube.com/watch?v=PGNtQF3n6VY&NR=1>, accessed January 11 2010.
- <sup>xi</sup> "The sweet music of revenge: Singer pens YouTube hit after United Airlines breaks his guitar... and shares plunge 10%", Eddie Wrenn, July 24 2009, <http://www.dailymail.co.uk/news/worldnews/article-1201671/Singer-Dave-Carroll-pens-YouTube-hit-United-Airlines-breaks-guitar--shares-plunge-10.html>, accessed January 11 2010.
- <sup>xii</sup> [http://www.time.com/time/specials/packages/article/0,28804,1945379\\_1945171\\_1945170,00.html](http://www.time.com/time/specials/packages/article/0,28804,1945379_1945171_1945170,00.html), accessed January 11 2010.
- <sup>xiii</sup> <http://www.davecarrollmusic.com/story/united-breaks-guitars>, downloaded January 11 2010.
- <sup>xiv</sup> <http://www.transtats.bts.gov/carriers.asp?pn=1>, downloaded January 8, 2010