

How social media can help and hurt companies during product recalls

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Companies are starting to embrace social media as a viable disclosure channel for product recalls, with the goal of limiting and repairing damage to the firms' reputation.

Using a sample of 405 consumer product recalls between 2000 and 2012, researchers found that corporate [social media](#), in general, lessens negative price reactions to product recall announcements. However, as social media evolved from less to more interactive channels, firms have lost complete control over the content appearing on their corporate social media, and the benefits of social media have lessened.

As reported in a *Journal of Accounting Research* study, the investigators also found that increased [frequency](#) of tweets by other users exacerbates negative market reactions as disgruntled users interject negative sentiment into the online dialogue, while increased frequency of [tweets](#) by the firm lessens negative market reactions.

More information: *Journal of Accounting Research* , [DOI: 10.1111/1475-679X.12074](#)

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