

# **Marketing Plan Project**

**UNITED AIRLINES**

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## **Company Background**

United Airlines, originally founded in 1926 (Berryman, 2017), stands as one of the most comprehensive airlines in the world. Currently United Airlines serves 338 airports across 5 continents, with hubs in major metropolitan cities including Chicago, Los Angeles and Newark/New York (United Airlines Inc., 2017). United Airlines Inc. consists of United as well as United Express, its regional partner that serves certain routes in the US and Canada (United Airlines Inc., 2017).

Since its inception, United has positioned itself as a leader. United was the first airline to not only fly to all 50 states, but also to operate both a Boeing 777 aircraft as well as a Boeing 787 Dreamliner (Zhang, 2017). United was also a founding member of Star Alliance, a collaboration among 28 airlines to streamline business processes (Star Alliance, 2017). Its merger with Continental Airlines in 2010 has added to its increased dominance among airlines (Mouawad & De la Merced, 2010). United also established itself as an airline that valued the customer experience. United created “Our United Customer Commitment” to highlight its dedication to customers (United Airlines, Inc., 2017).

Recently, United has made multiple service changes, an indication of the company’s future goals. United updated its mainline fleet by retiring its 747 aircrafts and purchasing 12 more 777 aircrafts (United Airlines, Inc., 2017). Additionally, in 2016 United launched Polaris, its premium business class cabins and lounges (Zhang, 2017). In an effort to appeal to its budget friendly customer base, the airline also launched a basic economy option (United Airlines Inc., 2017). Whether improving its flight and customer experience on its current flights or expanding and updating its fleet, United has made strides to remain one of the top airlines in the industry.

## **Situation Analysis**

United Airlines reputation took a major dive when a video of a passenger being forcefully removed from the airplane went viral on the Internet. The incident occurred on April 7th, 2017 and since then, there has been a lot of negative feedback about the airlines. To be clear, it was not United employees but security personnel who dragged the passenger out. However, this piece of information was not communicated clearly and led to a huge outcry domestically and internationally, to boycott United Airlines. Following this, United apologized to the passenger and made a public statement regretting what had occurred. However, their statements and methods of delivery were not strong enough to make an impression or spread it to everyone.

Bad Public Relations is not the only problem United airlines face. In 2016, they were ranked fourth when it comes to the highest domestic market share for airlines in the US, standing behind Southwest, Delta and American Airlines (Bureau of Transportation Statistics. (n.d.)). Another statistic shows that from 2010 to 2016, United's growth in the market share has been minimal and even stagnant, while their competitors' share has grown (Bureau of Transportation Statistics. (n.d.)).

Bad public persona, stagnancy of growth and the subsequent expansion of its competitors are major concerns. There are various actions the corporation can take to counter these problems. Through our marketing plan, we aim to come up with one solution that can improve the brand image of United Airlines and also increase its' market share and help come at par with, if not overtake, its' competitors.

## **Brand Positioning Statement and Strategy**

United Airlines never fully attained everything that is envisaged by the vision. They aimed at being the most friendly airline. This would have been realized through introduction of fare option called as basic economy that simply envisaged low price and economic fares. From a neutral standpoint, the cutthroat competitiveness in the airline industry demands the best of services and United Airlines is not guaranteed a positive outcome. Failure to connect or meet the clientele needs will result to the airline succumbing to competition from rivals that put a lot of effort in providing memorable services to all the stakeholders. United Airlines has acknowledged this fact and that explains its positioning strategy of inclusive approach proposed to guarantee a flyer friendly service although the success rate has not been impressive (Chicago, Newswire).

United Airlines has identified an inclusive approach as the best strategy to improve its prospects. Since as a global brand the airline deals with the issue of cultural diversity. The airline reiterates the importance of hiring employees from a wide array of cultural backgrounds. This helps to bring on board diverse ethnicity in efforts of enhancing acceptability of United Airlines across the world. The positioning strategy is also anchored of segmentation of the market. For instance, it has identified the schedule optimizers category. This category put emphasis on time and selected flights. Yet another category is the mile accumulators. This category focuses on the air miles and any flight adds on to such entitlement. Then there are frugal flyers. They distinctively opt for the low cost carriers. However, that does not mean they are ready to compromise on the quality offered as they expect the best. That illustrates how much effort United Airline is putting towards the branding initiative (Bedbury & Fenichell, 2016).

The United Airlines strategy is two-pronged. The first part is the inclusive approach. The second is flyer friendly service. Embracing diversity and putting inclusion at the heart of the airline agenda is what makes United Airline unique and it is bound to generate the company a lot of revenue. Dignity and respect appear to be touching on the statement directly because of the airline's efforts to dignify all cultures whilst respecting the consumers that utilize their services. United Airline's vision boldly states the willingness to be a leader in the aviation sector. This is further emphasized the mission statement of 'Friendly skies with United'. This shows that the company values in equal proportion the happiness of every passenger. The leadership, the airline employees and the target consumers are all targeted in this positioning statement. Additionally, it has outlined how such a statement will be actualized. For example, there is the cost reduction; a program aimed at offering the same great services but at lower cost. Then there is the productivity program that aims at utilizing the efforts of the labor force to ensure that the happy workforce translates into increased revenue for the United Airlines (Byrd, 2017).

### **Description of Competition & Competitors**

American Airlines, Delta Air Lines, and United Airlines are often referred to as the "Big 3". These airlines are legacy carriers different from other airlines in United States (Mintel, 2016). According to a report by United Airlines (Statista, n.d.), their main competitors are American Airlines and Delta Air Lines based on the product price, positioning, target market and other relevant competition conditions. In 2017, based on the brand value, the leading airline is American Airlines (9.8 billion U.S. dollars), followed by Delta (9.2 billion) and United (7.1 billion) (Brand Finance, n.d.). In 2016, based on the revenue competition, American Airlines

earned more profits than Delta and United Airlines. United ranked third for revenue competition in whole US airline industry (Statista, n.d.). Moreover, for market share in U.S. domestic market 2016, United Airline was the fourth leading airline in the U.S., with a domestic market share of 14.5% (Statista, n.d.). Overall, regarding to the data represented above, United Airlines has weak competitiveness compared with its competitors.

To use SWOT analysis the competition of United Airlines

<b>SWOT</b>	
<b>Strengths</b>	<ul style="list-style-type: none"> <li>• Strong operational network - more than 4500 flights a day to 339 destinations across 50 countries (United Airline, 2016).</li> <li>• Industry leading loyalty program (United Airline, 2016).</li> <li>• Over 88,000 employees worldwide (United Airline, 2016).</li> <li>• Strong brand name and recognition - one of the most comprehensive airlines in the world (United Airline, 2016).</li> <li>• Founding member of Star Alliance - Strategic Alliances (United Airline, 2016).</li> <li>• Third largest airline based on passengers (IATA, 2017).</li> </ul>
<b>Weaknesses</b>	<ul style="list-style-type: none"> <li>• Low customer satisfaction - customer satisfaction index score of 70 in 2017 (ACSI, n.d.).</li> <li>• High competition continues to keep profit margins low (Statista, 2017).</li> </ul>
<b>Opportunities</b>	<ul style="list-style-type: none"> <li>• Expected increase in international travel and tourism (Statista, 2017).</li> <li>• Global economy slowly improves (Statista, 2017).</li> <li>• Increased air cargo shipping (Statista, 2017).</li> <li>• US airline industry continues growth (IATA, n.d.).</li> <li>• The airline fuel costs have been on the decrease (RITA, &amp; Various sources, n.d.).</li> </ul>
<b>Threats</b>	<ul style="list-style-type: none"> <li>• Intense competition from low cost airlines offering discounted prices (Statista, 2017).</li> <li>• May negatively affect by new government regulations (Statista, 2017).</li> </ul>

### **Performance Review For United Airlines (Product and Services)**

A United Airlines annual report for 2016, shows a very different picture of the airline's performance when it comes to products and services, than what the average customer's Google

search can find. After the incident that happened on April 11, 2017; United Airline's stock price dropped considerably, according to NASDAQ's yearly stock charts. (nasdaq.com).

Since then then, United Airlines' management have made customer satisfaction a main priority.

However, the airline's yearly performance has been inconsistent, as their market share has remained stagnant. On their First-Quarter 2017 report, Oscar Munoz, the airline's chief executive officer, addressed the airline's recent problem of customer dissatisfaction by saying the incident was a "humbling experience" and that it will "prove to be a watershed moment for [the] company, as [they] are more determined than ever to put customers at the center of everything [they] do."(Airlines , U. 2017, January 17)

To achieve improvements in customer experience at airports, the airline has taken steps towards redesigning security checkpoints, and debuting bigger terminals. As part of their bookings and pricing improvements, they've launched United Jetstream- a new online portal for corporate and travel agency customers. They've also launched a new Basic Economy fare for travel between any of the airline's US hubs, and introduced MileagePlus Miles. When it comes to service, for 2017, the airline expects to add more destinations, more planes, and adding more convenient layover connections to their network and fleet. (Airlines , U. 2017, January 17)

On their Second-Quarter 2017 performance report, the airline announced an increased customer compensation incentives for voluntary denied boarding, and reported the reduction of overbooking with a 79 % decrease compared to last year's report. They have also started to adopt a "no questions asked" policy for lost luggage and paying customers \$1,500 for the value of the bag and its contents. (Airlines , U. 2017, July 18)

Despite all of these quiet improvements in their performance, the United Airlines brand is still one of the least liked air travel service providers in the country. (Statista, n.d.)

Not only does the airline have low satisfaction rates, but their online reputation is hurt through terrible reviews from customers on travel rating websites such as [airlinequality.com](http://airlinequality.com), [tripadvisor.com](http://tripadvisor.com), [yelp.com](http://yelp.com). (Skytrax. 2017, October 16) According to a United Airlines September 2017 Operational report, released in October, the airline's domestic and international revenue has dropped by 1.9 % and 1.3 % respectively. (Airlines , U. 2017, October 10).

Overall, United Airlines products and services continue to compete with a strong position in the market. The company has taken proactive steps towards improving their customer experience as well as offering competitive prices and products. However, they have done little in terms of advertising these improvements to the average customer, and their recent controversies have damaged their reputation online.





**Time Frame:**

(Nasdaq, 2017, October 17)

(Statista, n.d.)

	Preliminary Operational Results					
	September			Year-to-Date		
	<u>2017</u>	<u>2016</u>	<u>Change</u>	<u>2017</u>	<u>2016</u>	<u>Change</u>
<b>REVENUE PASSENGER MILES (000)</b>						
<b>Domestic</b>	<b>9,782,843</b>	<b>9,971,090</b>	<b>(1.9%)</b>	<b>92,593,228</b>	<b>88,791,478</b>	<b>4.3%</b>
Mainline	8,071,718	8,070,260	0.0%	76,376,689	71,286,960	7.1%
Regional	1,711,125	1,900,830	(10.0%)	16,216,539	17,504,518	(7.4%)
<b>International</b>	<b>7,453,318</b>	<b>7,548,458</b>	<b>(1.3%)</b>	<b>70,518,744</b>	<b>69,979,467</b>	<b>0.8%</b>
Atlantic	3,568,218	3,513,479	1.6%	27,949,603	27,916,951	0.1%
Pacific	2,648,870	2,820,300	(6.1%)	25,684,831	25,565,376	0.5%
Latin	1,236,230	1,214,679	1.8%	16,884,310	16,497,140	2.3%
Mainline	1,180,071	1,143,464	3.2%	16,240,588	15,803,912	2.8%
Regional	56,159	71,215	(21.1%)	643,722	693,228	(7.1%)
<b>Consolidated</b>	<b>17,236,161</b>	<b>17,519,548</b>	<b>(1.6%)</b>	<b>163,111,972</b>	<b>158,770,945</b>	<b>2.7%</b>

(Airlines , U. 2017, October 10)

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