

CORPORATE BRAND MANAGEMENT AND REPUTATION

MASTER CASES



**United Airlines:
With Great Power Comes Great
Response-ability?**

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First Edition
Student Case Papers

2018

Corporate Brand Management and Reputation: Master's Cases

The "Corporate Brand Management and Reputation: Master's cases" is a case series for applying the case method of teaching and learning in higher education. The cases are relevant to brand strategists in private and public sector organizations, as well as academics and students at universities, business schools, and executive education.

The cases are written by groups of master's students as a course project. The specially developed case format is defined as: *"A management decision case describes a real business situation leading up to a question(s) that requires assessment, analysis, and a decision reached by discussion in class. The alternative approaches and recommendations from the class discussion are followed by a description of the choices made by the case company. This description is then discussed by the class."*

The student groups select the topics of their case providing updated and relevant insights into the corporate brand management. The cases can be used as "written cases" (handed out and read in advance, later to be discussed in class) and/or as "live case" (presented by the teacher following a discussion in class). Each case includes teaching notes, visuals with speaker's notes, learning objectives, board plans, and references.

The mission of the series is *"to develop cases for discussion providing insights into the theory and practice of corporate brand management and reputation, with the intent of bridging the gap between academic teaching and managerial practice."*

The series is a result of co-creation between students and teachers at the elective course Corporate Brand Management (BUSN35 – five-credit course/eight-week half-time studies), part of the master's program International Marketing and Brand Management at Lund School of Economics and Management, Sweden. The cases represent the result of the intellectual work of students under the supervision of the head of course.

Although based on real events and despite references to actual companies, the cases are solely intended to be a basis for class discussion, not as an endorsement, a source of primary data, or an illustration of effective or ineffective management. The cases are free to be used and are to be cited following international conventions.

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WRITTEN CASE

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United Airlines: With Great Power Comes Great Response-ability?

United Airlines (“United”) was about to make their last flight 3411 for the day, leaving from Chicago to Louisville on a Sunday evening April 9, 2017. Unlike a normal night, where everything goes smooth and without any major issues, this night was about to create a major negative impact on their brand and reputation due to one unexpected incident. It all started with the need of accommodating another four flight attendants, who had to staff an unmanned flight in Louisville, on a last minute notice. The problem was that the flight 3411 was fully booked, and with all passengers sitting onboard already, it meant United had to somehow make four seats available. After several failed attempts to make passengers leave voluntarily, by offering compensation in the form of traveling vouchers, the crew decided to select four passengers based on certain criteria. This went all fine and well with three of the passengers, but the fourth passenger refused to give up his seat, and with no other options left, the flight crew had to call airport security for help. Little did they know that this was about to become one of United biggest scandals in the history of the Company.

Background and History of United Airlines

United Airlines history dated back to 1926 when Walter Varney founded “Varney Air Lines”, later known as “United Airlines” or often referred to as “United”. Through its history, the airline can be seen as a pioneer by establishing various milestones: it was the first to introduce female flight attendants as a new profession; it was the first to install in-flight kitchens for serving hot meals to passengers; and it was the first to hire an African-American pilot on a regular passenger airplane. Today, United has become the world’s third biggest airline by revenue, fleet size and number of destinations.

In the airline industry worldwide, the lead is taken by American Airlines, closely followed by Delta Air Lines and United (all in terms of total revenue, fleet size and passengers carried). With a total revenue of USD 37.7 billion in 2017, United has a global market share of around 5% whilst its market share in the United States accounts for almost 15%. The airline is a founding member of the Star Alliance network and offers more than 4,500 flights a day to 339 worldwide destinations and

employs over 87,500 employees. In 2015, Oscar Munoz, one of the “100 Most Influential Hispanics” according to the Hispanic Business Magazine, was appointed president and CEO of United.

The company’s shared purpose is connecting people and uniting the world. Since 2013, the slogan “Fly the friendly skies” remained unchanged. According to the airline, its most important values are *flying right* by delivering highest standards in safety and reliability, *flying friendly* by being warm and welcoming, *flying together* by respecting everyone regardless of gender, race or status, and *flying above and beyond* by becoming the best, as articulated by Munoz, with an “ambition to win, a commitment to excellence, and a passion for staying a step ahead”. One of the main goals of United is making each flight a positive experience by delivering an excellent product and service to all customers at all times.

The Incident - Involuntary Deboarding

On April 9, 2017, videos about a passenger being violently dragged off from a fully booked plane by airport police officers (“the drag-off”) were uploaded on YouTube and quickly circulated over the internet.

The incident happened in O’Hare International Airport on the United flight from Chicago to Louisville on April 9, 2017 which was the last flight on that Sunday night. The flight was fully booked and managers offered travel vouchers to passengers to vacate their seats in order to accommodate four crew members who had to cover an unstaffed flight at Louisville. The compensation offer increased from USD 400 to USD 800 in vouchers but no passengers agreed to voluntarily relinquish their seats. Thus, with still no volunteers, four passengers were chosen to leave the plane based on certain criteria. However, one of the passenger, Dr. David Dao, refused to leave his seat with the claim that there was an appointment with his patient the next day at his clinic. The United officials requested airport security officers for assistance after failing to deboard Dr. Dao for several attempts.

According to the drag-off videos, Dr. Dao was screaming as the officers yanked him out of his seat. His face hit an armrest during the struggle which made him pass out, then he was dragged down the aisle and off the plane unconsciously and with a bloody mouth. Shortly afterwards, Dr. Dao managed to re-board the aircraft, repeatedly saying “I have to go home”. Eventually he collapsed in a seat and was removed from the aircraft on a stretcher. The remaining passengers were then deplaned while blood from the scuffle was cleaned up. The flight ultimately departed and arrived at Louisville two hours behind schedule. Additionally, according to Dr. Dao’s lawyer, he was suffering from a broken nose, loss of two front teeth, sinus injuries and a concussion, but did not have any life-threatening injuries when he was taken to the hospital.

Related Policies and Regulations for Involuntary Deboarding

United has a specific “Contract of Carriage” (the “Contract”) that outlines the contractual relationship between the airline and passenger. It is an agreement that all passengers are going to consent when booking their flight tickets, which includes a

set of provisions for when a passenger may be denied boarding (e.g. Rule 21 of the Contract: "Refusal of Transport" and Rule 25: "Denied Boarding Compensation").

According to the involuntary denied boarding selection process of United, in an overbooking scenario, passengers can be chosen to leave the plane based on criteria such as ticket class (estimated fare paid), check-in time, and frequent traveling status. Furthermore, according to the contract of carriage, passengers can be refused transport or removed from the aircraft under situations that, for example, "passengers act in a disorderly, offensive, abusive, or violent manner" or "passengers fail to comply with or interfere with the duties of the members of the flight crew". Under The Code of Federal Regulations ("CFR"), airlines are allowed to remove passengers but compensation has to be made to the displaced customer for their troubles, which is up to a maximum of USD 1,350 based on how long the passenger will be delayed (14 CFR 250.5). Therefore, United reserves the right to deboard passengers accordingly (e.g. remove Dr. Dao from the aircraft), even the action is against one's will.

Impact of the Incident

Social Media Attention

In today's interconnected society, scandals spread like wildfire in a matter of minutes, thanks to the internet with the vast amount of social platforms used on a daily basis to communicate. The drag-off of Dr. Dao resulted in 1.5 million mentions on social platforms within a day (**Exhibit 1**). Compared to another United crisis, #LeggingsGate, which occurred two weeks prior to the incident, the impact of the drag-off is ten times worse (**Exhibit 2**). After the incident, people started to use various hashtags in association with United and the incident on twitter, and within a day those hashtags had reached and been seen by millions of people (**Exhibit 3**).

In **Exhibit 4**, the division between positive and negative mentions was more or less turned upside down, where it was 90% positive and 10% negative before the drag-off, which turned into 30% positive and 70% negative mentions. When taking into account the amount of mentions it becomes very clear that the incident was a huge crisis for United.

Stock Price

While the long-term financial performance of United may be affected marginally by public relations crisis, the short-term effect can be devastating if not managed properly. During the incident, the greatest drop in United stock price was from USD 71.52 (10 April) to USD 67.75 (18 April) (**Exhibit 5**), decreasing by around 5.3% in stock price and resulting an estimated loss of USD 1 billion in market capitalisation.

Taking the role of the board of directors of United, how would you answer the following questions:

Who should be responsible for the incident and how should United respond to the incident?

Exhibit 1 - Mention volume of United on Twitter, Facebook and Instagram (From 10 April to 11 April 2017)

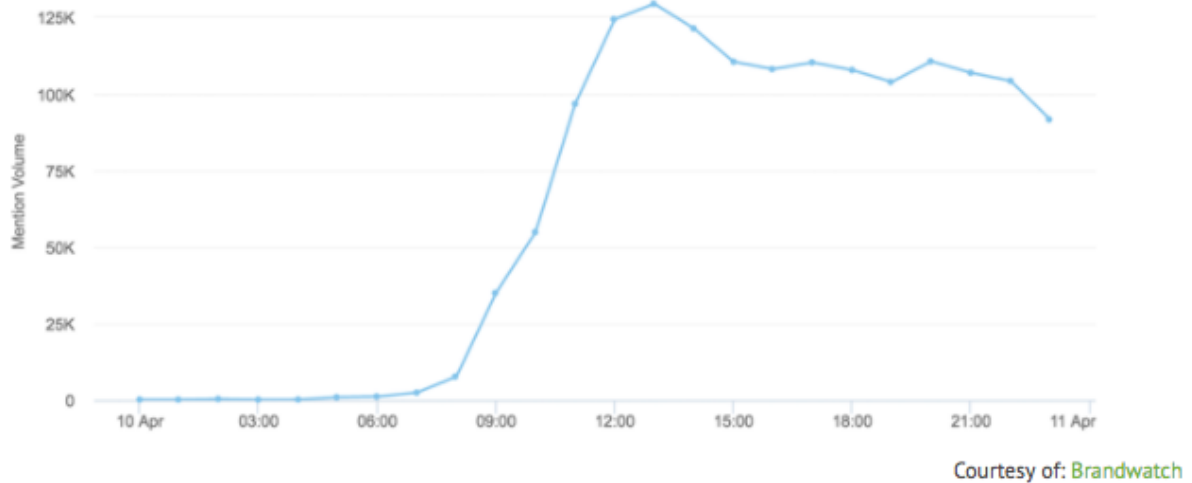
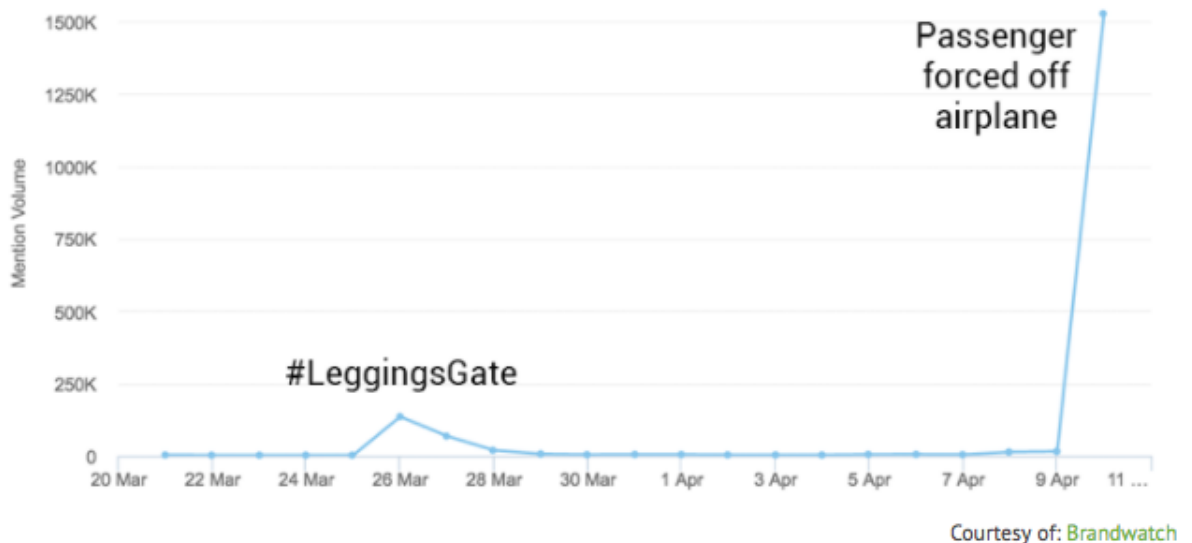


Exhibit 2 - Mention volume of United on Twitter, Facebook and Instagram (From 20 March to 11 April 2017)



Two weeks prior to the forced removal of Dr. Dao, United had to handle another crisis with the #LeggingsGate. They refused to let two teenage girls boarding with leggings unless they changed or put pants over the leggings.

This resulted in a massive increase in negative mentions on social media, which rose from around their average couple of hundred mentions to 150 thousand mentions for the #LeggingsGate.

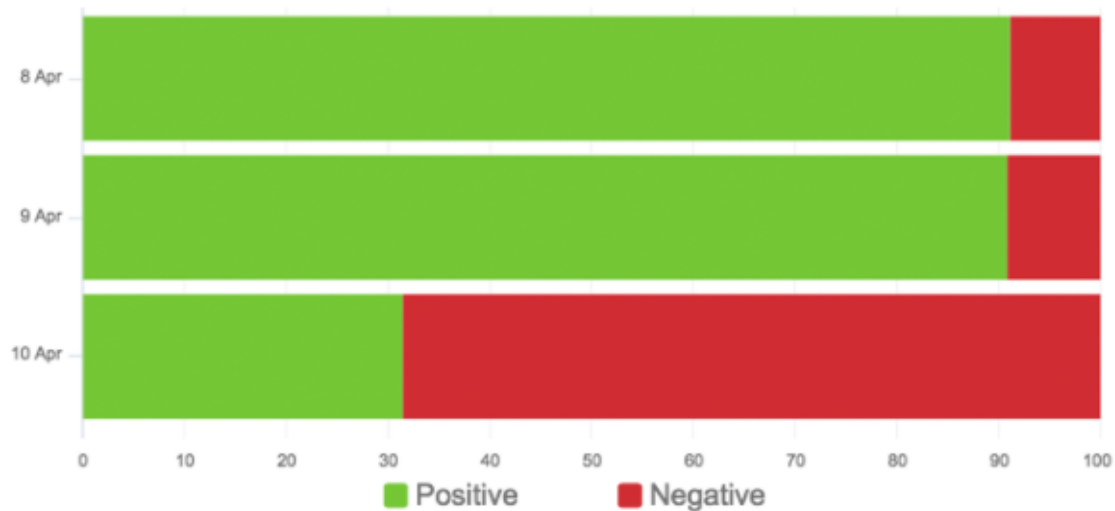
Exhibit 3 - Various hashtags in association with United and the incident on twitter

United Airlines: Top hashtags

Top Hashtags	TWEETS	RETWEETS	ALL TWEETS ▾	IMPRESSIONS
#flight3411	4278	143173	147451	288019262
#UnitedAirlines	13330	36273	49603	309114042
#United	6952	42544	49496	196242933
#unitedAIRLINES	15124	29886	45010	159168330
#flythefriendlyskies	208	36692	36900	124648230
#united	7512	27163	34675	122924978
#BoycottUnitedAirlines	7615	16597	24212	75887109
#BoycottUnited	3193	16032	19225	73236534
#boycottunited	3319	7249	10568	29293084
#united3411	1999	7515	9514	51847957

Twitter analysis via Brandwatch | 10 April 2017

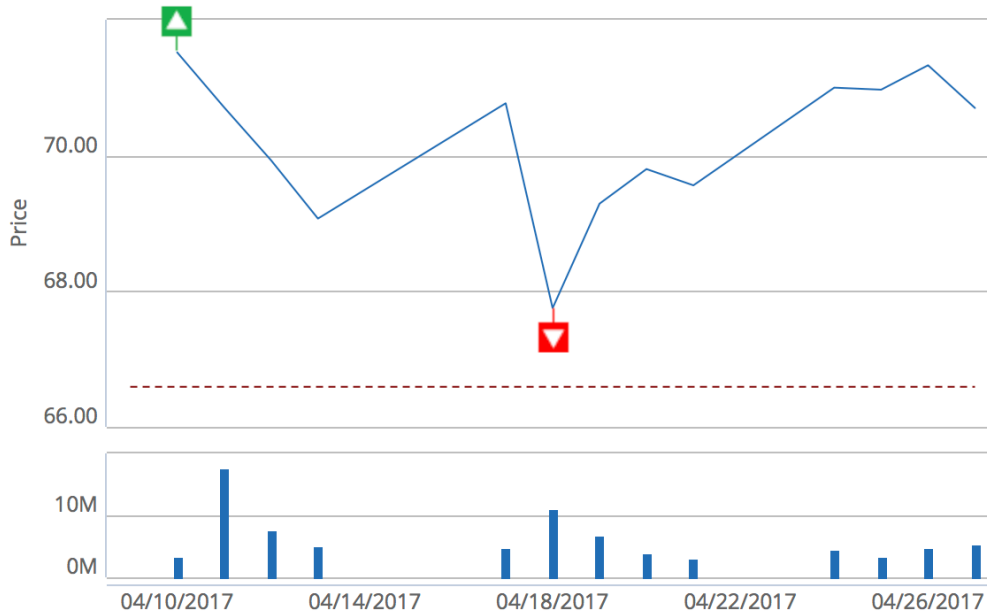
Exhibit 4 - Split between positive and negative mentions of United on Twitter, Facebook and Instagram (From 8 April to 10 April 2017)



Courtesy of: Brandwatch

Exhibit 5 - United stock price development from United.com and Yahoo Finance (9 April to 27 April 2017)

Currently showing data from 04/09/2017 to 04/27/2017



Date	Open (USD)	High (USD)	Low (USD)	Close (USD)
April 26, 2017	71.09	71.92	70.66	71.33
April 25, 2017	71.40	72.07	70.76	70.97
April 24, 2017	70.50	71.03	70.15	71.00
April 21, 2017	69.70	69.89	68.88	69.56
April 20, 2017	69.81	70.09	69.51	69.80
April 19, 2017	68.47	69.79	67.77	69.29
April 18, 2017	70.97	70.98	67.55	67.75
April 17, 2017	69.51	70.81	69.01	70.77
April 13, 2017	69.90	70.14	69.07	69.07
April 12, 2017	71.65	71.73	69.69	69.93
April 11, 2017	70.15	70.72	68.36	70.71
April 10, 2017	70.55	72.10	70.25	71.52