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United Airlines is the fourth largest airline in the United States and one of the largest airlines in the world. United’s history dates back to the beginning of the aviation history. The purpose of this paper is to inform the reader about United Airline. I have done many hours of extensive research on United Airlines and have gathered data from many credible websites, United’s databases; airline industry analysis, telephone interviews with United’s media relation and investor relation departments; and the analysis of overall market. In addition to the company’s background and history, which dates back to 1929; I am to inform you that United Airlines does not have vision, mission, and value statements. Instead, the company has the “Focus on Five” approach. I have also included United’s share of market, which is currently at 10.4%. United’s revenue and profit history includes the revenues and income for the last ten years. Stock market performance section explains the last five years’ and current stock market performance of the company.

Currently, United is the fourth in the airline industry with $3.5 billion in market capitalization. United’s SWOT analysis show the company’s strengths, weaknesses, opportunities and threats in relation to VRIO analysis and Significance/Probability analysis. Corporate and business level strategies section mentions where the company is competing; how it is competing, what strategies it is using to attain differentiation and cost-leadership among its competitors. Company organization briefly explains the structure of the company. Prognosis section explains how the company will perform within the next five years.

Background and History

United Airlines, based in Chicago, Illinois is one of the largest airline companies in the world. If approved by the U.S. government, the merger with the Continental Airline would make United Airlines as the world’s largest airline company. The new United Airlines would surpass Delta Airlines – currently the largest airline company in the world - in aircraft fleet, and passenger revenues. (United Airlines Press Release, 2010).

In 1929, Boeing Airplane Company and Pratt & Whitney joined forces to form United Aircraft and Transportation Corporation. (History Central, 2004). The initial purpose of this company was to transport mail to various cities via air. On July 1, 1931, the holding company established an operating division and changed the name to United Air Lines. (Century of Flight, 2010).

In 1934, U.S. Congress enacted Air Mail Act. (Century of Flight, 2010). The Air Mail Act of 1934 banned the common ownership of airline manufacturers and airline companies. (Wikipedia, 2010). The company was split into three: United Technologies, Boeing Airplane, and the United Air Lines. By the time of its split, United had already introduced its complete coast-to-coast service across America. The coast-to-coast service included routes from New York to San Francisco and Los Angeles with major stops in Salt Lake City, Omaha, Chicago, and Cleveland.

United Air Lines played a significant role during World War II. United-trained ground crews modified airplanes for use as bombers, and transported mail, material, and passengers in support of the war effort. (Wikipedia, 2010). The airline transported almost 200,000 tons of men and
materials over 21 million miles. In May 1942, it began service to Alaska and across the Pacific Ocean. (Century of Flight, 2010).

On June 1961, United merged with Capital Airlines making it the world’s largest commercial airline. The merger gave United the access to the routes covering the entire United States. In 1968, the company reorganized and renamed as UAL Corporation. United Airlines became its wholly own subsidiary.

United remained a major domestic carrier through the 1970s. The Deregulation Act of 1978 incurred great losses to the company. United had to pull out of many domestic routes that were subsidized by the government. United finally got access to the international routes when it acquired landing rights from now-defunct Pan American Airways, in 1985. In addition, United also bought Pan American Airways’ Pacific Division to gain access to Asia-Pacific markets. (United, 2010). In 1987, company briefly changed its name to Allegis. The change in name was to reflect the company’s ownership in non-airline related businesses. However, the name changed was short lived. The company changed its name back to UAL Corporation in May 1988. (Wikipedia, 2010)

During 1990s, UAL expanded dramatically. The company purchased Pan Am’s routes to London Heathrow Airport and directly negotiated with the UK government to fly to Heathrow from Chicago. In 1992, United expanded further by acquiring Pan Am’s routes to Latin America and Caribbean. Nonetheless, the aftermath of Gulf War and increased competition from the low-cost carriers led to losses of USD $332 million in 1991 and USD $957 million in 1992. In 1997, United co-founded the Star Alliance with many U.S. and international carriers to gain protection from the U.S. Antitrust Laws. In 2000, UAL aimed to acquire one of its rivals, U.S. Airways. However, the deal collapsed due to the lack of support from the US government and employees. (United, 2010).

The terrorists’ attacks of September 11, 2001, draw a major blow to the airline industry; especially, United Airlines. Coupled with the dotcom bust, increasing oil prices, competition from the low cost carriers such as Southwest and Frontier and low revenues, the company lost USD $2.14 billion in 2001. The company tried to secure USD $2 billion loan from the government. However, the government rejected United’s application to secure additional revenues. In 2002, company declared Chapter 11 bankruptcy protection. (United, 2010).

Since declaring Chapter 11 protection, United has taken many cost saving measures. Fuel saving program, code sharing with international airlines, closing of its domestic subsidiary Ted®, cancellation of feeder contracts with regional airlines, cancellation of its employee pension plan, lowering employee wages and securing additional loans from various financial institutions has helped United Airlines exiting from Chapter 11 bankruptcy. (Wikipedia, 2010)

As of 2010, United has announced merger with the world’s fourth largest airline, Continental. Pending government approval, the new company will be named “United Airlines”. However, United Airlines will lose its red and blue “U” logo and instead will use Continental’s blue globe logo. The company’s new slogan will be “Let’s Fly Together.” However, no changes will be made until the merger closes, which is expected near the end of 2010. (United Airlines, 2010).
Currently, United’s mainline fleet consists of 360 “narrowbody” and “widebody” aircrafts. Average age of mainline fleet is thirteen years. In addition, United Express fleet consists of 292 aircrafts. Approximately 40% of United’s capacity is deployed in international markets; 60% in domestic markets. Furthermore, United employs 46,602 people in various capacities. United also earns its revenues from cargo services, catering services and company owned hotels. (United Airlines, 2010).

NAICS classifies United as “Air Transportation Company” with code 481000. The code for “scheduled passenger air transportation” is 481111. United Airlines is currently listed on NASDAQ stock exchange with ticker symbol UAUA. For further information, please refer to the United Fact Sheet attached at the end of this document.

Organizational Definition

After an extensive research and numerous phone calls to United’s media relations department, the author is still unable to obtain the mission, vision, and value statements for the United Airlines. Nonetheless, the author was able to find a statement on company’s annual report that resembles with company’s mission, vision, and values. The statement declares:

“The Company characterizes its business approach as “Focus on Five,” which refers to a comprehensive set of priorities that focuses on the fundamentals of running a good airline: one that runs on time, with clean planes and courteous employees, delivers industry-leading revenues and competitive costs, and does so safely. The goal of this approach is to enable United to achieve best-in-class safety performance, exceptional customer satisfaction and experience and industry-leading margin and cash flow. Building on this foundation, United aims to regain its position in key metrics reported by the U.S. Department of Transportation (“DOT”) as well as higher revenue driven by services, schedules and routes that are valued by the Company’s customers.” (United Airlines Corporation, 2010).

From the above statement, one can safely deduce that United’s mission is to run a company that operates its service on time with clean planes and courteous employees, delivers industry-leading revenues and competitive costs. It does all that with safety as a priority.

Furthermore, United envisions itself to be a company with best-in-class safety performance, exceptional customer service, and an industry leader in profit margin and cash flow. United’s values are safety, provide schedules and routes that are valued by its customers, and to operate within the confines of the U.S. Department of Transportation.
Share of Market and Revenue & Profit History

Share of Market

United Airlines is the fourth largest U.S. carrier based on Revenue Passenger Miles. As of March 2010, United’s current market share based on Revenue Passenger Miles is 10.4%. (Research and Innovative Technology Administration (RITA), 2010). United’s top competitors are Delta/Northwest, Southwest, American, US Airways, Frontier, JetBlue, and Alaska. United’s market share along with its main competitors is shown in Figure 1.

Revenue & Profit History

United earns its revenues from four segments; namely, mainline, regional affiliate, cargo, and other. “Other” segment includes earnings from Mileage Plus®, United Services – maintenance services, and interests. However, United uses the first two segments for reporting purposes. (United Airlines Corporation, 2010). For the period ending December 2009, United earned 73% of revenues from mainline passengers, 19% from regional affiliate passenger, 3% from cargo, and 5% from other resources. (United Airlines, 2010).

Airline industry is cyclical. It relies heavily on economy and seasonality. United is no exception. From the deregulation in 1978 until 2000, United was a profitable company. However, over the last ten years, United incurred losses every year with the exception of 2007. In 2007, United earned profit of $359 million. The revenues and net income (loss) for the last ten years are shown in Figure 2 below.
Many factors contributed towards United’s losses over the last ten years. In 2001, United was one of the two companies that were used in September 11 attacks, which resulted in low consumer confidence specifically in United and American Airlines and airline travel in general. In 2002, United filed for Chapter 11 bankruptcy.

United’s revenue steadily rose from 2004 to 2008. However, United incurred losses due to high interest rates payments, increased fuel prices, and recession. During 2007-08 year, United’s fuel expense increased 59% to $3.1 billion, which resulted in net loss of $5.3 billion. On the other hand, during the 2008-09 fiscal year, United incurred high fuel costs due to hedging in the previous year. United hedged fuel at $104 a barrel speculating that fuel prices will rise. Instead, fuel prices decreased to $34 a barrel resulting in $586 million in fuel hedge loss and $628 million in net loss. (Datamonitor, 2010). Nonetheless, United expects to be a profitable company in coming years. A ten year financial performance – sales and profit history chart is attached as Appendix I.

### Stock Market Performance

Prior to 2006, United’s stocks were traded on New York Stock Exchange under the ticker symbol “UAL”. On February 2, 2006, United began trading on the NASDAQ Stock Market under the ticker symbol “UAUA”. Therefore, an accurate analyses for the last ten years is not possible. (United Investor Relations, 2010).

Most sources provide United’s stock performance since 2006. In addition, United’s 2009 Annual Report compares its stock price against Standard and Poor 500 Index. According to United’s 2009 Annual Report, United perform better than both the airline industry and the Stock Market in 2006. Until the middle of the 2008, United performed better than the airline industry, but lower than the S&P 500 index. Since then United’s stock has performed lower than both the market and the industry. During the last five years United’s stocks were traded as high as $51.60 (on 10/23/2007), and as low as $3.07 (on 07/10/2009). (EDGAR Online, 2010).

Appendix II shows both the performance chart from United’s 2009 Annual Report and the chart obtained from Yahoo finance.

<table>
<thead>
<tr>
<th>Year</th>
<th>2000</th>
<th>2001</th>
<th>2002</th>
<th>2003</th>
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<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
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<tr>
<td>Revenue $</td>
<td>19,352</td>
<td>16,138</td>
<td>14,286</td>
<td>13,724</td>
<td>16,391</td>
<td>17,379</td>
<td>17,882</td>
<td>19,852</td>
<td>20,194</td>
<td>16,335</td>
</tr>
<tr>
<td>Net Income $</td>
<td>50</td>
<td>(2,145)</td>
<td>(3,212)</td>
<td>(2,808)</td>
<td>(1,721)</td>
<td>(21,176)</td>
<td>22,851</td>
<td>359</td>
<td>(5,354)</td>
<td>(628)</td>
</tr>
</tbody>
</table>

Figure 2 - United – 10 Year Revenue & Income History (in millions)
Current Stock Market Performance

United (UAUA) stocks are currently performing better than both the industry and the S&P 500 index. United’s stocks steadily rose over the last two months. United’s stock price as of July 1, 2010 was $20.72. This was 0.16¢ higher than the previous day close. The industry high and low were $21.50 and $19.96 respectively.

Currently, United’s stock price is much better than its competitors. All the major airlines with the exception of Continental closed lower than the United. Continental stock price is high due to its merger announcement with United. Southwest (LUV) closed at $10.99, Delta (DAL) closed at $11.72, and American Airlines (AMR) closed at $6.62. (Yahoo Finance, 2010). Appendix III exhibits United’s current stock performance verses industry and market.

Current Performance Verses Industry

Currently, United is performing well considering its competition and market conditions. United is fourth in market capitalization with $3.5 billion. The only U.S. airline company that is ahead of United is the Delta Airline (DAL). United is also third in the airline industry on year on year Quarterly Revenue Growth with 14.90%. This percentage is higher than any of the U.S. airline company. The two companies that are ahead of United in this category are China Eastern, and China Southern airlines. (Yahoo Finance, 2010)

In addition, United ranks number one among top seven network carriers in “Passenger Revenue per Operating Passenger.” United ranks second in “Average Monthly Available Seat-Miles per Full Time Equivalent Employee.” In the category of “Average Annual Full-Time Equivalent Employee Compensation” United ranks third among top seven U.S. airlines. (RITA, 2010).

Moreover, United is the largest U.S. carrier to China. United is the one of two U.S. carriers authorized to serve U.S. – Narita routes from any U.S. points and to serve Asia from Narita. United is the only major domestic carrier offering a premium economy product, Economy Plus®. United continues to lose money on fuel hedges. Recently it recorded $131 million in cash losses on fuel hedge in third quarter, 2009. (UAL Investor Relation, 2009).

United and Continental have announced merger, which is pending government approval. Once approved, United Airline will be the largest, if not the second largest airline in the world. This announcement has not only raised both Continental’s and United’s stock prices, but also has made United one of the biggest competitors in the industry. United is also a pioneer member of Star Alliance. Star Alliance is the largest strategic alliance in the airline industry. Through Star Alliance, United operates many code share flights to destinations more than any other alliance.
SWOT Analysis (Datamonitor, 2010)

Below are the strengths, weaknesses, opportunities and threats pertaining to United Airlines. Strengths and weaknesses were derived after conducting VRIO Analyses; whereas, opportunities and threats were derived from Significance/Probability Analyses. Both analyses are attached as Appendix IV and Appendix V.

Strengths

Strong operational network.

United has a strong operational network. The Company operates more than 3,000 flights a day on United and United Express to more than 230 destinations. United earns 73% of its revenue from “Mainline” passengers. Almost 19% of revenue comes from “Regional Affiliate” passengers. In addition, approximately 40% of company’s capacity is deployed in international markets; 60% in domestic markets. United is one of the two U.S. carriers authorized to serve U.S. – Narita routes from any U.S. points and to serve Asia from Narita.

United is a hub-and-spoke company. United’s hubs are strategically located at Chicago, Washington, Denver, Los Angeles, and San Francisco airports. These hubs provide direct international flights to international destinations such as China, Kuwait City, Europe, Australia, Latin America, and the Caribbean. In addition, these hubs also provide services to domestic destinations for the international passengers. Hub-and-spoke method makes operations streamlined for airlines than do the point-to-point method. More resources are combined and available at hubs than at point-to-point airports. Thus, it makes easy for the airlines to manage passengers. Due to the hub-and-spoke method, United’s passenger load factor is 81.2%, which is much better than many point-to-point airlines.

Strategic alliances

United Airlines is a founding member of world’s most comprehensive strategic alliance, Star Alliance. (United Airlines Corporation, 2010). Star Alliance provides United with access to destinations that it cannot have access to otherwise. Through Star Alliance, United benefits from codesharing, mutual frequent flyer program benefits, co-ordination of reservation, ticketing, passenger handling, baggage handling, flight scheduling, and many other resource-sharing activities with its domestic and international partners.

Strategic Alliance also allows airlines safeguard against anti-trust litigations, price-fixing allegations, and many other legal issues. Under Star Alliance banner, airlines have government protection of many countries. The protection makes it easy for the airlines to utilize aircrafts, computer systems, personal, technical expertise, and many other resources of their partners without the fear of being litigated by the government of the country. Currently, Star Alliance has 20 members including Continental, U.S. Airways, British Midland, Emirates, and Etihad Airlines.
In addition, United has independent agreements with other air carriers outside the Star Alliance. These agreements enable United to provide increased flight frequencies, less waiting time to customers, and new standards of convenience thereby earning it a competitive advantage over other airlines.

Relatively high employee productivity

United has registered stronger revenue per employee, as compared to its competitors. Currently, there are 46,000 employees working for United, worldwide. Most of the workforce resides in the United States; however, the company also has international workers and expatriates working in different parts of the world. According to Yahoo Finance, “United ranks second in “Average Monthly Available Seat-Miles per Full Time Equivalent Employee.” This ranking is only second to an international company and higher than world leader Delta.

Fourth largest carrier in the U.S.

United is currently the fourth largest carrier in the United States by passenger revenue. However, this will soon be changing as United and Continental announced a merger deal earlier in 2010. The merger is pending government approval. Once the government agrees to the merger, United will become the world’s largest carrier.

This strength will give United the power and resource to deal with the buyers and supplier threats. In addition, United/Continental merger is complimentary. Continental does not compete with United directly. Therefore, with the merger, United will not only gain new hubs, but also new routes, which will increase its revenues and profits.

**Weaknesses**

Weakening financial performance

The company has posted loss after loss over the last ten years. In 2008, United incurred net loss of $5.3 billion as compared to a minute net profit of $403 million in 2007. Furthermore, company’s long-term stock performance has been lower than the industry’s average. United also filed Chapter 11 bankruptcy in 2002. Although, United emerged from bankruptcy in 2008, it has stained United’s overall credit rating. United is under so much burden of loans that most of its revenue is used for interest payments.

Such practices show that company has inefficient cost management controls in place. Continuation on this path will hamper the company’s future cash flows and the management’s ability to make firm decisions. Weak financial performance will also make it difficult for the company to secure future loans for aircraft and other purchases, which would hamper the company’s growth plans.

Heavy dependence on third party providers

United is heavily dependent on third party providers. Many of the United’s operations such as customer call service centers, aircraft repair and maintenance, aircraft fueling operations, and
other important functions that should be the integral part of the company are outsourced to various third party members. United’s dependence on outside vendors may reduce the company’s revenues and increase its expenses.

In addition, though United has entered into agreements with these vendors, it does not directly control them. If one or many providers fail to perform their jobs, it would be the United who would incur heavy losses, delays in flights, and bad reputation. In addition, not controlling its third party vendors may also result in safety or security breach. Such a breach; especially, after September 11 attacks would definitely tarnish the company’s reputation and may lead to another bankruptcy or perhaps a buyout by another better airline.

Strong unions

Most of the United employees are members of professional unions. Pilots are members of ALPA, flight attendants are members of AFA, mechanics are member of IBT, dispatchers are members of PAFCA, engineers are members of IFPTE, and even public contract employees are the members of IAM. Hence, almost every employee at United with the exception of management is a member of some union. The main job of these unions is to facilitate pay increases and job security.

In July 2000, almost 4,800 flights were canceled due to pilots’ union action. (Washington Post, 2000). Due to the recent pension cut plan United is under heavy pressure from the employee unions at United. Any small incidence can become a trigger for union action. United can lose millions of dollars a day, if one or more unions decide to go on a strike. Unions also have the sympathy from customers. Therefore, United faces a double trouble if it does not accommodate the demands of the unions.

Opportunities

Growing U.S. airlines industry

In recent years, U.S. airline industry has seen a steady growth. This trend is expected to continue through 2012 and following years. In 2007, domestic flight volume dominated in the U.S. airline industry and accounted for 673.3 million passengers, equivalent to 80.9% of the industry’s overall volume. The US airline industry is expected to grow with an anticipated industry value of $303 billion (Datamonitor, 2010).

Such a growth in airline industry would provide United with an opportunity to strengthen its network, financial position, and gaining competitive advantage over its competitors. United can truly gain a world leadership position by utilizing effective strategies to capitalize such growth coupled with acquisition of new fuel efficient planes and merger with Continental Airlines.

Global travel and tourism industry

Along with business travel, airline industry is heavily influenced by travel and tourism trends. According to World Travel and Tourism Council, world travel and tourism is expected to grow 4.3% annually. The research mentions that $13 million are to be generated from travel and
tourism between 2008-17 periods. The world travel and tourism, among many other industries, is mostly expected to aid the airline industry. United Airline with its large fleet is well positioned to take advantage of this opportunity.

Economic growth

Many economists believe that recession is likely to be over. (Murray & Zimmerman, 2009). The growth may be slower than anticipated; nonetheless, many economists believe that the recession either is over, or will be over by the end of 2010. End of recession means growth in business, and business travel. United among other airlines generates its revenues from the sale of first and business class seats.

Many airlines, like American (AMR), have already begun to refurnish their aircrafts. United also has already ordered fifty new aircrafts. This may be the good time for United to start advertising its premium services such as 180-degree angle lay flat beds. To avail this opportunity, United would have to utilize effective marketing and competitive prices.

Threats

Future oil prices

The biggest expense of almost every airline company is the fuel charge. Many companies hedge fuel prices against future market prices. However, hedging does not guarantee that customers will receive fuel on cost-effective prices. On the other hand, not buying future options against oil prices also does not guarantee that the customer will receive cost-effective gas prices.

In addition, oil prices are highly volatile and depend upon economic cycles. In 2007-08, United last almost $3 billion in fuel charges. Unfortunately, when the company decided to buy future options in 2008-09 for $104 a barrel, oil price plummeted to $34 a barrel and the company lost $628 million. Therefore, future oil prices are of an immense concern for United. Constant fluctuations can be a great threat to the company and the airline industry.

Intense competition and price discounting

Airline industry is highly competitive. The profit margins are very low. UAL’s business level strategy is to compete on price, costs, customer service, efficiency and productivity. Airline companies often use discount fares to attract customers and undermine their competitors. In addition, airlines use low fare in slow times of business to cover costs and fill planes. Some of United’s competitors are Delta, American, Southwest, Alaska, and JetBlue Airways.

Furthermore, mergers – such as Delta/Northwest – have forced many companies to file for bankruptcy. Not all companies go out of business. Most of the time companies file for bankruptcy to reduce their costs. Most often it occurs that they emerge out of bankruptcy as strong competitors. Low cost carriers and companies coming out of bankruptcy stronger, may adversely affect the company’s results, financial conditions, and liquidity options.
World and U.S. Economy

Where the growth in the economy can be good for the airline company, the decline in the economy can be even more hurtful to the company. Although many experts believe that the recession is over, there have been concerns regarding double dip recession. Economic problems in Europe and recent dismal data regarding jobs, housing, and consumer spending have raised the concerns for another recession.

United has just emerged from the bankruptcy. United may not withstand another recession, yet alone the merger with Continental. Therefore, United must carefully craft an alternative strategy to cope with another recession.

Corporate and Business Level Strategies

Corporate level strategies comprise on strategies about where to compete. On the other hand, business level strategies comprise on how to compete, what customers to serve, and what product to introduce. Below are United’s corporate and business-level strategies.

Corporate Level Strategy

United’s corporate level strategy is to compete worldwide; mainly in passenger transportation. United is the fourth largest airline in the United States. It will become the largest airline company when the merger is finalized. United has the competitive advantage over its competitors on many routes. For instance, United is the largest U.S. carrier to China. United, also, is in negotiations with many Middle Eastern governments to acquire routes. Some of the Middle Eastern routes are the destinations to where no U.S. airline currently flies.

Another of United’s competitive advantages is its Economy Plus® class that it provides on both domestic and international routes. The company, unlike low cost carriers, like Southwest, has the capability to cater both business and pleasure travelers. In addition, the company prides itself on providing best customer service including in-flight services. If United can adhere to its “Focus on Five” fundamentals, it can tremendously succeed in gaining competitive advantage over its competitors.

Business Level Strategy

United’s business level strategy is to offer the right service to the right customer at the right price. (United Airlines, 2010). In other words, United utilizes both cost-effective and differentiation strategies at the same time.

In addition, United has implemented the cost reduction program and employee productivity program. United believes that by increasing employee productivity, reducing costs, it can provide cost-effective fares to customers while gaining competitive advantage over its rivals. So far United has let go some 9000 employees. United maintains that the employees either went on furlough or left voluntarily. In either way, reduction in 9000 employees is a huge cost saving
measures. United has also abolised the pension plan for its employees. The company believes that it can save a substantial amount by not sponsoring the company pension plan.

United is also focusing on timeliness of its services. This strategy is both cost-effective and differentiated. Timeliness will save money between flights at the gate, cargo and passenger handling, boarding and departing. In the meantime, it would also differentiate United’s service based on time.

**Company Organization**

United is a multi-divisional company with a tall hierarchy structure. United’s offices are span throughout the world. The company headquarter is located in Chicago. Currently, Glenn Tilton is the company’s president, CEO, and chairman. However, this will change when United and Continental merge to form one company. Hierarchy structure for United Airlines is shown in Appendix . (The Official Board, 2010).

**Prognosis**

United has been performing below the industry and market average for the last ten years. However, new cost effective measures, and various other strategies implemented during the last few years are starting to pay off. United’s revenue steadily increased from 2004 to 2008. The economic conditions let United’s revenue down during 2009 – 10 fiscal years.

United’s prognosis for the next five years are very hopeful. The United States Government will approve the United/Continental merger. Both companies together will create the world’s largest airline company on passenger revenue and fleet. Both companies are complimentary to each other. I believe the transaction to be smooth and successful. Together, they will create more value than they currently have.

Cost reduction measures; such as, accurate fuel hedging, reduction in employees, timeliness, closing of United Express®, and elimination of employees pension plan will return United to profitability. United has relieved 9000 employees over the last year. In addition, the company’s contribution to pension plan, medical insurance and other benefits are not cheap. By letting go 9000 employees, United saved $73 million in severance expenses. (United Airlines Corporation, 2010)

New routes to Kuwait City, Bahrain, Ho Chi Minh City, and other route acquisitions will create differentiation between United and its competitors. Currently, not many U.S. airlines fly to these destinations. Therefore, United will have the ability to charge higher prices to its customer. This differentiation strategy will increase the company’s revenue. Coupled with overall economic growth after recession, new routes will initiate profits for the company. In addition, normally, it is more profitable to operate international flights than to operate domestic flights to the destinations with the same distance.
Acquisition of new fuel-efficient aircrafts would not also create differentiation between United and its competitors – as the fleet age will be lowered from 12 years to 8 years – but also will create cost leadership benefits for the company. United estimates that 25 Boeing 787 aircraft coupled with 25 Airbus A350 XWB aircraft will reduce fuel costs and carbon emissions by 33% compared with the aircraft they will replace. Furthermore, the lifetime costs of maintenance of these aircraft will be 40% lower per available seat mile compared with the aircraft they will replace. (United Airlines Corporation, 2010)

As you can see I have comprehensively covered all the aspects of United Airlines. United Airlines is the fourth largest airline in the United States and one of the largest airlines in the world. United’s history dates back to the beginning of the aviation history. The purpose of this paper is to inform the reader about United Airline. I have done many hours of extensive research over United Airlines and have gathered data from many credible websites, United’s databases; airline industry analysis, telephone interviews with United’s media relation and investor relation departments; and the analysis of overall market. In addition to the company’s background and history, which dates back to 1929; I am to inform you that United Airlines does not have vision, mission, and value statements. Instead, the company has the “Focus on Five” approach. I have also included United’s share of market, which is currently at 10.4%.
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United Financial Performance

Fiscal years 2005 and 2006 when GAAP rules changed. United uses Predecessor and Successor to distinguish between the two filings. (UAL Corp, 2006)
APPENDIX II

The following graph shows the cumulative total shareholder return for UAL common stock during the period from February 2, 2006 to December 31, 2009. Five year historical data is not presented since the financial results of the Successor UAL are not comparable with the results of the Predecessor UAL, as discussed in Item 6, Selected Financial Data. The graph also shows the cumulative returns of the Standard and Poor’s (“S&P”) 500 Index and the AMEX Airline Index (“AAI”) of 12 investor-owned airlines. The comparison assumes $100 was invested on February 2, 2006 (the date UAUA began trading on NASDAQ) in UAL common stock and in each of the indices shown and assumes that all dividends paid, including UAL’s January 2008 $2.15 per share distribution, were reinvested. (United Airlines Corporation, 2010)
APPENDIX III

United's Stock Performance (in Blue) Over The Last One Year – (Market Watch, 2010)
Appendix IV

VRIO Analysis - Based on a 5 point scale with "1" as "not very" and "5" as "extremely". 
No = 1 or 2, Yes = 3 or 4

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<tr>
<th></th>
<th>Valuable</th>
<th>Rare</th>
<th>Hard to Imitate</th>
<th>Organizational Feasible</th>
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<td>4</td>
<td>5</td>
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<td>Merger with Continental</td>
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<td>New Aircrats</td>
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<td>2</td>
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<tr>
<td>Largest Carrier to China</td>
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<td>4</td>
<td>2</td>
<td>3</td>
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<td>Operating on new routes</td>
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<td>1</td>
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<td>Strategic Alliances</td>
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<tr>
<td>High Employee Productivity</td>
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<td>3.5</td>
<td>3.5</td>
<td>5</td>
<td>16.5</td>
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<tr>
<td>Fourth Largest Carrier in U.S.</td>
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<td>3.5</td>
<td>2.5</td>
<td>3</td>
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<td>Weakening Financial Performance</td>
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<td>Heavy Dependence on Third Party Providers</td>
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<td>Legal Proceedings Likely to Hamper Image</td>
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<td>Removal of old aircrafts to increase fuel efficiency</td>
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<td>2</td>
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</tbody>
</table>

**Strengths**

**Weaknesses**

Source: (Datamonitor, 2010)
APPENDIX V

Significance/Probability - Significance based on a 5 point scale with "1" as "not very" and "5" as "extremely".

<table>
<thead>
<tr>
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<tr>
<td>Economic Growth</td>
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<td>Future Oil Prices</td>
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<td>90.00%</td>
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<td>Environmental Regulations</td>
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<td>3.825</td>
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<td>Pandemic</td>
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<td>Alternative modes of transportation</td>
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<td>Threat of Suppliers</td>
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<td>1.5</td>
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<td>Intense Competition and price discounting</td>
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<td>95.00%</td>
<td>4.75</td>
</tr>
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</table>

Opportunities

Threats
APPENDIX VI

Company Structure - United Airline