**United Airlines**

United Airlines was formed in 1927 from four airlines: Boeing Aero plane Company, National Air Transport, Varney and Pacific Air Transport. From being predominantly a USA domestic carrier, United Airlines expanded into international routes to become the world's second largest air carrier. With hubs in Chicago, Denver, Los Angeles, San Francisco, Washington D.C. and key international gateways in Tokyo, London, Frankfurt, Miami and Toronto, United flies to 117 destinations in 26 countries. United employs more than 80,000 people worldwide and carries more than 210,000 passengers daily. Through the Star Alliance, United's customers have access to more than 700 destinations around the world. By using marketing activities to provide customer-focused products and services, United remains an industry innovator. In a service-based industry, customers and the services they require are at the center of any marketing strategy. In addition to offering convenient scheduling throughout its domestic and international routes, United seeks to attract high-yield customers and to earn their preference and loyalty. It does this by being quick to innovate in areas such as frequent-flyer programmes as well offering enhanced products and services such as e-tickets, and improved electronic display systems, gate readers and scanners.

**Assessing the external environment**

One useful way of assessing an organization’s external environment involves grouping forces into five areas using a SLEPT analysis. A recent analysis of factors affecting United Airlines produced the following:

**Social influences**
Many UK travelers fly frequently to various destinations. Because they have plenty of choice and also know something about key world issues and events, their travel selections are influenced by many different factors. For example, the widely reported SARS epidemic and various acts of terrorism each caused a significant fall in numbers travelling to certain destinations. Over a period of time, however, others factors that influence travel destinations and people's willingness to fly come into play, and travellers regain confidence in destinations and in modes of transport they had temporarily deserted.

**Legal influences**
Like all airlines, United must observe the rules and regulations of the USA's Federal Aviation Authority (FAA) and the UK's Civil Aviation Authority (CAA). This leads to heavier costs and more administration. Under current USA/UK agreements, only four major airlines may land at Heathrow on direct flights between the two countries. These are United Airlines, American Airlines, British Airways and Virgin Atlantic. With European legislation focusing upon opening up this market, any form of anti-trust legislation could lead to increased competition.

**Economic influences**
Governments are under pressure to create 'open skies' as well as to force down prices on high traffic routes such as Heathrow. In recent years, airlines have had to cope with higher landing charges as well as additional taxes imposed upon the air-travelling public. World events such as SARS and the Iraq war also have a direct economic influence upon airlines' activities.

**Political influences**
The political environment is determined largely by governments and powerful decision makers able to create laws, regulations and codes. Transatlantic carriers look for Heathrow landing slots as well as USA landing rights, but American politicians are under pressure to protect lucrative internal USA flights from overseas competition as travelers arrive at key hubs and then travel onwards within the USA. Politicians are also
involved in European/US negotiation of bi-lateral agreements and in many countries it is they who frame and enforce anti-trust legislation as well as, perhaps, minimum wage legislation.

Technological influences
The safety of passengers and crew remains a prime concern for all airlines. Faced with rapidly advancing technologies, United is actively aware of an ongoing need to invest in aircraft and update its fleet while at the same time providing more and improved customer service benefits, both in-flight and on the ground.

Meeting the external challenges

The SLEPT analysis illustrates the complexity and uncertainty of the airline environment. To handle this, United Airlines must itself continually change and evolve to ensure that it remains the carrier of choice, based upon its leading position as a major innovator. Only then will sufficient customers continue to prefer United Airlines and remain loyal to it.

Whilst ticket prices certainly matter to airline passengers, customer service is also highly important, being a major feature of passengers' choices and a key factor through which many major airlines compete. Good customer service doesn’t just happen: it has to be worked at. It involves pre-transaction considerations and the processes designed to satisfy customer needs as well as post-transaction considerations that are designed to ensure that as customers complete their journey they are happy to describe their positive experience to others.

In response to changes identified through the SLEPT analysis, United has acted. It has:

- developed a route structure spanning five continents and offering the most non-stop flights from the Pacific Rim to the USA
- set new standards for the comfort and safety of its aircraft fleet
- developed the Star Alliance network, bringing together 15 carriers who offer services to over 700 airports in more than 120 countries
- further developed and invested in its airport lounges
- created the Red Carpet Club, providing members with access to over 40 facilities worldwide
- offered First and Business customers access to an arrivals suite with the opportunity to shower, enjoy a continental breakfast and utilize business services.

In a technologically-based industry, using new technology creatively is a key way to counter adverse environmental forces. United's e-ticket service has simplified check-in procedures. Changes in computer hardware have enabled United to provide large-screen electronic display systems as well as gate readers and baggage scanners to improve the tracking of luggage. United recently received the highest ranking among airlines for its effective use of the Internet. Behind the scenes there are flight information systems and other software systems designed to provide up-to-date information for customers.

The importance of marketing

Market orientation lies at the heart of United's recovery operation. Its Chief Executive believes that although hard times may make reductions in the labor force inevitable, and may also lead to adjustments to its aircraft fleet and to the balance between aircraft purchase and aircraft leasing, marketing activities should not be reduced.

According to the UK's Chartered Institute of Marketing, marketing is 'the management process responsible for identifying, anticipating and satisfying customer requirements profitably'. United Airlines takes the view that marketing helps to sustain, maintain and (in the medium to longer-term) develop customers' perceptions and thoughts about the business by developing a series of brand values that keep the United Airlines brand moving forward.

United also appreciates the need to match the marketing mix to the particular business environment. For example, UK customers do not usually respond well to global messages. Where changes within a business environment affect different parts of the air travel market in different ways, it is important to develop a
polycentric approach to marketing. This involves applying different marketing mixes in different countries to meet the needs of each consumer group. United Airlines communicates with UK consumers in ways that satisfy their particular concerns, and also provides specific messages for each sector of its UK audience. For example more people are taking control of their own travel arrangements. These "independent leisure travelers" can be reached through a certain style of advert which links in with their independent attitude e.g. "I prefer holidays off the beaten track" or "I have a keen sense of adventure". This group is reached through media such as consumer press and music radio. The business traveller is reached through statements like "We know business travel isn't glamorous but we're doing our best to make it as good as it can be." This statement is backed up by offers of free upgrades to Business or First Class to frequent business flyers. United Airlines also created a campaign specifically for the UK audience in order to promote its products through sales promotions. For example:

- Frequent flyer newsletters address customer retention and have led to providing customers with details about a range of offers linked to additional 'Business Miles'.
- Discounts are provided for travel agents based upon the sale of leisure and business tickets.

**Conclusion**

This Case Study illustrates that if decision takers know and understand many of the influences and changes in their own business environment, they can use this data to make key decisions that help counter many of the challenges and threats that they face. It shows how United Airlines has used marketing as a strategic tool to move the organization forward and to provide it with a series of important competitive advantages.