

UNITED AIRLINES CASE:
WHAT CAN WE LEARN FROM THIS FOR BUSINESS?

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FACTS

“A passenger was dragged, bloodied and screaming, up the aisle and off a plane by authorities at the Chicago O’Hare International Airport on Sunday (April 9, 2017) when he refused to give up his seat on a United (UAL) flight to Louisville, Kentucky. The airline needed to free up seats to transport commuting crew members”.

“On Monday, passenger videos of the incident started to go viral”.

Source: CNN Money.com (<http://money.cnn.com/2017/04/11/news/companies/united-48-hours-passenger/index.html?iid=EL>)

What can we learn from this for business?

DON’T FORGET THE BASIC FREE MARKET SUPPLY AND DEMAND PRINCIPLES

According to basic rules of free market, there is always a price that matches the equilibrium for supply and demand. Based on free market theory, United should have had to keep offering a higher price until they get someone who decides to get off the plane: \$1,000? \$1,500? \$2,000? I would have gotten down for \$2,000.

When I have been in this case in a flight, there have always been people willing to get down for less money than what I have in mind. In this case, the problem is that someone who doesn't understand basic rules of economics made a decision. A decision that in the end will cost millions to United Airlines, instead of, maybe, just \$2,000.

AN EMPLOYEE DECISION MAKING AND THE STOCK PRICE

The opening stock price for United Continental Holdings (UAL) on Tuesday April 11, 2017 was \$71.52 USD. By 11:05 am the price had fallen to \$68.44 USD, this is, -4.3%. It closed the day at 4:00 pm at \$70.71 USD, this is, -1.13%. The market value of the company (market cap) is approximately \$22.25 billion USD. This is, a loss of 4.3% is roughly a loss of value of \$957 million USD, and a loss of 1.13% is roughly a loss of value of \$251 million USD.

Do employees still believe that their decisions and actions do not have an effect over their employer’s company?

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About Acus Consulting. This firm supports companies, organizations and government agencies in financial and strategic analysis, investment project evaluations, financial modeling, valuation of ongoing companies, financial planning, risk analysis and decision making. Acus Consulting works in consulting projects and offers seminars and workshops of finance for executive training. It is based in Toronto.

About Alberto Calva. His expertise field is finance and economy. He has been a business consultant for more than 20 years. He has given seminars and workshops in 8 different countries having trained with this around 10,000 executives and entrepreneurs from 20 different countries. He has a unique mix of academic, practical, entrepreneurial, hands on experience and board member background. He holds a Bachelor degree of Industrial Engineering, a Master degree of Economics and an MBA with a major of Finance.

About this report. We prepare several reports every month regarding financial, economic and business issues. These reports are sent free of any charge to our database of clients and friends. We have been preparing and sending our reports for 20 years. We send each report to around 16,000 people.

Neither Acus Consulting nor Alberto Calva are responsible for any decisions taken based on the information or comments here presented, neither for the accuracy of the figures.

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