



Will United Airlines Survive Their Public Relations Nightmare?

Airline stocks were doing so much better and airline stocks were better investments than they used to be. Then a paying passenger was dragged from a UAL flight to make place for 4 United employees who wanted a ride. The video that another passenger took of the incident went viral and the whole world knew what rats the United Airlines people were. The stock fell three dollars a share and then recouped half of its losses. Will United Airlines survive their public relations nightmare? *Market Watch* thinks they will.

PepsiCo Inc. and United Airlines have recently come under fire from consumers, but investors seem to have already forgotten their public-relations nightmares.

After a couple of days of outrage over a video showing a passenger being dragged from an airplane, shares of United Airlines parent United Continental Holdings Inc. UAL, -0.41% looked as though they would erase all the losses suffered following the incident. That is to say, while consumers may choose to pull their dollars from the brands, investors aren't expecting that to hurt the company, at least not at this stage.

United's stock erased all of its post-scandal losses early Wednesday, advancing as much as 1.4% in intraday trade Wednesday, briefly rising above its 50-day moving average. This came on the heels of Tuesday's early stock plunge, which wiped about \$255 million off the company's market cap.

Despite a lot of people being made angry by UAL the same factors that make airlines better investments than they have been for years are still in play. Fuel prices are low and competition is less after many mergers and acquisitions. And airlines have become more efficient than they used to be. If you fly out of the UAL hub in Chicago your best choice for the most flights is still United Airlines. The *LA Times* looks at the incidence from the view of toxic corporate cultures from the CEO on down and compares it to the Wells Fargo account scandal. In the case of UAL it was the CEO's choice to back his employees before he got the full picture, thus upsetting paying customers.

In two statements Monday, including an internal letter to employees, Munoz chose to see the incident entirely from the workers' point of view. He depicted the airline staff as having treated Dao "politely" and "apologetically" and Dao as "disruptive and belligerent." He said the airline agents "were left with no choice but to call Chicago Aviation Security Officers to assist in removing the customer from the flight." He added, "While I deeply regret this situation arose, I also emphatically stand behind all of you. Treating our customers and each other with respect and dignity is at the core of who we are."

In a third statement issued Tuesday, Munoz finally made the right noises. "I deeply apologize to the customer forcibly removed and to all the customers aboard, he said. "No one should ever be mistreated this way."

The difficulty that the guy in charge had in coming to the aid of a humiliated and injured passenger will rub a lot of frequent flyers the wrong way. It remains to be seen how long the bad feelings will last and if eventually United Airlines will survive their public relations nightmare or suffer damage.

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