

Rapid rewards at southwest airlines case study essay sample

[Transportation](#), [Airlines](#)



Southwest Airlines prided themselves on their commitment to customer service and equality by offering a streamlined business model with an emphasis on simplicity and efficiency that has remained the same for the most part since the airlines' inception in 1967. At the time of the case study, Southwest had been profitable for the past 28 years, an achievement many airlines are incapable of boasting due to the volatility of the airline industry. One of the unique policies that Southwest employs is their 'single-class service,' where seats are not assigned, and those who check in first board the plane first and have their pick of available seating. In order to improve and maintain customer retention, Southwest built up brand loyalty by consistently offering the lowest flight rates and building relationships between repeat customers and staff. This worked for the most part, however in recent years the airline industry had become more competitive, with more airlines taking low-cost strategies in an attempt to attract a wider array of customers, particularly those of the price-conscious variety.

With this change, Southwest suddenly had an increase of competitors who were charging similar prices but offering tiered seating options and amenities that Southwest's egalitarian strategy lacked. While casual customers had no problem with continuing to use Southwest's simple and cheap services, frequent fliers began to feel as though their consistent patronage was underappreciated when compared to other airlines' frequent flier privileges. Southwest's main dilemma was in determining the steps that should be taken in order to maintain their egalitarian strategy that had been a staple of the brand and its core values since its beginnings, while also keeping their frequent fliers satisfied and ensuring their continued patronage

(customer retention). Southwest's rewards program was unique in that the company determined one's frequent flier status not by how many miles flown, but by the number of trips taken, making it a more desirable option for those who flew often, and not necessarily far distances. In addition, if one flew over 50 round-trips or 100 single-way trips one could receive a Rapid Rewards Companion Pass, which allowed members to designate one person to travel with the Rewards Member free for one year.

However, beyond the generous aforementioned offerings, Southwest refused to give anyone pre-boarding privileges or seating regardless of preferential status. In recent years, this had become a bone of contention among frequent fliers, who felt as though their continued patronage deserves some kind of pre-boarding or preferential seating privileges. Southwest's current strategy involved customers being willing to sacrifice the amenities and privileges offered by the more premium and expensive airlines in order to receive a cheaper fare, quicker gate turn-around, fewer cancellations, and a higher safety record. If Southwest were to change their egalitarian policies and values and offer frequent fliers low-numbered boarding cards, it would help keep their current frequent flier customers in addition to potentially attracting new ones who were initially turned off by their lack of pre-boarding preferential treatment. However, it would create a cognitive dissonance between the firms' core values and their practices. Southwest offered two types of fares; an unrestricted, generally available option which was fully refundable and allowed for changes to travel plans, and a 'restricted' fare which was offered at a deeply discounted rate, however you could not

receive a full refund or use a 'restricted' ticket to board a flight with only 'full-fare' seats left on the plane.

A common complaint Southwest received from frequent fliers was their lack of flexibility when it came to flight changes in regards to restricted tickets. In an effort to maintain their 'classless' system, even Rapid Rewards Members were subject to paying extra to make up the difference in 'restricted' and 'unrestricted' fares when changing flights, or waiting for the next available seat within their 'restricted' fare-class, which may result in having pass up multiple flights that only had 'unrestricted,' full-fare seats remaining. If Southwest were to change their policy regarding restricted tickets bought by frequent fliers and allow them to take the next flight that offered an empty seat regardless of the fare restrictions, it would remove the entire purpose of the unrestricted/restricted fare dichotomy, which is to charge a discounted rate for those who are willing to take a less incentivized option. This would also then compromise the egalitarian values that define the Southwest brand as a whole, and possibly alienating customers loyal to the brand.

The economic importance of frequent fliers is the concept of repeat customers being cheaper and easier to maintain in comparison to the acquisition of new customers. Maintaining a steady flow of frequent fliers results in maintaining a steady flow of revenue, one which is acquired at a much cheaper cost than revenue acquired from new customers. Southwest would have to determine if the amount of money lost due to frequent fliers switching to competitors because of dissatisfaction surrounding their unrestricted/restricted price structure outweighs the amount of money

generated from said customers who end up paying to upgrade to an unrestricted seat. If found that the former outweighs the latter, they would also have to then decide if the amount of money lost is worth compromising the integrity of their core values.

An alternative option for Southwest would be to offer customers an option for their Rewards Program: they could choose the 'free ticket' option which is the original Rapid Rewards program, or they could instead choose a second option, which gave frequent fliers the ability to use 'restricted' tickets with any flight with empty seats regardless of fare class when they've missed their original flight once the flier has reached 8 round-trip flights or 16 single-trip flights, however in exchange they would have to sacrifice their free ticket. This would offer a choice that could potentially satisfy the business fliers who are more likely to miss their scheduled flights while still offering their original Rapid Rewards program.