

Generic strategy in southwest airline essay sample

[Business](#), [Customers](#)



The three generic strategies identified by Michael Porter, namely cost leadership, differentiation and focus are all options available to small businesses. cost leadership requires a tight set of interrelated tactics that include aggressive construction of efficient-scale facilities; vigorous pursuit of cost reductions from experience; tight cost and overhead control; avoidances of marginal customer accounts; cost minimization in all activities in the firms value chain. Differentiation is the strategy of differentiation consists of creating difference in the firm's product or service offering by creating something that is perceived industry wide as unique and valued by customers. Focus is based on the choice of narrow competitive scope within an industry.

The success reason for SWA's is because of their low-cost model. First of all, there is no paperwork of ticket reservation and collection procedure; a ticket gives out in under 20 seconds by automatic ticket dispensers which can process a credit card, this can subtracts commission to hair a travel agent, and save paper and printing expending. Second, SWA using only of Boeing 737s and just offers coach seats and does not offer in-flight meals. Boeing 737 just has four versions of that spares and maintenance routines; thus, it can be standardized, cutting down still further on costs. In-flight meals and luxury seats, which have been seen as unnecessary for SWA that provides a short-haul trip from city to city at the lowest cost, most of its customers who are willing to forego in-flight meals, because the direct routes and fancy seats means for a cheaper ticket.

Third, SWA has removed many of the "luxuries" that competitors have offered, SWA enforce a rule for passengers who could not fit into the seats to <https://assignbuster.com/generic-strategy-in-southwest-airline-essay-sample/>

purchase an additional seat by its purpose-get passengers from one point to another. Because to have options for various class seats would have been excess baggage; most people would prefer to do without it if it meant for cheaper ticket price. Fourth, SWA has no hub and spoke systems, for it requires huge investment and expense. Also because of arriving and departing travelers do not have to converge on hubs in concentrated periods to be sorted and sent on their way. This means SWA is not required large ground crews to handle the longer down-time for the aircraft, not must sit long enough to collect passengers from the various arriving flights.

Fifth, SWA keeping its planes in the air for more hours everyday, it means that planes can fly with fewer passengers, meaning more flights can be offered, which increases the number of options available to customers. The frequent take-offs and landings coursed SWA has been able to reduce its load factor to just 55 per cent; faster return of planes could be economized the rent of airport as well. SWA's lower costs allow it to continue to earn profits during times of heavy competition. SWA's low price serves as a barrier to entry, since few new entrants will be able to match the cost leadership advantage.

Lower price and speedy and friendly customer service is one of differentiations of SWA. While SWA offers no frills, it dose satisfy customer expectations when it comes to service. SWA provides short haul, high-frequency, point-to-point, and low-fare air transportation service among 58 cities. For city-to-city transportation is possible with the lowest costs, SWA could be offering lower prices and faster service to compete against its

rivals. Maybe the margins are wafer-thin, but it compensated by more passengers are pleased to choose SWA. Amount 75-80 percent of airports, SWA is the largest transporter in terms of passenger boarding. Furthermore, SWA is being able to put their business in several baskets; SWA not only competing with other airlines, but with other forms of transport including trains, buses and private cars.

SAW's focuses on not only do they dominate the niches in which they operate, but they also tend to be highly profitable. The guerrilla war which prefers ground has been the min-sized airports where many giant airlines have not considered. Because seldom major airlines were willing to provided well service in smaller airports, for they thought it won't produce higher profit. Whereas, SWA has apperceived the advantages from that, the lacks of competitions means fare are high, the routes of small airports won't crowd in traffic, and SWA could get "right" customers by lower price and faster service.

**(Disadvantages: No matter how successful, SWA also has weaknesses. First, SWA serves only 29 states and cannot compete against the bigger airlines that serve whole country or even internationally. Otherwise, SWA doesn't utilize a hub system that allows for bigger competitors to reach further out. Another weakness of SWA is their preference of Boeing 737s, it is Being limited to solely type of airplane leaves them with little flexibility when the model receives a bad reputation or a critical shortage is detected. Such would be a costly risk for SWA, if in the face of a dire situation would face a costly venture of finding replacements or counteracting bad publicity.

A possible drawback is that because SWA' strategy has proven so effective, it will be duplicated and learned by its competitors to a point where it would lose the creativity. This could result in competitors offering low rates to the areas covered by SWA and beyond, making SWA' range and limitations more obvious. Finally, SWA may incur losses from its low-price strategy too, the goal of this strategy is to drag competitor when it is near bankruptcy or are in badly situations for they cannot match SWA's prices. This tactic affects both companies; it is very risky and should not be done unless SWA is sure that their competitor is near bankruptcy.)