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This proposal addresses the needed steps to be taken in order for Southwest Airlines to see continued growth in the airline industry. Southwest Airlines has been able to remain one of the most profitable airlines in the industry for an extended period of time. Even with the hindrance of the 2001 terrorist attacks involving airplanes and the U. S recession of 2008, Southwest has continued to see strong revenue growth.

Meanwhile, other companies were experiencing major losses and In some cases loading. Southwest Airlines has capitalized on the company’s strength of being the top low cost carrier by offering a simple and efficient business plan that prides Itself on customer service. Other carriers are now starting to take note of Southwest success and emulate many of their practices In an attempt to grab a share of their customer base. To overcome this competition, Southwest must continue to be unique and Innovative In their business plans.

Southwest Airlines was created in 1971 by Rolling King and Herb Keller. Their thinking was that if they offered fares lower than any of the competition, with efficient service, the company was bound to succeed. Their thinking turned out to be on target, as Southwest has for decades been one of the most successful airlines in the country. What began as a small Texas airline has grown to become the fifth largest airline in the United States. Today, Southwest Airlines flies over 70 million passengers per year to more than 62 cities.

Southwest orchestrates over 3, 000 flights per day. The Southwest fleet consists of over 436 Jets which have an average age of nine years old. Since the Department of Transportation began tracking Customer Satisfaction statistics in 1987, Southwest has consistently led the entire airline industry with the lowest ratio of complaints per passengers boarded. Customer satisfaction is one of the cornerstones at the foundation of Southwest’s success. CUSTOMER SATISFACTION Complaints per 100, 000 customers boarded Source: http://www. Southerliness’s. Mom/people When being established, Southwest used a business model that differed quite a bit from ones seen at other successful airline companies around the country. When the airline launched, the fares were much lower than the competition. In fact, many fares were actually below the cost of driving a vehicle over the same route. Southwest’s policy of pricing its service was to compete with auto travel, something not even considered by other airlines at the time. While the fares have increased with inflation, they are still some of the best in the industry.

Southwest has been able to keep its fares low and its service ratings high by implementing processes that are unlike those of its competitors. Trips are made more frequently by Southwest than the average airline, passengers are not assigned seats, only Boeing 737 Jets are seed in the Southwest fleet, UN-congested or secondary airports are targeted in their routes, and tickets are primarily sold through the internet. Southwest’s frequent departures provided opportunity to frequent business flyers to catch a later flight if they missed one. They also didn’t assign seats to passengers.

They issued colorful reusable plastic cards numbered 1 to 30. Passengers who came first could take the seat of their choice, thus providing an incentive to arrive early. This process of assigning seats eliminated the time-consuming reconciliation of the double assignment of seats on full flights and allowed Southwest agents to keep the plane doors open for last minute arrivals at the gate. The airline didn’t transfer baggage to connecting flights on other airlines and didn’t provide food in flight The process has proven to be very efficient, standardized and low-cost, allowing for quick turnaround and low fares.

Customers are part of the process and taking their roles willingly. For distribution of tickets, initially commission was given to travel agents but later Southwest implemented a “ tickets” (paperless) travel program and later the development of Southwest. Mom as a means of using the internet to sell travel directly to customers. Southwest was a true pioneer in utilizing the internet, first establishing a website in 1995. This lowered distribution cost. Southwest has an average turnaround time of 25 minutes. This is quite lower than the industry average.

For this success, the factors that were responsible were; an absence of meals on all Southwest flights, a limited amount of checked luggage on Southwest’s typically 60- to 90- minutes flights, a near-uniform configuration for all of its 737 aircraft, a team- oriented approach to ground services with team measures for turning around planes ND freedom to do whatever necessary to get a plane pushed off on time with a high speed boarding process. Southwest has a great reputation of treating their passengers like family, often telling jokes and word games during the flights.

Southwest also treats their employees very well, offering a wide range of perks and benefits. Southwest employees are routinely the highest paid in the industry. Source: Relinquishment’s. Com, an industry career page (Gauge, 2011) Problem: Emerging Competition Recently, Southwest Airlines has seen the level of its competition increase. A decline in revenue and passenger traffic has accompanied this. Other airlines (some established, some upstarts) have started to lower their prices in order to compete directly with Southwest.

This is somewhat of a testament to Southwest’s success, as many have decided to mimic their blueprint in an attempt to spawn similar success. Today there is far more low fare, low cost choices than there have been in years past. Legacy airline carriers are now offering “ Southwest Style” no frills, low fare service. The past decade has seen the emergence of new upstart airlines such as Getable, Raritan Airways and Frontier Airlines. These airlines specialize in the low cost fares hat have helped Southwest thrive.

On top of similar pricing, these new competitors also boast the feature of having more amenities befitting a higher end airline. Deluxe leather seats, Direct offered in flight, assigned seating, extravagant drinks and Carr conscious meals are Just some of the feature these low cost competitors are offering their passengers. Also, while Southwest has a unique operations model that allows them to slash their turnaround times, there has been concerns about certain aspects of their service level. The most noticeably troublesome facet of their service issues is their struggles in baggage handling.

While Southwest does boast about their “ Bags Fly Free” policy, not charging passengers to check multiple bags, they have the second-worst rate of mishandled bags in the country according to a report in the Wall Street Journal. While speedy baggage loading and unloading is a key part of Southwest’s process to minimize turn time for their planes, it appears that they could be sacrificing efficiency for speed. While Southwest Airlines has made major strides in supplanting itself among the leaders in the airline industry, the threats are there for the competition to move in on Southwest’s market share.

A consequence of Southwest’s success is the fact that competitors are looking at their operations model, refining it and implementing it themselves. Southwest must continue to evolve and adapt as a company in order to fend off these new challenges. The operational model Southwest has functioned under since its inception has proven to be a huge success for the company. Keeping operating costs and turn times low has given the company flexibility to do things that weren’t deemed feasible by traditional airline carriers.

Offering low fares, frequent flights and rapid expansion are outcomes of the low operational costs. It does however; seem to be a point of transition for the company currently. Vast economic changes in the airline industry, brought about by the terrorists’ attacks of 2001 and the economic collapse of 2008 have forced traditional airlines to restructure their operational model. Seeing that the model Southwest utilized seemed to be working extremely well, many companies gravitated towards it. In today’s airline market, the Southwest model is no longer unique, and the gap has been narrowed.

Southwest has long relied on expanding to secondary or smaller airlines. Their flights remain domestic. Perhaps the time has come for the airline to think bigger. Southwest does not fly to many of the busiest airports in the United States. While this is a calculated move done to help with expansion, it is potentially obstructing the company from gaining countless numbers of would-be customers. Another area for potential growth would be expanding to international flights. This could be a major boon for Southwest, as their operation model could be a huge hit in other countries.

This would however be a major step for the company, and would require much research before it could be implemented. The issue mentioned earlier regarding a large umber of mishandled bags is one of major concern for Southwest. A major part of their operations centers on customer satisfaction, and missing bags can definitely damage this. The bag problem may be a byproduct of Southwest’s focus on having extremely short turn times for their planes. Their fixation on getting the planes ready for the next flight as quickly as possible may in turn sacrifice efficiency when it comes to loading and unloading the planes.

This area of the plane turning process should be analyzed and possibly refined, as it would appear to be the reason behind the high number of mishandled bags. More airlines are emerging with the combination of low air fares and attractive infilling amenities that many would not expect on an economy class flight. Southwest has historically offered frill free flights, giving passengers basic services and mainly focusing on creating a fun environment to engage their patrons. With competitors now offering more perks at similar price points, it is imperative for Southwest to ramp up on the infilling extras offered on their trips.

At the beginning of the case, a flight by Southwest CEO Gary Kelly is documented. On this particular flight, a satellite based Wi-If Internet service is being Estes out. It has since been put into implementation, and is currently available on nearly 75% of Southwest’s fleet of Jets. In addition to this innovation, in June 2013 Southwest introduced a “ TV Flies Free” offer. In the deal, Southwest has partnered shows. Passengers can view the content on their internet ready personal devices, such as smart phones and tablets.

This is a noteworthy addition to Southwest’s infilling benefits, as two of their main competitors from a low fare price point perspective, Getable Airways and Virgin America, have offered free live TV for years, doing so on screens installed in the setbacks of their Jets. It is estimated that 90% of passengers now travel with personal devices, meaning the vast majority of people who fly Southwest have full access to free infilling TV. This also means that Southwest saves on installation costs that would accompany putting screens in setbacks. This gives them a financial edge on their competition.

Recommendation: Enhancement and Expansion The airline industry has evolved drastically over the past decade as the financial climate has changed. Companies are focusing on efficiency and passenger satisfaction, major pieces of Southwest’s success plan. With the industry evolving to error southwest, it appears that the time has come for Southwest to evolve itself in order to stay ahead of the curve. Southwest could see a decent revenue increase with an overhaul of their on-flight setup. Adding first class seating could make their airline more attractive to consumers who want a certain amount of luxury at a decent price point.

The prices for first class tickets would be lower than that of a traditional airline, so that passengers are still getting the Southwest value that they are accustomed to. First class seating would be assigned, leather seats would be available and an extensive drink menu would be offered. Meals would still not be served in an effort to keep plane turn times down. Coach seating will remain the same, with first come first serve seating. Free WIFE and TV service will continue to be expanded, so that it will be available on 100% of Southwest flights.

The baggage portion of Southwest’s turn process must be analyzed and overhauled. Missing bags is considered unacceptable to most travelers, and could account for a great deal of customer turnover. It is possible that changing the way baggage is loaded in and out f the planes could add to average turn times of planes, but sacrificing time for added efficiency is an even trade, especially when your turn times are well under the industry average already. With the larger airlines taking cues from Southwest’s success, the time has come for the airline to expand into larger airports.

KEF in New York, Miami International, Dallas Fort Worth International, O’Hare in Chicago, and Logan International in Boston should be prime targets. While Southwest already has route to many of these cities in the lesser used terminals, having a presence in larger airports with more air traffic will increase visibility and potential customers. Flights should remain domestic for the immediate future, as adding international flights would be a massive undertaking given they don’t particularly fit into Southwest’s current operational model.

Southwest Airlines is a company that was built on a strategy considered unique and risky at the time it was founded. It has seen itself grow from a tiny, regional company with 3 Jets to one of the most recognizable brands in American air travel. As time has passed and the airline industry has evolved, Southwest now has an outstanding, low cost model that has worked successfully for the past 30 years; one that is custom fit for today’s changing economy. Competitors realize this, and in turn have mimicked Southwest’s model to grab business from them.

Southwest must be proactive in adjusting to the ever changing climate of the air travel industry. Building on their already strong business model is imperative for continued success. Expanding service and upgrading the infilling experience are excellent opportunities for increased revenue.