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Southwest Airlines’ Strategic Management Chungsun Park Nonhanhla Nene Mohit Khatri Junbai Ma HOS 407 – Strategic Management Dr. Richard L. Valente 12/12/2011 Table of Contents Executive Summary3 Mission, Vision, Values, and Goals4 Organizational Structure5 Management Process and Roles6 Porter’s Five Forces6 Threat of New Entrants6 Threat of Substitute Products8 Bargaining Power of Suppliers9 Bargaining Power of Buyers10 Rivalry11 The Roots of Competitive Advantage12 Distinctive Competencies12 Capabilities15 Competitive Advantage, Value Creation, and Profitability16 The Value Chain19

Primary Activities19 Support Activities20 The Building Blocks of Competitive Advantage21 Quality21 Innovation22 Customer Responsiveness23 Analyzing Competitive Advantage and Profitability24 SWOT Analysis28 Business Level Strategy29 Business Strategies29 References33 Executive Summary Due to the economic crisis, fuel prices, and act of god environmental crisis, airline industries have suffered in the last ten years. However, these major threats do not seem to threaten Southwest Airlines. In fact, Southwest has been achieving consistent annual profitability for 38 consecutive years. “ Annual Report,” 2010) The primary objective of Southwest Airlines is to care, respect, and treat all employees (nearly 35, 000) fairly and equally because Southwest has a strong belief that their employees are the key to success; “ employees come first” (“ Southwest Airline Employee Motivation,” 2011). With valuable employees, Southwest Airlines is one of the largest and most successful low-cost airlines in the United States. With valuable employees, Southwest Airlines has differentiated themselves from all of their competitors, providing the lowest fares with the highest quality of customer service.

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In order to increase customer satisfaction and maintain the lowest fares, Southwest Airlines has been implementing Cost Leadership / Low Cost Structure as their primary generic business level strategy including: a single aircraft type, point-to-point route system, e-ticketing, secondary airports, and highly productive employees. With their business level strategy, Southwest achieved a record $12, 104 million in total operating revenues and the total operating revenues increased 17% from year of 2009. In addition, Southwest received the lowest ratio of complaints per passengers boarded on all major U.

S. carriers. (“ Annual Report,” 2010) The major goal of Southwest Airlines is to keep the promise to their valuable customers and to provide the highest quality of customer service. Therefore, Southwest Airlines would like to ensure and remind their valued employees that despite the ongoing economic conditions, the quality of customer service should not have to change. In order to support the quality of customer service, Southwest intends to provide safe, affordable, reliable, timely, courteous, and efficient air transportation and baggage handling service on every flight without surprises.

Southwest continues to yield profitability while maintaining and focusing on their mission, vision, and goals. Mission, Vision, Values, and Goals Mission Statement “ The mission of Southwest Airlines is dedication to the highest quality of Customer Service delivered with a sense of warmth, friendliness, individual pride, and Company Spirit” (“ About Southwest,” 2011). Mission Statement to the Employees “ We are committed to provide our Employees a stable work environment with equal opportunity for learning and personal growth. Creativity and innovation are encouraged for improving the effectiveness of Southwest Airlines.

Above all, Employees will be provided the same concern, respect, and caring attitude within the organization that they are expected to share externally with every Southwest Customer” (“ About Southwest,” 2011). Vision Statement “ Our vision is to expand our locations both domestic and overseas by being the largest and most profitable airline company to achieve both short and long-haul carriers efficiently and with low cost. Also to be an airline carrier that has the most productive workforce to guarantee the best flight possible for each and every passenger” (“ Southwest Airlines Vision Statement,” 2006). Values Value 1: Work should be fun, it can be play, enjoy it \* Value 2: Work is important, don’t spoil it with seriousness \* Value 3: People are important, each one makes a difference (“ Southwest Airlines,” 2009) Goals \* To ensure the highest quality Customer Service in the air or on the ground \* To be ready to help customers under any circumstances \* To ensure you make it from point A to point B safely \* To stay the most successful among low-fare, high frequency point-to-point carrier. Gary Kelly (President & CEO) with his people Organizational Structure (“ Effective Management at Southwest Airlines,” 2010)

Management Process and Roles (“ Effective Management at Southwest Airlines,” 2010) Porter’s Five Forces Threat of New Entrants In the last ten years, airline industries have suffered due to the horrible economic recession and unsustainable fuel prices, which is the major threat to the airline industry. The airline industry heavily relies on fuel prices; therefore, high priced fuel scares existing airline industries and threatens their top management’s decision to reduce operating expenses including wages, material costs, customer satisfaction costs, and sales and marketing costs in order to stay in business.

Therefore, unsustainable fuel prices with unpredictable economic conditions are the major threat to new entrants. According to IATA, “ the price of oil has been one of the decade’s biggest stories. In 2001, even with oil under $30 per barrel, the industry could not make a profit. Today, fuel consumes 30% of costs” (“ IATA Annual Report,” 2011). In March, 2011, jet fuel was raised to $130 a barrel, meaning fuel costs rose to account for 33% of the industry’s operating expenses (“ IATA Annual Report,” 2011). (“ Airline Industry Trend Update,” 2010)

Another threat to new entrants is that the airline industry in the U. S. is a highly consolidated industry among the top ten airlines which account for over 90% of total U. S. air market share. Therefore, new entrants will face to strong barriers with economies of scale, gaining their own market share (post-entry competition), differentiating brand loyalty, and offering attractive fares to customers (Hill, 2010, p. 44). (“ Airline Industry Trend Update,” 2010) Threat of Substitute Products Generally speaking, substitutes for the airline industry are bus, automobile, train, and boat transportation.

The automobile is the primary substitute for the airline industry in the U. S. because of the extensive interstate highway system. Even though the automobile would be the primary substitute for short distance travel, it does not heavily threaten the airline industry when it comes to long distance travel. In fact, “ for most of the past 75 years, air travel has enjoyed a substantial advantage over alternative modes in speed and convenience” (“ Airlines 2020: Substitution and commoditization,” 2010).

Therefore, trains, cruises, buses, and automobiles do not have a significant impact on the airline industry because these transportation options take longer than by air while the price difference to the consumer is not similarly disproportionate. Bargaining Power of Suppliers The supply power in the airline industry can be divided into three categories: jet fuel, airframes, and labor. Just like every economy (business) depends on the fuel and its price, the airline industry heavily relies on increases in fuel costs. Therefore, the value of a barrel of oil has a significant impact on the airline industry.

Historically, oil price has averaged about $20 per barrel; however, it has been rising since 1999. (“ Inflation Data: Historical Oil Prices Table,” 2011) As oil price increases, less fuel is available from fuel hedges. For example, Southwest fuel hedges covered 85% of fuel use in 2005, but only covered 25% in 2009. (“ Southwest Research,” 2006). Boeing and Airbus are the only suppliers of commercial airframes for the airline industry. There are 449 airline companies that use Boeing as their supplier and 405 airline companies that use Airbus in the world (“ Airbus customers & operators list,” 2011).

Historically, Boeing and Airbus used to have the monopoly supply powers due to limited availability of substitute inputs and power in price negotiations with airline companies. There is no doubt that these two suppliers are still the most powerful suppliers, but unstable economic conditions and the current weakened economic position of the airline industry threaten that suppliers may have to lower prices or bargain with buyers. Unions are also powerful suppliers in the airline industry because labor costs are the largest operating expense.

For example, Southwest Airlines is 82% unionized and spends 33% on labor of its operating costs (“ Annual Report,” 2010). Just like airframe suppliers, airline labor unions used to ask for premium wages and benefits in the past. However, as the economy slowed down, most airline companies had to cut labor costs and cancel benefit pension plans in order to avoid bankruptcy. Therefore, the weakened economic condition eases the supply power by unions and brings in concessions on employee compensation. Bargaining Power of Buyers

Due to an economic recession in aviation in the past ten years, customers have buyer power over the airline industry and they are very sensitive to airfare prices. Therefore, the airline industry had to come up with low fare tickets to raise the demand for air services. In order to offer low fares, airline companies started offering ticket services through an online reservation system so that they save up to 10% commission fees for travel agents. In fact, Southwest Airlines was the first airline company to offer online reservations, but they do not offer services through joint travel websites; they only offer online reservations through www. outhwest. com. Another reason why customers have buyer power over the airline industry is there is no differentiation of the product and service and brand loyalty among airline companies. Therefore, customers are very price-sensitive and willing to buy tickets based solely on price. Rivalry Unstable economic position, limited differentiation of the product, lack of brand loyalty, and price sensitive customers are key threats that place the airline industry in highly competitive rivalry positions.

In order to stay in the business and be above competitors, Southwest operates point-to-point route service and Southwest Airline is the only airline that does not impose additional fees for first or second checked bags. The company continues the promotions differently than other competitors. Southwest believes that promotion points can increase the market share and revenue from the other competitors. Southwest continues low cost and low fare brands to spread the advantage and networking can help it reduce costs and create process improvement. Therefore, Southwest Airline was the only airline to generate profit in 2004 among the ten largest U.

S. Airlines, and Southwest has been achieving consistent annual profitability for 38 consecutive years (“ Annual Report,” 2010). The Roots of Competitive Advantage Distinctive Competencies Tangible Resources: Tangible resources of Southwest Airlines can be divided into three groups: financial, physical, and technological resources. Financial Resources: Southwest Airlines is the company, which has managed to avoid bankruptcy, furloughs, pay cuts, and lowering customer satisfaction in the past ten years despite an economic recession in aviation.

In fact, Southwest Airlines has been achieving consistent annual profitability for 38 consecutive years. In fiscal year 2010, Southwest Airlines made a record in generating $12, 104 million in total operating revenues and increased 17% from 2009 (“ Annual Report,” 2010). In addition, Southwest airlines ranked third (106, 227, 521) and sixth (105 including AirTran Airways) among largest airlines in North America by number of passengers and number of destinations in 2010. In 2010, Southwest generated $459 million of net income, which ranked third among largest airlines in North America (“ List of largest airlines in North America,” 2011). “ Southwest Airlines 2010 One Report,” 2010) (“ Southwest Airlines 2010 One Report,” 2010) Physical Resources: Southwest Airlines operates 550 Boeing 737 jets, which have an average age of 11. 4 years and provide 3, 400 daily flight services to 72 cities in 37 states. Southwest Airlines has a great organization structure, which treats their more than 35, 000 employees like family, recognizes great effort by their employees, and shows true appreciations to their employees. In addition, Southwest Airlines thinks that their employees are the most important asset to the company’s success.

With a great organization and hard working employees, Southwest Airlines is known as the top airline in customer service. Technological Resources: Southwest Airlines has an individual reservation operating system, southwest. com, which is the second largest travel site, and is the only place where customers can purchase and make their fares and reservations. Southwest has been highly focusing on developing their website in order to provide easy control, function, and convenient information to their customers. In 2010, southwest. om was able to accommodate 79% of all airline bookings and 84% of the passenger’s revenues came through southwest. com (“ Annual Report,” 2010). Southwest Airline tested WIFI on their four airplanes as a trial in 2009 and currently more than 60 airplanes are equipped with WIFI. In addition, Southwest Airline is aiming to have all of their airplanes WIFI capable by 2013. Intangible Resources: Intangible resources of Southwest Airlines can be divided into two groups: human resources and reputation. Human Resources: Southwest Airlines has a great relationship with their union and treats their employees fairly, equally, and respectfully.

The philosophy of Southwest Airlines is that employees come first and employees are the most valuable asset to the company. In the past ten years, Southwest proved their caring, love, and respect to their employees never laying-off an employee, even during the worst economic recession in aviation history. Southwest Airlines is very careful and precise when they face the hiring procedures. In 2010, Southwest had 143, 143 applicants, but only 2, 188 applicants were hired (“ Southwest Airlines-Fact Sheet,” 2011). \* Reputation: Southwest is a leading low fare airline company with excellent customer services.

According to the Department of Transportation, Southwest Airlines has received the lowest ratio of complaints per passengers boarded of all Major U. S. carriers (“ Southwest Airlines Fact Sheet,” 2011). In addition, Southwest Airlines wins many awards and recognition in customer services and customer satisfaction. \* Capabilities Staffing the organization: “ Employees come first and customers come second. ” Southwest Airlines is a well-structured company that focuses on recruiting, screening, and hiring employees because Southwest strongly believes that employees are the key to success.

Therefore, Southwest provides various well-organized training programs including communication skills, leadership, stress management, career development, and more. In order to find employees’ needs and what to improve in regards to their knowledge and job performances, Southwest studies and analyzes employees’ behavior, knowledge, and motivations. Also, Southwest offers leadership and communication training to low level management so that these low level management employees will be ready and prepared to become upper level management.

In fact, 90% supervisory positions are filled within internal organization. Core competencies and competitive capabilities: In order to develop competencies and capabilities, Southwest Airlines only operates Boeing 737 aircraft and offers the company’s official website only to make reservations. Especially, low fare, no change fees and bags fly free special offers are the key differentiators from competitors. Southwest does not focus on tangible resources only, but they also highly focus on customer’s satisfaction, which makes sure passengers have a positive and fun flying xperience. Matching the organization structure to strategy: Southwest Airlines encourages their employees take initiatives and authorizes decision making. Also, Southwest expects managers to spend more than 30% of their time checking the facilities and listening to employees’ concerns. Competitive Advantage, Value Creation, and Profitability The Value (Utility): According to American Customer Satisfaction Index Survey, Southwest Airlines remains at the top in customer satisfaction, 2011 even though the airline industry’s score dropped 1. 5%.

Customers stated that they are not pleased with other airlines’ services even though they pay for higher fares and fees. When airlines have raised fares and fees because of fuel costs, customers also want their service to be raised. Therefore, Southwest is the only airline that still offers low fares, no change fees, and no bag fees. (“ Sky Talk,” 2011) The Price: Southwest increased their air fares up to 39% in the past five years while other airlines’ domestic industry increased up to 10% only (“ Can’t Call Southwest a Discount Airline These Days,” 2011).

Southwest had to increase the price in order to keep the profitability from fuel costs, expansion into big cities, and adding longer flights. Then, how does Southwest still have the reputation as the king of low fares? Southwest increased the level of services and the level of customer satisfaction while they increased the price. In addition, Southwest does not charge fees for bags or penalties to change tickets, which shows why Southwest’s airline fare is higher than other airlines because other airlines offer lower fares but charge for bags ($30 per bag) and penalties ($150).

Therefore, costs of air fares are the same. American Customer Satisfaction Index Survey shows that travelers feel worthy in paying for slightly more expensive air tickets than paying for bags, which are petty charges. The Costs: Southwest Airlines aggressively entered into fuel derivative contracts to protect against rising fuel in 1999. Southwest hedged more oil than competitors in order to provide low fares to their customers. Fuel and oil expenses are the company’s largest costs for the sixth consecutive year.

However, Southwest Airlines and its management aggressively and actively manage the fuel derivative contracts to maintain a low cost structure so that Southwest can provide better service, lower price, and increase market share. Year| Cost (Millions)| AVG. Cost / Gallon| Operating Expense| 2005| $1, 470| $1. 13| 21. 4%| 2006| $2, 284| $1. 64| 28. 0%| 2007| $2, 690| $1. 80| 29. 7%| 2008| $3, 713| $2. 44| 35. 1%| 2009| $3, 044| $2. 12| 30. 2%| 2010| $3, 620| $2. 51| 32. 6%| (“ Southwest Airlines Annual Report,” 2010) (“ Southwest Airlines Annual Report,” 2010)

In order to lower the cost structure and increase the perceived utility, Southwest Airlines has a simple in-flight service unlike its competitors. There is only one class of service, no assigned seats, no meals, and simply beverages and snacks offered in-flight. With simple in-flight service, “ it allows Southwest to unload a flight, clean and restock the plane, and board another flight full of passengers in as little as 20 minutes compared with as much as 90 minutes on a network airline” (“ Southwest Airlines’ Seven Secrets for Success,” 2008, par. 8). The Value Chain Primary Activities Bags Fly Free ; No Change Fees \* The domestic market grew to 21% in 2010. Early Bird Product \* Continued to grow our Business Select Customers. \* Contributed nearly $100 million in incremental revenues in 2010. In-flight Internet Connectivity \* Internet connectivity is available on more than 60 aircrafts. International connecting itineraries with Volaris \* Partnership with Mexico’s second largest airline. \* To serve international destinations (Cancun, Guadalajara, Morelia, Toluca/Mexico City, and Zacatecas).

All New Rapid Rewards Frequent Flyer Program \* To bring in new customers \* To increase business from existing customers \* To develop the company’s Rapid Rewards Acquisition of AirTran Holdings, INC. \* To expand the company’s low fare service to more markets \* To expand service to many smaller cities \* To expand the market in the Caribbean and Mexico \* To provide more job opportunities \* To increase company’s profitability The addition of the Boeing 737-800 in 2012 \* To serve longhaul routes more economically To serve capacity constrained airports \* To boost fuel efficiency Support Activities Company Infrastructure \* Organization and its management define a key business purpose and success. \* The management and employees constantly demonstrate the core values and behaviors to build a strong relationship with customers. \* Every employee is well connected to the company’s mission statement (brand promise). \* Hard work, high energy, fun, diversity, creativity, and recognition. Human Resources Employees are the greatest asset to support the primary activities that take place. \* Southwest has the right mix of skilled people to perform its value creation activities effectively. \* Employees are well trained, motivated, and compensated to perform their value creation tasks. \* Employees are the reason that the company has been recognized for outstanding customer service and gained profitability for 38 consecutive years. The Building Blocks of Competitive Advantage Quality Southwest Airlines has won Quest for Quality Award for 14th consecutive years.

Southwest is proud to announce that they topped each category including on-time performance, value, information technology, customer service, and equipment and operations. In addition, Southwest received the least complaint rate of 0. 27 for every 100, 000 customers in 2010 and the highest rate of passenger satisfaction for three consecutive years, according to the Airline Quality Rating for 2011. Southwest was able to satisfy each category including on-time performance, baggage handling and involuntary denied boardings (“ News Quest Online,” 2011).

According to SkyTrax, Southwest Airlines is the world’s 3-star airlines along with Delta, United, US, American, and Continental, which are the top five largest airlines in the U. S. Innovation Product Innovation: In the beginning, Southwest Airlines operated three Boeing 737 aircraft and served only three destinations including Houston, Dallas, and San Antonio. Today, Southwest operates 550 aircrafts among 72 cities. With acquisition of AirTran in 2010, Southwest will have an opportunity to serve more domestic and international destinations.

The major product innovation of Southwest Airlines is to add new destinations and to offer more nonstop services as its company grows. Recently, Southwest opened three destinations including Greenville-Spartanburg, Charleston, and Newark. In addition, Southwest offers nonstop service in 503 roundtrip markets (“ Southwest Airlines Fact Sheet,” 2011). Southwest continuously develops its official website to offer more selections to customers including car, hotel, cruise, and complete vacation packages.

Process Innovation: Social media is the key to Southwest’s success in order to deliver the products to customers. Southwest Airlines has targeted social media since 2006 and joined Facebook in 2007. Currently, there are more than 12 million monthly visits to southwest. com, 1 million Twitter followers, 1. 3 million Facebook likers, and 29, 000 reviewers on Southwest’s Travel Guide (“ Innovation Excellence,” 2011). In addition, Southwest strategically uploads video clips (engine cleaning) on Youtube in order to build a relationship with customers and create a positive brand image.

Southwest is the first airline to create a direct link to customers. “ Ding” is a desktop application that customers are able to download for their computers and phones and Ding notifies customers of exclusive hot offers. Ding is designed to communicate with customers online and encourage customers to take an unplanned getaway. In fact, more than $130 million in DING! fares has been booked since its introduction in February 2005, according to Senior Director of Online Marketing, Anne Murray (“ Let Freedom Ding,” 2006). Customer Responsiveness

Southwest Airlines is a well structured company that knows how to identify and satisfy its customers’ needs. In addition, Southwest continuously delivers a positive response to customers’ needs. The major target market of Southwest Airlines is cost and value conscious consumers; therefore, Southwest offers convenient schedules, on-time flight services, good services, positive experience, and low fares. Southwest continuously tops the customer satisfaction awards for many years. \* In May 2011, Southwest Airlines Rapid Rewards program ranked 2nd in the second annual IdeaWorksCompany. oms ezRez Reward Seat Availability Survey \* In May 2011, Southwest Airlines was ranked as one of the top ten companies in MSN Money’s 2011 Customer Service Hall of Fame \* In May 2011, Consumer Reports ranked Southwest Airlines as the Top Airline in Customer Service \* In April 2011, Southwest Airlines was ranked first in the 2011 Air Cargo Excellence Survey by Air Cargo World in the “ up to 199, 000 tonnes” category \* In March 2011, Keynote Competitive Research ranked southwest. om first in their 2011 Customer Experience survey for travel web sites \* In March 2011, Southwest Airlines ranked fourth on Fortune’s World’s Most Admired Company list and is the highest ranking commercial airplane \* In February 2011, Southwest Airlines was featured in J. D. Powers list of 2011 Customer Service Champions \* Southwest Airlines was recognized as a Top Employer in G. I. Job’s 2011 list of Top 100 Military Friendly Employers (“ Southwest Airlines Fact Sheet,” 2011) Analyzing Competitive Advantage and Profitability “ Financial Ratios – Forbes. com,” 2011) (“ Financial Ratios – Forbes. com,” 2011) (“ Financial Ratios – Forbes. com,” 2011) (“ Financial Ratios – Forbes. com,” 2011) (“ Financial Ratios – Forbes. com,” 2011) (“ Financial Ratios – Forbes. com,” 2011) (“ Financial Ratios – Forbes. com,” 2011) SWOT Analysis Business Level Strategy Business Strategies Low Cost Structure: A key component of Southwest Airlines’ to successful business strategy is its low cost structure, which allows the company to charge low fares to their value customers.

There are several operational strategies to maintain lost cost structure including: a single aircraft type, point-to-point route system, e-ticketing, secondary airports, and highly productive employees. With a single aircraft, Boeing 737 jets, Southwest airlines is able to reduce operating costs in scheduling, maintenance, flight operations, and employee trainings. In addition, with a dependence on its supplier, Southwest is capable of maintaining operating efficiency and build a strong relationship (trust) and years of experience with the Boeing 737.

Southwest airlines’ route structure, the point-to-point system, allows the company to control delays and total trip time by providing more non-stop flight services than hub-and-spoke route systems. In 2010, 73% of the company’s customers flew non-stop and the average aircraft trip stage length was 648 miles with 1. 8 flight hours. With more non-stop flight services, Southwest airline is able to offer more frequent flight services and conveniently timed flights and to achieve better capacity utilization. \* Dallas Love Field to Houston Hobby, 25 weekday roundtrips \* Phoenix to Las Vegas, 14 weekday roundtrips Los Angeles International to Oakland, 14 weekday roundtrips \* 460 non-stop city pairs Top Five Served Cities City| Daily Departures| Number of Gates| Cities Served Non-Stop| Service Began| Chicago Midway| 236| 29| 55| 1985| Las Vegas| 228| 19| 55| 1982| Baltimore-Washington| 189| 26| 46| 1993| Phoenix| 185| 24| 49| 1982| Denver| 148| 17| 42| 2006| (“ Wikipedia: Southwest Airlines, 2011,” para. 29) Southwest airlines strategically flies into uncongested airports of small cities or smaller, less congested airports of large cities.

For example, Dallas Love Field, Houston Hobby, Chicago Midway, Baltimore-Washington International, Burbank, Manchester, Oakland, San Jose, Providence, Ft. Lauderdale, Long Island Islip airports are examples of secondary airports. By flying into the secondary airports, the company is able to reduce travel delays, number of aircraft and gate facilities, cut down airport operations costs, and achieve high asset utilization. Southwest airlines has their own reservation system with its own e-ticketing strategy. Therefore, Southwest does not pay 0% or more commissions to travel agents or any other online reservation distribution channels.

In 2010, 79% of customers booked their flights through www. southwest. com and approximately 84% of revenue came from its online booking (“ Annual Report,” 2010). Southwest airlines has a strong belief that their employees are the keys to success and its mission statement shows a strong commitments to employees. “ We are committed to provide our Employees a stable work environment with equal opportunity for learning and personal growth. Creativity and innovation are encouraged for improving the effectiveness of Southwest Airlines.

Above all, Employees will be provided the same concern, respect, and caring attitude within the organization that they are expected to share externally with every Southwest Customer” (“ Southwest airlines,” 2011). In order to bring success, Southwest is not afraid to increase labor costs so that their valued employees can bring the highest employee productivity to company and its customers. In fact, the company’s unit labor cost rose 22% from 2002 to 2009 while other competitors dropped significantly. In addition, 5, 600 pilots from Southwest earned average $171, 000 in 2009, which 20% to 40% more than other pilots from major airlines. “ Southwest Airlines Relies on Strategy that Built In,” 2010) In 2010, Southwest airlines spent 33% of its operating expenses for salaries, wages, and benefits and they increased from $3. 54 (2009) to $3. 76 (2010) and its percent change is 6. 2% (“ Annual Report,” 2010). Southwest airlines has the right mix of skilled people to perform their value creation activities effectively; therefore Southwest has been achieving consistent annual profitability for 38 consecutive years and offering the best and most friendly services to valued customers.

Southwest airlines is proud and confident to announce that without the high performance and productivity of its employees, Southwest airlines would not have been able to survive the past ten years which included an economic recession in aviation. References Best ; Worst Airlines. (2011). Retrieved October 25, 2011, from http://online. wsj. com/ article/SB10001424052702304563104576359371667910458. html Brancatelli, J. (2008). Southwest Airlines’ Seven Secrets for Success. Retrieved October 25, 2011, from http://www. wired. com/cars/futuretransport/news/2008/07/port folio\_0708

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