

# Southwest airlines employee branding strategy

Business



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Southwest Airlines has a consistent record of maintaining competitive advantage not only in low-cost leadership, but also through employee branding. Employee branding is defined as “ the process by which employees internalize the desired brand image and are motivated to project the brand image to customers” (Miles and Managed, 2004). This is a suitable example of aggressively building and defending competitive advantage. Employee branding is an approach that is built over time and gains effectiveness as an organization instills its values into employees, and sticks to it over the years. This form of branding is such since employees need to grasp and experience the values they are taught and practiced in the daily operations of the business. The company first needs to shape employees perception around the desired brand image before the image can be projected to those around them and potential customers.

Southwest Airlines employee branding strategy even influenced the recruitment process. Charlatanry (1991 ) cited in Bun and Mass (1998) describes how the company selects shortlist employees that have the right attitude: “ If you don’t have a good attitude, we don’t want you, on matter how skilled you are.

We can change skill level through training. We can’t change attitude. ” Southwest carefully screens through the candidates selected and then follows through after the hiring process by training at the company’s university for the People winner ten new recruit understands Totalitarian ten culture Ana adjectives AT ten company.

The employee branding approach works since the airlines has a consistent record of low employee turnover and good union relations.

Southwest aggressively defends its employee branding by repeating the training every year for supervisors, managers and executives. This is a very effective example of sustainable competitive advantage since employee branding in a large organization such as Southwest with thousands of employees create a positive impact on the market long after marketing campaigns have worn off in the consumer's mind, and are "likely to benefit from higher levels of customer satisfaction and loyalty" (Miles and Managed, 2005).

Question 2 Southwest Airlines strategy varies from most legacy airlines in a number of ways. Firstly, it plans its routing on point to point destinations rather than the conventional point to hub system.

This significantly cuts down traveling and transition time for the reveler and reduces costs in fuel, airport tax and baggage handling. Southwest zooms  
Page 2 of 10 MEMBER Academic writing MBA-IS 307-0368 in on this strategy and focuses on high frequency flights within these point to point destinations.

The reduced costs and time that is transferred to the customer has inadvertently brought Southwest Airlines in direct competition with common land transportation like cars, buses and trains, creating a niche market that have locked legacy airlines out. The result is "most regional/discount airlines having only a fraction of the market capitalization of Southwest Airlines" (Vanguard, et al. , 2006).

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The niche market that has opened up from this point to point travel comes from small and major business travelers and even price-sensitive leisure travelers.

Southwest Airlines decision to fly to mid-sized markets or secondary airports was very different from mainstream strategies and complimented the point to point formula. The reduced volume of traffic at these airports helped Southwest cut down time spent waiting for landing and takeoff clearances, baggage handling, access to gates and overall flight turnaround time. This savings on time and increase convenience for travelers complemented their competition against land transportation. Another strategy adopted by Southwest Airlines in their choice of planes.

While other airlines lease or purchase various models of planes based on ranges of travel distance, and to reduce supplier's or lessor's bargaining power, Southwest chooses the singular Boeing 737 model that compliments its short haul point to point strategy. This decision really streamlines training time for pilots and maintenance procedures for mechanics, maximizing the utilization of the aircraft. Procurement, deliveries and spare parts inventory systems are also simplified to support a single model of airplane.

Cargo and baggage spaces in the airplane is also better maximized and managed, since crews work with the same holding spaces over and over again. " For Boeing, Southwest Airlines is currently the largest single purchaser of Boeing's. This comparative weakness at ten rest AT ten Industry tens may make Boeing dependent on Southwest's continued business.

" (Vanguard, et al. , 2006) Page 3 of 10 The above statement shows that the effect of supplier bargaining power has actually worked to the advantage of Southwest as their position grows stronger in the industry.

The choice of a single model of airplane and their unmatched demand wrought economies of scale has increased their bargaining advantage over other airlines, with the possibility of making Boeing dependent on Southwest's loyalty. Question 3 The damage to the airline industry was very apparent in the following years after the September 11th attack. Many airlines suffered huge losses, and those that survived were forced to operate on slim profit margins and make significant cutbacks in staff, equipment and expenses.

On the other hand, Southwest's positive human capital approach hardly affected their staff during this difficult period.

This strategy is two-pronged where its employees are valued and motivated on one hand, while keeping labor efficient and not over-staffed during any period. " Southwest has achieved a team spirit that others can only new... In addition Southwest only laid off 3 people in the last 25 years and it immediately rehired them. " (Ideas, et al.

, 2007) The short-haul point to point strategy also enabled pilots and cabin crew to return home daily after a days work, increasing their Job satisfaction.

As described in Question 1 , Southwest's approach toward training their employees, promoting productivity and intuition generated good union relations, and healthy and happy Rockford. While other airlines also took the

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approach of “ hire in prosperous times and fire in more difficult times” (Bun and Mass, 1998), the Southwest policy of keeping a company small and focused paid off. As a result, Southwest has only had one strike in its history (Ideas, et al. , 2007), unlike many other airlines that have had numerous strike and union problems after the September 11th tragedy.

Page 4 of 10 Another strategy that placed Southwest ahead of the competition after September 11th was fuel hedging. Carter et al. (2004) states “ after labor, Jet fuel is the 2nd largest operating expense for airlines”. Note the traditional approach of other airlines as quoted Dwell: “ Traditionally, many airlines have operated under the assumption that remaining exposed to fuel prices is the norm for the airline industry and therefore acceptable. ” (Vanguard, et al. , 2006) Southwest’s advanced fuel hedging practices allowed them to lock the price of fuel in advance, and this reduced the impact of rising fuel prices.

There are several ways of hedging employed by Southwest. This involved not only hedging Jet fuel, but also source materials such as crude oil, or heating oil that share similar characteristics to jet fuel. This diversification in fuel risk management is an innovative method, since the Jet fuel market is not high in liquidity as compared to alternatives like crude oil that can be traded easily. This method helped keep costs down and also enable Southwest to offer attractive pricing when the demand for travel declined and the market perception toward air travel changed post September 11th.

Question 4 Threats to the airline industry are evolving with time and technological development.

One of the major threats that have escalated with time is the availability of price comparisons through websites and online travel portals. In the past, purchasing an airline ticket was often done through travel agents that offered limited comparisons through primitive booking systems. Today however, travelers can readily compare and choose from many different airlines plying the same route quite easily on the Internet.

Options vary based on the type of route since popular routes may be serviced by multiple airlines, offering competitive pricing and substitutes to the traveler, while less popular routes might be serviced by one or two airlines that can overprice a ticket. Airlines often overcome these threats in different ways. One way is by profit-sharing and engaging in yield management with online travel agents.

Ticket sales are in high volume with popular airlines, increasing bargaining power with online agents through incentives and commissions offered. Alliances between airlines too can be formed as a defensive in the form of cost-sharing.

Code-sharing is generally applied in the form of marketing, where a number of carriers can advertise for a particular route, with the actual flight being serviced by a single nominated carrier. The advantage of code-sharing is airlines can offer travelers a variety of routes and flight times at a competitive and shared cost. Alliances can also be formed through mergers and acquisitions. One such example is Southwest's 2011 acquisition of Raritan Airways which opened to Southwest opportunity to expand into the

international market, especially routes like the Caribbean that was serviced by Raritan (Snyder, 2010; Wisped, 2013).

Another way to combat the substitutes proposed through the availability of pricing by online travel portals is to promote customer loyalty. Southwest was a pioneer in promoting this by opting a Deterrent approach to ten Turbulent Dyer program. “ I nee were ten TLS airline with the frequent flyer program to give credit for the number of trips taken and not the number of miles flown. They also pioneered the senior discounts, Fun Fares, Fun Packs.. . ” (Desalt, et al. , 2007) The key to combating the high probability of customers is to promote brand loyalty though benefits and privileges.

This involves developing advanced Strategic Information Systems that database customer’s details, preferences and other details that contribute toward providing differentiation in services and offerings. Frequent return customers Page 6 of 10 could be made eligible for special pricing, or priority booking for promotions among other advantages. Question 5 My advice to the board of directors would be to build around existing and new strategies that can defend the competitive advantage in the upcoming future.

First would be to continue to invest in human capital and in training.

Keeping employees clear on the mission and objectives of the company and maintaining a happy workforce will continue to translate into better service and customer perception, as proven in the track record of Southwest. This will mean that the company will maintain firm screening procedures on not only aptitude but more importantly attitude of the candidate and invest in

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training throughout the course of an employee's career with Southwest. Second would be to research and further develop Strategic Information Systems towards capitalizing on databases of customer's details to offer preferred services or products.

The airline industry has only begun to utilize the information stored through online reservations and traveler's information registries. This can be stored systematically and researched to create personalized revise at a tailored price determined by the loyalty of the customer.

Just like email service providers automatically send birthday greetings to an account holder, information systems can be used to profile preferred or aspired destinations or holiday packages, and offered at a time when the frequent traveler has made logged purchases during the previous years.