

Southwest airlines case study essay sample

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



1. To what do you attribute the success of Southwest Airlines? 2. How significant is the 10 to 15 minutes turnaround time of Southwest's aircraft in terms of savings in investment and utilization of its aircraft compared to competitors? 3. What challenges is Southwest facing in the future and how should they meet those challenges? 4. What should their business and operations strategy be for the future? 5. Has Gary Kelly, the new Southwest CEO since 2004, been able to maintain the profitability of Southwest Airlines while insuring the continuation of their unique culture?

Analysis

Question 1. To what do you attribute the success of Southwest Airlines?

The key points related to the company's success can be summarized as follows:

- Fleet: all Boeing 737s which means better fuel efficiency and low maintenance
- Scheduling: quick turns that results in high asset utilization
- Service: short haul, point-to-point, low cost, no-frills flights from secondary airports in good-weather areas
- Integration: contract out non-core activities like major maintenance, data processing, and legal services which will decrease costs
- New markets: enter in full force
- Positioning: low cost to travelers, yet reliable and fun mostly aimed at business travelers
- Pricing: driven by break-even capacity; compete with other modes of transportation; two tiered
- Promotion: unusual and creative, targeting business commuters
- Personnel: selective in hiring; cross-trained; shared rewards through above-average pay and part-ownership
- Culture: a

reflection of Kelleher—lighthearted, fun-loving, off-the-wall yet serious about teamwork and productivity

Question 2. How significant is the 10 to 15 minutes turnaround time of Southwest's aircraft in terms of savings in investment and utilization of its aircraft compared to competitors?

The turnaround time is very significant in utilization of aircraft and the low cost position of Southwest airlines. In the early years, because of the 10-minute turnaround time, Southwest was able to offer hourly service between Dallas and Houston and to begin flights every two hours between Dallas and San Antonio.

If the turnaround time is 30 minutes between flights which is the average of conventional airlines, it would take $120 + 60 = 180$ minutes for a roundtrip allowing only 4 and a half roundtrips in a 14 hour day. The savings in aircraft investment costs is tremendous when considering how many additional aircraft are needed to fly the same schedule, using a 30-minute turnaround time verses a 10-minute turnaround time especially on short-haul routes. The savings in turnaround time means the short turnaround fleet can be approximately $140/180 = 77.7\%$ of the number of aircraft of the longer turnaround fleet assuming one-hour flights.

Question 3: What challenges is Southwest facing in the future and how should they meet those challenges?

The challenges being faced by Southwest Airlines are as follows:

1. Security challenges after the September 11th attack. This includes changing the policy on boarding passes and check-in procedures.
2. The advent of adverse labor relations or strained labor relations. While the recent labor contracts have been settled, substantially higher pay and high costs resulted. This could also lead to future union unrest in the future.
3. Turnover in senior management. James Parker, Southwest's CEO had just announced his resignation. Future turnover is also likely to occur as senior management ages. The question is can the culture of Southwest Airlines be maintained in the face of these turnovers?
4. The new generation of low-fare, low-cost carriers including Jet Blue. By 2004 the low-fare airlines made up 18% of the market and were expected to make up 50% of the market by 2010.

Question 4. What should their business and operations strategy be for the future?

I believe that the overall competitive strategy of a company is more than the sum of its functional strategies. There are, however, both good and bad associated with that feature. On the one hand, such a connection makes it difficult for others to imitate a company's successful actions and, therefore, can give a company a sustainable advantage. On the other hand, those same links can make it difficult for the company to shift its competitive posture in response to the changing or changed realities underlying economic activity.

Question 5. Has Gary Kelly, the new Southwest CEO since 2004, been able to maintain the profitability of Southwest Airlines while insuring the continuation of their unique culture?

An embedded corporate culture is extremely difficult to change, even if management tries to change it. If Gary Kelly strives to maintain the culture of Southwest Airlines the culture will in all likelihood persist. However, the effect on culture of Herb Kelleher's personality and unique approach should not be underestimated and must be preserved in some form. In other words, the fun and creative part of the customer experience should not be sacrificed.

Profitability may be more difficult to maintain, since cost erosion has occurred due to higher labor cost and the addition of longer routes and longer turn-around times due to luggage and passenger connections. The new security regulations adopted after 9-11 may also slow down the boarding process and subsequent turn-around of the aircraft