

Southwest airlines- central issue, problems, evaluation, and recommendations essa...

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



Southwest Airlines started its service June 18, 1971 with three operating flights to Houston, Dallas, and San Antonio. It has grown to become the fourth largest United States domestic customer carrier with 1998 being Southwest Airlines twenty-sixth year of profits. It became a major airline in 1989 when it exceeded revenues of one billion dollars. Southwest Airlines is the only major short duration, low cost, high occurrence, point-to-point carrier in the United States. Southwest airlines mission is to provide dedication to the highest quality of customer service that is delivered with warmth, pride, friendliness, and company spirit.

Rollin King and Herb Kelleher brainstormed an idea of starting a different kind of airline. Rollin King was a client of Kelleher who at the time was a lawyer with the idea of starting a low-fare, no frills airline to fly between major cities in Texas. He drew a triangle on a napkin and labeled the points of Houston, Dallas, and San Antonio. Rollin King's idea of offering flights that were low enough that people would choose to fly instead of driving to that destination. It was this concept that started Southwest Airlines.

Southwest faced legal issues in the beginning with Dallas Love Field, where Southwest started. The issue was that downtown Dallas could not geographically expand at a time when air traffic was on a constant rise. Dallas/Ft. Worth International opened up in 1974 to replace Dallas Love field, however Southwest remain at Love field with some drawbacks. Their competitors put pressure on congress in 1978 to ban flights from Love field to anywhere outside of Texas. Nevertheless, Southwest Airlines was able to compromise on the Wright Amendment that allowed flights from Love Field

to Texas' four contiguous states. The Wright Amendment forced onto Southwest was a key issue of its later success for meeting its strategy of short flights. Throughout the 1970's, Southwest grew and dominated the Texas market by passengers who were looking for a good value and departure times that varied.

Southwest Airlines yearly passenger count had tripled by the 1980's and by the end of 1989 its operating cost per revenue mile, which is the airlines standard measure of figuring cost, was just under ten cents. This ten-cent figure was five cents below the industry average, and Kelleher expanded conservatively to keep the debt down.

By 1993 Southwest Airlines had grown to service 34 cities in 15 states with 141 planes that made 11 trips a day. It used fuel-efficient 737 fleet and its main concentration was to fly many passengers on high frequency, one-hour trips with inexpensive fares. Southwest did not use hub systems that its rivals use and took its passengers directly from city to city using smaller airfields and avoiding the larger congest airports. With the cheapest prices they could offer without any frills, it quickly became popular in most new markets it entered.

Problems

Even though Southwest has maintained a lot of success there are, issues that play into continue growth of profits. Southwest big concern is expansion. The need to expand is growing and how to commit more Boeing 737's into service. This decision has several components. First Southwest must meet

the current and forecasted demand, find facilities, ensure entry into the market is in a timely manner, and keep their strategy.

Southwest also need to decide which cities has the greatest opportunity to profit from major airlines like United. They need to be aware of the increasing and decreasing market demands that it serves as well as any potential market. However, the airline industry has a lot of capital, which prohibits any airline to grow uncontrollable. Southwest also needs to find markets where enough facilities they can handle without going over budget. Because maintaining and flying aircraft has a lot of cost, they need to alternatives without raising the cost. They need to determine ample routes that could be added to increase service.

Any expansion decisions need to keep the model of high frequency low cost strategy. Every decision needs to be analyzed from all points. A major mistake Southwest could make is to enter a congest market with high costs, poor weather, and huge delays. Low operating costs are important to Southwest since the car is what they like to consider as their competition. Therefore, management must keep its strategic coherence and competitive advantage with any future expansion they might decide.

Alternative Evaluation

Southwest Airline's low-cost model is the reason for their success. Southwest Airlines fleet consists solely of Boeing 737's with only one class of service. There is not any business or first class offered. They also do not offer any

meals just the typical airline snack of peanuts and a drink. The airline is simple and direct to reach the goal of their service.

Their one goal is to be a primarily short-haul airline that flies directly from city to city, with just one type of plane at the lowest costs. With this simple goal, Southwest Airlines has excised numerous luxuries that their competition offer, such as luxury seats, which has made it necessary for those passengers who do not fit into regular sized seat to purchase an additional seat. The move to have those people who do not fit into regular seats to purchase another is an unpopular move compared to other airlines that would offer the passenger a luxury class seat. However, this move is simple in its purpose to get passengers from point A to point B in the quickest matter. Service like in-flight means and luxury seats which are the norm to Southwest competitors are viewed as unnecessary for southwest because they provide short-haul trips from city to city at the lowest possible cost. Most people prefer to do without first and business class services with luxury seats if that meant offering a cheaper ticket.

Even though Southwest Airlines offers no frills, Southwest Airlines do meet customer expectations when it comes to service. They base their model on the motto, which states, " If they're happy, satisfied, dedicated, and energetic, they'll take real good care of the customers. When the customers are happy, they come back. And that makes the shareholders happy."

Southwest has exceptionally good relations with all their employees which are very loyal. The employees of Southwest either are from independent

unions or have flexible contracts, which allow employees to work longer hours.

Southwest Airlines, however, is not without weaknesses. No matter how successful, Southwest Airlines serves only 29 states and cannot compete against the bigger companies that serve nationally or even internationally. Furthermore, Southwest Airlines does not utilize a hub system that allows bigger competitors to reach further out. Competitors are aware that they cannot match Southwest Airline's prices; their market is larger and is not feasible to offer cheaper tickets at the cost of no in flight meals. Instead, competitors narrow the price difference between Southwest Airlines and themselves and stress on the quality of frills such as roomier seats. Others, through use of flight hubs, are the only ones who can economically serve remote customers. In addition, to further challenge Southwest, United also created a shuttle type operation out of San Francisco called United Shuttle to compete on Southwest routes out of San Francisco.

Another weakness of Southwest Airlines is their preference of Boeing 737s. Being limited to one type of airplane leaves them with little flexibility when the model receives a bad reputation or a critical flaw is discovered. Such would be a costly venture for this company, who has used only one type of airplane and in the face of a dire situation would face a costly venture of finding replacements or counteracting bad publicity. Another issue is the quick turn around time Southwest wants, but it is more difficult in congested airports. The airline must get its planes into the gate and back out within 20 minutes, which is about twice as fast as competitors are. This quick

turnaround enables Southwest planes to spend more time in the air, which has been key to its ability to keep costs 40 percent below those of other major airlines.

The success of Southwest airlines is because they have strong focus of their goals. This is obvious in their goal of no-frills, low cost model. The goal of providing inexpensive form of short air travel between two cities with the minimal necessities. Driven by the notion that customers are satisfied without luxury options, Southwest Airlines has upset many of its competitors. Rivalry is on the rise as the market decreases, and competitors downsize, the competitors become equal in size and capacity. With the current economic conditions, worsening competitors downsize and then compete for the same remaining market.

Southwest Airlines is different from their competitors because it offers the lowest prices to their customers. This appeals to many travelers because they do not want to pay for extra services like in-flight meals and luxury seats. Southwest Airlines has also set a trend by not using travel agents for their fares, which also keeps the cost down to the consumer. In addition, they have a targeted consumer; serving only 29 states, which is a smaller area, compared to their competition that serves coast to coast. However, since the poor economic conditions their competition are copying their ways. They are trying to narrow the price gap as well as offering the luxury services at a reasonable price.

Southwest Airlines strategy has been proven very effective; competitors often duplicate it, which is making it lose its originality. This duplication could cause competitors offering low rates to the same area covered by Southwest making their limitations obvious to their customers. A larger company with hubs could try to introduce the low cost model, which is used by Southwest Airlines, and out perform them in a wider market. When new companies try to challenge major players in a competitive market with high satisfaction from their customers other companies notice quick.

Recommendations

Southwest Airlines faces ongoing expansion challenges before them, it is essential for Southwest Airlines to increase on their existing achievements. They have been able to operate their business without many problems. It is because of the poor economic condition that Southwest Airlines operation methods have become an ideal model for those who they compete against. Although the public benefits greatly in the increase of employee moral, customer satisfaction its competitors are targeting their model.

A key strategy for Southwest Airlines is to continue their growth while focusing on their point-to point service. They could expand their customer basis by adding a 400-700 mile segment, which would allow them to expand to larger cities that exist within their network. By adding flights that are longer, it would add higher traffic and would allow access to larger airports for long flights. By incorporating flights that originate and end at their current location, the passenger can make direct flights to or from Southwest

by using them as a start, mid, and ending point. Southwest would be easy to attract new customers due to their low fares and one-way ticketing. By adding the expanded flights, they could add more flights to the location and receive higher profits from the longer duration flights. However, with longer flights additional costs would be added for staff, clean up time, fuel, and larger aircrafts, but the cost would be offset by higher profits through decreased cost per passenger and lower operating economics.

Southwest uses the word “ love” as a promotional tool. It just so happens that the headquarters for Southwest is on Love Drive. Southwest’s stock symbol is LUV. Back in 1971 when the airline was born they had no money for advertising, so they had to create a personality that would make them unique in the airline industry, as well as generate as much ‘ free press’ as possible for itself. Love was the theme and from there it grew. Flight attendants wore bright red-orange hot pants and lace-up go-go boots. They served Love Bites, which were actually peanuts, and Love Potions for beverages. Tickets could be purchased at Love Machines and the 747 that its passenger’s flew in were referred to as Love Jets. The Love theme has since lessened its influence in Southwest advertising, however it worked wonders for the startup airline to get off its feet and compete with the “ big boys” (Southwest. com).

Southwest Airlines advertises itself as a “ Triple Crown Winner.” This prestigious award is given to airlines with the best baggage handling, most on-time flights, as well as fewest customer complaints. Southwest has won this award that is given monthly over thirty times, as well as the

annual award five times. Southwest is dedicated to its employee's achievements, and customer service is very important to Southwest.

Southwest Airlines advertises itself as a customer service company with the commitment to its customers, which their triple crown reinforces, awards which one key advertising element that differentiates them from their competitors.

One recommendation for Southwest Airlines is that it can drop its prices. This will usually cause bigger companies in the airline industry to squeeze its competitors. This is usually used when competitors are close to bankruptcy or in financially undesirable positions. Competitors have a hard time matching Southwest Airlines prices so the most they usually do is make the price gap closer. However, Southwest Airlines has consistently made profits, they can increase the price gap by lowering their prices more. Southwest will have some losses from lowering the price gap, but the goal is to drag the competitors into even more debt. This type of move would affect both Southwest as well as its competitors it is a little risky, so they would need to insure that their competitors are close to filing for bankruptcy. This move would eliminate Southwest's weakest competitors, which would free up some of the market held by that company.

With the weakening economic conditions, Southwest Airlines has proven repeatedly that it can handle the crisis by still having profits and being a strong leader. Many companies have gone into debt during this time, but with its competitors weakened, Southwest Airlines can take the proposal and not expand in a fast manner, but to practice its same execution that it was

started from. Created on the idea of frequent trips between cities with the quickest form available. Their success is about location. It properly researched it can be applied to other areas where Southwest can offer inexpensive tickets without all the frills in more markets. This no frills approach is not desirable to everyone, but it is good for Southwest to make changes that would be more accommodating. One example would be to upgrade seats, which could cost but it would also open Southwest Airlines to more customers.

Third recommendation would be to use customer referrals on the Internet. Internet referrals can also help keep the costs down by charging a lesser fee to book seats through the Internet than with a travel agent. Southwest airlines have lost some of the grip with Internet advertising because more websites offer competitive rates that are special discounts. Southwest Airlines needs to take action in using Internet discounts. Although advertisements through the Internet do have risks, they could find ways to market their fares on comparison websites. There used to not be many websites that offered comparison prices and finding a good deal was almost impossible. With the comparison shopper sites, the information is available quickly to those consumers who are looking for the best deal. Southwest Airlines should try to attract people by using the comparison-shopping so that their deals are found also.

Conclusion

It is hard for Southwest Airlines competitors to challenge them with the strong success model, customer satisfaction and happy employees. Their success from starting with three 737's and growing to one of the United States most profitable airlines. They stand out from their competitors by starting trends that were never seen before in the airlines industry. They have implemented many initiatives that have affected the airlines today and their low cost model is what can be best followed with today's economy. By expanding to more regions, using comparison-shopping tools they can be even more successful in the airline industry.

Southwest has positioned itself in its industry as a customer service oriented business that happens to provide airline services. It is very mindful of the customer's experience with them as well as the customer's satisfaction with the price of services rendered. Southwest has also innovated many new services to help their business as well as to help their customers. In all the business has done superbly for itself and its public awareness has most definitely paid off in the end

References

Southwest Airlines <http://www.southwest.com>