

# Southwest airlines' recent marketing practices

[Environment](#), [Air](#)



Air Southwest founded in 1967 by Rollin King and Herbert Kelleher, and in the beginning the company incorporated to cater three Texas cities but later in 1971 the company change its name to Southwest Airlines when their first flights launch. Today, Southwest Airlines is “ the largest low cost carriers and the sixth largest airlines” (Reuters, 2007) in the U. S. airlines industry.

Moreover, Southwest Airlines is also known as a discount airline because of the low fares, non-frills flight services since 1973 which is a source for Southwest Airlines to have a rapid growth and popularity amongst the American people.

Besides being successful catering the customers, the company is also acquisitioned three U. S. airlines that are Morris Air, Muse Air, and ATA Airlines, and also Southwest’s plan to takeover Air Trans Airways as to allows Southwest’s to expand into major airport hubs such as Boston, Washington D. C., Atlanta, New York City and Baltimore (Smith, 2010) as to increase their travelling routes to new areas

This report is to evaluate Southwest Airlines recent marketing practices which make them successful in their airlines business and the marketing strategies used that influenced their productivity and quality of services. Besides that, the report will also discuss about the marketing strategies that aim to meet the Southwest’s marketing objective of increasing their sales for next year, and the analysis will recommend the types of approach should be taken to enable Southwest’s to growth further.

## **The key marketing mix used by SWA in its marketing campaign**

Southwest Airlines is a low cost carrier that catering mainly business and vacation travellers by providing different types fare and services which mentioned in product and pricing.

## **The seven P's of marketing mix that influence SWA**

### **Product**

Product is “ the bundles of benefits that the customers buy from the firm, be these from goods or services” (Ruskin-Brown, 2006). Besides that the product can be examining on three stages based on the figure below.

The main core product of Southwest's is offering air transport services, and in which they are using only Boeing 737 as to transport their customers, and besides that Southwest's is a low cost carrier which does not require luxuries services.

The tangible feature of the product is based on customer services provided by the flight attendants such as the way the attendants handling pre and post complaints, courtesies, etc. as to commit their mission of having highest quality of Customer Service delivered with a sense of warmth, friendliness, individual pride, and company spirit (Southwest, 2010).

Other services that can be obtained by the customers are the early bird check-in, P. A. W. S - allowed pet to fly with their owner, inflight internet, free bag carriage, no-frills and complimentary free drink for the Business

Select fares. However, due to Southwest Airlines is a low cost carrier, there is minimum amenities provided by Southwest (Southwest, 2009).

## **Pricing**

Pricing is “ the firm’s attempting to capture some of the value in the profits it earns” (Kermally, 2004) and price of goods and services is self-dependents on the products cost, demand and price elasticity, competition, government in term of taxation, and other marketing mix in term of market positioning.

## **Fares:**

Business Select

Anytime

Wanna Get Away

## **Price:**

US\$ 479

US\$ 454

US\$ 144 - 412

Source: (Southwest, 2010)

Southwest Airlines is using ‘ price discrimination’ to target their customer which is “ a nonlinear charging a different prices for the same product and services” (Miravete, 2005). This concept used to ensure customers have the power to choose the type of fares they preferred as to suit their income level and expectations in term of services.

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## **Promotion**

Promotion is “ how the potential customer gets to know about the product/services and why they should buy the product/services” (Ruskin-Brown, 2006). Overall promotion is to ensure customers aware of the product availability, as a reminding and to persuade the customer about the product.

The diagram below has shown the five types of promotion strategies to promote the product. The promotion strategies use by Southwest Airlines is ‘ Below the Line’ promotional activities which are using various types of promotions besides advertising itself to promote their promotion packages, air fares and their services; to ensure their promotion reach the consumers at large.

## **Below are the key areas of focus by SWA in its promotional campaign:-**

### **Sales Promotion**

Sales promotion is “ a short term incentives to increases sales” (Gillespie, 2001) such as guerrilla marketing. Southwest’s using sales promotion strategy to encourage travellers to travel more often. For example, the Senior Fares which provides 20pc off to all senior citizen in the U. S. as to make air travel cheaper (Brown, 2010), besides that Southwest’s also provides cheap flight as low as US\$ 59 from time to time as to encourage more people to travel.

### **Advertising**

Advertising is a “ paid for means of communication” (Gillespie, 2001).

Southwest’s using newspaper, magazine, email and their southwest website

to advertise their promotions; the strategy they use is to target their potential customer's and secondly it is cheaper compare to broadcast media.

Since southwest is a low cost carrier which does not require having expensive advertising because it will incur additional cost where Southwest will unable to keep their cost lower.

## **Public Relation**

Public relation is “ involving in managing relations with different publics” (Gillespie, 2001). Southwest's LUV is their primary corporate charity; to assist people who in need. Caden Ledbetter Golf Tournament is the best example where Southwest's raise money for Caden to help him in his fourth stage of neuro-blastoma disease, besides that Ronald McDonald House is a charity organisation; to raise funds to children who in need, and by this Southwest's has create a favourable impression in the society at large.

## **Placement**

Place is “ the channel of distribution describes how the title of ownership passes from the manufacturer to the consumer” (Gillespie, 2001). Placement is to organise a target area in which the product will be distributed or available.

The type of distribution channel used by Southwest's is a direct channel where they sell their product directly through their website. In the website, customer is able to purchase flight ticket, hotel room and car rental services which convenient. Besides that, the 0 level distribution strategy is to reduce

incurred cost to their end user so Southwest can ensure competitiveness and to ensure their product remain low cost.

Based on Southwest pricing strategy, it showed that due to 0 level distributions Southwest's could use price discrimination to target different group of customers in the most competitive pricing.

## **People**

People are very important in service industry because customer experiences will influence the company ability of meeting customer needs and wants.

Based on Southwest Annual Report in 2009, Southwest ranked the highest on on-time performance from arriving which is 83% and received the lowest complaint of 0.21 per 100,000 customers on-board (Southwest, 2009), and the secret of their success is their "commitment to providing the highest level of customer service with pride and caring and willing to forgo revenue opportunities - to maintain its cost low" (Rhoades, 2006). This make SWA success in term of meeting their customers' needs, and enable more people to travel.

## **Market Analysis for Southwest's expansion**

Southwest's has been concentrating in the U. S. and Mexico for decades and the company should take the opportunities to further growth by expanding their air transport businesses outside of United States and Mexico. The expansion would increase Southwest's brand name and sales in worldwide scale. Also, this is the opportunity for Southwest's to compete with their competitors outside of U. S. market.

## **The STP strategies to penetrate into Asia market**

STP strategy is comprises of Segmentation, Targeting and Positioning; to analyse the potential and the availability of the market, and it is “ one of the most important strategic concepts contributed by the marketing discipline to business” (Bowen, 1998), and it is essential for SWA to forecasts the market beforehand because the degree of the market orientation is influenced by “ the homogeneity within and heterogeneity between segments, and the size and growth of the segment, expected market shares, capability with company objectives, resources and the structural segment attractiveness” (Goller et al., 2002).

### **Segmentation**

Market Segmentation is “ to divide the market into separate groups of buyers who might require different products and marketing mixes” (Goller et al., 2002). And, to penetrate into Asia aviation market, Southwest’s should look into segmenting their market based on geographical segmentation as “ it divides consumer groups based on the location” (Marshall & Johnston, 2010) since Asia has a large continent with “ 3. 879 billion people in 44 countries” (Worldatlas, 2008). It is wise that Southwest’s should expand to Asia; based on Asia-Pacific LCC global data indicate that the growth of low cost carriers in Asia-Pacific is risen from 1. 10pc in 2001 to 15. 50pc in 2009 (refers to appendix A), and it is a significant growth where opportunity of growth is assured.

Based on IATA reports on Asia Pacific said that Asia-pacific region is diverse, dynamic and with great potential because Asia-Pacific’s expects are



improving quicker than other region (IATA: Press Releases, 2010). According to Giovanni Bisignani (2010) speech during at the Singapore Air Show Aviation Leadership Summit mentioned that, “ In 2009, Asia-Pacific has become the biggest regional market for air services and more than a quarter of the 2.2 billion people who flew last year, or 647 million people, flew within Asia-Pacific markets. It has eclipsed travel within North America as the traditional leader in traffic numbers. By 2013, we expect Asia-Pacific’s market share to grow to almost one-third of the total market, with an additional 217 million people flying” (Bisignani, 2010).

And again based on the tabulation below has clearly shown that Asia (includes Middle East) passenger growth estimated is 7.2% which is much higher compare to North America and European passenger growth which are 3.6% and 4.8% relatively in 2007-2016. This growth has shown Southwest’s a robust market to be penetrate into, and with a guarantee of increase of sales and revenue in Asia.

<http://www.airbus.com/typo3temp/pics/3cc9fc79d4.jpg>Source: (Airbus, 2010)

In addition, Southwest’s could target the lower and middle income customers as like Southwest’s does in America because these group of people who want to travel outside of their vicinity in a lower cost it would an advantage for Southwest’s to target on them, and besides that Southwest’s could use back its old tactic on targeting on the business travellers and vacation travellers who does not required premium or luxury services.

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## Targeting

Targeting is “ a strategy that aims at grouping a major market into segments so as to target one or more of these segments or to develop products and marketing programmes personalised to each segment” (Bloom, 2008). In Asia market, Southwest could use undifferentiated target marketing since Southwest Airlines is a low cost carrier which does not required differentiating their targeting strategies unlike their full-service airlines, and this is the benefit. Besides that Southwest’s could establish strategic alliances with AirAsia because AirAsia covered more than 60 destinations, and it will reduce market uncertainty and risk taking in the new market.

Based on the figure below, it has clearly stated that AirAsia has 135 routes together with its subsidiary AirAsia X in 2009.

On top of that strategic alliances will also create cooperative arrangements between Southwest Airlines and AirAsia as to improve their competitive position and performance by “ sharing the resources, sharing the risks, reduce costs and improving technological capabilities” (Lee & Ding, 2010). Furthermore, the alliance will entice AirAsia customers to fly into America and vice versa through transition. In addition, Southwest’s should make Malaysia as the hub and spoke in Asia since they have the highest of 39. 20% international LCC penetration and second largest domestic penetration in Asia which 53. 30% based on the graph below. It indicated the LCC business in Malaysia is doing well compare to other Asian countries and with the alliance with AirAsia – Southwest would achieve its goals of increasing its sales.

Source: (Centre for Asia Pacific Aviation, 2009)

In addition, penetrating into Asia market is worth the risks. As we can observe through the charts that show the potential growth in Asia which will eventually give an increase of Southwest market shares in term of capacity and growth. Furthermore, creating an alliance with AirAsia will secure Southwest market foundation because through the alliances - it will able to overview the Asian market in term of their purchasing power, cultures, and expectations as in needs and wants. Secondly, the hub and spoke in Malaysia to cater SWA because of the stability of their government and cost of operation is much lower compare to Singapore, Japan, Korea, etc. Besides that, Malaysia is also the strategic location after Singapore because it located at the mid-point of China and India.

## **Positioning**

The positioning of Southwest in Asia is based on promotion, placement and people. Besides that, positioning is “ to identify within an existing market the market segments that best maximize value to the destination and find, nurture and cater to them” (Mykletun et al., 2001). These three is the most essential factor because it will determine the company success or a failure in their market penetration. Since, Southwest is a low cost carrier, these three marketing mix will help the company to build a firm foundation.

## **Placement and Promotion**

Based on Bob Pickard, President and CEO of Burson-Marsteller’s Asia-Pacific stressed that “ Asia is a strategic region but winning in Asia demands - listening and thinking with an open mind attuned to modern Asian

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sensibilities, not just bulldozing. If companies are going to embrace Asia, they should communicate on Asia's terms" (Pickard, 2010).

There are 3 types of methods of promoting Southwest's could use to promote their product and its brand name as the author suggested.

1. Sales promotion - the company could give out free seat, buy 1 free 1, or fly now and get free flight on the next trip, and customisable packages - to enable customers' to choose their own destination.

2. Public relations and Advertising - Southwest's should use online advertising on their promotion in their new website, facebook and twitter. Moreover, Based on Alfie Yee, the director of marketing Asia Pacific said that today trend is focusing on the increasing of the importance of consumer-generated travel reviews and social networks which help filter necessary information to make travel decisions (Yee, 2010). And that is wise to promote the product online as to increase the brand name and reminding customers about Southwest.

## **Price vs. People**

To establish a firmer foundation in Asia market; firstly, Southwest's must build rapport with the customer by understanding their needs and want. Secondly, provides the services beyond their expectation such in " handling pre and post complaints, rewards, flight attendants manner and friendliness which will lure the customer back" (Rhoades, 2006). Pricing is the most influential aspects for travellers as the price increases it unlikely to be customers' choice (Bruning et al., 2009). Furthermore, besides pricing,

number of stops and inflight services are the key to gain customers' expectation. In addition, people nowadays put great emphasis on "value, personalised travel (customisation package) and mobile connectivity (online booking through mobile phone)" (Yee, 2010) where Southwest Airlines must integrating the promotion and placement together; to enable the company to meet the need of their potential customers'.

## **Conclusion**

In conclusion, the importance of situation analysis for the future growth of southwest airlines, the company must have a thorough understanding about the internal and external situation which includes the market environment, the capabilities of SWA, and the customers as to satisfying their needs. In the overall scenario, it shows that southwest as a low cost carrier has the potential of expanding their business outside of America. As we can see in this report, expanding into Asia is the best choice for Southwest due to the economy growth and the size of Asia population which will double Southwest sales and revenues. Moreover, creating strategic alliances with AirAsia will benefit both parties as in technological wise, routes and experiences. In addition, Southwest's current practices and strategies will lead the company to the next extend; to meet their business objectives to increase their.