

# Southwest and american airlines' point-of-purchase strategies

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The increasingly competitive nature of the airlines industry compelled key players in the airlines business to differentiate their companies and their services through different point-of-purchase strategies. American Airlines, for instance, pioneered the introduction of the frequent flier loyalty programs through the AAdvantage program. Soon, a host of other marketing strategies were introduced by airline companies, including discounted fares and promos such as Southwest Airlines' Gift Card to attract and retain valued customers.

The advent of the internet allowed airline companies to offer a more personalized service to customers by developing an online point-of-purchase that gave customers the ability to book, choose their preferred flights, and pay for their bookings in a more convenient manner. Both Southwest and American Airlines' online point-of-purchase strategies are meant to complement the existing offline point-of-purchase strategies of these companies. However, it is safe to assume that online point-of-purchase is becoming a significant tool for converting customer contact to actual sales given the convenience it entails for customers.

Hence, it would be worthy to analyze the different strategies employed by airline companies, particularly American Airlines and Southwest Airlines, in their online point-of-purchase. Southwest Airlines as a brand is known for its low-cost but quality service. Its website, which functions as an important point of contact between customers and the airline, also serves as an important channel for customer relations and point-of-purchase transactions.

The website contains information on rewards programs, promos, discounts, vacation and cruise packages offered by Southwest aside from traditional airlines services. A notable feature of its online booking platform is its integration with the range of services such as hotel and rental car reservation. The option of choosing the company's rewards program with the flight, car, and hotel reservation is also available at the travel booking platform, which makes it easier for customers to automatically consider flights and services that are eligible for the existing rewards program.

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After the customer has decided on the travel itinerary, the customer is then directed to the page displaying available flights on the customer's preferred date within the three fare classes: 'business select,' 'anytime,' and the 'gotta get away.' American Airlines utilizes almost a similar approach in its point-of-purchase strategy, except that the company offers more options in terms of booking for a one-way, roundtrip, or open-schedule flights and also allows customers to choose cabin service preference within its fare classes 'economy,' 'business class and higher,' and 'first/premium.'

The customer can therefore opt to pay for an economy class ticket with restrictions, without restrictions, or full fare. In contrast with Southwest, American Airlines does not have an integrated system that offers services other than flights. However, the company's rewards program is adequately integrated with the booking process, which requires AAdvantage members to log-in prior to completing their reservation. In the same manner, American Airlines customers can pay directly for their airline reservation through credit

card or by employing miles accumulated through the company's AAdvantage program.

On the other hand, one of the weaknesses of Southwest Airlines' point of purchase strategy is the price-differentiated fare classes which are incongruent with the company's low-cost, mass market image. Hence, customers who want a cheap plane ticket could end up getting disappointed when they find out that the ' gotta get away' seats are fully booked. (Couple of Errant Thoughts, 2007) This could encourage customers to look for cheap seats in other airline companies instead of opting for a pricier ' anytime' seat on Southwest.

Similarly, a weakness of American Airlines' point of purchase is that it does not incorporate information on existing low airfare offers, discounts and promotions on the booking and reservations page, which could encourage customers to patronize the company over others. Clearly, both Southwest and American Airlines must be able to utilize a more effective online and offline point-of-purchase strategy given the increasing competition in the airline industry.

Although Southwest Airlines' inclusion of offers, discount alerts, and other offerings in its point-of-purchase is impressive enough, the company has to address the impact of the price-differentiated fare class on price-sensitive customers who could be turned off by the unavailability of cheaper tickets within their preferred dates. The company can easily do this by reconfiguring its online point-of-purchase system to offer alternative flight dates to the customer when the ' got to get away' class has available seats.

These changes can be financed through the company's website maintenance budget, which means that Southwest does not have to incur additional costs for the implementation of this strategy. On the other hand, American Airlines needs to consider the inclusion of value-added services, such as hotel and car rental reservations, into its point-of-purchase if it wants to deliver a higher level of convenience to its customers. Since it already has established partnerships with hotels and car rental companies, it could simply integrate this with the booking procedure instead of the separate process for hotel and car reservations currently in place.

It also has to make its discount offers more visible on the point-of-purchase and reservation page in order to influence customers' purchase decisions. The costs associated with the integration of these services could be financed directly by the company from its budget allocation for marketing as well as information systems maintenance and upgrade. Thus, Southwest Airlines can improve its point-of-purchase strategy by implementing a more progressive reservation system that takes into account the relative price sensitivity of the mass market to which its low-cost approach is primarily aimed at.

Meanwhile, American Airlines has to be able to introduce additional services utilized by its business class clientele and to extend its rewards program to these services in order to strengthen its relationship with the company's preferred customers. These adjustments will complement these companies' existing offline point-of-purchase strategies by drawing more online customers with the potential to ensure that more seats are sold by the airlines per flight.

These would also allow the company to develop a better relationship with consumers by addressing their needs, which will influence their airline preferences and build loyalty to the company.

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