

Southwest Airlines Success : A Case Study Analysis

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ABSTRACT

In this cut throat competitive era service firms may survive with innovative strategies with reference to people, process and physical evidence that differentiate their services from their competitors.

The key objective of this paper is to highlight the strategies of Southwest airlines that facilitated it to produce a successful model in airlines industry that was benchmark for the entire world. Paper enlightens that if a service firm gives priority to its employees than customers, it automatically serves customers in better way as services of a company are given through employees and employees' delight is customers' delight in service sector.

Introduction

The basic concept in marketing is marketing mix that is composed of four P's; product, price, place and promotion. Key strategic decisions related to these four P's determine success of any firm. However, strategies for the four P's require some modifications when it is applied to services. Because services are usually produced and consumed simultaneously, customers are present in service firm and are actually part of service production process. Also, because services are intangible, customers seek any tangible indication to help them understand the nature of service experience. Acknowledgement of the importance of these additional communication variables has led services marketers to adopt the concept of an expanded marketing mix for services. In addition to the traditional four P's, the services marketing mix includes people, process and physical evidence.

These new elements (people, process and physical evidence) may decide the success and failure of any service firm because any or all of them may influence the customer's initial decision to purchase a service, as well as the

customer's level of satisfaction, repurchase decisions and word of mouth publicity. Southwest airlines is the best example for explaining the importance of people, process and physical evidence in the success of service firm. Southwest model made it seventh largest US airline by 1993. It created a winning model for profits in Airline industry. According to Money magazine, Southwest's stock performance was the best performance in the Standard and Poor's 500 during that time.

This paper presents its strategies with respect to people, process and physical evidence that helped it to achieve this marvelous success.

Model of Southwest airlines :

Southwest airlines was founded in 1967 by Rolling King and Herb Kelleher. It started its operation in 1971 covering intrastate Texas cities, Dallas, Houston and San Antonio.

The airline's new president, Lamar Muse, adopted the "love" theme for attracting the attention of passengers as it was based at Love Field in Dallas. For executing the "love" theme, lots of efforts were made. Drinks

served on board were called “love options”, ticket machines were called “love machines”, and cabin hostesses were sexy and had seductive voices.

Their low cost fares were below than the cost of driving a vehicle over the same route. Southwest’s policy of pricing its service was to compete with auto travel.

After its inception, it achieved break even in two years. Baniff international, one of the Southwest’s principal competitors initiated a 60-day “half-price sale” of tickets between Dallas and Houston, offering tickets at \$13(below than cost) as opposed to Southwest’s \$26 fare. Southwest’s counter strategy was an ad proclaiming that “nobody is going to shoot Southwest out of the sky for a lousy \$13”. They offered an unusual alternative to customers that they could ask to pay either \$26 or \$13 for exactly the same seats on Southwest flights. Customers who were purchasing \$26 tickets were rewarded with gifts such as ice buckets or fifths of whisky. This strategy worked and 80% of customers requested for \$26 tickets.

In 1993, southwest acquired Morris Air, hence increased number of operating stations.

Southwest’s strategy was to limit the markets served and provide high frequency departures each day to a given destination. The intensity of this schedule reduced the consequences of a missed flight and enabled Southwest to retain tardy passengers.

Southwest’s strategy, “fly eight flights, get one free” was the simplest in the industry.

People :

All human actors who play a part in service delivery and thus influence the buyer’s perceptions: namely, the firm’s personnel, the customer and other in the service environment.

flexibility at work place, recognition and appreciation for outstanding performance as well as for the length of service, group decision making, team building approach, training, profit sharing, stress on positive attitude rather than skill, taking home satisfaction than salary, low labour turnover and involving customers in process were some of the attributes that helped Southwest airlines to achieve success.

Employees : In Southwest airlines, employees were given the latitude to do whatever is necessary to get a plane turned around in the targeted time of 15 minutes. There was emphasis on fun for employees and travelers. Ground and In-flight employees were encouraged to be creative in the way they delivered

required announcements to the passengers. Some employees sang the messages, others delivered them in dialect (such as an Arnold Schwarzenegger-like “you vill sit back. You vill relax. You vill enjoy this flight. Hasta la vista, baby”) or in Donald Duck-speak.

Company’s main event of the year was the annual awards banquet, for which employees from all over the system were brought to Dallas and honored for their length of service.

In addition, the culture committee sponsored a hero of the heart celebration at headquarters on February 14 each year. Awards were made to groups nominated by others in the organization that had gone “above and beyond” to deliver Southwest service.

Joint problem solving was the culture of Southwest airlines. Southwest engaged in joint problem- solving exercises with those supplying everything from fuel to peanuts served on planes. Team work was the spirit of this organization. Works were assigned in groups. Failure to do so according to schedule resulted in a “team late”. Rather than assessing individual responsibility, teams were then tasked to figure out how to avoid problem in the future.

Pilots sometimes handled baggage or helped cabin attendants in picking up the cabin while gate attendants might be seen putting provisions on board for the departing flight. The main spirit was to do everything that was required to complete a task rather than having mentality that it is not my job. Southwest Airlines looks for the people who can think in terms of we rather than me. One way the company assesses these service inclinations is by interviewing potential flight attendants in groups to see how they interact with each other. Pilots are also interviewed in groups to assess their teamwork skills, a critical factor above and beyond the essential technical skills they are required to possess.

Throughout the organization, stress was placed on the value of “family” in the organization.

All ground operations employees had one to two weeks of technical orientation at individual stations before going to class in Dallas for a week to study everything from the use of the company systems to the organization’s values. Southwest’s employees’ total compensation was roughly equivalent to other airlines but productivity of Southwest employees was more and it led to decreasing cost of Southwest airlines. After completion of six months probation period, all

employees became members of Southwest's profit-sharing plan.

Southwest operated on some basic principles; focus on the situation, issue or behavior, not on the person, maintain the self-confidence and self-esteem of others maintain constructive relationship with your employees, peers and managers, take initiative to make things better and led by examples.

One of the Southwest employee stated that most enjoyable thing about his job is coming to job everyday.

A quote from Southwest's president, Herb Kelleher, illustrates the importance of selection of right person. "the People Department (name given to Human resource Department by Southwest) went to Herb Kelleher, one day and said, 'We have interviewed 34 people for this ramp agent's position, and we are getting a little worried about the time and effort and cost that is going into it'. And he said if you have to interview 154 people to get the right person, do it." Southwest's management used to host "best practice" teams from all industries that wanted to discuss hiring, training, and employee- relations practices. After some time it discontinued this practice as it was devoting too much time, energy, attention and resources educating the outside world. So, he thought to devote that time, energy, attention and resources internally on enhancing and enriching their own culture

Customers : On early flights, passengers who could produce the largest holes in their socks were recognized and rewarded. In-Flight contests were conducted to see how many passengers could be fitted into the bathroom at one time. Holidays were celebrated with costumes and giveaways.

The interview team often included frequent-flier customers as well, particularly when customer-contact were being selected. When a frequent flier was asked that why will he take off time from his organization to spend time hiring Southwest employees, he replied, "I might learn something and have a little fun doing it. And besides, it's my airline."

Southwest airline was dependent on customers to perform critical service roles for themselves, thus increasing the overall productivity of the airline. Passengers are asked to carry their own bags when transferring to other airlines, get their own food and seat themselves.

Process :

The environment in which the service is delivered and where the firm and customer interact, and any intangible components that facilitate performance or communication of the service.

Frequent trips, direct flights rather than Hub and Spoke system, not assigning any seat to passengers, family work culture, flying only Boeing 737 jets, choosing un-congested airports, selling tickets through internet made the process quick, efficient and convenient for customers.

Southwest's frequent departures provided opportunity to frequent business flyers to catch a later flight if they missed one. It used direct flights rather than Hub and Spoke system. It indicates user-friendly process.

It didn't assign any seats to passengers. It issued colorful reusable plastic cards numbered 1 to 30. Passenger who came first could take seat of his choice, thus provided an incentive to early arrivals. This process of assigning seats eliminated the time-consuming reconciliation of the double assignment of seats on full flights and allowed Southwest agents to keep the plane doors open for last minute arrivals at the gate. The airline didn't transfer baggage to connecting flights on other airlines and didn't provide food in flight.

In all, the process was very efficient, standardized and low-cost, allowing for quick turnaround and low fares. Customers were part of process and taking their roles willingly. For distribution of tickets, earlier commission was given to travel agents but later it implemented "ticketless" (paperless) travel program and later the development of Southwest.com as a means of using the internet to sell travel directly to customers. It lowered down distribution cost.

Southwest's turnaround time had grown to an average of 24 minutes, a figure that was expected to be atleast 30 minutes. It was a benchmark for entire airline industry. For this success, the factors that were responsible, were; an absence of meals on all Southwest flights, a limited amount of checked luggage on Southwest's typically 60- to 90- minutes flights, a near-uniform configuration for all of its 737 aircraft, a team-oriented approach to ground services with team measures for turning around planes and employees freedom to do whatever necessary to get a plane pushed off on time and a high speed boarding process.

Physical evidence :

The actual procedures, mechanisms and flow of activities by which the service is delivered- the service delivery and operating systems.

Southwest worked more on low cost model, fast process and people than physical evidence but still physical evidence attracts attention of people.

Southwest's aircraft are orange and mustard brown and accentuates their uniqueness and low-cost orientation.

The walls of the three-story building were covered with literally thousands of framed photos and awards, many of them showing southwest employees in their party cloths ranging from black tie and formals to jeans. Others portrayed employees engaged in community activities together in their free time, often at Ronald McDonald houses for children across the country. Some of the framed photos included Kelleher, one of the founders, who had gained fame for his unorthodox but effective style of leadership.

Employees dressed casual as well as formal, wearing shorts in the summer showed fun as well as employee comfort. The reusable plastic cards also provided physical evidence that signals low cost and no frills to customers. Southwest's website also provides tangibility to its services.

Conclusion

Services are variable, inseparable, intangible and

perishable. These unique characteristics impose challenges for service firms to overcome. There are different strategies to beat these characteristics. Services are variable by nature as different people of same designation deliver services of different types and same person provide different types of services at different times. This problem can be overcome by training of employees and customers. Inseparability of production and consumption makes consumer part of service process so their active participation, employees' enthusiasm, easy techniques make effective and efficient process.

Providing physical evidence through website, brand name, colour, logo, uniform etc help a service firm to overcome the problem of intangibility. It is evident from analysis of Southwest airlines that effective strategies related to people, process and physical evidence help a company to overcome some of its characteristics and thus achieving success.

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