Group E: Olivia Ayala, Melanie Romo, Anthony Sanchez, Melissa Soriano

Professor Ortiz

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**Southwest Airlines Strategic Analysis Outline**

**Part 1 – Executive summary**

* The executive summary will be one of the last things written for the project

**Part 2 – Company introduction**

* Missions Statement
  + Southwest Airlines is dedication to the highest quality of customer service delivered with a sense of warmth, friendliness, individual pride, and Company spirit
* Vision statement
  + To become the world’s most loved, most flown, and most profitable airline (annual report)
* Brief history
* Firm qualities or company overview
  + Largest airline at several airports, including ABQ
  + Generally positive image among airline customers
    - No baggage fees?
    - Low-cost airline
  + Doesn’t use airport hub and spoke model
  + Use of Boeing 747 airplanes
  + Acquired AirTran
* Successes
  + 39 straight profitable years (Overview, Lexis)
  + “Largest domestic US airline by number of passengers enplaned and scheduled domestic departures” (p. 26 IBIS)
* Failures
* Products/services
  + Domestic and some international flights (Air Tran)
  + Vacation packages through Southwest Vacations
* Identification of industries
  + Domestic airline industry

**Part 3 – Environmental analysis**

* Airline industry analysis
  + Size: $138.3 billion revenue, $6.9 billion profit, 348 businesses
  + Growth rate: -0.3% ’08-’13; 1.5% ’13-‘18
  + Differentiation: Some differentiation between low-cost airlines such as Southwest and the more standard airlines
    - Differentiation may include amenities such as business class, fees, price, locations served, etc.)
  + Exit barriers
  + Fixed costs
  + Major competitors and market share: Delta Air Lines Inc, 18.1%, United Continental Holdings Inc, 16.1%, AMR Corporation 10.3%, US Airways Group Inc, 7.7%
    - The industry appears to be fragmented because no single company has a large enough share of the market to influence the industry’s direction
  + Major customers: leisure and business travelers
    - Business travelers may be more powerful because they are less sensitive to price than leisure travelers are
  + Major suppliers: Jet fuel companies, food and beverage suppliers, labor pool, airplane manufacturers
  + Entry barriers: high
  + Substitutes: can include bus, train, and personal vehicle travel
    - Price pressure from substitutes
  + Basic strategies of competitors
  + Globalization of industry: Low
    - The main focus of this analysis is the domestic airline industry, but some major competitors do have a global presence
    - Advantages of globalization
  + Regulation level: medium
* External stakeholders and broad environment
  + Factors influencing demand
    - Consumers’ discretionary income
    - Brand recognition or loyalty in many markets
    - Economic trends: improving domestic economy
    - Demographic trends: Baby boomers
    - Political trends – trend toward deregulation?
    - Technological trends – increased use of smartphones for reservations and in-flight communication
    - Societal trends – trend toward green practices
  + Factors influencing cost structures
    - Stage of the product life cycle – decline
    - Capital intensity – high
    - Economies of scale
    - Learning/experience effects
    - Power of customers, suppliers, competitive rivalry and entry barriers
    - The influence of other stockholders
      * Other stakeholders include the communities that the airlines serve
    - Technological changes resulting in cost reductions
      * Fuel efficient aircraft
* Industry strategic issues
  + Driving forces in the industry
  + Threats
    - Volatile price of jet fuel
  + Opportunities
    - International markets
    - Charging fees for various items such as baggage, pets, etc.
  + Requirements for survival
    - Strong safety record
  + Key success factors
    - On-time performance

**Part 4 – Organizational analysis**

* Internal environment
  + This section outlines the strengths and weaknesses that exist in Southwest Airlines Internal Environment. Southwest faced many of the same obstacles that other airline companies in the industry are dealing with. The internal strengths and weaknesses of the airline are what have made the difference in dealing with these issues. Based on increased profit information, it is evident that Southwest has employed a strategy founded on exploiting internal strengths and reducing internal weaknesses.
* Resources
  + Financial Resources- Southwest has always managed revenue well. In the financial year 2011, the airline had generated 985,000,000 with an operating income of 262,000,000 and a credit value very good.
  + Physical resources- The size of fleet was 698 Boeing 737-717 aircraft.
  + Technological resources- southwest has always believed in cutting down additional cost, achieves business objectives and maintains its efficient operations. Ticketless travel was first introduced by Southwest. Southwest intends to continue to devote significant technology resources to accommodate the introduction of the 737-800 into the Southwest fleet and to implement a new reservation system that will allow the Company to add international destinations and improve revenue management and Customer Service functionality. The company’s website is responsible for 46 of the revenues and the website has the one of the largest number of clicks per day among all the airline operators.
* Capabilities
  + Management- Them management of Southwest is considered to be one of most dynamic of all times.
  + Distribution- By April 2011, Southwest was operating in about 73 cities in United States. The growth plan has been conservative with only a few cities being researched and added each year.
  + Marketing- Southwest has always been aggressive in promoting.
  + Human Resources Management- Southwest has always maintained good relations with the employees. Their hiring policy is unique not only within the airline industry, but it also revolves around finding people with the right attitude that will thrive in the Southwest culture. Extensive procedures are employed to hire for positive attitude and dedication.
* Performance evaluation
  + The heavy reliance on customer revenue during a time when customers were spending less had a significant effect on the firm profits. Although the airline rebounded by building on its strengths, to remain competitive Southwest should look at expanding services in to other areas of the airline industry. Instead of having 95.5% revenue from customer transport, Southwest should expand on the growing airfreight business to garner a more balanced profit generating strategy. In general, Southwest has done a commendable job in recovering from the recession and balancing its internal strengths and weaknesses.
  + Outstanding business leadership
  + Invest in the front-line leaders
  + Hire and Train for relationship excellence
  + Use conflicts to build relationships
  + Bridge the work-family drive (forming bonds like a family with employees)
  + Create positions that span boundaries
  + Use broad performance metrics
  + Have highly flexible job descriptions
  + Partner with unions
  + Build the supplier relationships
* Sources of competitive advantage
  + Positive image
  + Southwest does not invest an exuberant amount of the firm’s revenue in extras that other airlines offer. When the recession occurred, many airlines had to cut services or offer them for a fee. Since Southwest did not operate by offering customers free extras, such as blankets, baggage check, and snacks, the company did not have to change much in the way of service to reduce costs.
  + Southwest is able to maintain low-cost airfare that benefits customers financially.
  + Rapid Rewards Program is a simple program that offers the customer to fly eight round trips within two years and you get a free round trip ticket with just one possible extra fee of $50.00 if miles have expired.

**Part 5 – Strategic plan**

* Strategic direction
  + These will probably come from the Southwest Airlines report
* Major strengths- superior customer service, firm operating strategy, and ability to offer the lowest cost fares. Emphasis on these strengths is what aided Southwest in a fast rebound from the 2009 recession. Recognition in the industry.
* Evaluation of opportunities
  + The operating strategy allowed the airline to weather the recession with minimal loss. Southwest does not invest an exuberant amount of the firm’s revenue in extras that other airlines offer. When the recession occurred, many airlines had to cut services or offer them for a fee. Since Southwest did not operate by offering customers free extras, such as blankets, baggage check, and snacks, the company did not have to change much in the way of service to reduce costs.
  + Southwest is able to maintain low-cost airfare that benefits customers financially.
  + First company to use ticketless travel
* Recommendations (management, marketing, finance, accounting)
  + Merger or acquisitions?
  + Increased international presence?
  + Baggage fees?
  + Separate business traveler amenities?

**Part 6 – Implementation**

* Implementation
* Control
* Feedback

**Part 7 – Future Trends**