

Diane Moran's audit of
Southwest Airline



1. SWOT Analysis

Southwest Airline SWOT

Strengths (Internal)	Weakness (Internal)	Opportunities (external)	Threats (external)
Low cost	Heavy dependence on a single producer - Boeing	Acquisition of Air Trans holding	Increasing impact of Gov. regulations to the industry operations
Dominant market position in North America	Competitors – Operates its booking service which is limited vs. competitors	Recovery of the US tourism	Failure to meet stockholders expectations
Strong fleet operations	Declining profits and margins	International expansion	Terrorist attacks
Firm operating strategy	Employees salary + contractual obligations	Longer flights being introduced	Intense competition
Friendly staff/customer service	Conservative growth strategy	Rebound opportunities as a result of 9/11 decline in market size	Price volatility in petroleum markets
Strong company image	Heavy dependence on passenger revenues	Improved customer satisfaction and value	High unemployment and inflation keeps travelers from flying
Safety Record	Does not offer segmentation (business flights and first class)	Traveler traffic increase expected	Joint ventures can negatively affect brand image

2. Problem Issues:

Labor problems:

- Flight attendants requested improved working terms
- Four weeks paid training
- Employees pay being much lower than competitors
- Special compensation for holiday work
- Frequent raises much lower than competitors
- Compensation for work completed after scheduled work time frame for overtime

Customer Relations:

- Airline was not accepting email inquires
- Lack of staff within the airport made it difficult to obtain tickets quickly and in a timely manner
- Customer with questions had to call the customer service number

Rising Cost:

- Increase fuel prices
- Growing labor costs
- Moved flights from non-profitable to profitable routes

Competition:

- Main competitors JetBlue and AirTran
- Rise in low pricing for competitors
- Competitors are offering more frills
- JetBlue was known as a punctual company within the industry, offering lowest prices and best record in handling customers bags

3. Alternative:

Southwest goal is to make travel affordable and available to customers.

Southwest profit making strategy is to keep low prices.

South west objective and alternatives are to focus on:

Corporate culture

Objective - define and enforce the company's personality

Alternative - fun-loving and fight to survive

Strategic Planning

Objective – market share, vertical integration and growth (domestic growth and international entry)

Alternative – acquisitions/joint ventures and staying competitive within the industry markets

Cost Control

Objective - lower cost/lower prices

Alternative – daily implementing of cost saving ideas, procedures and equipment while maintain customers and employees satisfaction

Quality Control

Objective – focusing on one thing, and doing it better than anyone else

Alternative - servicing short flights, regional routes for low prices

Customer service

Objective - focusing on customers and employees

Alternative – accommodating customers’ needs and special request creating a satisfied customer

Hiring

Objective – hiring employees with the right attitude and skill-set

Alternative – recruiting fun loving employees and provide training to increase their skills while celebrating mistake turning them into opportunities for improvement

Marketing and Advertising

Objective – break the rule

Alternative – Guerrilla marketing

4. Decision Statement

Southwest has strengths in its low cost, firm operating strategy, strong fleet operation and dominant market position in North American which separates them from the competitors to sustain profitability in the airline industry. Their brand image is recognized by the domestic market, and now by the acquisition of AirTran Holdings. Southwest has a good opportunity to expand its markets internationally. Its conservative growth strategy delayed its globalization, but prevents Southwest from venturing into unfamiliar competitive markets. Southwest loyalty to their customer base and to their employees creates customer satisfaction plus employees loving their jobs. With a combination of both conservative and fast growth strategies could be the best way of its future development with the industry and keeping stockholders satisfied.