

Southwest Airlines Marketing Strategy

Product Positioning: Operating under an intensely competitive environment, Southwest Airlines carefully projects its image so customers can differentiate its product from its competitors. Southwest positions itself in all its marketing communications as THE only low-fare, short-haul, high-frequency, point-to-point carrier in America that is fun to fly. Its low-priced fares are a brand equity which it "owns" in the mathematical sense of being the only major airline with a strong score on this attribute based on consumer research (Barlow, 2002). Southwest's brand exudes an element of fun: a down-home attitude which it leverages to present the consequences of low fares in a positive light. "Dignify" might not be the first word one would think of to describe how Southwest treats passengers: no first class; no food other than peanuts; no assigned seats; no transfers of luggage to other airlines (Teitelbaum, 1992). Southwest's in-flight service has, in fact, become pejoratively synonymous with peanuts; but the payoff in savings is huge. While the average cost of serving meals per passenger in the industry is about \$5, Southwest's average cost per passenger is only 20 cents (Rose, 1999).

Market Positioning Strategies: To successfully secure its market position, Southwest needs to be extremely cost-efficient. Southwest has a well defined business model that uses single aircraft type, short-hauls, secondary airports, point-to-point versus hub-and-spoke to keep its costs down. Southwest tries hard to differentiate itself by doing seemingly weird things. For example, not assigning seats in its flights helps to reinforce its image that it gets passengers to their destinations when they want to get there, on time, at the lowest possible fares. By not assigning seats, Southwest can turn the airplanes quicker at the gate. If an airplane can be turned quicker, more routes can be flown each day. That generates more revenue, so that Southwest can offer lower fares.

Marketing Strategies: Southwest offers a travel product that is built around flights targeted to specific demographics and ticket pricing that is simplified so that passengers know exactly what they are getting for what they pay. Its ugly Boeing 737 planes that provide pared-down utilitarian service, often likened to cattle cars, is exactly what one would expect for the price that is paid. This is in stark contrast to flights geared for business travelers and other passengers who are used to being pampered, paying full price but ending up disappointed in the end.

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Building Brand Loyalty: Airports and airplanes traditionally have a love-hate relationship with the public. Along with noise pollution generated by aircraft, there are also traffic problems and urban sprawl that airports bring to communities. Whenever there is talk of airport expansion, people raise up their arms in protest: NIMBY! Unless, it is Southwest Airlines that is coming to town.

What is the Southwest Effect? Once Southwest Airlines enters a certain market, air fares go down, tourist traffic increases and an economic mini-boom ensues (Meyer, 2000; Messina, 2001). So real is this effect that even competitors say it is a good thing (Pounds and Weil, 2001). How many airline companies get petitioned by residents and politicians every 90 days with pleas to come to their city? This happens with Southwest Airlines all the time. When SWA enters their market, even hick towns like Buffalo, Hartford, Ontario and Oakland become tourist destinations and in turn, the residents of these cities become frequent travelers to mainstream tourist destinations like Las Vegas, San Diego and Florida.

Pricing Strategies: With a clear customer target, SWA's pricing strategy is to charge the lowest possible fare that still enables the airline to make a profit. This reflects its decision to compete not only with airlines, but with all other forms of transportation, including automobiles (it is cheaper to fly than drive). When SWA enters a new market with fares that undercut prevailing rates by 50% or more, traffic explodes, and Southwest nabs many customers who might have driven before (Zellner, 2001). For example, before opening the route, somewhere around 8,000 people used to fly between Louisville and Chicago weekly; since Southwest entered the market, about 26,000 do. Similarly explosive growth took place after SWA introduced a \$49 fare on a St. Louis-Kansas City route that TWA had been flying for \$250.

When major airlines like American Airlines, Delta Airlines, Northwest Airlines, TWA, United Airlines, and U.S. Air tried to match Southwest's cut-rate fares, they could not do so without incurring substantial losses. It is estimated that major U.S. carriers would have to cut their costs by 29% to function at operations level of Southwest Airlines (McCartney, 2002). Clearly, by having the lowest operating costs among the major airlines, Southwest can profitably offer low fares where others cannot.

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Product Distribution Strategies: Unlike other airlines, SWA does not rely on travel agents to distribute their products. Travel bookings on Southwest Airlines are done primarily through direct marketing: by phone and the Internet (Miller, 1999), without a middleman. Southwest also does not interline or offer joint fares with other airlines, nor does it have any commuter feeder relationships.

Southwest employs a relatively simple fare structure, featuring low, unrestricted, unlimited, everyday coach fares as well as even lower fares available on a restricted basis. In January 1995, Southwest became the first major airline to introduce a Ticketless Travel option, eliminating the need to print and process a paper ticket altogether (Harrison, 1999). This innovation was born out of necessity after it was tossed out of three computer reservation systems (United, Continental and Delta's, as these airlines felt threatened by Southwest's competitiveness). This innovation allows customers to completely bypass the computer reservation systems of major airlines by obtaining a confirmation number and showing up for the flight (Freiberg and Freiberg, 1997). Customers loved the idea and the paperwork was reduced tremendously therefore, saving money. This practice is now pervasive in the industry, due to its cost savings ability. Currently, if a customer wants a printed ticket, there is usually a surcharge of \$20; and if a passenger uses a travel agent, there is an additional \$25 service fee.

Promotion Strategies: Marketing Mix - For Southwest Airlines, promotion starts with the insightful understanding of customer benefits and how to translate those benefits into meaningful products and services. Southwest pays close attention to consumer insights and to brand building, and that devotion contributes significantly to the value of the brand. In both print and television, SWA continues to employ the most basic form of price competition by running ads that encourage people to visit their website for the best online deals (Rewick, 2001).

For example, Southwest Airlines approach to frequent flyer rewards is based on number of trips taken; in contrast, other airlines reward people based on miles flown (Southwest Airlines Annual Report, 2002). Quite ironically, a much bigger airline, United Airlines, has become a copy cat with their new frequent flyer program, three trips and the fourth is free. If imitation is the sincerest form of flattery, then Southwest should indeed feel flattered.

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Southwest's marketing and advertising goal is to be very clear in their low-fare message but at the same time create and reinforce the company's nutty image (Freiberg and Freiberg, 1997). Southwest attempts to do three things in their advertising: intrigue, entertain and persuade. Southwest encourages employees to dress casually at work. Southwest wants to portray their employees as professional but don not take themselves too seriously. Ad designers try to inject fun and personality in designing SWA ads, giving the target customers a taste for what the Southwest Airlines are going to give them when they get on the plane (cheap but fun!).

Companies can learn from Southwest's Marketing Strategies to refine their product and pricing, distribution and promotion strategies to strengthen competitive positioning, even when competition tries to copy and/or presented an overly enticing offer to lure loyal customers. The Southwest benchmarking will help Companies to design and implement strategies to future customer relationships, build community support, reduce operating overheads, and to improve profitability.

References:

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