Southwest Airlines

**About Southwest**

Southwest Airlines, the love airline, originated on a cocktail napkin at a hotel bar in San Antonio, Texas. Herb Kelleher, the future CEO, recognized a need for frequent, direct flights between Dallas, San Antonio, and Houston, creating a Texas triangle (Southwest, 2019). The company was incorporate in 1967 as Air Southwest. Initially, the two flight routes offered were Dallas - San Antonio and Dallas – Houston. In 1971, Air Southwest became Southwest Airlines, and eventually, a flight route between San Antonio and Houston was added to complete the triangle (Simple Flying Staff, 2022).

Initially being a smaller carrier, with three aircrafts and three destinations, Southwest was focused on expanding into a major carrier. Their competitive advantage over Delta, United, and American was the low fares i.e., $20 one way in 1971 ($126 in today’s value). By 1973, the company turned its first yearly profit. Devoted to growth, 30 years later Southwest was offering 60 destinations across the continental United States, and 338 aircrafts were in the fleet. Continuing the pattern of growth, the company requested and received permissions to fly internationally; therefore, merging with AirTran, Southwest was able to expand its routes to Cabo San Lucas, Cancun, and Mexico City (Simple Flying Staff, 2022). Exploring the domestic market share for the airline industry as of December 2021, Southwest Airlines holds the second largest percentage of the market with 17.4%, about 2% behind American Airlines; a successful demonstration of its climb to the top of the industry, officially being considered a major airline (Salas, 2022c).

Southwest’s success is derived from their unique business model of “extremely efficient operations, low-cost pricing, and innovative logistics solutions” (Brown, 2021). The low-cost strategy allows the company to remain competitive in both positive and negative times of economic growth. During the negative times, when consumers are more sensitive to airline fares, Southwest provides a viable travel option compared to its competitors (Brown, 2021). Focusing on this tactic, the company established a purpose “to connect People to what’s important in their lives through friendly, reliable, and low-cost air travel” with a vision of being “the world’s most loved, most efficient, and most profitable airline” (Southwest, 2022). In order to deliver on these promises and achieve those goals, the company maintains an impressive company culture where the employees care and are motivated to provide a seamless experience for the customers. As an act to demonstrate the importance of its employees to the success of the organization, Southwest has not involuntarily furloughed anyone in its 51 years of operation. With growth and customer experience at the forefront of its operations, Southwest has continued to be a dominant leader in the industry.

**Data Management Strategy**

Understanding Southwest Airlines’ history and drive to become the most loved and profitable carrier in the airline industry, it is evident the organization should take an offensive data management strategy. The entire industry is structured to promote the offensive strategy with the heavy competition for customers i.e., 674 million passengers were transported in 2021 (DalleMule & Davenport, 2017 & BTS, 2022). For Southwest in particular, customer experience leads its operation efforts with employees being empowered to “do the right thing” for Southwest, but more importantly its customers (Morella-Olson). Implementing the offensive strategy, which supports the objective of customer satisfaction, will promote utilizing the retrieved data to better tailor experiences for consumers, allowing Southwest to retain its competitive advantage (DalleMule & Davenport, 2017). As a direct result, revenue increases and the company becomes more profitable, pushing the airline closer to achieving its goal of being “the world’s most loved, most efficient, and most profitable airline” (Southwest, 2022).

**Benefits**

Implementing an offensive data management strategy accrues numerous benefits in broad applications ranging from deriving insights from the data to better decision making and developing a competitive advantage (Zhang, 2020). For Southwest Airlines, this leads to smarter maintenance, safer flights, improved service, and increased customer satisfaction (Busam, 2022).

With 756 aircrafts in Southwest’s fleet, maintaining them accounts for a large percentage of operation costs (Plane Spotters, 2022). As an example, these aircrafts contain sensors to measure attributes such as wind speed, temperature, and plane weight in relation to fuel consumption (Busam, 2022). Analyzing this data by individual trips, the various patterns that arise contribute to identifying new ways to achieve fuel efficiencies. Fuel is the second most significant overhead cost at 17% in the airline industry, requiring new developments in efficiency use to reduce that overall cost (Busam, 2022). With jet fuel being about $2 a gallon and Southwest consuming 1.7 billion gallons of fuel in 2021, such improvements in fuel consumption is necessary to reduce the annual $3.4 billion spending as an avenue to increase profits (Salas, 2022a & Salas, 2022b).

Providing safer flights and better improved service for consumers is another benefit produced from taking advantage of an offensive data management strategy. Specifically collecting and analyzing data from flight incidents allows Southwest to identify and target weak links in flights to achieve safer flying. Doing so gives the airline a mean to determine safety risks (Busam, 2022). From a service perspective, understanding consumers’ spending habits and utilizing machine learning models, the organization would be able to personalize each customer’s offers, therefore, increasing ticket sales (Busam, 2022). The combination of these two benefits leads to increased profit, a goal Southwest strives for.

Most importantly to Southwest, however, is the increased customer satisfaction return the offensive strategy offers. One approach employed by Southwest to achieve this is running predictive models with collected consumer data to personalize each customer’s experience. Tailoring the experience promotes meaningful, positive interactions for consumers, directly improving their opinion of and satisfaction with the company. This strategy promotes a multitude of other facets where data is implemented to achieve a competitive advantage, one being baggage data transformed into a consumer bag tracking application (Busam, 2022). The culmination of these approaches and others allows Southwest Airlines to continue to dominate in the customer experience sector of the industry, helping achieve its goal to be the most loved airline.

References

Brown, J. (2021, September 10). *How is Southwest Different From Other Airlines?.* Investopedia. Retrieved from <https://www.investopedia.com/articles/investing/061015/how-southwest-different-other-airlines.asp>

BTS. (2022, March 10). *Full-Year 2021 and December 2021 U.S. Airline Traffic Data.* Bureau of Transportation Statistics. Retrieved from <https://www.bts.gov/newsroom/full-year-2021-and-december-2021-us-airline-traffic-data>

Busam, D. (2022, April 21). *Big Data in the Airline Industry.* LinkedIn. Retrieved from <https://linkedin.com/pulse/big-data-airline-industry-busam-divya-prakash-/>

DalleMule, L., & Davenport, T. (2017, June). *What’s Your Data Strategy?.* Harvard Business Review. Retrieved from <https://hbr.org/2017/05/whats-your-data-strategy>

Morella-Olson, M. (n.d.). *12 Lessons in Employee Experience Strategy = Improvement in Customer Experience.* Imaginasium. Retrieved from <https://www.imaginasium.com/blog/employee-experience-strategy>

Plane Spotter. (2022, November 26). *Southwest Airlines Fleet Details and History.* Plane Spotters. Retrieved from <https://www.planespotters.net/airline/Southwest-Airlines?refresh=1>

Salas, E. (2022a, March 11). *Fuel Consumption of Southwest Airlines 2011-2021.* Statista. Retrieved from <https://www.statista.com/statistics/1098214/southwest-airlines-fuel-consumption/>

Salas, E. (2022b, March 17). *U.S. Airline Fuel Cost 2004-2021.* Statista. Retrieved from <https://www.statista.com/statistics/197689/us-airline-fuel-cost-since-2004/#:~:text=The%20cost%20of%20airline%20fuel,dollars%20per%20gallon%20in%202021>

Salas, E. (2022c, July 27). *Leading Airlines in the U.S. by Domestic Market Share 2021.* Statista. Retrieved from <https://www.statista.com/statistics/250577/domestic-market-share-of-leading-us-airlines/>

Simple Flying Staff. (2022, June 5). *The History of Southwest Airlines.* Simple Flying. Retrieved from <https://simpleflying.com/southwest-airlines-history/>

Southwest. (2019). *Southwest Corporate Fact Sheet.* Southwest Media. Retrieved from <https://swamedia.com/pages/corporate-fact-sheet#:~:text=History%3A,the%20billion%2Ddollar%20revenue%20mark>.

Southwest. (2022). *About Southwest Airlines.* Southwest. Retrieved from <https://www.southwest.com/about-southwest/>

Zhang, W. (2020). *Offensive and Defensive Data Strategies.* EW Solutions. Retrieved from <https://www.ewsolutions.com/offensive-and-defensive-data-strategies/>