



Southwest Airlines: The Freedom to Fly

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Environmental Economics & Policy 142, Sofia Berto Villas-Boas
April 17, 2007

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Mission Statement

“The mission of Southwest Airlines is dedication to the highest quality of Customer Service delivered with a sense of warmth, friendliness, individual pride, and Company Spirit.” — *southwest.com*

THAT WAS THEN . . .



. . . THIS IS NOW.

Southwest Airlines Emerges Into The New Generation With A New Corporate Logo.

Market Entry

June 18, 1971
Southwest Airlines
(SWA)
takes off,
incorporating only
3 cities within Texas –
Dallas (Love Field),
Houston,
& San Antonio.

**How do we love you?
Let us count the ways.**

Dallas/Ft. Worth to Houston

Depart	Arrive
7:30 a*	8:18 a
8:45 a*	9:33 a
10:00 a	10:48 a
11:15 a*	12:03 p
12:30 p	1:18 p
1:45 p**	2:33 p
3:00 p	3:48 p
4:15 p**	5:03 p
5:30 p	6:18 p
6:45 p**	7:33 p
8:00 p	8:48 p
9:15 p**	10:03 p

Houston to Dallas/Ft. Worth

Depart	Arrive
7:30 a*	8:18 a
8:45 a	9:33 a
10:00 a*	10:48 a
11:15 a	12:03 p
12:30 p*	1:18 p
1:45 p	2:33 p
3:00 p**	3:48 p
4:15 p	5:03 p
5:30 p**	6:18 p
6:45 p	7:33 p
8:00 p**	8:48 p
9:15 p**	10:03 p

Dallas/Ft. Worth to San Antonio

Depart	Arrive
7:00 a*	7:50 a
9:30 a	10:20 a
12:00 n	12:50 p
2:30 p	3:20 p
5:00 p	5:50 p
7:30 p**	8:20 p

San Antonio to Dallas/Ft. Worth

Depart	Arrive
8:15 a*	9:05 a
10:45 a	11:35 a
1:15 p	2:05 p
3:45 p	4:35 p
6:15 p	7:05 p
8:45 p**	9:35 p

*Except Sunday.
**Except Saturday.



SOUTHWEST AIRLINES
The somebody else up there who loves you.

Company Ideology

“If you get your passengers to their destinations when they want to get there, on time, at the lowest possible fares, and make darn sure they have a good time doing it, people will fly your airline.”



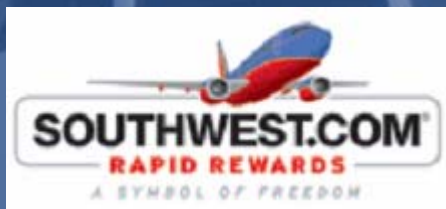
Value of People

Convenient

- On-line ticketing
- Hassle-free changes
- Rapid Rewards

Comfortable

- Open seating
- Friendly crew
- More leg room



	Maximum	Southwest	Average
Model	Capacity	Capacity	Pitch
737-700	149	137	32.57
737-500	132	122	32.18
737-300	149	137	32.55

Airlines	Model	Avg. Pitch
Alaska	737-700	32"
Continental	737-700	31"
Northwest	737-300	30"-32"
Southwest	737-300	32"-33"
United	737-300	32"

Service Method



Hub-and-spoke System

e.g. Delta Airlines

- “Hub” – central airport that flights are routed through.
- “Spoke” – routes out of the hub.
- Used by most major U.S. passenger airlines, usually with multiple hubs.

Point-to-point System

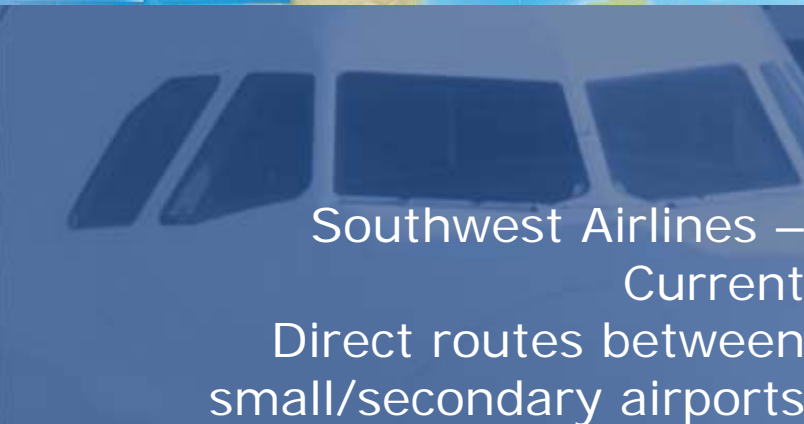
Southwest Airlines

- Direct routes between small markets.
- Use of secondary airports
- Fly short distances directly
- Consumers choose between substitutes: driving or flying shorter distances.

Systems Comparison



Delta Airlines -
As of January, 2006
Identifiable Hubs in
Atlanta, Cincinnati, & Salt Lake City



Pricing

- Web-only discounts &  specials
3rd-degree price discrimination – consumers sort themselves

- No frills

On-board peanuts, pretzels, & beverages.
Only one model aircraft (Boeing 737)

- Over-booking

Offset “no-show” revenue

- Use of secondary airports in smaller cities to access major cities

San Francisco via OAK, Miami via FLL, Boston via PVD

- Fuel Hedging



Fuel Hedging



Reduces price fluctuations to consumers as input prices of fuel remain relatively stable.

- March, 2001 – Southwest increased its fuel hedging options from 25% to about 80% of its fuel supply.
- Southwest Airlines is able to buy its fuel at about 50% of the market price.
- Current options set to expire in 2009; seeking new fuel hedging opportunities.

Dallas Love Field

- 1960s – FAA deems Dallas' Love Field unsuitable for increasing air traffic; plans start for new Dallas-Ft. Worth (DFW) International Airport.
- Southwest (1971) succeeds in maintaining its headquarters at Love Field.



1978 Deregulation of Airline Industry

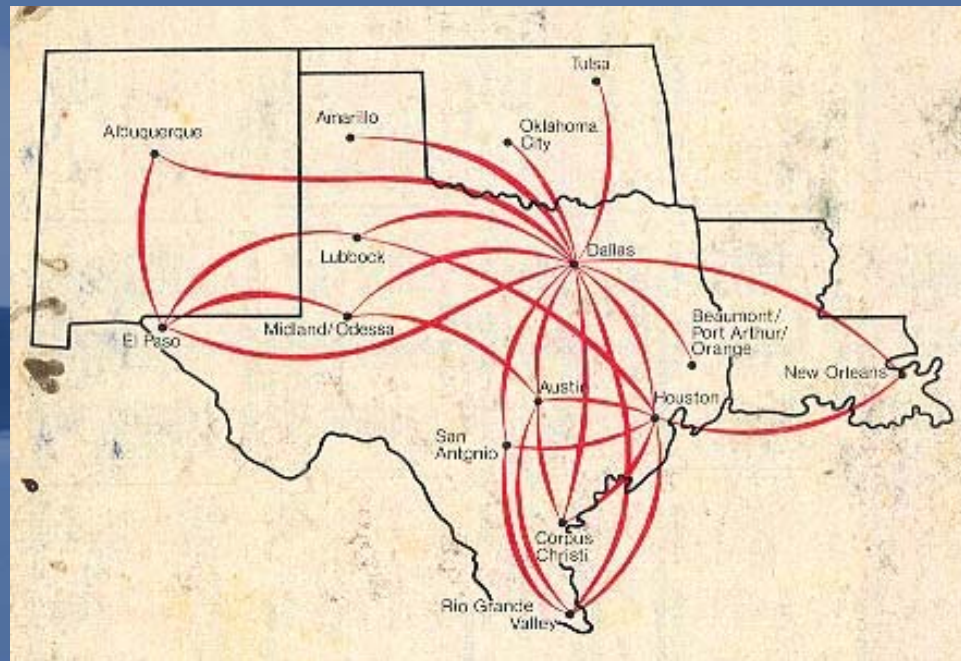
- SWA makes plans for interstate travel.
- The City of Fort Worth, DFW International Airport & Braniff International Airways seek legislative help from Jim Wright, a Fort Worth congressman.



The Wright Amendment

Prohibits non-stop flights out of Dallas Love Field (DAL) that are destined for states beyond those bordering Texas.

Also prohibits the advertising of any possible “loopholes” to get around the flight restriction.



Alterations & Bypass Efforts

- 1997 - The Shelby Amendment expands the “Wright Zone” to include Alabama, Kansas, & Mississippi.



- 2005 – Missouri is also added. American Airlines returns to DAL to compete in the Missouri market.

Opposition to the Wright Amendment

Wright is Wrong! Set Love Free!

www.setlovesfree.com

"The Wright Amendment is an anti-competitive relic...it has clearly out-served its purpose. It now deprives the people of Texas from enjoying the wide variety of low fares that other cities take for granted."

"North Texas deserves affordable air travel and a choice of airports."

Resolution

Immediately

- SWA offers direct (stop required) flights between DAL and 43 new cities outside the "Wright Zone."
- Lower gate capacity at DAL.

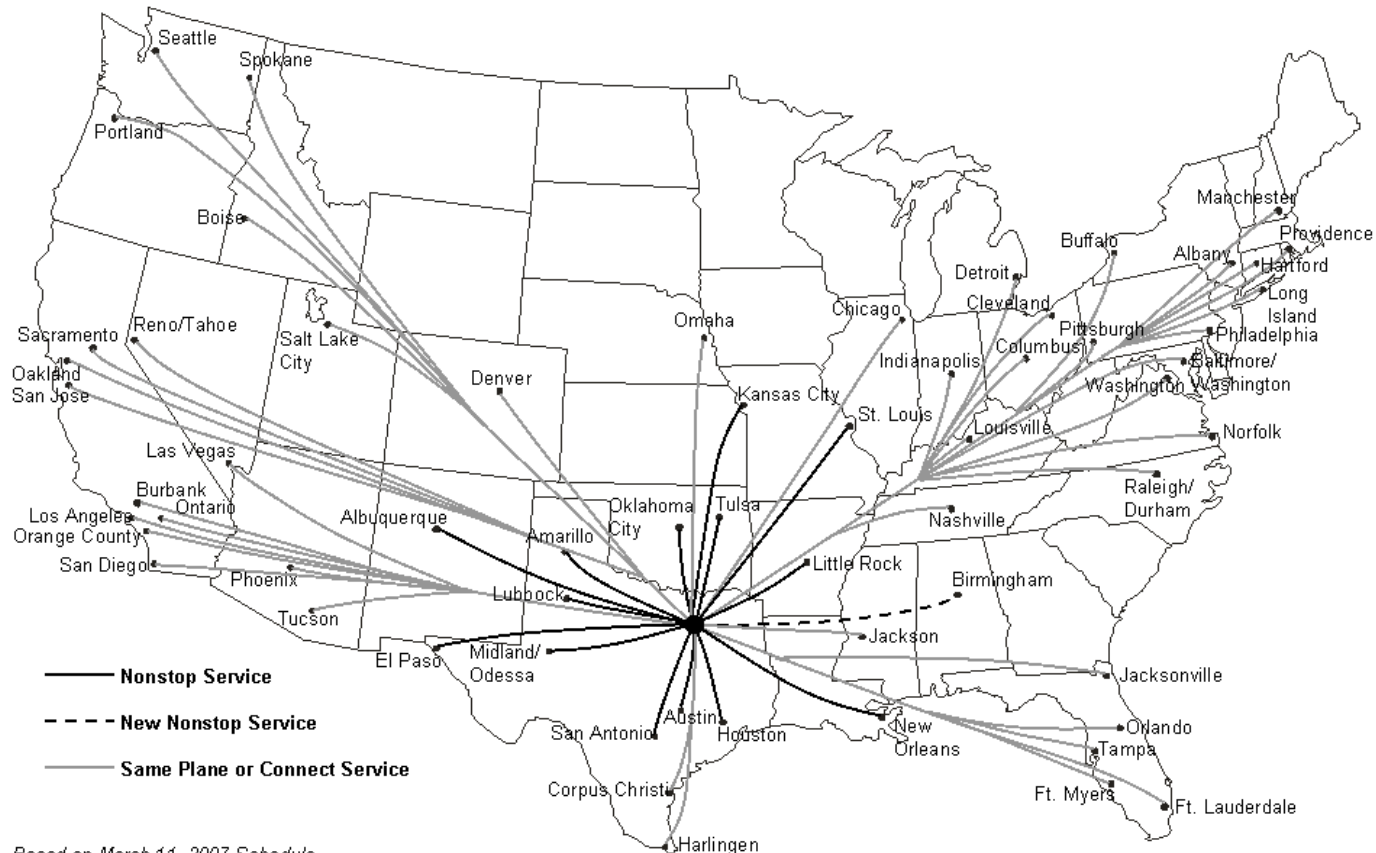


2014

- "Wright Zone" will be eliminated.
- DAL can offer non-stop service only on domestic flights.

New DAL Service

Southwest Airlines Service From Dallas Love Field



Based on March 11, 2007 Schedule

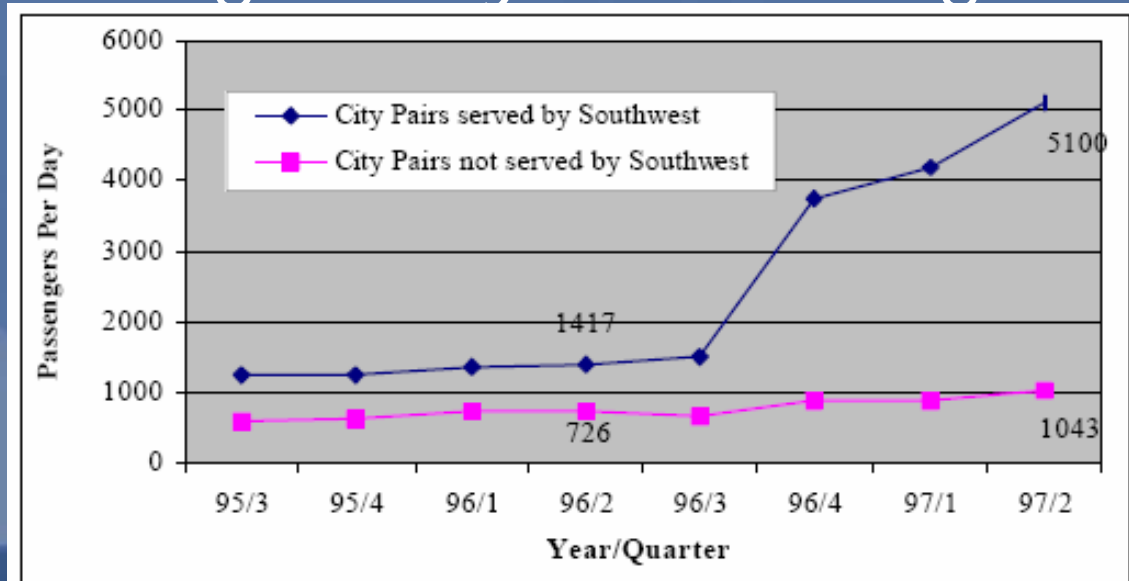
The Southwest Effect

- SWA enters a market with lower fares than its competitors.
- Demand increases for the SWA market.
- Incumbents lower prices to remain competitive.
- Lower prices in air fare and SWA's new market boost the local economy.
- Demand increases further for all air transportation.



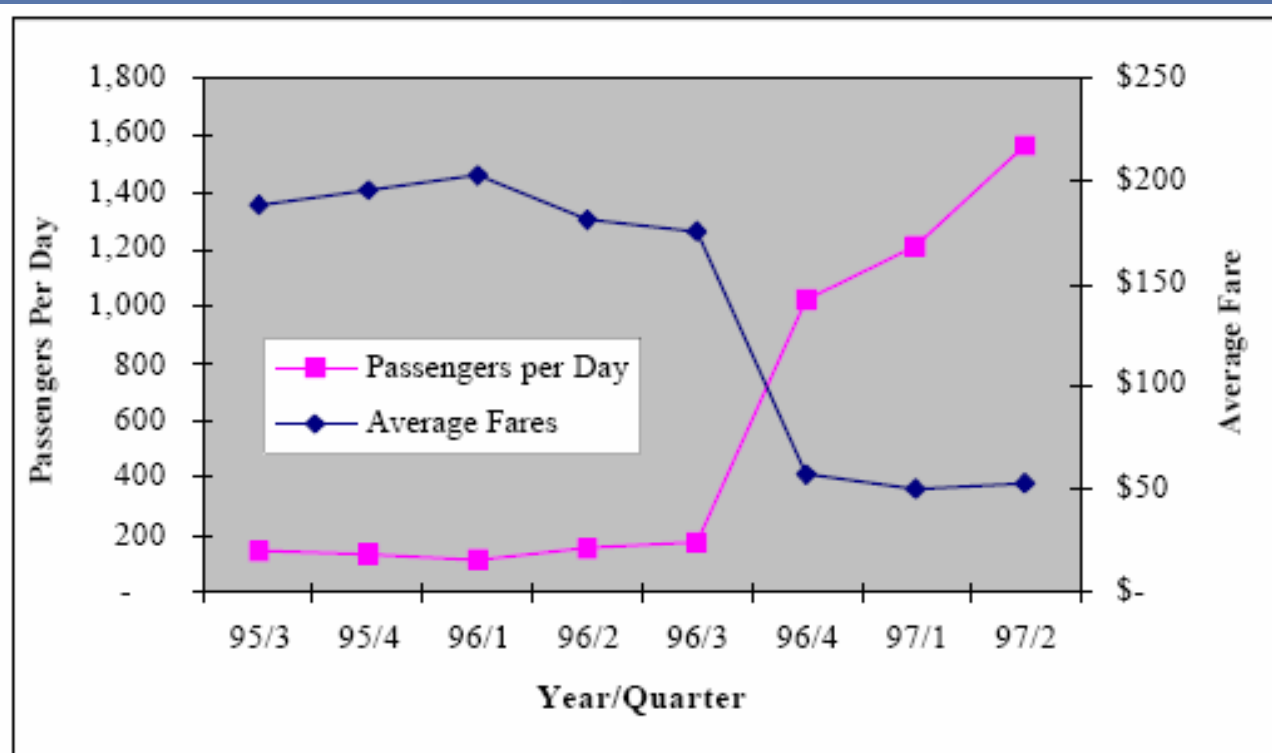
Providence, Rhode Island – T.F. Green Airport (PVD)

- October, 1996 – SWA enters PVD which serves as its first gateway to New England (Boston).



	<u>Southwest</u>	<u>Non-Southwest</u>
2nd qtr 1996	1,417	726
2nd qtr 1997	5,100	1,043
% change	260%	44%

PVD – Baltimore/Washington (BWI)



	<u>Passengers Per Day</u>	<u>Average Fare</u>
2nd qtr 1996	159	\$181
2nd qtr 1997	1,564	\$53
% change	884%	-71%

The Southwest Effect continues

- Fares still decreased and traffic still increased even after 9/11.
- SWA continues to offer more flights out of existing markets and emerge in new markets.
- Locally, SWA will re-establish its service out of SFO after closing its gates in 2001. Service will continue out of OAK, where it holds at least 12 gates (Terminal 2).

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