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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
Market Entry

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

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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

**Southwest Airlines –**  
Current  
Direct routes between small/secondary airports
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.
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.

www.setlovefree.com
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).
PVD – Baltimore/Washington (BWI)

Graph showing the number of passengers per day and average fare from 1995/3 to 1997/2.

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<th>Year/Quarter</th>
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2nd qtr 1996: 159 passengers, average fare $181
2nd qtr 1997: 1,564 passengers, average fare $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).

