



Case Study

SUBJECT:

STRATEGIC FOCUS

EVENT:

SOUTHWEST AIRLINES IN DENVER (1983)

SUMMARY:

Sometimes it is necessary to test the boundaries of your strategic focus. Taking calculated risks is essential to business growth. Equally essential is the measurement of the result of those risks for financial impact and the direct correlation to the company core strategy.

The defining strategy of Southwest Airlines is enshrined in the phrase, "Meet customers short-haul travel needs at fares competitive with the cost of automobile travel". Southwest has used this definition at the divining rod in making the most critical decisions, from network design and ticketing offerings, to pricing and route selection.

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Strategic Focus – Southwest Airlines in Denver

In 1983 Southwest opened service to Denver, Colorado. The new location offered the potential as a high traffic destination, and seemed to be a perfect compliment to the geographic route supported by the company growth. However, the airline experienced longer and more consistent delays than at any other location. These delays caused higher cost as a result of airline fuel as the aircraft needed to taxi on the runway longer, circle Stapleton airport more frequently for rescheduled landings, and waiting periods to remove ice from the wings. The delays also increased customer service handling and resource requirements due to the delays and inability to rely on timely schedules.

Southwest compared the rising costs of doing business in the Denver market to the core strategic focus, maintaining fares competitive to the cost of automobile travel. The burdened cost of doing business at Stapleton Airport in Denver would require Southwest Airlines to raise overall prices to accommodate the cost. Rather than raise prices, Southwest Airlines opted to leave the Denver market only three years.

Southwest Airlines has been a unique success story within the airline industry. By maintaining an unyielding dedication to the core strategic focus of delivering low cost airline travel, Southwest Airlines has achieved an unprecedented 25 years of profitable growth. Stock prices rose a compounded 21,000% between 1972 and 1992. To support this consecutive yearly growth, employees have occasionally been challenged to accept trade-offs to achieve the company strategic focus for low cost air travel. In the case of Southwest Airlines, the employees are part of the clearly defined strategy and have embraced the trade-offs with recognition that front-line contributions are necessary to achieve common goals and shared success. Southwest Airlines success is a tribute to the employees and a coordinated dedicated to the strategic focus.



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