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FORUM

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As the international aviation community awaits U.S. government action on the report of the National Commission to Ensure a Strong Competitive Airline Industry (1993), Charles Darwin would be justifiably proud. The obvious survival-of-the-fittest struggle that many U.S. airlines have faced since deregulation and the evolutionary posture of a growing group of profitable carriers, led by Southwest Airlines, seem to be a fulfillment of his theories.

With the meteoric rise of Federal Express to billion-dollar-revenue status, a model of competitiveness emerged. United Parcel Service, as if using the book written by Japan in the 1970s and 1980s, implemented a copycat corporate strategy that has carried it to a position of near-parity with once-dominant FedEx. This lesson, which is not an innovative corporate model by any means, is beginning to be learned by the U.S. airline industry.

What might be called the Southwest Airlines model of profitability is being copied to some extent by many emerging carriers, such as Morris, Reno, and Kiwi. If current rumors are true, American, United, USAir and other major U.S. carriers are examining the feasibility of a point-to-point domestic strategy and may soon unveil plans similar to those of Southwest. If restructuring happens, it will be refreshing to see ego-abatement occur, replacing the cutthroat fare wars that were destined, if not designed, to clear the marketplace of the Darwinian spoils. To adopt the Southwest model is, in the long run, a more viable alternative.

There seems to be a political moratorium on the use of the word "reregulation." Whether this silence comes from the "history, please be proud of us" mentality of the deregulation founders, or from current political thinking in Congress and the Clinton/Pena camp, is unknown. What is known and well documented is that U.S. airline deregulation has not worked as originally intended. As Paul Dempsey accurately perceives, the 3% market share success of Southwest Airlines is certainly not to be taken as an indication of the overall success of deregulation (Dempsey et al., 1993).

Two points are worthy of mention. First, the Southwest model of U.S. airline profitability should be broadly adhered to as an enduring philosophy of domestic operations by the industry; that is, not as a token gesture, but as a restructuring effort, from the ground floor up. Second, the Department of Transportation or some new entity should have oversight of those areas the market is unable or unwilling to self-regulate. Rather than blame the culprits, whoever they are, we need to repair and recover instead. The ills of the past 15 years of U.S. airline deregulation are common knowledge. Each of these faults has viable solutions short of the reregulation methods of the 1938-1978 era. It is clear, as international airline CEOs have recently indicated, that ego control by U.S. airline CEOs has fallen short of the mark. Holmes (1993) believes that the majors are still fascinated with playing the game of monkey see, monkey do. Today, the top "monkey" is in trouble with its board of directors, is not viewed as the "fittest," and may not survive.

Just what is this Southwest model? Morton Beyer's study *What is Really Wrong With America's Air Carriers or The Secret of Southwest Airlines* (1993) tells much of the story. Here are a few of the key elements of Southwest CEO Herb Kelleher's trend-setting model:

1. Market-bottom prices based only on profitability margin, not on yield management.
2. Industry-leading safety concerns.

3. Employee/customer focus leadership management style.
4. Single type aircraft operations.
5. All aircraft models configured alike (type ratings similar).
6. "No frills" nutritional service.
7. Keen, insightful marketing.
8. Opportunistic, bulk purchasing (aircraft paint scheme).
9. Fifteen-minute gate turnaround.
10. Young aircraft fleet.
11. Slow, conservative company growth.
12. Low people-to-aircraft ratio.
13. Internal computer reservation system (deal direct with Southwest).
14. Credit card ticketing machines.
15. Minimal gate personnel.
16. All flights are point-to-point (hub/spoke system costly).
17. Daytime operations only (minimal night operations).
18. Shamu the killer whale/Lone Star State aircraft paint scheme.
19. Employee profit-sharing.
20. Pro-personnel policies mean happy employees.
21. Nepotism encouraged.
22. No first class—one class for all
23. Ensure quarterly/annual profitability.

There are viable alternatives for major U.S. air carriers to maintain profitability. Instead of searching willy-nilly for costly alternatives such as increased luxury, the carriers must look at adopting a model such as Southwest's that has proven highly successful.

Airline deregulation prophets have not been heeded thus far. The loudest of these is Paul Dempsey, who has been shouting "repent!" to all who would listen. Dempsey heads a group of aviation experts called Americans for Sound Aviation Policy (ASAP) that is dedicated to fixing what the National Commission chose and still chooses to ignore (Dempsey et al., 1993).

Alan Bender (1993) has stirred up controversy with an insightful article in the editorial pages of *Aviation Week & Space Technology*. Bender stated that the majors are inefficient and he predicted that electronic technology would increasingly ground business travelers, causing a drop in the market. The article resulted in an angry, if misguided, backlash based on job security.

In addition, consider Southwest's recent expansion into the East Coast market (Ott, 1993). If this news was not enough of a warning to the ego-managed majors, Southwest's purchase of the Boeing 737-700 should have sent shivers through the boardrooms of major airlines (Proctor, 1993). Rumors of the Big Three leaving the domestic American market to seek continued success and survival overseas is not so remote a thought now. It is painful to imagine that reluctance to adapt might cause major airlines to become as extinct as the dinosaurs of Jurassic Park. Darwin might be proud, but also remorseful.

Southwest Airlines is not perfect, and is subject to the same laws of industrial evolution that affect its more nearsighted competitors. Articles critical of Southwest Airlines' pricing inflation have begun to appear in the trade media, applauding deja vu-like the appearance of the new regional airlines. Such competition will only keep the Kelleher crew alert and lean. In the meantime, the bell is tolling for the rest of the industry. The message is unmistakable: Profitability is the bottom line.

Kelleher, like W. Edwards Deming who took the ideas of total quality management to a more receptive Japan, may find that U.S. airlines today will react in a more timely manner than did U.S. businesses of the previous 30 years.

The ads say, "Which way do we head? Southwest!" Similarly, it might be said, What is to be our ultimate focus? Profitability!□

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