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Southwest Airlines proves what's good for customers is also good for the bottomline

Part 1 of 3

By Stephen Blanchette

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DALLAS. **Fred Taylor Jr.** is Senior Manager of Proactive Customer Service Communications at **Southwest Airlines**, a legendary Dallas-based U.S. airline that has recorded an unparalleled 38 years of profitability over its 40-year history. In part one of our interview, Fred shares his insights on the secrets behind the airline's sustained marketplace success.

LQ: Fred, first of all, thanks for agreeing to this interview on our Frog Blog. I'd like to start off by clarifying what you do for a living. In a *nutshell* (to use a 'Southwest-ism') – your job is to proactively manage customer emotions. Isn't that right?

FT: That's right. My team and I have the responsibility for proactively reaching out to customers who have experienced substantive inconveniences and disruptions of flights with the right words and the right gestures of goodwill that let them know how sincerely sorry we are for the bad experience they've had – whether that's due to an internal operational issue we've had or to storms caused by Mother Nature – and to invite them to give us a chance to make it up to them the next time they choose to fly with us.

LQ: It's such a fascinating and unusual role you and your team have – and I understand it's garnered quite a lot of interest from the media. Aren't you getting a little bored doing all these interviews?

FT: Oh no, not all all. It gives us the opportunity to highlight the things that we at Southwest work really hard to do and give credit to the people that are working their tales off to make good things happen for our customers, our company and for each other. So we welcome these opportunities to share our experience and hope that others can gain from it.

LQ: Before I ask you more specifics about how you do what you do, I'd like to step back for a moment and ask you for your personal view on what has allowed Southwest to be so successful for so many years. To remain profitable for 38 years in a row would be impressive in any category but it's especially so in the airline industry...

FT: We've always taken a lot of pride in going out of our way to say that it's the people of Southwest Airlines that have made the difference for us in the service we deliver, in how successful we are with our strategy, and in the experience they have within our organisation and also that our customers have when they buy our products and services. So I'd have to start with people as the number 1 reason for our success.

LQ: So if it's people that are number 1, then what is it that defines the Southwest culture?

FT: Well the first element of our culture is what we call our 'Warrior Spirit'. It represents our fight to be successful and it's what makes Southwest different – not only setting us apart in our industry but in the US overall and around the world. Forty years ago our founders, Herb Kelleher and Roland King, really had to fight to get our airline off the ground because our competition was doing everything they could to squash us. The Warrior Spirit continues to live on in our culture to this day and is brought to life through great people and great leadership.

When we talk about great people, first of all, we're talking about people who, in their heart of hearts, genuinely enjoy serving people. They also have to have a fun-loving attitude in the way they go about serving our customers and each other. Next, our people have to be resilient when it comes to finding win-win solutions for our company and for our customers. And we also want our employees to be intuitive enough to be able to foresee problems before they surface and start working on solutions before there's an actual breakdown in service. They have to be forward-thinking.

Then there's the leadership side. Our leaders take a lot of pride in being supportive of our employees. When I say 'supportive' I am talking about coaching and feedback, and giving our people the direction they need to be successful. And that goes for every one of our leaders – it doesn't matter what department they're in. Our leaders' main mission is to help our people achieve the greatest amount of success, not only in doing their jobs everyday but in their personal and professional development. Celebrating success is also a key role of our leaders. It's hugely important in making people feel good about what they do. Our leaders also need to be there for our people – to offer them assistance when they need it the most. When our people are sick or have experienced something traumatic, we need to be there for them.

LQ: So it gets really personal then, in terms of the kind of assistance you aim to provide?

FT: Correct. We even have a catastrophic assistance fund that's been set up and funded by our employees for our employees – to support them when they need it the most. So if someone's house catches fire or they suffer an unexpected loss, our leaders' job is to recognise that and offer them the assistance they need.

LQ: Got it. So great people and great leadership. What else enters into the culture equation at Southwest?

FT: Well, then comes our business strategy. We're pretty astute and clear about the things that we will do and the things that we won't do. We manage our business very closely by setting SMART goals that are flexible. We monitor these goals very carefully and make sure those goals and objectives are in line with the things that are going to be most important and most relevant.

We are also very conscientious of our costs and how our revenues are related to our costs. It's particularly important in the airline industry because there are a lot of factors that are uncontrollable that affect our bottom line – such as the cost of commodities like fuel – and the impact of weather conditions. What we *can* control is the service that we offer and the way our people handle situations. And that's very important.



Additionally, at Southwest we don't try and go out and serve every market. We've been very disciplined about that. We think about the markets where we can be the most profitable and align ourselves to be successful in those markets. Just because everyone's flying to New York, it doesn't necessarily mean we have to start flying to New York right away. We will look very carefully about the opportunity. As a business, if there's anything you can learn from Southwest, it's that we didn't invent the airplane and we didn't invent flying. We just thought about it differently and we aligned our strategy differently. You don't have to be the first to do something, you just have to be really good at what you decide to do. And that's part of our strategy – to be really good at the things we do choose to do.

LQ: So your business strategy is also part of the way you define your culture. You set SMART goals, you are conscious of costs as a percentage of your revenues and you're selective about the markets you serve. Is there anything else?

FT: Yes, one very important part of our business strategy is about setting the right expectations. There's nothing more deflating than expecting one thing and then getting something less. On the flip side, when you expect one thing and get something more, it heightens your experience. So we always aim to under-promise in a way that sets us up to be able to over-deliver. And that goes for our employees as well as our customers.

LQ: Let me stop you for a second here. At LeapQ, we often stress how important it is to set some sort of expectation about what you're going to do as a company in order to build trust with your customers and be recognised by them for the kind of experience you intend to provide. If you're too afraid to set clear expectations, then it may take quite a while for word of mouth to spread far enough for what you're doing to have an impact on your reputation and your commercial results. Would you agree?

FT: I think you're right. If customers are confused about what it is that you do as a company, then you've certainly not helped yourself. So you have to be clear with your customers about your intentions and about what you stand for. Once you've done that, you have to make sure that you've set expectations that you can actually deliver upon on a regular basis.

Let's talk about social media for a second – a topic that is really hot right now. A lot of businesses are jumping on this saying they have to be present on Facebook or Twitter and now even Google is getting into this as well. If you go out and tell your customers that you're going to open up a new channel and you don't set the right expectation about what you're going to do with that channel, you're getting ready to put yourself in a position of massive criticism in a rapid fire way that you won't be able to keep up

with. I've seen a lot of businesses do this – they say "tell us what you think of us on Facebook and Twitter" but they don't have the back-office mechanisms to support those new channels in a timely and accurate way. They're shooting themselves in the foot.

LQ: Agree. And the thing about social media is that customers are quickly coming to expect to be able to use Facebook and Twitter as channels to connect with someone in the organisation to get help in resolving an issue – they're no longer just going there to find static information. So in some ways, social media is actually a very good acid test of how well aligned and prepared you are as an organisation.

FT: Correct. It's a test of your discipline and of what your business goals and intentions are. Because it's easy to look at what is being reported in the media and to say "this is hot – we have to jump on this trend and capitalise on it." But it takes more discipline to stop and think about how to use social media in the right way and be smart about how you use it so you don't find yourself defending negative reactions through it when your product or service doesn't work well.

LQ: Back to 'business strategy'. What else goes into this at Southwest?

FT: I've already talked about the importance of setting the right expectations. It's also very important for us to be efficient about what we do. Finding ways to do things faster and with less expense than our competitors is critical.

The final facet of our business strategy is about being humble and admitting our mistakes. A lot of companies struggle with this. At Southwest, we try to be open and honest about our mistakes and follow through with our customers to say "We know we made a mistake and here's why we made it. Here's how it happened and here's what we're doing to correct it. Please give us another try because we are human."

LQ: Being humble – that's where your team comes in, isn't it?

FT: That's right. My team and I are there to close the customer service loop. We're at the back-end of reaching out to our customers when everything doesn't go according to plan.

In Part 2 of this 3-part interview, Fred Taylor talks about the proactive customer care programme he initiated and how Southwest has learned that it really does pay off to say 'I'm sorry'.