Outline

Company 1
  History
  Overview
Market 2
  Challenges
  Response
Primary Stakeholders 4
Value Bubble 4
Conclusion 6
References 7
American Airlines

Company:

History. American Airlines (AA) was started in New York City in 1929 under the name Aviation Corporation. It was later renamed to American Airways in 1930 and to the current American Airlines in 1934. On February 16, 1937, AA carried its millionth passenger and they began trading on the New York Stock Exchange in 1939. In the early 1960s, SABRE was introduced. It soon became the largest real-time data processing system. In 1991, they flew their billionth passenger. In April 2002, AA began daily nonstop service between New York’s JFK and Tokyo. (AA)

Overview. AA’s Passenger division is the largest scheduled passenger airline in the world and currently provides service throughout North America, the Caribbean, Latin America, Europe, and the Pacific. On an average day, AA receives more than 329,000 reservation calls, deal with more than 293,000 pieces of luggage, and fly more than 2,600 flights. In 2004, AA won numerous awards and recognitions consisting of “Best North American Airline, by Business Traveller; Airline Strategy Award from Airline Business; The Fisher House Patriot award for supplying free tickets to families of wounded or injured service members; “Five Star Diamond Award” for the third consecutive year; and again, for the third consecutive year AA was the only airline to earn a perfect 100% score in the Human Rights Campaign. (AA) American Airlines was ahead of the technology when they came up with their SABRE system. It was the first computerized airline ticket reservation system. This gave them the competitive advantage they needed to get a head start on the industry.

AA’s physical headquarters is located in 4333 Amon Carter Boulevard
Fort Worth, TX 76155. AMR is the parent company of AA and their vision is to become the world’s leading airline by focusing on industry leadership in these areas: Safety, Service, Network, Product, Technology, and Culture. AA has a sister company, American Eagle Airlines, which is also owned by AMR. AA currently has 710 aircrafts; this number is made up of 45 Boeing 777, 34 Airbus 300-605R, 58 Boeing 767-323ER, 16 Boeing 767-223ER, 143 Boeing 757-223, 77 Boeing 737-800, and 337 MD-80. (AA) As of December 12, 2005, the closing price for AMR, AA’s parent company, was $19.29. Referring to the chart below, it is shown that over the last year, AMR stock has pretty well doubled. AA’s major competitors include Delta Airlines, Northwest Airlines, and United Airlines. (Yahoo) All are major international airlines.

![AMR Corp Stock Chart](http://finance.yahoo.com/)

**Market Challenges:**

The chief issue confronting the airline industry is the high price of fuel. The airlines are competing to offer the cheapest prices, but the high prices of fuel are dampening this concept. The lower prices and higher fuel costs are affecting the operating margins. Although the cost of
fuel is the most recent problem facing the airline industry, there were some major problems in
the past that the industry had to tackle including the 9/11 attack. Following the attacks, the
amount of consumers flying dropped significantly and the added security made it extremely
difficult to get the industry to grow at the rate they needed it to.

Responses:

9/11 Attack: The goal after the 9/11 attack was to make consumers feel safe enough to
fly and in turn make sure that it would be safe enough for them to fly. What affected AA’s case
was the fact that, two of the planes involved in the attacks were AA aircrafts. After the attacks,
American Airlines increased their security. The increase in security included:

Carry-ons were limited to one, plus one personal item, such as a purse, briefcase, or
laptop. All other luggage was checked in at the ticket stand or curb side. Items that could not be
packed in carry-on luggage were any type or length of knife, box cutters, blades, ice picks,
straight razors, scissors, and knitting needles. Identification was now needed throughout the
boarding instead of just at the check in. They started passenger screening checkpoints to check
the tickets. If a person sets off the alarm in the detector, they will be screened over with a wand
and may have to go back through the detector. Identification is also needed when boarding the
plane (Security). This added security was to calm the nerves of many consumers who were
extremely cautious about flying after the attacks.

Fuel Prices. American Airlines wants to keep their competitively low fares and is
therefore trying to damper the effects of the high fuel prices by cutting costs in other areas. They
are reducing their capacity goals for 2006 and scheduling changes in order to consolidate traffic
in high-frequency areas. There is a likelihood that lowering the supply might reinforce pricing. AA is in the process of their hub simplification program that would make more efficient ramp procedure and reduce the gate turnaround time. AA is also renegotiating with its global distributors in order to receive lower distribution costs (ValueLine). All the cuts in costs and the likelihood of increasing revenue are hopeful to make up for the high fuel costs.

**Primary Stakeholders:**

The primary stakeholders for American Airlines are the consumers, employees, and creditors (Airline Consolidation). The company would not be in existence if it were not for the stakeholders. Many places do not include employees as stakeholders; however, AA realizes that the employees are the ones who do all the interacting with the consumers. The employees give the “first impression” to consumers who fly through AA.

**Value Bubble:**

Attracting. The attracting phase of AA’s value bubble is the ability for customers to book flights online without the need for a travel agent. The site uses “rollovers” on the menu, offering other options geared toward whatever subject in the main menu that the mouse is rolled over. There is a lack of attention getting, as the website has nothing flashing or moving on the page. On the other hand, the website is easy to navigate through and the website itself is easy to find. The address in [www.aa.com](http://www.aa.com), yet if [www.americanairlines.com](http://www.americanairlines.com) is typed in, it will automatically redirect to the official website. AmericanAirlines is always in the top of the page
American Airlines

so that a person always knows if they are still on the AA website. The website loads quickly and searches quickly as well as offers a selection of possibilities if something is typed in wrong, for example an airport location. If “airlines” is typed in on Yahoo!, AA turns up as the third choice.

Engaging. AA’s web site allows consumers to book vacation packages, hotels, fights, and cars. Their web site is made for people to be able to do it themselves quickly and compare prices easily. The webpage offers options to type in airports, and dates and they can see if there are any flights available for the location, time, date, and cost that the consumer wants. The customer is engaged in the website when they are looking at different packages offered by the airlines. As well as when they are typing in different dates to travel and they even have the option of looking at the aircraft layout and choosing where they want to sit. Another aspect to their engagement stage is the FAQs. Consumers can go online and ask questions and see what other people most commonly ask.

Retaining. In order to retain their customers, American Airlines has made their website extremely simple and easy to navigate. Just about anyone can get on their website and book a flight. www.aa.com incorporates 8 out of the 11 e-service quality dimensions. The 9 that it features is the access, ease of navigation, efficiency, customization and personalization, security and privacy, responsiveness, and price knowledge.

→ Access: The site loads quick, it is easy to find, and has ways to contact them including by snail mail and phone.

→ Ease of navigation: The site has many links, including some with rollover links. The “home” link is always visible if the customer needs to get back.

→ Efficiency: All the links are separated into related areas making them easy to find and the flight lookup is on the main page, making it easy and fast to find and use.
Customization and personalization: The website offers different plans according to when the visitor wants or needs to leave and return. Including the time of day, how many stops they want to make, and what airports they want to use.

Security and privacy: A consumer can search through the website to find flights, hotels, etc.; however they can not book anything without creating a log in ID.

Price knowledge: The website shows different flight options for a selected trip, showing the lowest fare first.

Site aesthetics: The website does not have flashing, blinking, floating, moving, or any other feature that would slow down the loading time of the page.

As far as the remaining 3 dimension, I would have had to actually book a flight to find those out so the fact that they were not mentioned does not mean that they do not include them in their website.

Conclusion:

American Airlines did not let the 9/11 attack stop them from being the largest passenger airline in the world and they are not going to let any other challenges stand in their way. They stay customer orientated by trying to keep the low cost fares through these times of record fuel prices and they keep their website simple and easy to use, yet with all the technologies to book flights and vacations. I think that AA is on the right track to success and they have done a good job in keeping up with the times and technologies. If their plan and preparation for cutting costs works, and they can keep their competitive prices, they have a great chance of succeeding.
References


Security. (2001). Retrieved 12/15/05, from,