Alaska Airlines plans to expand its network to directly compete with its closest competitors. In IT investment plan is currently underway to fund the following projects:

<table>
<thead>
<tr>
<th>Project Summary</th>
<th>Project</th>
<th>Cost</th>
</tr>
</thead>
<tbody>
<tr>
<td>A complete revamp of the flight scheduling system from 20 years ago</td>
<td>1. Flight Scheduling System Overhaul Project</td>
<td>$20 million</td>
</tr>
<tr>
<td>Expansion of the frequently flier program</td>
<td>2. Mileage Plan Upgrade Project</td>
<td>$10 million</td>
</tr>
<tr>
<td>New data center to host the entire IT system</td>
<td>3. New Data Center Construction Project</td>
<td>$15 million</td>
</tr>
</tbody>
</table>

Strategic Grid for the IT Investment Projects at Alaska Airlines

- The Flight Scheduling system is critical to the operations of the business. (Factory Quadrant)
  - Since the airline industry is stable and mature, it is best to invest in projects that are classified in the “Factory” quadrant
- The New Data Center has a high operational dependency. Even with improvements, it would still be considered as a qualifier (Factory Quadrant).
- The Frequent Flier Program is a direct way to compete strategically with competitors. (Turnaround Quadrant)
  - For strategic advantages against competitors, it is best to invest in projects that are classified in the “Turnaround” quadrant.

<table>
<thead>
<tr>
<th>Strategic ID Grid</th>
<th>Five Forces of Competition Diagram</th>
</tr>
</thead>
<tbody>
<tr>
<td><img src="image" alt="Strategic ID Grid" /></td>
<td><img src="image" alt="Five Forces of Competition Diagram" /></td>
</tr>
</tbody>
</table>
Understanding the Five Forces of Competition for Alaska Airlines

- **Rivalry Among Existing Competitors:**
  - Reduced taxi times and a more robust frequent flier program would give Alaska Airlines more power in this category.

- **Bargaining Power of Buyers:**
  - The improvements will increase customer loyalty and as a result, the bargaining power of the buyers would decrease.

- **Threat of Substitute Products or Services:**
  - Improved taxi times and Frequent flier programs cannot be easily replaced.
  - By implementing these projects, Alaska Airlines is gaining more power against threats of substitute products or services.

- **Bargaining Power of Suppliers:**
  - The bargaining power of suppliers would remain the same for everything except the vendor supplying the new scheduling system.
  - The scheduling system vendor would gain an advantage due to increased switching costs for Alaska Airlines.

- **Threat of New Entrants:**
  - Increased customer loyalty would come from improved operations and a better frequent flier program. This would give more power against the threat of new entrants.

**Suggestion for IT Investment:**

- **Alaska Airlines should invest $20 million in the overhaul of the flight scheduling service.**
  - This service is critical to the operations of the business. Also, this project can increase operations efficiency and provide an estimated savings of $25-$30 million. The increased efficiency will help with the rivalry among existing competitors. Currently, this is the strongest force of competition. **IT should fund this project.**

- **Alaska Airlines should invest $8 million in the project to upgrade the frequent flier program.**
  - Currently, Alaska Airlines does not face major competition in the small network. When the network expands, the level of competition will increase because the other airlines are servicing those markets too. The frequent flier program upgrade can be a great strategic move to increase sales and gain a competitive advantage. **The business unit should fund this project.**

- **Alaska Airlines should invest $2 million in the project for a new data center.**
  - The project can be adjusted to use Software As a Service, cloud based computing, or even open source software. These options can help offset the infrastructure costs. **IT should fund this project.**

**References:**

