



May 15, 2013

Southwest v. Frontier v. Fees

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IdeaWorksCompany contributed information to this article - - see italics.

When Frontier Airlines rolled out its plan for new fees last week, which includes charging some but not all customers for overhead bin storage and for beverages, the plan seemed too complicated for its own good. Even with the opportunity for me to ask questions and get some clarity, it took me some doing to explain how the fee structure will work, so I can imagine how it must seem to consumers. Will they pay \$1.99 for beverages such as soda and juice? It depends on their fare level and frequent flyer status, so a customer's seatmate might not pay while he or she does. That \$25-\$100 fee for carry-ons that cannot fit under the seat will apply only to customers who use a third-party website or global distribution system to buy Frontier's lowest fares--unless that customer has reached the top two tiers in the airline's three-tier frequent flyer program, in which case the fee will not apply at all.

"Unfortunately for Frontier, they have achieved in crafting the most complex offer out there," Jay Sorensen, president of IdeaWorksCompany, a global, Wisconsin-based consulting firm on ancillary revenue, brand development and frequent flyer programs, told me. "When I read through this, I thought, 'This is just too complicated.' When introducing new fees, you are best served by keeping it as simple as possible." He described the plan as "a major move that is fraught with peril."

It seems particularly risky given that Frontier is based in Denver, where it competes not only against United, but also Southwest, which built its brand in part on avoiding the type of fees that Frontier will be levying on some of its customers. You would expect Southwest to pounce on the fees--and potential confusion--and Southwest CEO Gary Kelly already is suggesting that it will.

"This is a gift from our competitors,' Kelly was quoted as saying in Denver late last week, in a story in the Denver Business Journal. As the rest of the year unfolds, it will be interesting to see what Southwest does to try to capitalize on the opportunity, and whether that results in any further shift in the market share. (It already surpassed Frontier to become the airport's second largest carrier by share.)