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**Low-Cost Carriers Fly Above Covid-19 Turbulence**

By Jason Notte

***IdeaWorksCompany contributed information to this article - - see italics.***

*Domestic leisure travel made budget airlines pandemic-proof*

Low-cost carriers were the airline industry's bargain bin. They kept fares low, charged for every amenity and relied heavily on casual travelers. While larger competitors jetted off to exotic global destinations and wooed loyal big city business travelers with corporate accounts, companies like Spirit, Frontier and Allegiant got by on last minute trips to Vegas and discounted seats to far flung family reunions.

When Covid-19 turned business travel into Zoom meetings and transformed holidays abroad into socially distanced domestic staycations, bargain basement airlines became the industry's foundation. Now, travel marketers gearing up for the holiday travel season and early 2022 will do so through these airlines' low-budget lens.

***"The moment really belongs to low-cost carriers," said Jay Sorensen, president of international travel consulting firm IdeaWorksCompany. "All of this is pointing toward a world in which all airlines will compete more heavily for leisure travelers. Low-cost carriers are already there, in terms of carrying those passengers, so I think that carriers such as Spirit, Allegiant and Frontier are perfectly positioned for the future."***

That includes upcoming holiday travel.

According to Kantar, 70% of Americans missed an important event with friends or loved ones during the last 18 months. As a result, 58% have booked holiday travel, and 54% will be attending a holiday gathering at a friend or family member's home. Roughly 60% are holding steady on travel spending this holiday season, with another 25% saying they'll spend less.

As low-cost airlines increase their market share, target new destinations and expand into loyalty programs and vacation packages, marketers might want to consider budget carriers' appeal to groups beyond their core of frugal flyers.

**Business travel may never fully return**

The airline industry as a whole has declined simply because the pandemic forced people to fly less. Low-cost airlines, however, have surged specifically because pandemic passengers fly differently.

The U.S. Travel Association noted that U.S. leisure traffic collapsed during the pandemic but should surpass its 2019 capacity by next year. However, business travel spending dropped 76% domestically in 2020 and took $97 billion out of the travel economy.

And that business travel may never fully return. Six months into 2021, just 35% of U.S. companies were engaging in business-related travel. The Travel Association expects domestic business travel levels to reach 76% of 2019 numbers next year, with a full recovery not arriving until 2024 at the earliest.

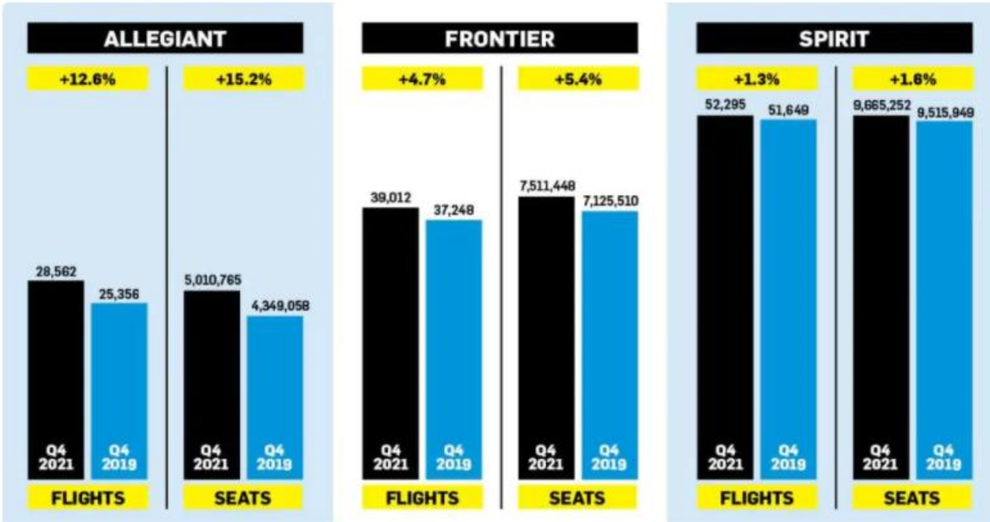
“The fact that [low-cost carriers] existed let the larger airlines choose to focus more on customers that they wanted to serve,” said Henry Harteveldt, a longtime travel industry analyst who now runs travel consultancy Atmosphere Research Group. “When Covid-19 hit and business travel dried up—and it still is far from fully recovered and will take several years to recover—it increased pressure that the network airlines feel because they are missing a crucial and highly profitable customer segment.”

**Domestic’s rapid recovery**

With domestic travel already back to 97% of pre-pandemic levels, low-cost carriers got a head start on recovery.

According to aviation data company Cirium, Allegiant actually added 3,206 more domestic flights to its schedule from the fourth quarter of 2019 to today. That’s a 12.6% increase that added 15% more seats for passengers. Frontier Airlines, meanwhile, added 1,764 flights and 386,000 seats during that time, growing 4.7% and 5.4% respectively. The only other airline that grew during the pandemic, Spirit, added 646 flights (up 1.3% from 2019) and 149,000 seats (a 1.6% increase).

By comparison, the best-performing network airline during that period—American—dropped 11% of its flights and 5.3% of its seats. Compared to other large carriers including Delta, United and Southwest—which lost 12% to 17% of flights and 10% to 13% of seats—that’s a minor miracle.




But the 58,935 flights American lost within the U.S. during that time were more than either Spirit, Frontier or Allegiant flew during the pandemic. American basically shed an entire low-cost airline's worth of flights, while the Big 4 trimmed more seats than Frontier and Allegiant offered.

Meanwhile, the premium fares that network carriers relied upon so heavily also dried up. Adjusted for inflation, the average U.S. airfare was $370 by the end of 2019, which plummeted nearly 19% to $301 by the end of last year and fell another 5% to $286 through 2021.

Guess who's at the bottom of that declining average?

"There's a fine balance to that of folks still being a little unsure of what's gonna happen with the economy, and there are plenty of people who were furloughed and lost their jobs over the last two years," said Elle Kross, director of strategy at SaaS company and Delta and JetBlue partner Movable Ink. "They want to go with a low-cost carrier because of that, but they also want to have a really beautiful time because it's the first time they've traveled in a while or they're going to see family that they haven't seen in a long time. And I think low-cost carriers are balancing it really well."

**Clear skies ahead**

Garth Lund has navigated multiple low-cost airlines through the pandemic. Since March, he has served as chief commercial officer of Canada's Flair Airlines, which has added 1,300 flights and nearly 300,000 seats since the end of 2019. Before that, he spent eight years with Hungarian low-cost carrier Wizz Air, which increased its total seats by 237,000 (or 2.6%) from 2019 despite cutting 96 flights.

He noted that, for more than two decades, low-cost carriers have increased their share of the global airline marketplace by roughly 1% a year to 25%. During the pandemic, that share increased to more than 35%. In Flair's case, it increased its number of planes from three to 12 in 2021 alone, with 20 planned for 2021. His airline has used its strong domestic travel to exploit weaknesses in the greater air travel market and expand services at competitors' expense.

"Although it's been a very challenging time, there were also opportunities—there were aircraft available, there were crew available, dislocations in the market, so we could take advantage of that," Lund said. "In general, low-cost airlines just have been much more dynamic and much more able to capture what demand there has been through the pandemic."

It's also provided low-cost carriers an opportunity to expand their brand beyond cheap flights. Allegiant, for example, saw its name placed on the new home of the NFL's Las Vegas Raiders last year and, this year, resumed construction on its Sunseeker Resort in Punta Gorda, Fla.

While Allegiant has always functioned as a full-service travel company—attaching car rentals, hotel rooms and event or amusement tickets to flight packages—the resort gives it 500 hotel rooms, more than 180 extended stay suites, 19 restaurants and bars and a whole lot of shopping right near an airport where it is the only airline in town.

***"That's an absolute home run," Sorensen said. "It's going to be a capital intensive project at a time when spending money on infrastructure is gonna be very difficult for any airline. You can't have American, United and Delta doing that. They just can't. If they tried, it would be done in a very clumsy manner because they're such giant carriers."***

That's increased attention on smaller markets in addition to the competition for those underserved destinations. Low-cost upstarts Breeze Airways, Avelo Airlines and ExpressJet's Aha! launched during the pandemic by focusing on smaller airports in Burbank, Calif.; New Haven, Conn.; Pasco, Wa.; and Reno, Nev.

Larger airlines responded, with United offering direct flights from secondary markets like Milwaukee to destinations including Charleston and Myrtle Beach, S.C.; Pensacola, Fla., and Portland, Maine.

### Beyond seats and butts

As the market for leisure travel tightens, the differences between low-cost carriers and their network counterparts beyond fares are fading. Frontier has dealt with unruly passengers and mask enforcement, but so has just about every other airline. Spirit faced a wave of flight cancellations this year, but so have Southwest and American. Even budget airlines' notorious list of fees no longer seems so daunting when the entire industry offers a la carte baggage, seating and boarding options.

***In fact, a report from IdeaWorksCompany found that Spirit, Allegiant and Wizz were among the airlines that made more money from fees than from airfare in 2020.***

With passengers increasingly willing to pay for personal comfort during the pandemic, Moveable Ink's Kross said marketers should be less hesitant to send them email notifications about available upgrades. In fact, low-cost carriers' data has made it easier for them to not only pinpoint the date and distance of a passenger's trip but to also send emails showcasing baggage options, window seats and available legroom as the flight nears.

"It's no longer just seats and butts and heads and beds. It's how much can we get out of those seats and really up the ante of that revenue so that it is worth it," Kross said. "Because they need that extra cash—always."