Abstract

Large losses between 2004 and 2006 brought Spirit Airlines to the verge of failure. With capital infusions from two private equity groups and a new cost focus strategy patterned after Europe's Ryanair, Spirit proclaimed itself an ultra-low-cost carrier Spirit usually offers the lowest fare in its markets, but this base fare buys a seat with allowance for under-seat baggage only. Everything else, including a glass of water, is extra. Ancillary fees account for some 40% of total revenues. Although it has developed a customer base of price sensitive travelers, Spirit is also among the industry leaders in complaints. Nonetheless, Spirit should dominate the price sensitive U.S. air travel market in the short to medium term as it has achieved a sustainable competitive advantage based on Porter's cost focus strategy.