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Spirit Succeeds with the World's Only Fee for Carry-on Bags

IdeaWorks estimates 20% of passengers choose it, generating \$50 million annually for the airline.

December 19, 2011, Shorewood, Wisconsin – Spirit Airlines has indeed created success from an a la carte fee that every other airline has refused to adopt and even fears to speak of. Carry-on bag fees seem to share the same import as the name of Lord Voldemort, the antagonist in the Harry Potter series. Harry Potter fans know mere mention of his name risks unspeakable misfortune.

But Spirit hasn't enjoyed success by practicing dark arts. The airline has become a profit leader (and a darn good stock investment) through aggressive implementation of a la carte services, to include fees for checked and carry-on bags. Passengers are free to choose, and have been selecting the carrier in ever-increasing numbers. The airline flew 24.5 percent more passengers in the 12-month period following introduction of the carry-on fee than in the one-year period when carry-ons were free of charge. Spirit's brand of unbundled service has obviously struck a chord with American consumers.

If you are looking for chaos at Spirit's airport facilities, or onboard its aircraft, you'll be disappointed. The secret seems to be broad fee communication and consistent adherence to the policy; the airline will deny boarding to a passenger who refuses to pay the fee. Airline staff are conditioned to monitor passenger baggage at each step of the airport process. From a revenue perspective, IdeaWorks estimates the carry-on bag fee delivers approximately \$13 million per quarter, or more than \$50 million in new revenue annually. While the fee might be controversial, the bottom line result has rewarded investors and permitted the low cost airline to grow and add more destinations. Competitors should proceed with caution, as the intangible costs to an airline could quickly exceed any profit opportunity.

Spirit Succeeds with the World's Only Fee for Carry-on Bags was released today as a free 14-page report sponsored by Amadeus and is available at the IdeaWorks website: www.IdeaworksCompany.com/news.

About IdeaWorks: IdeaWorks was founded in 1996 as a consulting organization building brands through innovation in product, partnership and marketing, and building profits through financial improvement and restructuring. Its international client list includes airlines and other travel industry firms in Asia, Europe, the Middle East, and the Americas. IdeaWorks specializes in ancillary revenue improvement, brand development, customer research, competitive analysis, frequent flier programs, and on-site executive workshops. Learn more at IdeaWorksCompany.com.

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