

## Allegiant finds niche as low-cost carrier

by **Art Thomason** - Nov. 14, 2008 06:53 AM  
The Arizona Republic

As a trucking company owner, Dave Taylor can appreciate business success stories in the fuel-dependent industry.

It gets even better when the gas-guzzling enterprise is an airline saving his loved ones \$400 on a round-trip flight.

Taylor and his wife, Mary, made the 68-mile trip from their home in Buckeye to Phoenix-Mesa Gateway Airport on Monday to see their daughter and granddaughter off on a return trip to Redmond, Ore.

Shortly after 9 a.m., Deana Adzima and her daughter, Lauren, climbed aboard a 150-seat, MD-80 owned by Allegiant Air, a carrier still soaring with profitability and near-capacity flights as ominous financial clouds loom over the airline industry.

It was either that or the costlier option: flying from Sky Harbor International Airport to Portland, Ore., and changing planes for the trip to Redmond.

Likely to persist, the Allegiant trend is stoked by what analysts call Allegiant's unique business model that allows it to grow, purchase more aircraft with cash and keep competition at bay.

"It's one of a kind," said Richard Charles, professor and chairman of Arizona State University/Polytechnic's Aeronautical Management Technology Department. "If the majors want to compete with Allegiant, it would be difficult because the carrier has a price model they cannot afford."

To Taylor, Allegiant's business plan is "finding a niche and filling it. They're not trying to saturate the market."

Here's how it works:

Like a posh hotel with budget rates, Allegiant attracts vacationers, warm-climate-bound snowbirds and other leisure travelers in seeming record numbers. They comprise the carrier's primary target clientele, a demographic that major and low-cost airlines are moving away from as they downsize and reach out to the more lucrative business traveler.

The payoff: third quarter operating revenue taking a 35.4 percent jump to \$116.9 million compared to \$86.3 million during the same period in 2007, according to financial results reported by Allegiant's parent, Allegiant Travel Company.

The carrier flies among six pivotal airports in coastal or Sunbelt regions like Phoenix-Mesa Gateway Airport, and airports in or near smaller to medium-size cities. Several are seasonal routes and virtually none come with a permanent guarantee.

With passenger loads consistently in the mid-90 percent range, Allegiant is also known for eliminating routes that don't meet such a high standard.

In April, the airline canceled service from Mesa to Santa Maria, Calif., and later suspended July and August flights to five of the 13 cities then served out of Mesa. The flights resumed in October, and Allegiant now flies to 15 destinations from Mesa. In all, the carrier flies nearly 100 routes to 63 cities.

Passengers like Jane Johnson, a professional photographer and graphic artist, say the airline will nickel and dime you, even charging between \$13 and \$15 for a seat in addition to your airfare.

"But they're still dirt cheap," the Bend, Ore., resident said while waiting for a flight in the Mesa terminal.

Roundtrip airfare to from Mesa to Rockford, Ill., is \$178. Add \$32.50 in taxes and fees, a \$15 seat charge and \$7.50 for priority boarding, which is optional, and the total climbs to \$253.50, according to the airline's Web site. All flights are non-stop and non-connecting.

Allegiant's latest financial report sketches an optimistic forecast for 2009, and says the recent dip in fuel prices could drive additional growth with minimal investment.

Founded in 1997, and later emerging from bankruptcy, the Las Vegas-based carrier began operations at Gateway in October 2007. With the airport facing budget constraints, Allegiant in September came forward with a \$3 million loan to expand Gateway's passenger terminal.

"I don't know how they're doing it but it's great for us," said Anna Johnson, of Deschutes County, Ore., as she boarded a recent flight.

#### **ALLEGiant LIFTING OFF**

Allegiant posted earnings recently and virtually everything is up. Here are examples for the first nine months of the year:

| <b>Allegiant numbers</b>   | <b>2008</b> | <b>2007</b> |
|----------------------------|-------------|-------------|
| Total aircraft             | 37          | 25          |
| Major leisure destinations | 5           | 3           |
| Total passengers           | 3,282,810   | 2,369,672   |
| Passengers in Mesa         | 245,224     | 46,461      |