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Frontier Airlines enlists strategic partners

FRONTIER *Days*

Frontier Airlines, one of the new generation of airlines that is helping change the airline industry, has experienced tremendous success during the past decade.

With the help of key partners, the airline has also positioned itself to excel in the future.





■ By Dan Davenport | *Ascend* Contributor

In its 11-year history, Frontier has grown from a small start-up to one of the airlines that is helping reshape the U.S. airline industry. As it looks forward to the next decade, the airline has plans for continued expansion. But to take the next step, Frontier decided to enlist the help of several strategic partners that will help the airline achieve its goals.

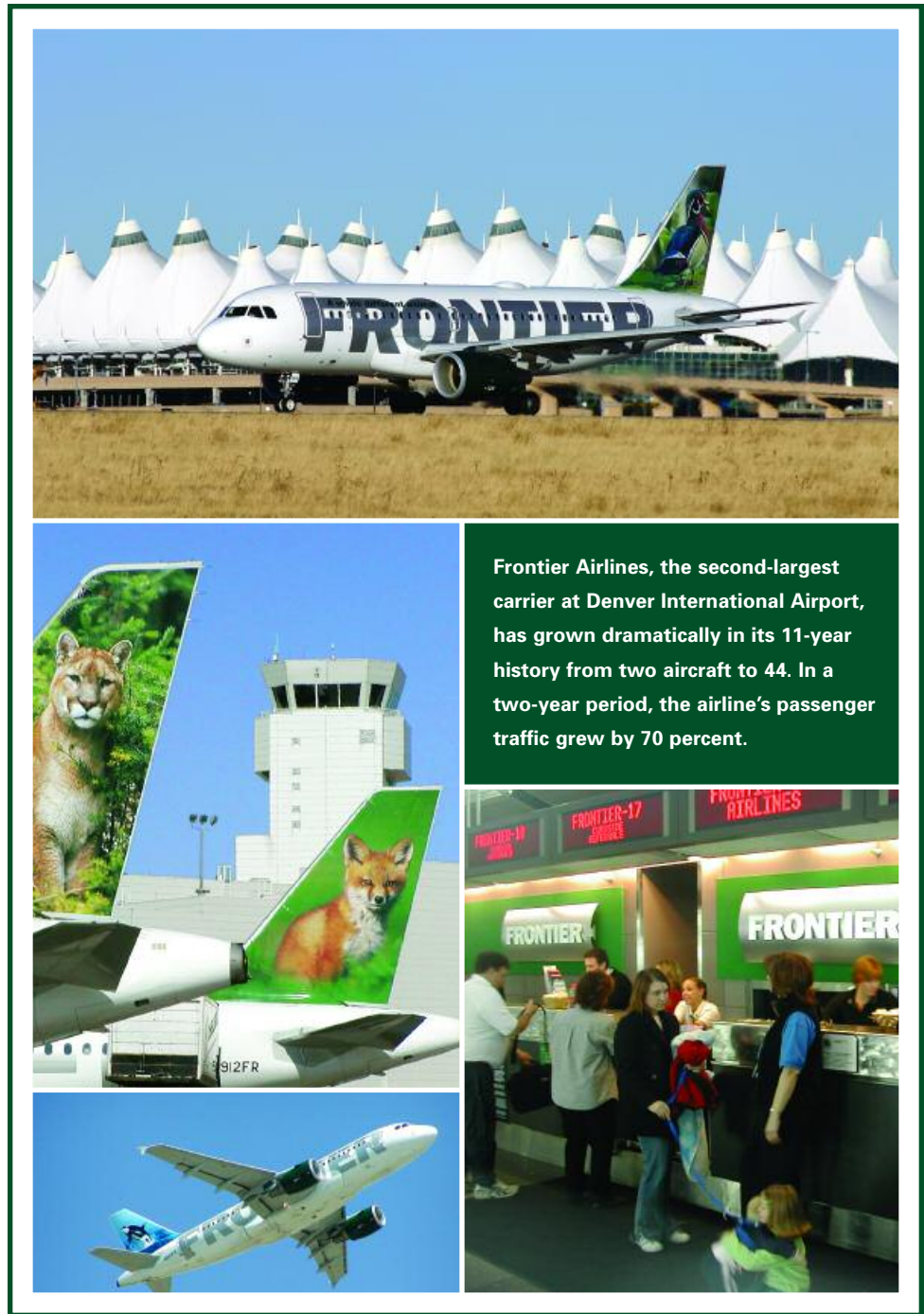
Frontier marked a major milestone last July when the Denver, Colorado-based airline celebrated the 10th anniversary of its inaugural flight as well as carrying its 25 millionth passenger. The event represented another grand achievement for the rapidly growing low-cost carrier.

During the past decade, the airline, granted flag carrier status in 2003 by the U.S. government, has grown dramatically from two aircraft to 44 and expanded its route network from four U.S. destinations to 42, plus five more in Mexico. From 2002 – 2003, the airline's passenger traffic grew 70 percent to 5,137,959 passengers carried. And, most importantly, the airline has been profitable in five of the past six years, including 2001 and 2002 when the industry experienced an unprecedented downturn.

Frontier has added or announced plans to add approximately seven new cities and 15 new routes to its network since the end of 2003, representing new destinations as well as the development of its presence in Mexico, which has been a tremendous growth vehicle for the airline. Frontier's point-to-point service between Cancun and Salt Lake City, Utah, and Kansas City, Missouri, began last July; its service between Cancun and Nashville, Tennessee, and Austin, Texas, began in November; and in February, the airline commenced service between Cancun and St. Louis.

As one of the new wave of low-cost carriers, Frontier, which promotes itself as "a whole different animal," has managed to successfully provide an enhanced customer experience while maintaining low fares. Frontier, which provides live television for each seat on its fleet of new Airbus A319 aircraft, has been successful by focusing on providing comfortable, affordable and flexible service.

Frontier, like its fellow new generation airline peers, represents "a whole different animal" for the airline industry by combining



Frontier Airlines, the second-largest carrier at Denver International Airport, has grown dramatically in its 11-year history from two aircraft to 44. In a two-year period, the airline's passenger traffic grew by 70 percent.

low fares with customer amenities. Capitalizing on its slogan, the carrier's advertising and branding campaign features national television ads that animate the animals painted on the tails of the carrier's aircraft as they lightheartedly tout Frontier's advantages. The campaign, Chief Executive Officer Jeff Potter said, "has exceeded all of our expectations."

"The best measurement of its success is the fact that since we launched the campaign, we have produced record-breaking load

factors for the 10 months from June 2003 through March 2004," Potter wrote in the company's annual report.

With its passenger growth, the airline also added six mainline gates and several regional jet pads at its main operations at Denver International Airport. Frontier also recently signed an amendment to its purchase agreement with Airbus to acquire 15 additional Airbus A319 aircraft with purchase rights for up to an additional 23. The carrier also

announced plans to lease 14 additional A319s, which will be delivered during the next five years.

And, in another sign of strength, it significantly improved its liquidity as a result of a secondary offering of 5,050,000 shares of common stock in September 2003 that generated net proceeds of US\$81.1 million.

Even with the success of its first decade, Frontier officials are not resting on their laurels, and the airline is already taking a number of steps to prepare for continued future expansion.

"Frontier has achieved a great deal of success during its relatively short history by being responsive to market needs," said Sean Menke, chief operating officer for Frontier.

provides Frontier's service to 34 regional markets in Colorado, Kansas, Nebraska, New Mexico, North Dakota, South Dakota, Texas, Utah and Wyoming.

It has also formed marketing sponsorships with high-profile sports teams including the Colorado Avalanche, Denver Nuggets and the University of Colorado athletics. Frontier also formed relationships with five of the travel industry's leading wholesalers to provide packaged trips to all of its Mexico destinations, including Mazatlán, Cancun, Puerto Vallarta and Los Cabos, based on their ability to provide the greatest flexibility in scheduling and the highest level of customer service.

One of the keys to the airline's continued ability to remain profitable involves

and passenger processing.

"We are confident that Sabre Airline Solutions' decision-support tools will improve our ability to make the right decisions more quickly, and the breadth of functionality offered in the *SabreSonic* solutions will provide the flexibility we need to execute future passenger sales and service strategies," Menke said.

Frontier believed selecting a single primary IT provider would bring benefits beyond the value of the products themselves. With the challenges facing the industry, many airlines are attempting to simplify their operations by reducing the number of technology partners and seeking tighter integration across their business. As costs remain under pres-

“Frontier, like its fellow new generation airline peers, represents ‘a whole different animal’ for the airline industry...”

"Over the past 10 years, we have made numerous fundamental changes to our business model, and our rapid growth has created many new challenges and added complexity to our operations. I expect the next 10 years will be even more turbulent."

As it looks forward, Frontier has begun to select partners that can lead to additional revenue-generating opportunities that will help the airline continue its successful journey despite the increasing complexities of a rapidly changing industry.

Last year, Frontier launched an affinity credit card program with MasterCard and Juniper Bank that has also exceeded expectations and has helped drive the airline's EarlyReturns frequent flyer program enrollment to more than 1 million members, according to the airline.

In 2003, the carrier formed a long-term partnership with regional jet operator Horizon Air, which began service as Frontier JetExpress early last year. Through the agreement, Frontier added nine 70-seat Bombardier CRJ-700 aircraft to its fleet. Partnering with Horizon Air will enable Frontier to provide service to seven additional destinations in Arizona, California, New Mexico, Oklahoma and Texas.

The airline also maintains a codeshare agreement with Great Lakes Airlines, which

increased use of new-generation information technology to provide the infrastructure and decision support for continued growth.

In April 2004, Frontier selected Sabre Airline Solutions as its primary IT partner. As part of the new relationship, Frontier is implementing 14 solutions, including the *SabreSonic*™ *Passenger Solutions*, as well as utilize the company's consulting services.

Frontier will use the *SabreSonic* solutions' reservations and departure control functionality as well as its inventory management and check-in capabilities.

"The *SabreSonic* solutions significantly enhance our ability to provide an improved and consistent level of service to our customers across all touch points," Menke said. "For example, the *SabreSonic* solutions' interface brings all key and relevant information about our customers to the point of sale or point of service. On the Web, *SabreSonic*™ Web will allow our customers more self-service functionality. This type of technology falls right in line with our strategy of offering a different type of experience for our customers."

In addition to the *SabreSonic* solutions, Frontier will implement systems in key operational areas such as resource management, loyalty management, fares management, market data and analysis, planning and scheduling, flight operations, crew management,

sure, there is an increased need to ensure that every technology selected delivers real value.

"Sabre Airline Solutions brings a unique value proposition to the marketplace," said Paul Tate, chief financial officer for Frontier. "Set aside the significant value we will get from each of the products, this breadth and depth of capability from one supplier will help us keep our operation more efficient, integrated and simple — and ultimately that means lower costs."

Frontier implemented the *SabreSonic* solutions during the first quarter, and products from the expanded technology program will be implemented during the next few months. With the simultaneous implementation of several important systems, the airline has selected Sabre Airline Solutions Consulting to help ensure that its business processes are tightly connected with the new technology. The consulting team will also assist with change management.

Through its strategic partnerships, Frontier has poised itself for another decade of continued growth as it helps revolutionize the industry. **E**

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Frontier has grown its route network from four U.S. destinations to 42 cities in 23 states plus the District of Columbia. The airline also serves five destinations in Mexico, including Cabo San Lucas, Cancun and Puerto Vallarta.



Last year, Frontier celebrated its 10th anniversary by carrying its 25 millionth passenger. The airline has a fleet of 44 aircraft including 37 Airbus A319s and seven Airbus A318s. The airline plans to expand its fleet through the lease and purchase of up to 52 new Airbus A319 aircraft.

“Frontier has achieved a great deal of success during its relatively short history by being responsive to market needs.”

— Sean Menke, Frontier COO



In keeping with its marketing campaign, “A whole different animal,” Frontier’s livery features images of various wildlife including rabbits, sea lions, horses and whales on its aircraft tailfin.