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# The New York Times

## Low-Fare Airlines Decide Frills Maybe Aren't So Bad After All

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### Abstract (Article Summary)

Robert W. Mann Jr., an industry consultant based in Port Washington, N.Y., said not all the low-fare players could afford to follow the lead of JetBlue, Song and [Ted]. As low-fare business grows, he said, the category could split into plusher cheap airlines and those that remain spartan. That could make it more difficult for traditional airlines to compete against low-fare carriers, he said, because they could not tell if fares or frills were the main selling point.

Professor [E. Han Kim] said the airline had its priorities in order. "It's not like the days when the airlines offered fancy meals and cushy treatment," he said. The entertainment system upgrade is "an investment that will be spread over many, many passengers," he added. "It's in line with JetBlue's philosophy of trying to satisfy the most passengers at the least expensive way to them."

Passengers on JetBlue, left, will soon be able to choose satellite radio, Fox TV programs and movies as in-flight entertainment. [Song], a unit of Delta, is selling treats from Dylan's Candy Bar. Its flight attendants will soon be wearing uniforms, top, designed by [Kate Spade]. (Photo by Suzanne DeChillo/The New York Times)

### Full Text (1042 words)

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Low-fare airlines have always promised and delivered one thing: cheap seats.

No more. With low-cost airlines invading established rivals' turf and facing new competitors, even what were once known as no-frills carriers are adding amenities -- including some that even full-fare airlines do not offer.

JetBlue will step up the battle today when it announces that it will add XM satellite radio, Fox TV programs and a library of 20th Century Fox movies to its multichannel seatback in-flight entertainment system.

Separately, Song, a low-cost spinoff of Delta Air Lines that introduced its own radio-TV-movie terminals at each

seat in November, began selling sweets from Dylan's Candy Bar, a trendy Manhattan shop, on its flights last month and will issue Kate Spade-designed uniforms to its flight attendants soon.

Not to be outdone, United Airlines is promising that its low-fare carrier, Ted, will have its own multichannel entertainment system, called Ted TV, when it begins flying next month. United, a unit of the UAL Corporation, has promised that Ted will have its own brand of beer and colorful headsets. The airline will begin with service from Denver to the West Coast and Florida.

Southwest Airlines, the biggest low-fare airline, has steadfastly held out against such embellishments, although a spokesman said it is studying whether to offer in-flight entertainment. The main criteria will be cost, he said. Unlike the newer carriers, which began or will start service with the systems already installed, Southwest, founded a quarter-century ago, would have to retrofit its Boeing 737's.

E. Han Kim, a professor of finance at the University of Michigan, likens the low-fare airlines' efforts to those of Japanese auto companies, which began by selling bargain cars and then expanded their lineups -- and increased their sales -- with plusher models aimed at American customers' tastes.

"You go into the market with whatever advantage you have, in terms of low fares, but gradually, they want to become bigger players," Professor Kim said. "That's a natural progression in any business."

Robert W. Mann Jr., an industry consultant based in Port Washington, N.Y., said not all the low-fare players could afford to follow the lead of JetBlue, Song and Ted. As low-fare business grows, he said, the category could split into plusher cheap airlines and those that remain spartan. That could make it more difficult for traditional airlines to compete against low-fare carriers, he said, because they could not tell if fares or frills were the main selling point.

But Roland T. Rust, chairman of the marketing department at the University of Maryland's business school, warned that low-fare airlines may wind up hurting themselves by aiming for passengers with too many extras.

"It's a trap," he said. "They are merging into the part of the market where you can't make any money." By going upscale, he added, low-fare airlines risked opening themselves to being undercut by a new wave of bare-boned competitors.

The only way carriers can remain profitable and offer frills would be to design the amenities into their cost base upfront, as JetBlue did. Professor Rust said that Southwest's willingness to consider adding the systems was "really shocking."

JetBlue's chief executive, David G. Neeleman, is pressing his airline's advantage. JetBlue, which already offered 24 channels on seat-back video systems, including DirectTV programming, will have 100 channels by the end of the year, he said, including popular Fox programs like "The Simpsons."

Song's system, which the airline will be installing on its jets through May, includes 24 channels of EchoStar's Dish satellite television programming, 24 audio channels and a video game that will let passengers play against one another without leaving their seats.

While such technology is new, efforts to attract budget-minded travelers with something more than cheap tickets is not.

In 1971, for example, Pacific Southwest Airlines played the sex appeal card, dressing its flight attendants in pink and red minidresses with heart-shaped hats and knee-high red boots.

Within two years of the change in couture, the airline's business increased by one million passengers, to six million a year. USAir, a forerunner of US Airways, bought Pacific Southwest in 1987.

The latest efforts to attract passengers to low-fare airlines come as the cheaper carriers are already growing robustly. In 2003, low-fare airlines collectively captured about a quarter of customers flying within the United States.

JetBlue, in fact, has become the largest carrier operating out of Kennedy Airport in New York, eclipsing American

last year. It handled 6.83 million passengers in the 12 months to Oct. 30, compared with 6.74 million for American, according to Aviation Daily, a trade publication.

Mr. Neeleman said the cost of JetBlue's entertainment system was minimal, though he declined to be specific. He did say that such upgrades are preferable to adding other amenities, like food, which he vows never to offer on JetBlue. He said that providing a "soggy sandwich" to each passenger would cost the airline \$20 million a year.

Indeed, despite the more extensive range of entertainment, JetBlue, which began flying in 2000, will not upgrade its headsets, which Mr. Neeleman said cost the airline about 20 cents each. Passengers looking for better audio quality should bring their own equipment, he said.

Professor Kim said the airline had its priorities in order. "It's not like the days when the airlines offered fancy meals and cushy treatment," he said. The entertainment system upgrade is "an investment that will be spread over many, many passengers," he added. "It's in line with JetBlue's philosophy of trying to satisfy the most passengers at the least expensive way to them."

Southwest said it is still undecided on the frills fad because it wanted to stick with its traditional thriftiness.

"We're looking at the systems but we're by no means saying we're going to do it," the airline's spokesman, Ed Stewart, said. Should the entertainment systems prove too expensive, he said, Southwest plans to stick with its traditional inflight entertainment -- jokes told by its crew.

**[Photograph]**

Passengers on JetBlue, left, will soon be able to choose satellite radio, Fox TV programs and movies as in-flight entertainment. Song, a unit of Delta, is selling treats from Dylan's Candy Bar. Its flight attendants will soon be wearing uniforms, top, designed by Kate Spade. (Photo by Suzanne DeChillo/The New York Times)

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