SPIRIT AIRLINES CONTROVERSIAL PROMOTIONAL CAMPAIGNS

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Introduction

Outrageous, over the line, controversial, offensive – all of these adjectives had been used to describe Spirit Airline’s previous promotional campaigns. But public reactions to Spirit’s June 2010 web promotion entitled, “Check Out the Oil on Our Beaches,” were far more negative than those of Spirit’s previous promotions. (See Appendix 1 for the promotion as it appeared on Spirit’s webpage.) Many airline travelers thought Spirit had finally gone too far, labeling this promotion as tasteless and as a remarkably poor choice (Hawley, 2010). Facing a renewed firestorm of adverse publicity, Spirit’s executives were forced to decide if they should change Spirit’s promotional approach.

Spirit Airlines

History

Spirit Airlines began operations as Charter One in 1980 serving the Detroit, MI area. Spirit focused on packages to tourist destinations like Las Vegas and the Bahamas. It was not until 1992 that Charter One brought jet aircraft into its fleet and changed its name to Spirit Airlines. During the next five years Spirit Airlines expanded service rapidly, adding destinations in Florida, California, New York, and South Carolina. Headquarters was also moved to Miramar, Florida (less than twenty miles north of Miami). By 2003, Spirit served Puerto Rico, Santo Domingo, and Mexico. Four years later the company included flights to several Caribbean locations including Jamaica, the US Virgin Islands, St. Maarten, Haiti, and the Cayman Islands. By 2010 Spirit was serving several Latin American countries including Peru, Chile, Panama, and Colombia. (See Appendix 2 for the Spirit Airlines route map.) However, in 2010, Spirit Airlines still represented less than 1% of the airline passenger traffic in the US (Hinton, 2010).

Philosophy

Spirit’s pricing approach was to charge airfare rates that were well below industry averages. Spirit’s corporate philosophy was to be the leading low cost carrier to the Caribbean. Spirit
strived to provide low fares with friendly and reliable service. In 2007 Spirit decided to take low cost to the next level and become an ultra-low cost carrier (ULCC). The ULCC philosophy included very inexpensive airfares but extra fees for options including checked bags, carry-on bags that do not fit under the seat, snacks and beverages, and seat assignments. In addition, Spirit had a Fare Club, which required a $59 membership fee, but allowed the member the right to cheaper tickets and baggage fees.

Since employing this philosophy in 2007, Spirit had reduced overall ticket prices by 40%. In an SEC filing Spirit disclosed that, “We plan to continue to use low fares to stimulate demand, a strategy that generates additional non-ticket revenue opportunities, and in turn allows us to further lower base fares and stimulate demand even further,” (SEC, 2010, p. 1).

Unlike the major US carriers, net income for Spirit Air had grown every year since 2007, the inception of ULCC pricing. Increasing fuel prices and the recession had not slowed Spirit’s profitability. Figure 1 shows the increases in net income since beginning the ULCC program.

**Figure 1**

![Image of Spirit Airlines Net Income graph](source: i.bnet.com (2010))

Strategically, the ULCC program was designed to lower fares but make up the difference in ancillary fees. Since its inception in 2007, the first year Spirit reported a profit; ancillary fees
had grown dramatically as a percentage of passenger revenue. Figure 2 shows that fare revenue per flight segment declined from 2007 to 2009, however, ancillary revenue per segment permitted total revenue to show a slight increase (2010 revenues are for Q1 and Q2). A flight segment referred to one takeoff and one landing; therefore, any specific passenger might have required one or more flight segments to reach a specific destination.

**Figure 2**

**Spirit Airlines Revenues per Segment**

<table>
<thead>
<tr>
<th>Year</th>
<th>Ticket Revenue per Segment</th>
<th>Non Ticket Revenue per Segment</th>
</tr>
</thead>
<tbody>
<tr>
<td>2005</td>
<td>$102.16</td>
<td></td>
</tr>
<tr>
<td>2006</td>
<td>$109.36</td>
<td></td>
</tr>
<tr>
<td>2007</td>
<td>$109.40</td>
<td></td>
</tr>
<tr>
<td>2008</td>
<td>$112.85</td>
<td></td>
</tr>
<tr>
<td>2009</td>
<td>$110.68</td>
<td></td>
</tr>
<tr>
<td>2010</td>
<td>$113.95</td>
<td></td>
</tr>
</tbody>
</table>

Source: i.bnet.com (2010)

**Airline Industry**

In 2009 the airline industry suffered from low passenger numbers and declining profits. As demonstrated in Table 1, except for Jet Blue and Sky West, all of the major domestic carriers showed a decrease in passengers for 2009.
Table 1

Top 10 U.S. Airlines

Ranked by January-December 2009 Domestic Scheduled Enplanements

(passenger numbers in millions)

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Southwest</td>
<td>101.338</td>
<td>101.921</td>
</tr>
<tr>
<td>2</td>
<td>American</td>
<td>85.720</td>
<td>92.772</td>
</tr>
<tr>
<td>3</td>
<td>Delta</td>
<td>67.745</td>
<td>71.615</td>
</tr>
<tr>
<td>4</td>
<td>United</td>
<td>56.025</td>
<td>63.071</td>
</tr>
<tr>
<td>5</td>
<td>US Airways</td>
<td>50.975</td>
<td>54.776</td>
</tr>
<tr>
<td>6</td>
<td>Continental</td>
<td>43.946</td>
<td>46.919</td>
</tr>
<tr>
<td>7</td>
<td>Northwest</td>
<td>40.865</td>
<td>48.772</td>
</tr>
<tr>
<td>8</td>
<td>AirTran</td>
<td>23.968</td>
<td>24.574</td>
</tr>
<tr>
<td>9</td>
<td>JetBlue</td>
<td>22.378</td>
<td>21.824</td>
</tr>
<tr>
<td>10</td>
<td>SkyWest</td>
<td>21.246</td>
<td>20.668</td>
</tr>
</tbody>
</table>

Source: Bureau of Transportation Statistics (2010)

The loss in passengers translated into a net loss for five of the largest airlines. Only one of the six largest carriers had been profitable. Overall, the top nine airlines lost over $3.4 billion in 2009 (Leocha, 2010). These losses came even after the major airlines began charging for ancillary services such as checked baggage, meals, and premier seating. Spirit Airlines’ profit for 2009 was $83.7 million (Hinton, 2010). Table 2 shows the 2009 net profits/loss for each of these airlines.
Table 2

Airline Profits in 2009

Nine Largest Domestic Airlines (000,000)

<table>
<thead>
<tr>
<th>Rank</th>
<th>Carrier</th>
<th>Jan-Dec 2009 Profit/Loss</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>AirTran</td>
<td>$135</td>
</tr>
<tr>
<td>2</td>
<td>Southwest</td>
<td>$99</td>
</tr>
<tr>
<td>3</td>
<td>Skywest</td>
<td>$84</td>
</tr>
<tr>
<td>4</td>
<td>JetBlue</td>
<td>$58</td>
</tr>
<tr>
<td>5</td>
<td>US Airways</td>
<td>$(205)</td>
</tr>
<tr>
<td>6</td>
<td>Continental</td>
<td>$(282)</td>
</tr>
<tr>
<td>7</td>
<td>United</td>
<td>$(651)</td>
</tr>
<tr>
<td>8</td>
<td>Delta *</td>
<td>$(1200)</td>
</tr>
<tr>
<td>9</td>
<td>American Airlines</td>
<td>$(1500)</td>
</tr>
</tbody>
</table>

Sources: Leocha (2010), MSNMoney (2012)

* Note: Delta Airlines acquired Northwest Airlines on October 30, 2008. For 2009 reporting purposes, Delta combined all financial information for the two brands. The loss reported by Delta, therefore, represents the combined loss of the Delta and Northwest brands. (See Delta News Release 2010.)

Spirit Advertising Campaigns

In conjunction with its low fare philosophy, Spirit had also decided to advertise primarily on its website. Ben Baldanza, CEO of Spirit Airlines, commented that “Spirit has cut its marketing and distribution expenses by more than 80% during the last three years by using edgy, viral marketing” (Stroller, 2009). Achieving high exposure rates with only minimal expenditures had allowed Spirit significant savings within its promotional budget. This highly efficient promotional approach supported Spirit’s ability to offer lower airfares than its competitors.

Responding to criticism of some of Spirit’s advertisements, Baldanza stated that Spirit's advertising "may be more colorful than some, but it isn't out of the norm when compared with many retailers' ads, Super Bowl commercials and the content of TV series.” Baldanza summed up Spirit’s web advertising philosophy by commenting, "We're a small airline, so we have to be a little different, a little avant-garde” (Stroller, 2009).

Since 2006 this philosophy had led to a history of advertisements peppered with double meanings and with sexual overtones. The following Spirit advertisements had each appeared on the company’s website since 2006:
2006
“Hunt for Hoffa” (a labor leader who had disappeared and was believed to have been murdered). This advertisement asked website visitors to ‘dig’ for Hoffa by clicking grids on the screen. “Winners” (those who had clicked the correct grid location) were thanked for finding the slain labor leader’s body.

2007
MILF. This campaign displayed the text ‘Many Islands, Low Fares’. Viewers immediately noted, however, that the letters MILF were arranged and accentuated as if they belonged together. “MILF” was also an acronym used in the controversial 1999 movie “American Pie” with a sexually explicit meaning. (See Appendix 3 for this promotion as it appeared on Spirit’s webpage.)

2008
“We’re having a threesome. Join us in the fun.” This promotion was an email campaign sent to the Spirit email list.

“We believe in off shore drilling.” This promotion displayed a woman from the waist down in a bikini with an oil rig in the background.

2009
Eye of the Tiger campaign promoted lower air fares and featured an SUV crashing into a fire hydrant with a tiger leaning out of the window. This ad appeared within a week after golf pro Tiger Woods had crashed his car into a fire hydrant. Tiger Woods’ crash had drawn significant media attention.

2010
Many Unbelievably Fantastic Fares. On the surface this campaign promoted diving destinations. This text, however, strategically placed the letters “MUFF” directly in front of the word “diving.” (See Appendix 4 for this promotion as it appeared on Spirit’s webpage.)

In June 2010, Spirit launched the “Check Out The Oil On Our Beaches” campaign. The advertisement featured a series of pictures, four of which included a bikini clad woman covered in suntan oil on a beach. Next to each woman was a green and yellow bottle of suntan oil with Best Protection 50 on the label such that the letters BP50 were accentuated. BP was also the name of the oil company that was operating the well at the time it had exploded. BP Oil’s colors were green and yellow. The number 50 appeared to reference the suntan oil’s sun protection factor (or spf), which is a measure of protection from the sun’s harmful rays that the oil provides to the skin. If a consumer clicked into the ad from Spirit’s website, however, he/she received a certificate to receive a $50 discount (a $25 discount each way) off of a variety of flights (Carmichael, 2010; Unger, 2010).
Spirit aired this promotion two months after a deadly oil rig explosion in the Gulf of Mexico that killed eleven people and created the largest accidental marine oil spill in history. At the time Spirit Airlines released its promotion, oil was gushing well over 50,000 barrels of oil per day into the Gulf of Mexico (Robertson and Krauss, 2010).

**The Deepwater Horizon Oil Spill**

A crew of one hundred and twenty-six people was aboard the oil rig known as the Deepwater Horizon on April 20, 2010 when a bubble of methane gas shot from an underwater well up the drill column and toward the rig’s platform (Batty, 2010). The ensuing explosion came without warning. Survivors of the blast had mere minutes to escape as the rig engulfed in flames (Wise, Latson, and Patel, 2010). Eleven people were never found and were presumed dead (Kaufman 2010). Seventeen others sustained serious injuries. The Deepwater Horizon, which offshore drilling contractor Transocean had rented to the British Petroleum (BP) oil company, sank on April 22 (Resnick-Ault and Klimasinska, 2010).

As flames raged above the ocean surface, oil poured into the water from below. The damaged underwater oil well began gushing huge levels of oil into the Gulf of Mexico immediately after the explosion, creating immense damage to the region’s ecosystem.

Oil continued to pour into the gulf for almost three months. As the oil spill destroyed untold plant and animal life, industries that relied on an ecological balance, such as fishing, shrimping, and even tourism, suffered dramatically. Miles of shoreline were damaged. The livelihood of thousands of Gulf Coast residents was devastated.

Multiple attempts to plug the leaking well failed before it was finally capped on July 15 (Boxall, 2010). The oil well was permanently cemented on September 19, 2010, never to be used again (Weber, 2010).

**Public Reaction to Spirit’s Promotion**

Reaction to Spirit’s web advertisement created a flurry of traffic on the internet, little of it positive. Below are some of the internet comments soon after the pictures were posted on the Spirit website.

Catharine Hamm, *Los Angeles Times* Travel editor stated (Hamm, 2010):

> We don’t call airfare sales to California “fire sales” during the wildfire season, do we? We didn’t call fare sales to the East Coast last winter a “blizzard of savings,” did we? We didn’t advertise a “flood of low fares” to New Orleans post-Katrina, did we? … You’re doing a heckuva job, Spirit. (p. 1)

Anne Banas, executive editor of travel Web site *SmarterTravel* provided the following opinion (Mayerowitz, 2010):
It's more shameful advertising from Spirit that comes on the heels of another questionable campaign regarding its own pilots' strike titled ‘Strikingly Low Fares’ with an image of a bowling ball knocking down pins. (p. 1)

In writing for the website *Talking Points Memo (TPM)*, Megan Carpentier stated (Carpentier, 2010):

> The campaign is, of course, as sexist as it is offensive to the residents of the Gulf Coast who are watching their livelihoods, wildlife and property values swallowed up in caustic and deadly crude oil as a result of the explosion aboard BP's Deepwater Horizon and the subsequent spill. So, what better time for a few puns about what BP really stands for and some women you can objectify! (p. 1)

Furthermore, Joshua Pramis, online associate editor for *Travel + Leisure*, provided this opinion (Pramis, 2010):

> We get it Spirit. You're the in-your-face type. You like [sic] push the limit. But do you really think this kind of marketing works? Sure, people are talking about you, but the only responses I've heard are of disgust, coupled with vows to never fly with you. (p. 1)

**The Issue**

The controversial nature of Spirit’s previous promotional campaigns had provided valuable exposure for the airline. Public response to this promotion, however, seemed more negative, more personal, than it had with previous promotions.

Facing harsh criticism, Misty Pinson, Spirit Airline spokesperson, had released a statement within hours of the promotion’s publication (Spirit Airlines Press Release, 2010):

> It is unfortunate that some have misunderstood our intention with today’s beach promotion. We are merely addressing the false perception that we have oil on our beaches, and we are encouraging customers to support Florida and our other beach destinations by continuing to travel to these vacation hot spots. (p. 1)

As public outcry continued to mount, however, the company faced decisions regarding the continued use of this promotional campaign as well as the continued approach of its future campaigns. If you were a consultant advising Spirit Airlines’ CEO, Ben Baldanza what you recommend regarding this promotional campaign as well as the strategy for future campaigns?
References


Wise, L. J. Latson, and P. Patel (2010, April 22). Rig blast survivor: 'We had like zero time.'
Houston Chronicle. Retrieved April 26, 2011 from
Appendix 1

Spirit Airline’s “Check Out the Oil on Our Beaches” Promotion
Appendix 2

Spirit Airlines Route Map
Appendix 3

Spirit Airline’s “Many Islands Low Fares” Promotion
Appendix 4

Spirit Airline’s “Many Unbelievable Fantastic Fares” Promotion