

Spirit Airlines: the Ultra Low-Cost Airline That Was Not Low-Cost

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Abstract

Spirit Airlines (SA) started in the mid 1990's as an ultra-low-cost airline and became a fixture in a group of discount carriers which included Southwest Airlines (the original discount leader), Jet Blue, and Frontier Airlines. Spirit Airlines focused on reducing costs to reduce prices. The strategy resulted in attracting loyal customers and the airline followed the lead of European discounters: Ryanair and EasyJet. Michael O'Leary had taken over a struggling Ryanair and implemented a low-cost business model for Ryanair. Currently Ryanair under O'Leary's ruthless implementation of low-cost was the global discount airline leader. Spirit Airlines after a fast start failed to consistently implement the ultra-low-cost model and on May 2, 2026, the U.S.'s seventh largest airline (Spirit Airlines) folded. The pandemic, prohibitive costs, two failed mergers, poor strategic choices, a staggering debt load, and the spikes in jet fuel signaled the end for Spirit Airlines.

Keywords: low cost, airline, strategic group, Ryanair, function level strategies

Low-Cost Model

Spirit Airlines started in the mid 1990's as a scheduled airline with a business model as a low-cost airline and steep discounter. Spirit Airlines joined the discount airline strategic group (Cool 1988). The plan was to disrupt the lower end of the market and open airline travel to the masses. The low-cost airline business model focused on lower costs and thus lower fares. To achieve lower costs, airlines flew to secondary airports, flew point to point, operated a single aircraft fleet with reduced operating cost, created short turnarounds thus increasing fleet utilization, and offered no services (Bailey and Garbunzo 2023).

Ryanair has become the largest and most profitable airline in Europe and the most profitable discount airline in the world. In 1988, Ryanair copied the low-cost business model. The new low-cost model coupled with European airline deregulation resulted in rapid expansion of Ryanair (Reid 2024).

Ryanair fully embraced the low-cost model in every detail but one. While Southwest Airlines focused on customer service as a building block, Ryanair ignored customer service. O'Leary believed that by ruthlessly focusing on low cost and the resulting low fares Ryanair provided the lowest cost and dependable on time service. In his view

spending money on customer service would raise costs (Bailey and Pande 2023). Ryanair was consistently voted the worst airline travel experience in Europe. Nevertheless, millions chose Ryanair, and it became Europe's largest and most profitable airline (Roberts and Griffith 2019).

The Spirit Airline low-cost approach produced profitable performance from the mid 1990's to 2019. The Spirit Airlines model expanded flying capacity, increased demand for flying and produced a business model copied by discount airlines worldwide.

Present

However, 2019 was the last year Spirit Airlines post a profit (Schwartz 2026). The pandemic, changes in consumer tastes post covid, strategic miss steps, high debt load, poor customer satisfaction, and increased competition resulted in losses and threatened the airlines long-term survival. was based on lower costs and lower fares. Decreased passenger volume and high operating costs resulted in drastic measures. Spirit Airlines cut routes and sold off planes. An attempted merger with Frontier was rejected by shareholders in favor of JetBlue (Seal 2026). A proed merger with JetBlue Airlines was rejected by the courts as being anti-competitive, creating consolidation in the discount market and higher prices for consumers (Seal 2026). Spirit Airlines in 2025 continued route reduction and airplane sales. However, the Iran war and subsequent spike in jet fuel costs was the final blow. After being rejected for a government bailout, the U.S.'s seventh largest airline (Spirit Airlines) ceased operations on May 2, 2026 (Schwartz 2026).

The closure resulted in the immediate evaporation of 5 million seats, and the opening up of a substantial number of airport gates and routes. A substantial supply of planes, experienced pilots, mechanics, and operations personnel entered the open market (Wichter 2026).

Being low cost was difficult when costs were not low. The price of oil, shortages of pilots and cabin crews, and air traffic controller shortages have contributed to these rising costs. Problems with engines and plane deliveries increased operating costs and slowed the introduction of fuel-efficient planes.

Spirit Airlines had become an ultra-discount carrier but with higher costs than the low fare carriers (JetBlue, Frontier, and Allegiant) and lower fares than the legacy carriers (American, Delta, and United).

What Went Wrong

Since 2016 Spirit Airlines had gradually followed strategies that increased costs but maintained low fares. Spirit Airlines failed to focus on efficiency, reliability, and process innovations (Prahalad 1999) (Reichheld 1990). Spirit Airline followed a strategy like Ryanair which unbundled prices, charged for any service, and ignored customer service. Like Ryanair, Spirit Airlines had a rock-bottom customer satisfaction rate (Isidore 2026) (Rollert 2015). The difference was that Ryanair had an exceptional reliability rating for on time arrivals, departures, and operations.

Spirit Airlines chose to compete head-to-head with the legacy carriers with lower-fare options. Flying the same route raised the costs for Spirit but with the idea capturing customers who would switch. The legacy carriers responded and sold their unsold seats at a bare bones fare, thus neutralizing Spirt Airlines strategy.

The result was lower revenue and higher costs. Spirit Airlines failed to recognize a post-pandemic change in consumer tastes (Schlappig 2026).

Passengers were willing to tolerate unbundled fares but paid a higher price for reliable service, a key piece missed by Spirit Airlines. Spirit ignored operations innovations that would lower operating costs. These included flying point to point, avoiding the costs of maintaining a hub, reducing operational inefficiency, avoiding direct route competition, and flying to secondary airports (Dinler 2018) (Schlappig 2026).

Spirit low fares and declining passenger volume reduced total revenues. Spirit secured extra revenue from credit card sales and ancillary revenues. But credit card sales with lower fares did not match the revenue earned by legacy carriers. Also, ancillary sales while growing did not match the volume generated by Ryanair and EasyJet (Schlappig 2026).

Outcomes

Faced with sluggish revenue growth, low fares and rising costs results in significant losses and increased borrowing.

Spirit Airlines two failed attempts to merge, the spike in jet fuel prices and the inability to secure a government bailout, resulted in the shuttering of an ultra-low-cost airline that could not produce low costs. Spirit Airlines failed to successfully maintain a low-cost model (Hill 1988).

Ryanair and Spirit airlines were the European and American versions of the discount airline. While they operated in different competitive and regulatory environments, none of these differences precluded comparison. Ryanair had consistently implemented the low-cost model to drive down costs and lower fares (Baldanza 2023). Spirit had gradually changed their low-cost model yielding higher costs and but maintained low fares (Bailey and Pande 2023). In a cost comparison Ryanair cost per seat mile was 7 cents and Spirit Airlines cost per seat mile was 11 cents (Schlappig 2026).

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