



LOW-COST LEADERSHIP

ENRIQUE BELTRANENA

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Panel judge

Mexican low-cost carrier Volaris is so serious about keeping costs in line that chief executive Enrique Beltranena jokingly refers to his chief financial officer’s internal cost meetings as the “inquisition committee”.

“He [CFO Fernando Suarez] sits down with every director and talks about the good, the bad and the ugly when it comes to their performance in terms of expenses,” Beltranena tells *Flight Airline Business*.

Beltranena, who has led Volaris since it launched a decade ago, credits this cost discipline as well as the airline’s innovations in revenue for its win in the low-cost leadership category.

A panel judge said: “Volaris has a huge focus on low costs, amazingly high aircraft utilisation and has grown very rapidly into being the second Mexican airline.”

Revenue at the carrier rose to Ps18.2 billion (\$963 million) in 2015, compared with Ps4.4 billion in 2008, according to Volaris financial statements. The airline now serves 65 destinations in Mexico, the USA and Central America. Catering to mostly visit-

ing friends and relatives traffic, the airline positions itself as the airline of choice for price-conscious travellers.

But even as its network has expanded, the carrier has been relentless in its focus on keeping costs in check. Thus the regular internal meetings led by Suarez, which Beltranena says are instrumental in keeping cost complexities low.

The airline’s focus has borne results: it has the lowest unit cost among its publicly traded Latin American peers. Unit cost excluding fuel stood at 4.9 cents in 2015, down almost 11% from 5.5 cents in 2008.

Beltranena says the success of Volaris’ cost performance lies in four pillars: economies of scale, a young and fuel-efficient fleet, a productive network and high aircraft utilisation.

The airline has completed a project to add more seats to its Airbus A320s, and also began operating larger-gauge A321s to drive down unit costs, points out Beltranena. The all-A320 family operator’s fleet has an average age of 4.6 years, giving the airline the youngest fleet in Mexico.

“It allows us to have a very efficient fleet and supports our low fuel burn goals,” says Beltranena.

Volaris works its fleet hard – it operates an average of 13.1 block hours a day with its aircraft in the high season, making its utilisation among the highest worldwide. “We can’t have an aircraft standing and doing nothing, simply based at an airport,” says Beltranena.

The airline’s fleet efficiency

will be boosted further when it receives its first A320neo in November. Beltranena expects a second aircraft a month later. “The neos will support our strategy in keeping costs low,” he says.

Volaris remains in a continuous pursuit to keep other non-fleet-related costs low, such as marketing and distribution expenses. The carrier has rolled out a better website that allows it to manage distribution costs instead of giving the work to travel agencies, says Beltranena.

Chief commercial officer Holger Blankenstein is tasked with expanding the airline’s revenue margin. The carrier has increasingly unbundled its fares to charge for a range of products and services. Beltranena has said the airline wants to be “much more aggressive” in how it sells ancillaries, and is studying more than 30 products.

In the next growth stage, Volaris is in the process of obtaining an air operator’s certificate in Costa Rica to launch a subsidiary there.

The airline is also continuing with its US expansion, and plans to add San Francisco to its network later this year.

Ghim-Lay Yeo



High utilisation is a key focus

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*Until 2008, the Low-cost Leadership and Regional Leadership awards were combined