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Southwest effect slashes Des Moines prices

Des Moines fares tumble, but experts say the airline's impact may be fading as it becomes more like others

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year later: The "Southwest Effect" in Des Moin...: Southwest Airlines came to Des Moines one year ago. Hear from Southwest flyers and learn how Southwest has reshaped Des Moines' flight options.

OPEN

Written by Marco Santana

Video: Showgirls welcome new flight to Des Moines

Don Smithey has no doubt why fares have fallen at the Des Moines airport during the past year. Since the arrival of Southwest Airlines last September, other carriers have adjusted prices and improved service to compete with the popular low-fare airline, the airport's director says.

The so-called Southwest effect has helped the airport reach record passenger numbers and buck a trend that has seen airfares increase across the country. A study by the U.S. Department of Transportation showed that Des Moines' airfare has dropped by 6.9 percent, the third-largest drop in the U.S., from the first quarter of 2012 to the first quarter of 2013.

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A Southwest Airlines plane is serviced at the gate Wednesday at the Des Moines International Airport. / Christopher Gannon/The Register

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“It is a direct result,” Smithey said. Business groups say “they have seen the fares come down and service improve. It’s not a virtual non-reality. It’s a real thing. It’s reflected in the 2012 numbers.” Southwest’s debut altered the market share game in Des Moines airport. US Airways 11%, Frontier and Allegiant 6%, AirTran (then owned by Southwest) 4%, Charters 1%.

For the second straight year, Southwest will introduce a new flight during the last week of September, and this time the airline will do so with some flair. An Elvis Presley impersonator and showgirls will help launch the service to Las Vegas today. **(Update: Video and photos)**

The addition means Southwest will now fly out of Des Moines three times daily, joining its twice-a-day Chicago service.

“Having served Des Moines for a year now, we couldn’t be happier with its performance,” said Michelle Agnew, Southwest spokeswoman.

While it’s showtime for the new service, a Massachusetts Institute of Technology study this spring showed that the Southwest effect has diminished as the airline battles with rising fuel costs, labor expenses and other costs usually associated with more-established airlines.

Southwest officials said their no-baggage-fee policy keeps them on the top of the heap.

Smithey said the industry phenomenon may be dwindling overall. But, he said, Southwest’s arrival last year continues to benefit Iowa’s largest commercial airport.

“It may or may not be true anymore, but here, it’s working very well,” he said. “With their fares, what you see is what you get.”

Despite MIT’s study, the numbers point to significant growth in Des Moines. The airport reached 2 million passengers for the first time ever in 2012 and is set to break that record this year.

The arrival of Southwest meant good news for consumers like Neil Gehred, whose life was made easier when the airline arrived on Sept. 30, 2012.

The Portland, Ore., resident and Southwest loyalist no longer drives four hours to Omaha’s airport after visiting his wife’s family farm in Dysart. Instead, the drive to Des Moines takes less than two hours. Call it Gehred’s very own “Southwest effect.”

“They are fun and they are relaxing,” Gehred said, explaining his preference for Southwest. “For someone who doesn’t particularly

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care to fly, they make it easy to get on a plane and get to your destination.”

Gehred’s story is something airport officials love to hear.

For years, Omaha and Kansas City’s airports siphoned passengers as the Des Moines airport built a reputation as an expensive airport. Ever since Southwest’s debut, however, competition has brought average airfares down.

“The market here is growing dramatically,” Smithey said. “The Des Moines market is maturing much as Omaha did 25 years ago, and people are taking advantage of it.”

While Des Moines enjoys the effects of Southwest’s service, industry analysts said the airline has started to operate more like legacy carriers United or Delta.

“They still do bring some fare discipline to a market,” airport analyst Sheri Ernico of California-based LeighFisher said. “It adds competition and causes other staffs to sharpen their pencil when it comes to pricing. But it hasn’t had as big of an impact.”

The MIT study released in August studied the effects of low-cost carriers on one-way domestic flight fares from 2007 to 2012.

In it, the so-called Southwest effect was singled out and found to be diminished — and that JetBlue had become the low-cost carrier with the largest effect on airfares.

The study’s author said he had been following Southwest’s fares a while before he embarked on the investigation. However, he admits the carrier continues to help consumers.

“I don’t want to say it has no effect,” said Mike Wittman, a graduate student who led the study along with professor Bill Swelbar.

“Having Southwest, having all things equal, will bring down fares. Its effect definitely has not gone away completely, but it has lessened.”

Wittman said Southwest’s flight path appears to be headed toward becoming more like the legacy airlines, although he said he doubted it would ever introduce baggage fees because of the publicity that policy generates.

Ernico, the analyst from LeighFisher, agreed but conceded that the days of Southwest’s dominance in the low-cost carrier market could be coming close to the end.

“They are getting closer to what legacy carriers are paying,” Ernico said. “But legacy companies have gone through the bankruptcy car wash. There isn’t that differential they can transfer into their fares anymore. All other costs are catching up at the same time.”

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