The Moscow Times
30 YEARS
INDEPENDENT NEWS FROM RUSSIA

Avianova Sees First Year as 'Revolution'

By Olga Razumovskaya

August 26, 2010

Low-cost airline Avianova said Thursday that it had created a "price revolution" on the Russian market in its first year of operations, though analysts and competitors said the startup was just revving its engines.

Avianova — owned by Alfa Group's A1 investment arm and U.S. private equity firm Indigo Partners — has grown quickly since starting last year as Russia's second discount airline, though executives hedged when asked about its financial success.

The airline sells tickets starting from 250 rubles, or about $8, before taxes and tariffs, and management says the goal is to charge nothing for tickets and draw revenue from travel-related "auxiliary" services.

"Success is a loud term, but let me tell you we have had concrete achievements this year," CEO Andrew Pyne told a news conference. He said it remained "confidential" whether the business had managed to break even.

Avianova has boosted its fleet to five Airbus A320s with 180 seats each, from an original two planes, and it now travels to 22 destinations in Russia, up from four when the carrier started.

The company hopes to have carried a total of 1.2 million passengers by the end of 2010, up from 900,000 to date, general director Vladimir Gorbunov said.

"We have created a price revolution," Gorbunov told reporters. "Our passengers are students ... young people sometimes flying for the first time ... those who have been cut off by most airlines but can use the Internet and can make their own travel plans."

Avianova had 605,777 passengers in the first seven months of 2010, with an average seat occupancy of 75.3 percent, according to the Federal Air Transportation Agency.

The company said it became Russia's fourth-largest domestic carrier in July. Eighty percent of all tickets are sold through the company's web site, and 37 percent go for the 250 ruble base price.

"Our unique business model has helped us achieve these results," Gorbunov said, brushing off a question about the country's first low-cost airline, Sky Express.

Avianova and "the company we would rather not mention" should not be used in the same sentence, he said.

Sky Express, which reported a profit of 2.1 billion rubles ($68 million) last year, disputed its smaller rival's claims.

"It is incorrect to claim you're revolutionizing the market when all you're really doing is following in the footsteps of the company that really brought the idea to the market," Sky Express spokesman Vitaly Korenyugin told The Moscow Times.

"[Avianova] refuses to comment on its business model but somehow allows itself to comment on the regularity of our flights," he said.

While Sky Express has managed to carve out a niche for itself since being founded in 2006, analysts said it could not yet serve as a point of comparison for Avianova's financial prospects.

"The first four to six months of a carrier's operations are spent on rollout — attracting passengers, filling up seats and so forth," said Oleg Panteleyev, editor of the Aviaport news portal. "But with low-cost carriers, there is even less time," he said.

Original url: https://www.themoscowtimes.com/2010/08/26/avianova-sees-first-year-as-revolution-a943