

Taking Flight on a Budget

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Marina Bukalova's office looks out on a peaceful country landscape of trees and blue skies rather than clogged streets of central Moscow. But once every 10 minutes, a deafening sound fills the building as planes land and take off at the neighboring Vnukovo Airport. A whole floor of this former Soviet-style hotel is taken up by 2-year-old Sky Express, the first Russian low-cost airline.

Bukalova was only 29 when she was offered the opportunity to develop Sky Express. "When I look back, sometimes it seems like a feat that I would not want to undertake again," she says. But back in 2006, when she was working for the airline alliance AiRUnion, she jumped at the chance to find out the answer to the question everyone in the industry was asking -- is it possible to create a Russian low-cost carrier?

Since its first flight took off in January 2007, the company has increased its fleet from two to nine Boeings and vaulted up the ranks to become the seventh-largest Russian airline in terms of passenger volume, according to the company's 2007 annual report. Bukalova says the results even exceeded the expectations of her team.

Before settling in Moscow, Bukalova lived in many different corners of the former Soviet Union. "I grew up in Baku and thought it was the best city in the country. It was an international mix of Azeris, Russians, Armenians and Jews, a uniquely kind city." When she became a student in the gloomy St.

Petersburg of 1994, Bukalova was shocked to see drunks in the streets and to pay separately after having lunch with a college friend. "In Baku, there was no notion of 'mine' and 'yours,' everyone just shared what they had," she remembers.

The good old days in sunny Baku ended for Bukalova's family when many employers started requiring Azeri language skills, and her parents relocated to the far northern city of Murmansk -- about as dramatic a change in climate as was possible in the former Soviet Union. Bukalova joined them there after earning her engineering degree at the St. Petersburg Institute of Civil Aviation.

"I chose to work for the small Murmansk Airlines rather than going to a big city because that way I could observe all the processes in the company," she says. Swerving off the beaten track seems to be Bukalova's tactic: In school, she wanted to study finance but decided in favor of a more obscure specialty because "finance is too broad."

Although there was no business component to her studies, Bukalova says she was able to catch up through internships and work experience. "I was 24 when I became commercial director of KrasAir, and that was unusual, but I was ready for it," she says with quiet confidence. "To be successful in something, you have to set a goal and then evaluate your resources, knowledge and energy. But even if you can't do that, I would follow Richard Brenson's advice: "Screw it, let's do it."

Although the Baku of her childhood memories no longer exists, she says she loves Moscow because it has the same cosmopolitan feel. "In the past, there was an unwelcoming atmosphere here. You were either a Muscovite, or you came to Moscow to try and get something from Muscovites. Now Muscovites have sort of receded to the sidelines, there are more people from other cities, and they try to help one another."

As if to prove that point, the Sky Express team is made up of people from all over Russia, as well as Ukraine and Kazakhstan. The number of employees tripled in the past year as the company expanded, but the increases were mostly due to the hiring of new pilots and airline crew. "Our office staff stayed about the same, the business model allows it, and it keeps the costs down," Bukalova says.

Some of the airline's critics say costs are not as low as they could be, though. Initially, Sky Express shocked people with one-way trips for 500 rubles. "Of course there was a promotional period," says Bukalova. "We don't have those prices anymore because they are unprofitable, but we still offer competitive prices in comparison with other airlines."

"Bukalova seems to be a person who grasps ideas quickly, evaluates them and makes a business plan out of them," says Oleg Panteleyev, head of Aviaport.ru analytical service. "Although Sky Express wasn't the company to invent all its innovations, it was the first company to follow many business ideas to their commercial implementation," he added.

Some of the company's inventive moves include making it possible for clients to pay for tickets at Yevroset mobile phone stores, as well as via payment cards. The tactic implies that flying is as easy as making a phone call -- quite an undertaking in a country where many people continue to opt for long train journeys rather than boarding a plane.