The Most Profitable U.S. Airline Is Allegiant Air

Allegiant Air is the most profitable U.S. airline, coming ahead of Delta Air Lines, Southwest Airlines and American Airlines, among other notable carriers. According to a recent publication in The Wall Street Journal the airline has made 18.5% profit before taxes on its $909 million revenue in the first quarter of 2013 financial year.

The only other U.S. airlines that have come closer to this profit margin are Spirit Airlines with a profit before tax of 13.4%, Alaska Airlines at 5.2% and Southwest Airlines at just 2.3%. The top gainers' list does not include the flourishing Delta Air Lines that made no profit and United Airlines that suffered a loss of 4.9%, probably because it is still under a technical bankruptcy protection.

How Allegiant Airlines Makes All That Profit

There is a number of reasons cited for the steady profits made by Allegiant Air in the 39 out of all 41 financial quarters it has been in service. The carrier has positioned itself as the major airline for small cities and towns across USA, a factor that has helped to cushion the airline during market shocks and turbulent economic times. For instance, the airline serves cities like Minot, Rockford, Casper, Toledo, Stockton and Bangor, cities that are served by very few carriers.

Allegiant Air dominates these markets and has competition in just 17 out of all the 203 routes where it is engaged. Besides, the airline offers lower airfares to people traveling to 14 warmer climate destinations, such as Tampa, Orlando, Las Vegas, Honolulu and Phoenix. In total, the airline has no competition in roughly 91.6% of the routes it serves, charges low attractive airfares and makes steady profits.

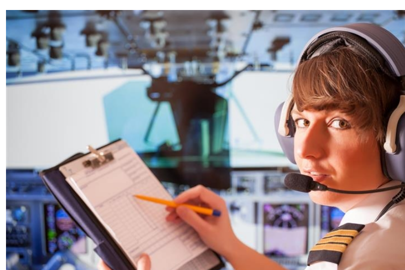
While Allegiant Air has previously discontinued air transport services in non-gainful routes, such as it did to its services at Oregon's Roberts Field-Redmond Airport last year, it is also never naïve to experiment with upcoming markets. Conversely, many other airlines do not carry out such experiments on small

town air transport markets. The so-called legacy airlines continuously close down their services to smaller destinations, reduce their market width and diminish their profit potentials.

Just think about the recent end to Memphis as a hub by Delta Air Lines and you will understand the continuously shrinking market phenomenon for legacy airlines. Through such a decision, Delta Air Lines has effectively discontinued flight services to smaller cities and towns that are served by the Memphis hub, such as Little Rock, Jackson in Mississippi and the regional airports of Northwest Arkansas. When such continuous shrinkage of the flight market combines with soaring fuel prices, consolidation of airlines and bankruptcies, the result is a diminished range of profits for the airlines.

Ancillary fees are another driver of Allegiant Airlines' profitability. Arguably, the airline is the most expensive in terms of ancillary fees, charging fees on almost everything, from overhead bin spaces to bags. The fees form a greater part of the airlines revenue and is the reason why the airlines does better financially than Spirit Airlines.

More gains also come from Allegiant Airlines' stocks, which have increased in value by more than 360% in only five years. The airlines have also not purchased any new aircrafts recently and have no major debts to service, except the massive quantities of fuel consumed by its older aircrafts. However, the fuel element is often taken care of by operating flights only in areas where there is sufficient demand to compensate for the used fuel. Apparently, United Airlines and Delta Air Lines have adopted similar revenue-based strategies in order to remain profitable; hence the increased fees and the introduction of new fees.



Should U.S. Airlines Go the Way of Allegiant Airlines?

In order to make more profits, airlines may decide to employ such strategies as employed by Allegiant Air, but that would be massively disastrous for the entire industry. Firstly, Spirit Airlines and Allegiant Air are known to be some of the poorest airlines at time and disaster management. For instance, more than 30% of all flights by Allegiant Air in 2012 were delayed.

What about the number of passengers who have been stranded after opting for the carrier? The March 2013, 72-hour long stranding in Honolulu is a good example of how badly the airline is able to act during misfortunes. The other notable stranding incident occurred to passengers who opted to use the carrier from Las Vegas to Peoria, only to be stranded at Rockford with no solution in sight, and only to be requested to return to Las Vegas for a fresh flight later on in the week or to get their own means out of

Rockford.

However, the business model and strategy used by Allegiant Air is uniquely tailored for financial success, the most fundamental objective of all businesses. This is why some airlines may soon copy such strategies in order to make greater financial gains. It is important, however, for airlines to prioritize customer convenience, punctuality and luggage security just as they value huge profits.

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