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## Premium Travel Drives Profits for US Airlines Amid Economy Slump

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As economic pressures weigh on budget-conscious travellers in 2025, US airlines are witnessing a stark divide in fortunes. Full-service carriers like Delta Air Lines, United Airlines, and American Airlines, which have poured investment into premium cabins, are reaping substantial financial rewards. Meanwhile, low-cost carriers such as JetBlue, Frontier, and Spirit are grappling with persistent losses as demand for economy seats falters.

Delta reported record-breaking second-quarter revenues, with premium ticket sales surging by 6 percent, even as main cabin revenues dipped by 4 percent. Similarly, United saw a 5.6 per cent year-on-year increase in premium revenue, which cushioned the impact of operational disruptions and weaker growth in other segments. According to Delta's latest financials, premium cabins now account for 43 percent of passenger revenue, a significant rise from 33 percent pre-pandemic. Industry analysts predict that by 2027, premium revenue could overtake main cabin earnings for these carriers.

American Airlines, once trailing its peers, is also capitalising on this trend. Its premium offerings, such as Flagship First and Flagship Business, have seen strong uptake, offsetting softer domestic economy demand. The carrier's expanding international network and improved financial discipline have caught the eye of institutional investors, bolstering its outlook for sustained growth.

In contrast, budget airlines are facing headwinds. JetBlue, Frontier, and Spirit have reported ongoing losses in the first half of 2025, driven by weak demand from price-sensitive passengers amid inflation and economic uncertainty. JetBlue has admitted that achieving breakeven margins this year is unlikely. To cope, these carriers are slashing fares and cutting flights to maintain occupancy, but the strategy is proving unsustainable.

In a bid to stay competitive, low-cost airlines are pivoting towards premium offerings. JetBlue is introducing first-class seating on domestic routes and developing upscale lounges, while Frontier is retrofitting aircraft with business-class-style seats. Spirit is attempting a rebrand, expanding its enhanced economy options to appeal to a more affluent market. However, these efforts face challenges, as Delta and United continue to dominate the premium segment.

The rapid expansion of premium seating, up 14 percent since 2019, compared to just 4 percent growth in economy-class capacity, raises concerns about oversaturation. As more airlines chase high-end travellers, the market could become crowded, potentially diluting profitability. To stay ahead, Delta and United are exploring further segmentation within their premium offerings. This includes introducing tiered fare classes for business travellers, such as stripped-down products with fewer perks like lounge access or mileage bonuses, aimed at price-conscious premium passengers.

This focus on premium travel reflects a wider industry trend to target affluent customers who prioritise comfort and experience, even in uncertain economic times. In a recent

interview with *Aviation Week*, Delta's CEO, Ed Bastian, said, "Our premium strategy is about delivering value to customers who see travel as an investment in experience." American Airlines is also leveraging its extensive international network, spanning over 340 destinations, to capture long-haul premium demand. The carrier has reduced debt, improved free cash flow, and strengthened earnings through operational efficiencies.

Co-branded credit card partnerships are another key driver, providing a steady revenue stream through loyalty programmes. These initiatives help airlines retain passengers and create upselling opportunities, even in a volatile market.

As the airline industry navigates a post-pandemic landscape, the gap between full-service and low-cost carriers is widening. Premium travel offers revenue stability and brand differentiation, allowing Delta, United, and American to pull ahead. Meanwhile, budget airlines are scrambling to adapt, but their pivot to premium may not be enough to close the gap. With economic challenges persisting, the success of premium cabins underscores a fundamental shift in air travel—one where luxury and profitability go hand in hand.