**Capstone Project: Delta Airlines**

**Chapter 1**

**Section I: Introduction to the Organization**

In 1924 Collet Everman Woolman, a pilot and agricultural scientist together with a partner, created Huff Daland Dusters, the first crop dusting service. In 1928 Woolman decided to separate from Huff Daland Dusters and established Delta Air Service to continue the crop-dusting service. The company began to expand by obtaining air mail agreements, which led the company to launch passenger services in 1929 between Dallas and Jackson, Mississippi. Soon after it added routes in Atlanta, Georgia and Charleston, South Carolina. In 1930 the U.S government granted the airline an airmail contract that helped the company stay in business during a short but costly interruption in the airmail contract system in 1934. During World War II through a contract between the company and the War Department Delta committed itself to transport troops and supplies and In 1945 Delta resumed its civilian services and joined an era of expansion and competition that was new for the airline industry. After the death of Delta’s founder, Woolman, in 1967 Delta merged with Delaware Airlines and officially became Delta Air Lines Inc (Gay, 2019).

In the 1990s the company implemented an innovative business strategy in order to stay competitive in the airline industry. As a result, in 2000 Delta reached a net income of over $1 billion and held a record 117 million passengers. Moving into the new century, Delta had expanded its route network to operate in 221 cities in 48 states, and an extra 118 cities in 47 overseas countries becoming one of the of the major and most successful airlines in the United States (Gay, 2019).

Today Delta Air Lines headquarter is in Atlanta, Georgia and Its other major centers are located in Minneapolis-St. Paul, Detroit, and Salt Lake City, Utah. For Delta Air Lines, international travel, and business trips, are the two more profitable sources of revenues. Even though Delta competes with United Airline Holdings and American Airline Groups for international and domestic travel business, for over a decade the airline has been very profitable every year. In 2019 before the COVID-19 pandemic the airline offered over 5,000 daily departures and more than 15,000 joined departures and served approximately 200 million passengers, whereas United Airline Holdings reported serving nearly 163 million passengers and American Airline Group served about 215 million passengers (Koenig, 2021).

Before the pandemic Delta portrayed itself as the world's leading airline by profits and as the business's most lucrative carrier. It reported pre-tax income of over $5 billion in the five years through 2019. However due to the global Covid-19 pandemic the company experienced a quarterly loss of $755 and $12.4 billion in losses for all of 2020 (Gale Group, 2021).

**Section II: Statement of the Problem**

Before the Covid-19 outbreak in early 2020, which resulted in shutdowns worldwide, Delta was the leading airline in the industry with $47 billion dollars in revenue which was an increase of $3 billion dollars from the previous year (Delta, 2020). However, the pandemic was not something anyone could predict, especially the worldwide shutdowns that would ensue. As a result, Delta found themselves hemorrhaging profits with a 93 percent drop in customers and a pre-tax loss of 2.9 billion dollars from the months January 2020-June 2020, resulting in the need to file for specialized loans that would help keep them afloat until a solution to the situation was figured out. After years of continual growth and expansion of travel, Delta couldn’t foresee that their industry could all of a sudden become irrelevant, with more than 80 million people infected resulting in 1.7 million deaths during the year. Delta was now at the mercy of the medical field developing a solution. Delta needs to figure out a way to overcome the adversity of travel restrictions worldwide, major financial losses, and implement new safety measures for their passengers to get them back into the skies.

**Section III: Research Question**

With travel being at an all time high before Covid-19, how will Delta overcome the financial hardship as well as the safety for travel concerns to get the company back to their success?

**Section IV: Hypothesis**

Given the reputation Delta has created, they will be able to recover from COVID-19 financial deficits and implement the proper improvements needed in order to gain back the trust of its most frequent flyers and daily travelers alike.

**Section V: Research Significance**

This research project is important because it will give an in-depth view of how COVID-19 has had a powerful impact on Delta Air Lines with many unknowns, and provide some insight into how the airline can overcome these downfalls to get back to their normal operating level and create an even safer environment for a better tomorrow.

This will also highlight some of their weaknesses such as planning and development prior, that have possibly created an greater overall effect to the COVID-19. This research project will shed light on how the weaknesses covered can be improved upon to improve business practices overall, as well as the safety and health for their travelers. By having an understanding of the antecedent, and the corrections made, this will allow a new norm and provide a guide for a more successful operation while preparing them for any future threats.

**Section VI: Purpose**

The purpose of conducting this research will afford Delta the opportunity to strengthen their weaknesses and turn them into new found strengths. Delta Airlines' purpose is to better people's standards of living. Their mission statement is “We- Delta’s employees, customers, and community partners together form a force for positive local and global change, dedicated to bettering standards of living and the environment where we and our customers live and work” (Team,2021). Delta’s mission statement shows that no matter what is thrown at them, they are going to power through, and Delta is doing just that. After suffering a $1.2 billion dollar loss, Delta's CEO, Ed Bastian says now their ticket sales have been stronger than ever (A $1.2 Billion, 2021). This research shows that through something as devastating as a global pandemic, Delta will be able to recover from this life changing event. Airline operations are one small step for the world getting back to normal.

**Section VII: Data Collection/Research Methods**

Information on Delta airlines will be through different platforms. Such platforms that will be used in obtaining information will be business articles, business journals, and financial records. Using business articles and financials will allow us to see what is really happening within Delta’s business. This will help us better grasp and understand how their business is doing based upon their business methods and strategies. This will also help us obtain numbers and information for the periods of pre-pandemic, highest spikes during the pandemic, and the pandemic currently. Once the data is collected, we will be able to see if our hypothesis is accurate.

**Section VIII: Chapter Summary**

The challenge of Covid-19 has greatly affected businesses like Delta Airlines. The challenge of Covid-19 has greatly affected businesses like Delta Airlines. The company faces the challenge of whether the safety measures and overcoming financial hardship will enable it to become successful like before the pandemic. Given the company’s reputation, it will recover from COVID-19 financial deficits. This research is vital because it will provide insights into how the company will overcome its downfalls. It will turn their weaknesses into strengths, for instance, the rise of ticket sales in 2021 (KOENIG, 2021). Data for the research will be obtained from business articles and journals that provide information on the company’s progress.

**Chapter 2**

**Section I: Literature Search**

*Research on Strategic Vision Failures*

The research article “*Airlines got travelers comfortable about flying again once before – but 9/11 and a virus are a lot different”,* by Janet Benarek, it suggests that this is not the only time traveling passengers had concerns with flying again, and that a lot of it can be alleviated by the vision of the airline and it’s circumstance as well as the proactiveness in which the airline takes to regain the confidence in their passengers. Delta Air Lines’ current problem is that with the pandemic, filling seats on their aircraft has become increasingly difficult due the effects of COVID-19 all while the payroll for tens of thousands of employees as well as operating expenses remain at a constant. However, there were a few world health crises that could have taken a significant hit on airlines alike. Most recently, MERS, which made appearances in 2005 and most recently, 2015. MERS, was considered a threat to the airline industry and was mostly contained in the Middle East’s Arabian Peninsula (Benarek, 2020). Delta could not have foreseen COVID-19, but they could have and should have taken more notice of how MERS was dealt with by Middle Eastern airlines. A most recent event of MERS having an effect on an airline, is that of Korean Air and Asiana Airlines, which resulted in numerous cancelled flights as well as many who feared flying as the disease could spread quickly and easily. By re-visiting MERS outbreak periodically, this could have helped Delta be more diligent if another pandemic including the current one were to happen again.

*Research on Strategic Planning*

As with this current pandemic and pandemics of the past, it should teach us that history repeats itself. It’s not a matter of if, but when. Jon L. Jordan M.D, an FAA Air Surgeon, completed *“Efforts to Prevent Pandemics by Air Travel”,* a government research study on air bacteria in an airplane further details how airborne pathogens along with a virus can lead to a quicker spread. With Delta being one of leading U.S Carriers, it can set the tone by gaining a broader understanding on how diseases can start and how they can rapidly spread through cabin air filtration systems which contain other airborne bacteria. In 2001, the National Research Council (NRC), had administered a congressional directed study of cabin air quality. According to Jon L. Jordan, M.D., J.D., a Federal Air Surgeon, the study conducted had resulted in there being many contaminants and allergens throughout which when mixed in with any person who may be infected with a disease, whether showing signs or not, it can only speed up the spread and contamination onto others. It is important to note that along with it being a small enclosed space with people, the air is only recycled every few minutes in the cabin, whereas the air is recycled every sixty seconds for the pilots on the flight deck.

*Research on Innovativeness and Dynamism*

Getting people back to the skies can be a current safety measure as well as a continuous safety measure taken by airlines going further. The research article titled *“Innovative Ways Airports and Airlines Are Handling COVID-19 Pandemic”* Sheds light on to some ways airlines and airports alike can make a comeback and those passengers back to normal operating levels. Since March of 2020, we have seen airlines provide quick and easy solutions to meet the pandemic such as blocking out the middle row seats, making sure masks are worn at all times during the flight by employees and passengers and even putting up protective plexiglass shields in certain areas of the plane. This is helping, but this is going to be a while before it ever goes back to how flying used to be. Even if we pass this pandemic, will things completely go back to the way they were? This is where innovation comes in to play for the here and now and to the days ahead. Some innovative procedures already in use are those of United Airlines, where they clean the cabin as they normally would, but now apply an antimicrobial coating to each seat, tray tables, armrests, overhead bins, and lavatories (Clarke, 2020). This innovative method put into action by United is one that helps protect against COVID-19 now, and well into the future. Denver International Airport, home to United Airlines, also has been hard at work innovating safer practices. While passing through security at Denver Int., you can reserve a spot 15 within fifteen minute intervals (Clarke, 2020). In turn, this helps to keep the buildup of multiple people down as only a certain amount of people will be there to pass through each time.

**Section II: Comparative Company Analysis**

International travel almost stopped completely in 2020 after local and international governments took steps to manage and control the spreading of coronavirus. The International Air Transportation Association (IATA) stated that international traveler traffic as calculated in revenue passenger kilometers dropped by 65.9% compared to 2019, while international passenger demand fell 75.6% and local demand dropped 48.8% compared to 2019 (IATA, 2021). Much like Delta, their competitors United, Southwest and American Airlines all were experiencing similar problems with their travelers’ numbers, the government lockdowns nationwide made it difficult for people to travel whether it was stateside or international. Many countries like the United Kingdom, Brazil, China, and South Africa all shut down travel from the United States to try to stop the spread of Covid-19, as a result, the airline industry was suffering to find ways to get people to travel.

According to Josephs (2020) United Airlines lost $7.1 billion in 2020 due to the decrease in travel demand. In July 2020, the company announced that even though aggressive steps were being taken, such as retiring planes early and stopping most of their routes to reduce cost and increase capital, the company was still losing almost $40 million a day. The pandemic forced United Airlines to lay off about 36000 domestic employees to keep the company afloat. The company reported a revenue drop of 69% in the fourth quarter compared to 2019 and it forecast a reduction between 65% and 70% in the first quarter of 2021. The airline went from providing service to 163 million passengers in 2019 to only servicing 58 million, which is only a 35 percent of their previous year (Neugarten, 2021).

American Airlines Group Inc. announced losing $8.9 billion in 2020 due to local and international travel restrictions caused by the pandemic. In addition, despite the money received by government programs, such as Coronavirus Aid, Relief, and Economic Security (CARES) Act, American airlines was forced to layoff about 25,000 employees to reduce cost. American Airlines reported that its revenue was down 64% for 2020. American Airlines provided 215 million passengers service in 2019 but saw a decrease of 44 percent to 95 million passengers, unlike Southwest they were able to still run their smaller Boeing 737 planes without taking as big of a loss due to their smaller nature (Arnold, 2021).

Southwest was impacted the worst out of the competition due to their travel being strictly stateside and using solely the Boeing 787 which is built mainly for high occupancy flights. The company served 163 million passengers in 2020 but saw a 41 percent decrease to 68 million passengers. Since the pandemic began Southwest Airlines has lost billions of dollars in revenues. Southwest reported a loss of 3.5 billion in 2020. The company’s revenue for the year dropped $13.4 billion. To help compensate for that revenue loss, Southwest announced that more than 6,800 employees may lose their jobs to save on labor cost (Neugarten, 2021).

These decreased numbers made all airline companies adapt to their limited capacity; this caused the airline industry to shift their focus from business travelers to leisure travelers. While business travelers made up the majority of the customers that number fell to only 30 percent of what it was, the airlines switched their plane itineraries to meet the demands of the leisure travelers which saw an increase in travel to beaches and mountains. The switch in flight locations boosted Denver to the number one airport in the country beating out Los Angeles for the first time; other locations that saw a spike in travelers were Florida, Utah and Nevada (Josephs, 2020). Changing flight locations were not the only thing airlines did to attract customers in a desperate situation, United, Southwest and American Airlines all waived their ticket fees making booking easier while enabling people to cancel plans without having to pay. Finally, all airlines either increased their free baggage limit or waived baggage claims all together to reduce the price even further. Their ideas to improve travel didn’t stop financially but also aimed to make customers feel safe; masks were implemented for every flight full time, cabin air filters were upgraded to filter out smaller particles and social distance spacing with seating occurred.

**Chapter 3**

**Labor relation Issues**

The merger of Northwest Airlines and Delta airlines in 2010 was a challenge for Delta. Delta is only a partly unionized airline. Its pilots and dispatchers are unionized, but most of the workers, such as flight attendants and baggage handlers, are not, which makes the airline unique in the industry. On the other hand, all Northwest's non management staff is unionized (Kumar, 2008). Since before the merger the Association of Flight Attendants (AFA) has been unsuccessful on three different occasions to unionize at Delta. Profit sharing vs Pay raises and policy changes in favor of non-unionized employees have been Delta’s strategies to keep its non-unionized employees happy. (Roberts, 2017).

The cancelation of thousands of flights, fear of layoffs and flight attendants required to work during the pandemic created concern with non- unionized employees for labor protections. In November of 2019, once again AFA tried to unionize Delta flight attendants, but it failed because Delta made changes to benefit flight attendants, such as extending break time between flights and changing the polyester-blend uniforms that they dislike wearing. However, many flight attendants expressed that in 2010 before the union vote Delta also made changes, which were reverted back as soon as the union threat disappeared. There have also been allegations of delta using illegal coercion tactics to dissuade workers from creating a union during the pandemic (Yamanouchi, 2019).

In 2019 during AFA’s attendance to unionized Delta airline’s ramp workers and flight attendants, accusations from staff were all over social media blaming Delta of placing posters in break rooms encouraging employers to spend their money on beers instead of on union fees. As a result, the International Association of Machinists and Aerospace Workers (IAM) filed a complaint against Delta with the National Mediation Board, arguing that delta managers were using intimidation strategies, such as illegally punishing union supporters, to interfere with the union election. Delta’s leaders explained that those actions were not illegal, and that the company’s goal was to inform its employees about the disadvantages of unions. Delta’s leaders refer to their employees as Delta family and want to be recognized as a company that cares about its employees, however after this issue employees are afraid that Delta has been resistant to unions for its own benefit, and it does not respect employee’s right to organize (Yamanouchi, 2019).

**Mission and Goals**

According to Gay (2021) Delta’s mission statement is “We—Delta’s employees, customers, and community partners together form a force for positive local and global change, dedicated to bettering standards of living and the environment where we and our customers live and work.”. Delta believes that its employees are as important as its customers, the company understands that to deliver exceptional service, connect people, and to maintain its people centric culture it must show its staff how important they are for the success of the business. Since Delta serves people from all over the world it feels responsible and passionate about making people’s lives better as well as taking protective measures to improve the environment conditions. Since 2016 the company have been investing 1% of net profit in charitable causes globally, it also helps with environmental sustainability by reducing emission and implementing ways in which employees and customers can help with recycling waste (Gay, 2021).

Delta Air Lines set goals every year that are linked to its core values, employees, and customers. Every year Delta establishes ambitious goals and works hard to achieve them. Delta’s long-term goals are to become recognized worldwide by extending its services to every corner of the world and to be the most reliable airline globally. This year the company understands that due to the pandemic it needs to be quick and ready to adjust to any unpredictable changes to achieve planned goals. This year Delta’s goals are keeping employees, customers and the community safe by continuing to take the steps necessary to prevent the spread of Covid-19. The company is also focusing on finding ways to rebuild its network this year as well as working on becoming a carbon-neutral airline and becoming a racially and unbiased company (Gay, 2021).

**Functional Strategies**

**Quality**

In 2018 and 2019 respectively, Delta had just edged out JetBlue for the number one spot when it comes to the annual Airline Quality Rating Report, which has been held previously for multiple years by Alaska Airlines (Weinberg, 2019). The Airline Quality Rating Report measures four objective criteria for each airline which are on-time performance, mishandled baggage rate, amount of passengers bumped from oversold flights, and the frequency of complaints made to the USDOT. Before 2017, Delta admitted that they had their work cut out for them as they were just under the industry average, but they made it their top priority to take over the number spot and that is just what they did. Over the next few years, they improved things such as cancellations due to maintenance issues and baggage mishandling, but with the current pandemic, it will be all about providing the same quality that the Delta customers are accustomed to, as well as delivering an even higher standard of quality that meets the demand of the customer and safety of the customer.

**Innovations**

Airlines have always had an issue of lost baggage. With the amount of travelers pre-pandemic, it is bound to happen and you just hope it’s not your bags that add to the statistic. Fast forward to March of 2020, and its Pandemic we all come to know very well. If the bag is on the wrong plane and makes its way to the wrong destination, it will take many people to come in contact with that bag to get it back to the original destination and its owner. Delta had come up with an innovative way of preventing this from happening. Delta invested $50 million in an RFID luggage tag system which can be found in 344 airports around the world in which Delta services (Baggage, 2016). If your bag were being loaded and it was going onto the wrong plane, the loading belt will light up red when your bag is placed on it, thus preventing your luggage from being loaded and now can be removed and transferred to the correct plane. With the pandemic, this actually has even more of a benefit, as the bag has less chance of getting misplaced, it means less hands touching the bag adding the safety factor to this creative innovation.

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