

Research Paper on Delta Airlines

Mahendra Kumar Singh

Student ID- 13538

Beulah Heights University

In partial fulfillment of the requirements for the course

MBA 671 Corporate Finance – Online Course

Company and its Environment , Products/Service Offerings and Competitors

Delta Airlines, based in Atlanta, GA, is one of the oldest aviation companies in the United States, also referred to as a legacy carrier. Throughout this research paper, I will identify company and their products offerings and competitors, I'll address related current environment company profile, along with financial performance.

Delta has humble beginnings as a crop-dusting company known as the Huff Daland Dusters in Macon, GA. In 1924 the Huff-Daland Dusters was the largest privately-owned fleet of 31 aircraft. In 1927 Huff-Daland started its first international mail and passenger services with routes to the west coast of South America. During this period, the company was renamed Delta Air Service in recognition of the Mississippi Delta region it served. In the 1940s, Delta settled its headquarters in Atlanta, where it began offering coach class flights between Chicago and Miami and created the hub-and-spoke system. The hub and spoke system had passengers taken to the hub airport, in this case, Atlanta, and they are then transferred to their final destinations.

Today Delta has nine hubs; with Atlanta being its most significant, the airline offers flights to 323 destinations around the world in 57 countries and operates a fleet of 912 aircraft. Delta operates the largest Boeing 717, Boeing 757, Boeing 767, McDonnell Douglas MD-88, and McDonnell Douglas MD-90 fleets in the world, and the largest Airbus A330 fleet of any US airline (Delta, n.d.). Delta is the founder of the SkyTeam global alliance; together with its partners, Delta offers passengers 15,000 daily flights to major hubs and markets Amsterdam, Atlanta, Boston, Detroit, Los Angeles, Minneapolis/St. Paul, New York-JFK and LaGuardia, London Heathrow, Paris-Charles de Gaulle, Salt Lake City, Seattle, and Tokyo-Narita (Wilson, 2019). Through the SkyTeam Alliance, Delta has code-sharing agreements with airlines around the world, such as Aeromexico, Hawaiian Airlines, Kenya Airways, KLM, Korean Air, Virgin Australia, and China Airlines to name a few. Through its innovative alliances, Delta has brought more choices and competition to customers worldwide. The most recent threat to Delta is competition between established airlines. Other airlines are offering a different strategy to customers. Delta offers reliability and caters heavily to the business world. Many other airlines are doing a low cost strategy to try and gain more of the customer market share. Airlines such as Southwest Airlines offer passengers low ticket prices and no additional baggage fees. This takes many of the vacationers and families traveling because price is the largest factor to this market

Capacity – Reducing planned capacity by at least 15% and prepared to do more

Expenses - related and incremental cost reductions of \$1.8 billion in 2020, and approximately \$2 billion of fuel price benefit at current prices

Balance Sheet and Cash Flow – Incremental cash flow and liquidity initiatives of over \$3 billion .Delta maintains a strong financial position with investment grade balance sheet and ample liquidity .

Prioritizing free cash flow, investment-grade balance sheet and a minimum of \$5 billion in liquidity for full year 2020

Delta operates more aircraft than any airline out of two of the five most congested airspaces in the country, Atlanta and New York City. This is all due to the partnership and collaborative relationship Delta has developed with the federal agencies that control US airspace.

Delta Airlines is, without a doubt, one of the most significant airlines in American history. The company has faced many issues, as I stated throughout this research paper. Delta claimed they are using subsidies to expand internationally and exploit access to the U.S. markets.

Current Stock Price and Financial Performance

STOCK QUOTE: NYSE: DAL

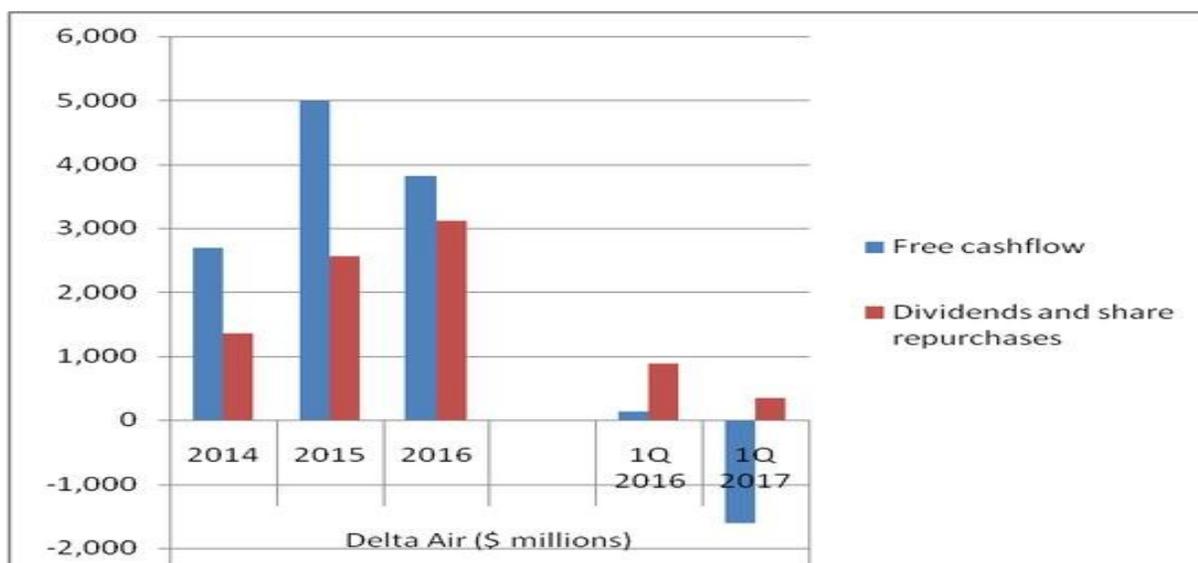
DAY'S OPEN - \$24.95

INTRADAY HIGH - \$25.40

INTRADAY LOW - \$23.72

VOLUME - 45,146,130

CLOSING PRICE - \$24.12



Corporate Supply Chain

The first strategy that Delta has implemented in order to improve their supply chain costs has not been executed by any other airline company. Delta has decided to buy an oil refinery in located in Philadelphia to offset the risk against higher jet fuel costs. Fuel is the largest expense for Delta and makes up 40% of their operating costs (Mayerowitz, 2014). Therefore, you can see why there is significant amount of thought and innovation in trying to lower this percentage. Fuel prices are in constant fluctuation and by gaining more control over these prices will allow Delta the opportunity to increase their operating income. Since then Delta has seen positive gains from this oil refinery purchase. “The refinery has turned a profit for the first time in the third quarter, bringing in \$3 million” (Giammona, 2014). The price Delta paid for a gallon of jet fuel dropped 5.4 percent to \$2.97 during the quarter.

Along with their recent purchase to control oil costs, Delta has expanded their opportunities to diversify their business partners. They intend to reach to small minority and women owned businesses to help strengthen their diversity culture within their supply chain. The company believes this unique strategy will help Delta increase their supplier performance as well as show their support in giving back to the community. This supplier strategy will help small minority companies in the community grow as Delta plans to build a strong relationship and mentor these companies in effort to help grow their business in the future.

With all the unique strategic thinking that shown within their supply chain, Delta has also provided many additional logistics services to expand their diversification in the industry.

The company is not only an airline company that transports passengers between destinations, but also provides airfreight and a shuttle services.

Delta provides air transportation domestically and internationally for freight and passengers. The company serves 321 destinations in 58 countries from its four hubs located in Georgia, Ohio, New York and Utah. Delta also offers flights to 36 trans-Atlantic destinations and provides more than 500 weekly flights to 63 destinations in Latin America and the Caribbean. (Plunkett’s, 2014).

Delta has also catered their logistic services around their business travel passengers. By doing so, delta has created a shuttle service called the Delta Shuttle. This shuttle service provides nonstop hourly transport between Chicago, New York, Boston, and Washington D.C. Recently, Delta has expanded on this shuttle concept on the West Coast to provide shuttles from Los Angeles to San

Francisco. This service can be very convenient for business individuals as it allows for passengers to receive expedited security check-ins as well as Wi-Fi service during flight. Most importantly, this service can provide these passengers the opportunity to travel for meeting or events and still be able to return home due to the hourly departure times.

It is clear that Delta is striving to improve their supply chain whether it is directed toward diversifying their supplier relations or fulfilling their customer's needs. Delta is constantly thinking of unique ways to reduce costs while providing efficient travel around the globe.

Even though Delta has reached out to enter the fuel market, fuel prices are a large threat to their logistic activities. The price of fuel rapidly changes and can increase drastically which would therefore increase the cost of tickets to their customers. One large threat to Delta is nature. This is a factor that cannot be well predicted or planned for in much advance. Winter storms shut down airports for hours and sometimes even days. This may damage the view people have on Delta and also throws off all of the forecasting and planning done in advance. Winter storms are not the only thing nature throws at Delta. They must be aware and prepare plans for hurricanes, lightning storms, tornados, and wind storms.

Corporate Governance

Delta's Board of Directors believes that sound corporate governance practices provide an important framework to assist the Board in fulfilling its responsibilities. These Corporate Governance Principles have been approved by the Board. They will be reviewed annually or more often if deemed necessary or appropriate. The business of Delta is managed under the direction and oversight of the Board, which is elected by the stockholders. The Delta Board represents the stockholders' interest in optimizing long-term financial returns. The Board also considers, as appropriate, the concerns of other stakeholders and interested parties, including employees, customers, suppliers, government officials and the public at large. Directors counsel management and monitor performance and adherence to corporate standards. Delta's business is conducted by its employees, managers and officers under the direction of the chief executive officer.

The Board of Directors holds regular meetings at least four times a year, schedules special meetings when required, and regularly meets in executive session without management. The Board and its committees also meet informally from time to time.

The Board believes sound corporate governance practices provide an important framework in assisting the Board to discharge its responsibilities. Accordingly, the Board has adopted corporate governance principles relating to its functions, structure, and operations.

Edward H. Bastian - CEO

Glen Hauenstein,- President

Steve Sear, President – International & E.V.P. – Global Sales

Gil West - S.E.V.P. and Chief Operating Officer

Paul Jacobson, E.V.P. and Chief Financial Officer

Joanne Smith, E.V.P. and Chief People Officer

Rahul Samant, E.V.P. and Chief Information Officer

Peter Carter, E.V.P. and Chief Legal Officer & Corporate Secretary

Tim Mapes, S.V.P. and Chief Marketing & Communications Officer

Gary Chase, S.V.P. and Chief Strategy Officer

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