



10-8-2024

## Delta Airlines Company Analysis

Brendan Aug  
brendan.aug@und.edu

[How does access to this work benefit you? Let us know!](#)

Follow this and additional works at: <https://commons.und.edu/avi-stu>



Part of the [Aviation Commons](#)

---

### Recommended Citation

Brendan Aug. "Delta Airlines Company Analysis" (2024). *Aviation Student Publications*. 2.  
<https://commons.und.edu/avi-stu/2>

This Article is brought to you for free and open access by the Department of Aviation at UND Scholarly Commons. It has been accepted for inclusion in Aviation Student Publications by an authorized administrator of UND Scholarly Commons. For more information, please contact [und.common@library.und.edu](mailto:und.common@library.und.edu).

## **Delta Airlines Company Analysis**

Brendan Aug

University of North Dakota

MGMT 475: Strategic Management

December 3, 2021

This work is licensed under Creative Commons Attribution 4.0 International. To view a copy of this license, visit <https://creativecommons.org/licenses/by/4.0/>

## **Airline Industry**

### **History**

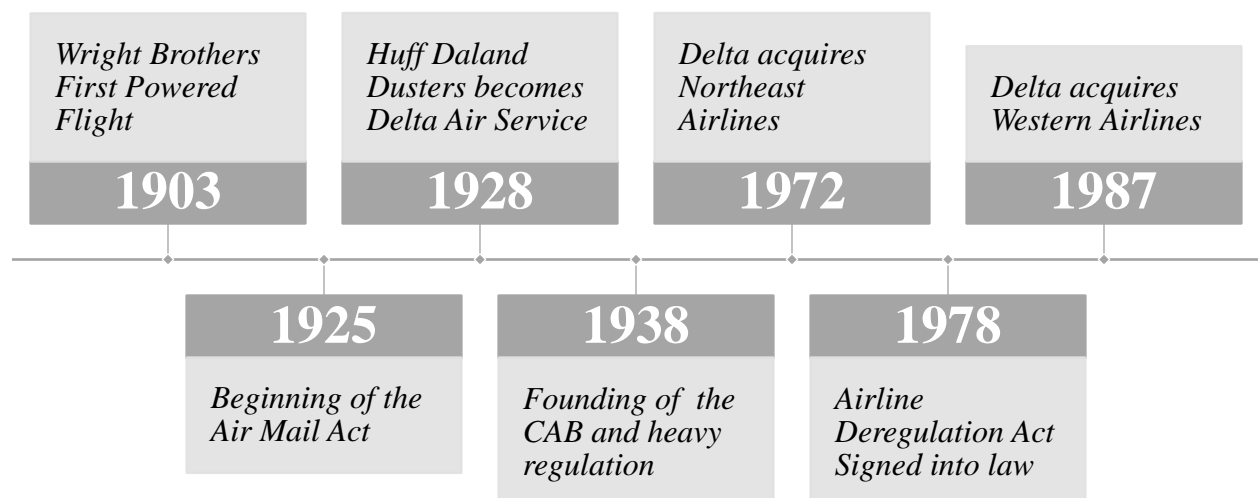
As early as the 1800's humankind looked up to the sky in the hopes of flying among the birds. In 1903 the Wright Brothers proved that that was possible with the first powered flight. Innovation took off and the foundation for the airline industry began. Just 22 years later the Air Mail Act was passed opening the doors for companies like Pan American, Western Air Express, Ford Transport Service, and Huff Daland Dusters, the company that would become Delta Air Lines, to begin. (NPS).

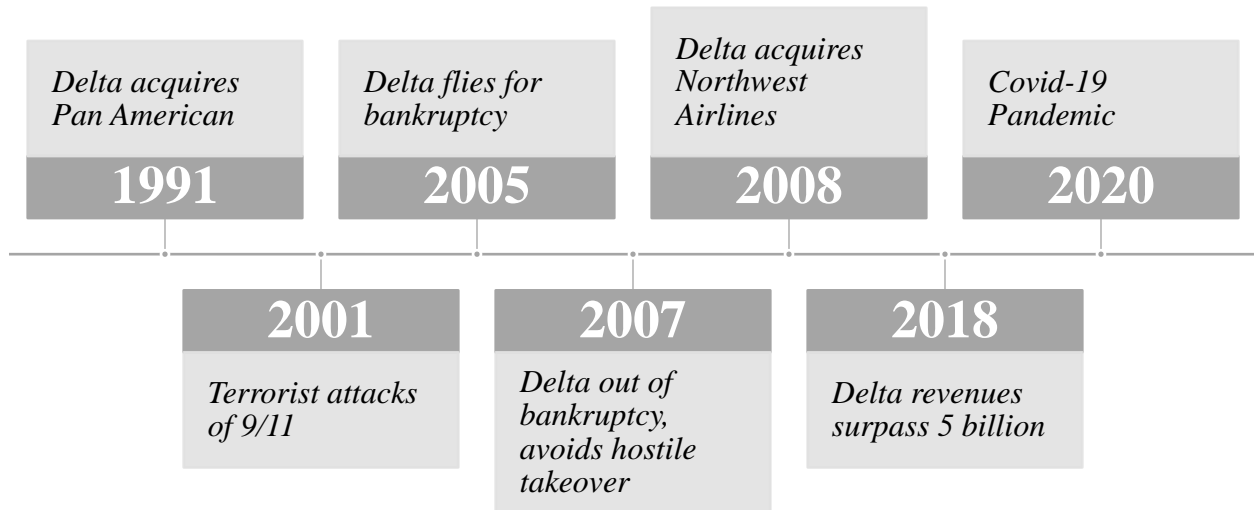
That small crop-dusting company, Huff Daland, became Delta Air Service in 1928 and began transporting passengers. This was only temporary though because of the heavy regulation from what became known as the Civil Aeronautics Board (CAB) in 1938. This was a form of government regulation that determined where companies would operate, what routes they were able to fly, and how much they could charge passengers for each flight. This was a huge barrier to entry for new firms and made it difficult for current firms to grow. Eventually though Delta Air Service was able to get some profitable routes. They became Delta Airlines in 1945, built up both freight and passenger service in the late 1940's and international service in the 1950's. (Huff).

Deregulation of the airline industry began in the 1970's. This was immensely beneficial to the companies, and to the passengers. Airlines were able to choose their routes and compete with other companies. The increased competition lowered prices and shook up the industry with many new entrants, acquisitions, mergers, and some companies like Pan American and TWA being forced out. From the early 1970's up until the 1990's Delta acquired Northeast, Western, and the remaining portion of Pan American, which was international flights and a shuttle service. (Harris).

Delta, along with a majority of the other airlines in the industry, were on the up and up during the 1990's. The unfortunate events of 2001, however, caused major setbacks and challenges. The customer base decreased significantly and along with that, the cost of fuel and other operational necessities increased. These events pushed Delta Air Lines into bankruptcy in 2005 but two years later they fended off the hostile takeover from US Airways, fought their way out of bankruptcy, and in 2008 made their largest acquisition yet of Northwest Airlines. Originally as a wholly owned subsidiary, they continued to operate under the Northwest name, but within a couple of years fully merged into Delta. (Gay).

The airline industry continued to grow throughout the 21<sup>st</sup> century with Delta surpassing the five billion in revenue mark in 2018. The industry looked to be one of the most promising and profitable industries but then in 2020 the world was hit with the Covid-19 pandemic that brought all progress in the industry to a standstill. Now while entering the holiday season of 2021 progress, and customers have picked back up significantly. The industry is not yet up to pre-pandemic levels, but it is trending in that direction.





## Competitors

Since the deregulation act of 1978, the Airline industry has competed in the free market. The string of mergers and acquisitions that followed led to the industry we know today. On top sit the big four, Delta Air Lines, American Airlines, United Airlines, and Southwest Airlines, each of which hold about 20% of the market. (Bloom). Then there is a string of low-cost carriers including JetBlue, Spirit Airlines, Sun Country, and about 15 others. All these companies are similar in that they provide the same service of air transportation, but each of them has their own differences that allow them to gain an edge on their competitors.

Delta: This company has set themselves apart by being slightly more aggressive and better managed. They tend to try and monopolize their major hubs so those who want to fly into or out of Atlanta, Detroit, Minneapolis, or LaGuardia, Delta is the best option. They also have a good standing history with their employees and labor unions. Employees who work at Delta really enjoy their jobs which leads to them having excellent customer service. Delta also tends to run their aircraft longer in between upgrades, which can help reduce costs. (Bloom).

United: This airline typically doesn't stand out with their costs, but they do have the edge when it comes to the number of destinations as well as their rewards card. United has more destinations available than Delta and the rewards card that they have has a lower annual fee.

American: American is similar to United in the number of destinations. They have the most aircraft and the most destinations. American also has what is typically regarded as the best business class travel, as well as the best in-flight internet services.

Southwest: This company has a more distinct strategy than the other three. They are a low-cost carrier, so their focus is to provide their services at a reduced cost. A lot of the other smaller carriers also use the low-cost model but where southwest stands out is their customer service and their low baggage fees. (Bloom).

The airlines discussed above are the largest four based on the number of aircraft and of flights and are the main competitors of the industry. There are several other airlines that won't be discussed in depth but typically they differentiate themselves by providing lower cost tickets or by flying to less popular locations and smaller airports.

### **Collaborates**

Apart from the smaller low-cost competitors, the three larger airlines, Delta, United, and American, have smaller companies that fly under them and act as feeder routes bringing passengers from smaller airports to the larger ones where the major airlines operate. Many of these companies operate for more than just one of the larger airlines but their partners are listed below. (Lipsey).

*Delta:* Sky West, Republic Airways, Endeavor, Compass, Go Jet

*United:* Sky West, Republic Airways, Mesa, Express Jet, Go Jet

*American:* Sky West, Republic Airways, PSA, Mesa, Envoy, Compass

These regional partners typically have their aircraft painted with the logos of the larger airline that they fly, and ordering tickets on these flights is typically through the major airlines as well even though they are their own airline company. This collaboration between regionals has been a great synergistic relationship allowing all the companies involved to grow and expand their business.

## **Delta Airlines**

### **Internal**

When analyzing a firm, it is important not to get caught up in the competition. It is good to know the internal environment and assess both strengths and weaknesses. Each and every firm that is a part of the airline industry has their own strengths that they can play toward to gain an edge, and weaknesses they need to mitigate to avoid running into future problems. Listed and described below are some of the strengths and weaknesses of Delta.

Strengths	Weaknesses
<ul style="list-style-type: none"> <li>• <i>Large fleet size</i></li> <li>• <i>High reputation and brand value</i></li> <li>• <i>Good finances</i></li> <li>• <i>Strong Alliances</i></li> </ul>	<ul style="list-style-type: none"> <li>• <i>Reliant on U.S. market</i></li> <li>• <i>Employee Attrition</i></li> <li>• <i>Marketing</i></li> <li>• <i>Aircraft concerns</i></li> </ul>

*Large fleet size:* Having a large fleet size, meaning a large number of total aircraft, opens a lot of opportunities for Delta. They can fly to more locations or have more flights to the same locations to offer more departure times. Also, in the event that one of their aircraft is in need of repairs they can easily swap for another aircraft without having to cancel flights. (Momin).

*High reputation and brand value:* Over their years of service the Delta name has become synonymous with excellent quality and customer service. The Delta name is also associated with

high employee satisfaction, consistently rating as one of the top places to work. This has created loyalty between both customers and employees.

*Good Finances:* Delta has also been good at maintaining consistent cash flows and good ratios between debt and equity. Not only does Delta earn revenue through their ticket sales, but they also earn from the regional airlines that fly under them, performing maintenance on other airlines aircraft, transporting cargo, and off of their rewards card.

*Strong Alliances:* Not only does Delta have good relationships with the regional airlines they partner with, but they also have alliances with other airlines. Many of these alliances are codeshare agreements with international airlines and allow Delta to begin to expand into the international markets. (Momin).

*Reliant on U.S. market:* Delta may have alliances with international airlines but they themselves only market to customers inside the U.S. borders. As the industry continues to become more globalized the lack of expansion into the global market could slow down growth.

*Employee Attrition:* Many of the positions at Delta are highly specialized and require significant training. Currently a sizable portion of their employees are reaching the age of retirement, so they are having to replace more and more employees, and they are having to spend a significant amount of money to train them.

*Marketing:* Delta has created brand loyalty which keeps their customers coming back but their marketing towards gaining new customers isn't as strong as it could be. It will be important for them to increase their marketing campaign to capture the younger generations as customers.

*Aircraft concerns:* The aircraft that Delta flies aren't built by them; they purchase them from aircraft manufacturers. However, Delta does have their name on the aircraft so when they



purchase a new type of aircraft like they have with the Airbus A220 and those aircraft have some engine problems a lot of the costs to fix, and the negative press can fall upon Delta. (Momin).

### External

Along with considering a firm's internal strengths and weaknesses, it is important to also discuss the external threats and the opportunities they face. Sometimes capitalizing on opportunities or minimizing threats can be some of the best goals to set because they can potentially lead to a change in the internal environment including turning a weakness into a strength.

Opportunities	Threats
<ul style="list-style-type: none"> <li>• <i>Social media marketing</i></li> <li>• <i>Younger generations desire to travel</i></li> <li>• <i>Maintenance capabilities</i></li> </ul>	<ul style="list-style-type: none"> <li>• Covid-19 pandemic</li> <li>• Rising costs</li> <li>• Environmental concerns</li> </ul>

*Social media marketing:* This type of marketing has become increasingly popular because of its major success and its capabilities. Creating a strong social media marketing campaign could be a fantastic way to generate new customers and to continue to develop brand loyalty.

*Younger generations desire to travel:* younger generations, millennials and soon gen z, tend to have more of a desire to travel. Millennials currently spend more money on travel than any of the older generations. These groups of people provide a wonderful opportunity to capture long-term customers. (Momin).

*Maintenance capabilities:* Delta has developed a massive maintenance network worldwide to keep all their aircraft in working condition and reduce maintenance-related delays.

Offering to sell these services to other airlines could provide a fantastic opportunity to differentiate their revenue streams without adding too much additional cost.

*Covid-19 pandemic:* The Coronavirus pandemic has been a significant challenge for a lot of industries. For the airlines, demand for air travel has decreased significantly and flights to some locations have even been banned. Now as air travel begins to pick up it will be a challenge to ensure the health and safety of passengers and staff are maintained.

*Rising costs:* Inflation is currently raising the prices of a lot of things. This is causing workers to demand a higher wage, as well as raising the costs of the necessities required to operate. One of the larger ones, now, is the cost of fuel, which is continuing to rise too.

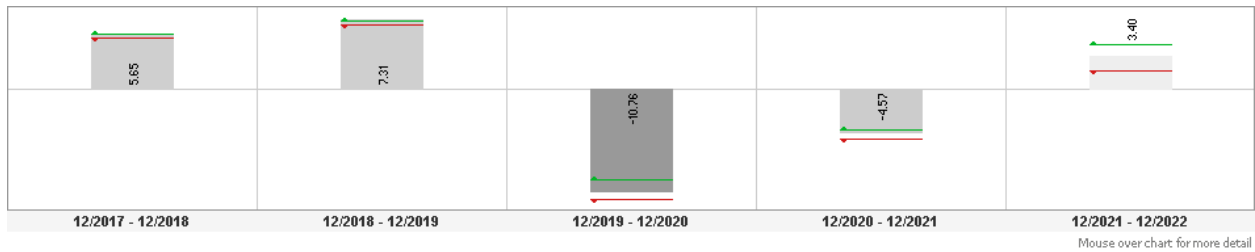
*Environmental concerns:* An additional growing concern is the effects that flying has on the environment. The airline industry emits a significant amount of carbon dioxide and other harmful chemicals into the atmosphere, and this is causing customers to take notice. 44% of airline customers are seeking a cleaner alternative to flying and if Delta doesn't strive to become cleaner, they could potentially lose a substantial number of customers. (Tedeneke).

These three threats, Covid-19, rising costs, and the environment, are large factors that are really shaping the industry. Delta is currently taking steps to prevent the spread of the virus by mandating masks and potentially vaccines in the near future. It is difficult to keep prices from rising but they can keep costs down by streamlining their operations to be more efficient. As for the environment, Delta has made pledges to become more environmentally friendly but progress in working towards them has been slow. It is important to understand these threats and opportunities to set the company off for future success.

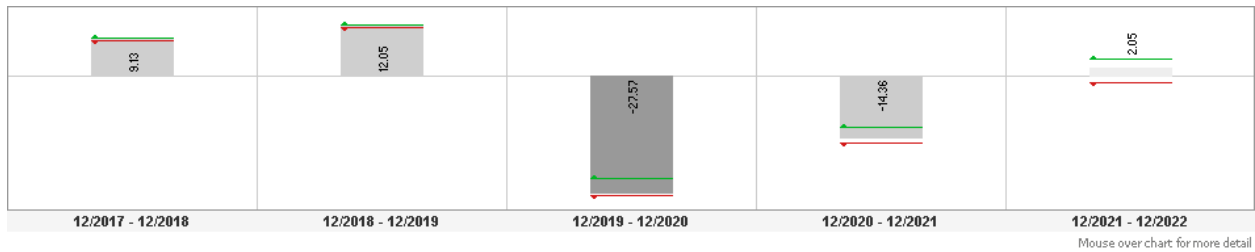
## **Financials**

When comparing the annual earnings of Delta Air Lines to its two biggest competitors, United and American, we can see how they stack up financially. Profits in 2018 and 2019 increased for Delta but totals weren't quite as high as United. Looking into 2020 with the big hit from the pandemic, all airlines lost money, but Delta lost much less. Losses lessened but were the norm in 2021 as well, but Delta again lost less than its major competitors. Predictions show that for 2022 Delta will make a profit whereas United and American will be closer to breaking even.

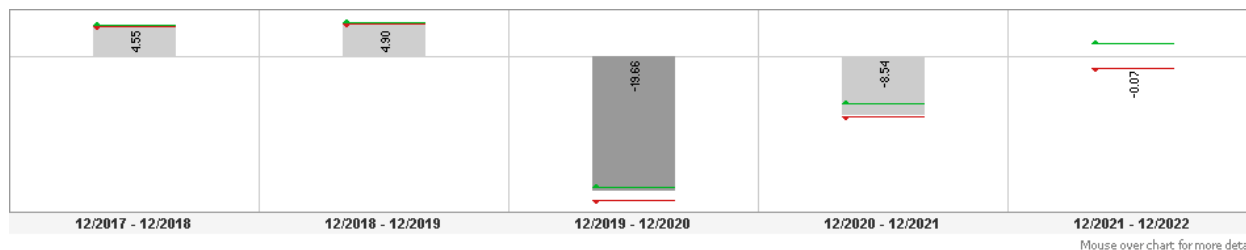
*Delta Air Lines:*



*United Airlines:*



*American Airlines:*



Market data and information provided by Morningstar. Information provided by Thomson Reuters Copyright © 2021. All rights reserved.

These trends show the resilience of Delta Ari Lines and the ability work well in unforgiving circumstances. While they did sustain substantial losses in 2020 and 2021, they have demonstrated that they are a well-managed company and will likely get out ahead of its competitors in the coming few years. This also provides an opportunity for Delta to kick start some projects that can lead them to becoming a more profitable company. Mitigating some of the threats and playing towards their strengths can allow them to surpass their competition before their competition can pass them.

### Strategic Actions

The next five years are going to be critical for Delta, and the entire airline industry. Coming off two years of losses it is going to be vital that the company plays to its strengths and mitigates as many threats as possible. They need to get that loyal customer base back into traveling and work towards setting themselves apart from their competitors. Described below are three mutually exclusive strategies that Delta could choose from in order to get ahead of the competition and lead them to future success.

#### Provide Maintenance Services to Other Airlines

As discussed, earlier Delta has built up their own global maintenance network that allows them to keep their aircraft in tip top shape. They refer to this maintenance division as MRO which stands for maintenance, repair, and overhaul. This means that along with their planes

getting preventative maintenance they can repair any damaged components and overhaul their engines to get them back to what they were like when they were new. Currently these services are only provided to the aircraft that they operate, but expanding this service to other airlines offers a fantastic opportunity to increase revenues.

*Advantages:* The most obvious advantage that this scenario provides is the increase in income. Since they already must provide this service to themselves, being able to charge others for the services could help fund the maintenance expenses of their airline. Another advantage is that it could cause Delta's competitors, United, American, Southwest, to become reliant on the services that Delta provides which will really set them ahead of the competition.

*Disadvantages:* If this were implemented Delta could potentially run into some difficulties maintaining their own aircraft if they get caught up in the services of others. Because of this, it would require a significant increase in facilities and personnel, which would be expensive.

### **Becoming More Environmentally Friendly**

As stated earlier on, a considerable chunk of customers desires a more environmentally friendly form of transportation. If another company can provide this before Delta can, Delta can expect to lose many customers. It's important to be a first mover when going this route because that will lead to the greatest rewards, allowing Delta to capture and maintain a large customer base from other companies.

*Advantages:* The main advantage will be the capturing of customers that want to be more environmentally friendly, which is upwards of 44 percent of the market. (Tedeneke). This is also a great way to increase their brand name and loyalty. A company that works to improve the community and the world is perceived better than one that doesn't.

*Disadvantages:* A big disadvantage with this alternative is that there is no clear-cut path set to achieve it. This will require investments into research and development, as well as collaboration with many different industries: aircraft manufactures for the development of more efficient aircraft, oil companies for the creation of cleaner fuels, and other companies for determining ways to reduce waste created onboard the aircraft and in their offices.

### **Expanding Cargo and Goods Transportation**

It is no secret that the airline industry has taken a serious financial hit due to the Covid-19 pandemic. Delta lost a significant amount of money due to not being able to transport passengers, this led to massive furloughs and layoffs in the company. Companies like Amazon and FedEx, however, were able to expand and thrive during this time. Their business is transporting cargo, and if Delta could enter that market, they would have an additional, more stable source of revenue.

*Advantages:* The clear advantage of this scenario is the differentiation allowing Delta an additional source of income that isn't as affected by something like a pandemic. There will still be ups and downs in the economy but with this differentiation the lows won't be quite as low.

*Disadvantages:* Although the types of aircraft required for cargo are the same, it will require more aircraft to be purchased because converting passenger planes into cargo would leave them without enough passenger planes. Another clear disadvantage is that they would be entering a market with some immensely powerful competition that may attempt to force Delta out of the cargo business.

### **Recommendation**

After thorough research into the industry, Delta Air Lines, and its competitors, and of the strategic alternatives, I have determined that the best course of action for Delta to take in the next

five years is to become a more environmentally friendly company. The path forward when going with this plan may not be clearly marked, but the benefits of succeeding far outweigh the benefits of the other possibilities. Some of the next steps include working newer, cleaner, and more efficient aircraft into their fleet; this will be an investment but will save money over time too. They need to reuse when they can, reduce waste when they can't, and use biodegradable packaging if available; This applies to not only their aircraft operations but their offices and maintenance facilities as well. Lastly, and most importantly, they need to invest in, and hold develop sustainable aviation fuels, this is already a growing industry and with an airline's support they'll be able to make great progress. As people begin to travel again, they will be looking for an airline that values its customers and protects their future. Choosing to make strides in the direction of being environmentally friendly will allow Delta to be the company that its customers want.

## References

- Bloom, L. B. (2021, July 28). *Ranked: The best and worst airlines in America in 2021*. Forbes. Retrieved November 27, 2021, from <https://www.forbes.com/sites/laurabegleybloom/2021/07/19/ranked-the-best-and-worst-airlines-in-america-in-2021-according-to-new-report/?sh=3c9b2fbe72c3>.
- Gay, Charles (April 23, 2016). "Delta's journey: A timeline". Delta Air Lines. Archived from the original on July 17, 2019. Retrieved July 17, 2019.
- Harris, A. (2017, February 8). *The history of airline industry*. USA Today. Retrieved November 27, 2021, from <https://traveltips.usatoday.com/history-airline-industry-100074.html>.
- "Huff Daland Duster, 1925-ca.1948". [www.deltamuseum.org](http://www.deltamuseum.org). Archived from the original on October 2, 2019. Retrieved October 2, 2019.
- Lipsey, S. (2019, May 4). *These are America's 10 largest regional airlines*. The Points Guy. Retrieved November 27, 2021, from <https://thepointsguy.com/guide/largest-regional-american-airlines/>.
- Momin, A. (2021, September 9). *Delta Airlines SWOT analysis 2021: Dominating the industry*. PESTLE Analysis. Retrieved November 27, 2021, from <https://pestleanalysis.com/delta-airlines-swot-analysis/>.
- Staff, F. (2021, June 1). *Delta Air Lines Company profile*. Fortune. Retrieved November 27, 2021, from <https://fortune.com/company/delta-air-lines/>.
- Taylor, C. (2021, August 2). *Score one for customer service: Why Delta Airlines' extension of status is impressive*. Forbes. Retrieved November 27, 2021, from <https://www.forbes.com/sites/charlesrtaylor/2021/07/30/score-one-for-customer-service-why-delta-airlines-extension-of-status-is-impressive/?sh=3a00ef70755e>.
- Tedeneke, A. (2019, September 24). *New push to decarbonize aviation sector as consumers consider alternatives to flying*. World Economic Forum. Retrieved November 28, 2021, from <https://www.weforum.org/press/2019/09/new-push-to-decarbonize-aviation-sector-as-consumers-consider-alternatives-to-flying>.
- U.S. Department of the Interior. (n.d.). *Timeline of aviation history (U.S. National Park Service)*. National Parks Service. Retrieved November 27, 2021, from <https://www.nps.gov/articles/timeline-of-aviation-history-in-our-national-parks.htm>. (Cited as NPS)



