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High-Flying Recovery

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1. The Covid-19 pandemic impacted the business world by repelling customers, decreasing demand, lowering supply, and halting productivity. As a building construction major and a member of a construction family business, I witnessed the direct impact of the pandemic on business culture and success. The airline industry suffered due to the health risks of traveling with large groups of people and without the ability to social distance. Airlines were forced to cancel flights, lay off workers, contract their route network, and downsize their fleets. Big-name legacy airlines including Delta, United and American lost millions of dollars in revenue within a few months. Each airline faced the same general problem but was challenged with different issues within their own departments. Dissecting a successful airline recovery plan will offer a roadmap to other airlines and provide the industry with the resources to recover from other economic and public health disasters like the COVID-19 pandemic. Delta Air Lines differentiated itself with strong leadership and an impeccable reputation to achieve financial success and long-term respect from its customers. Delta implemented a stronger COVID-19 recovery plan than other U.S. airlines through spectacular leadership, flexible travel operations, and setting a new standard of cabin cleanliness — and their strategy will allow them to "keep climbing" to post-pandemic success.

2. Exemplary leadership allowed Delta to prioritize employees and customers, save $4 billion in revenue, and kickstart success for the future. Successful businesses start with great leaders. Strong leadership binds a healthy connection and builds trust between employees and management. During a global health and financial crisis like the coronavirus pandemic, employees and customers rely

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on moral support from their leaders. Without an empathetic and organized leader, companies lack respect, culture and commitment — and will ultimately fail.

3. Delta Air Lines CEO Ed Bastian wrote a letter to the Delta community in March 2020 to instill a sense of stability and establish a plan to recover from the anticipated financial woes. Bastian pledged that he would cut 100% of his salary for six months. He added that the Delta Board of Directors, officers, managers, and directors would also sacrifice a portion of their salary — ranging from 25% to 100% — for at least three months (Bastian). The significant salary cuts not only saved money for the loss in demand but showed that the leadership team was committed to prioritizing the health, safety and financial situations of their employees and their families. Instead of furloughing workers, Bastian encouraged them to take voluntary leaves. He said "voluntary leaves are one of the best and most immediate ways you can help as we strive to protect jobs and pay" (Bastian). He emphasized the importance of protecting people's jobs and salaries by creating a supportive culture. Employees are more likely to volunteer if others volunteer. Presenting Delta families with the option to take a voluntary leave provides extra time to discuss alternate sources of income.

4. American Airlines and United Airlines involuntarily furloughed more than 32,000 employees, forcing families to hastily find another source of income (Chappell). American and United made a poor decision by involuntarily removing employees from their workforce. Involuntary furloughs disrupt company culture and create a lack of respect between leadership and employees. American CEO Doug Parker stated that "furloughs could be reversed if Washington manages to reach a new business aid package" (Chappell). The strategy to rely on government funding before prioritizing the well-being of employees is short-sighted. The United States government offered generous financial support to industries but expected business leadership teams to implement cost-cutting measures and voluntary agreements with employees. The American and United furloughs also sparked the Association of Flight Attendants' International President, Sara Nelson, to add her input: "They don't know how they will pay rent, feed their families, or cover the cost of their prescriptions or medical care…it did not have to be this way" (Chappell). While both airlines continued to excuse poor

decision-making and planning, 40,000 Delta employees volunteered to take unpaid leaves — more than American and United's combined 32,000 involuntary furloughs. Delta CEO Ed Bastian backed Nelson's claim by installing alternative recovery methods and not resorting to government support packages.

5. The pandemic caused widespread panic for health and safety; abrupt losses of income only contributed to the panic. Bastian mitigated the risk of more panic by offering families voluntary leaves and allowing them access to company health and flight benefits while on leave (Bastian). Cutting leadership salaries and offering generous voluntary leave benefits elevated the priority of employees and contributed to the impressive $4 billion cash savings between March and June 2020.

6. The continuation of Bastian's plan to compensate for the loss in revenue and prepare for the future involved fleet contraction, accelerated aircraft retirements, and deferred capital spending. Before the pandemic, Delta was operating approximately 1200 aircraft to meet the demand for travel on their route network (Bastian). In March 2020, Delta's hub-to-hub passenger capacity dropped by 72.28% and other route capacity dropped by a whopping 85.92% (Sindreu). Delta does not need to operate 1200 aircraft with significant drops in passenger capacity. Bastian said "we are reducing our active fleet size by parking at least half our fleet — more than 600 aircraft" (Bastian). By parking and retiring part of their fleet, they added to their cash savings because they created a positive return on investment. If Delta operates eight flights per day between Boston and Atlanta, they are connecting eight loads of passengers in one day. During the pandemic, they lowered the frequency of flights per day between Boston and Atlanta to meet the lower demand on the route, which means they do not need eight aircraft. If Delta continued to fly eight times per day on that specific route, they would have a poor return on investment by flying half-empty planes. By lowering the frequency of flights on that route, they are using fewer aircraft but are ensuring they are nearly full flights — and as a result, they have a good return on investment.

7. In the March 2020 CEO letter, Bastian said "We also will be accelerating retirements of older aircraft like our MD-88/90s and some of our 767s" (Bastian). Without regular demand for travel,

the need for a large fleet plummets — and older aircraft become obsolete. The older planes in the fleet — McDonnell Douglas 88/90s and select Boeing 767s — were expected to be retired by the end of 2022 but Bastian decided to accelerate the retirement to accommodate for the lower travel demand (Josephs). By retiring the older aircraft, Delta started to prepare for post-pandemic travel. Implementing newer and more efficient aircraft benefits the airline industry both financially and environmentally. Even though adding newer aircraft to the fleet to replace the retired aircraft would be logical, Delta decided to wait before receiving newer aircraft. Bastian reported to the rest of Delta, "we are deferring nearly all of our capital spending, including all new aircraft deliveries, until we have better clarity on the duration and severity of the situation" (Bastian). As revenue dropped by $2 billion in March 2020 and more in April, Delta's decision to pause new aircraft deliveries saved them from a bigger loss in cash (Bastian). Waiting for demand to recover before operating new aircraft was a smart choice because the newer aircraft will have a longer life of usefulness and Delta will avoid added depreciation expenses while recovering from the loss in revenue.

8. The next phase of Delta's recovery plan featured flexible travel operations by making profitable route planning decisions, slashing change fees, and extending travel credits. Decreasing the frequency on each route and reducing the number of aircraft in operation are critical to saving cash but more strategic choices were made to prepare for a successful future. Low-cost airlines like Spirit, Frontier and Allegiant continued to operate nonstop "point to point" routes to warm-weather destinations to cater to leisure travelers on a budget (Sindreu). "Point to point" route networks are focused on a collection of nonstop routes, mitigating the need for connecting flights. Since United, American and Delta are bigger "legacy" airlines that rely on the "hub and spoke" network design, they lost customers to the low-cost airlines (Sindreu). "Hub and spoke" is a route network based around a group of main airport hubs with a collection of routes to non-hub airports, increasing connectivity to more airports.

9. United and American responded to the low-cost airline plan by adding temporary flights to warm-weather destinations to compete with Spirit, Frontier and Allegiant. Both airlines capitalized on

the opportunity to attract customers in the leisure travel market. Additional winter routes including Milwaukee to Tampa and Raleigh to Cancun enabled competition in the airline industry but did not spark major financial success for either United or American (Sindreu). Even though temporary winter flights lured customers to United and American, they were not as profitable as Delta, which avoided commencing seasonal routes during the pandemic.

10. Delta decided to take a different approach. By July 2020, Delta's hub-to-hub passenger capacity revived by over 50%, displaying the biggest capacity increase among all three legacy airlines (Sindreu). Jon Sindreu from The Wall Street Journal acknowledged that "Delta Airlines, the most profitable of the three big U.S. players, is more cautious about overextending itself in the rush to tap lower-fare markets. "I wouldn't want to take us into a market only for the next 90 days, because in this environment in which you are burning cash it's a little bit reckless," said Joe Esposito, the company's senior network planner" (Sindreu). Esposito under-exaggerated his statement; risking more cash to compete with smaller airlines for a short time is very reckless. With Delta already losing $2 billion in March and more in April while working to save $4 billion in cash by June, competing with the low-cost carriers, United, and American would not make sense. The decision to avoid the pandemic leisure travel competition led to a positive result, as Delta was more profitable than both United and American. Instead of adding more routes to match the competition, Delta focused more on interconnecting its main hubs. Salt Lake City, one of Delta's biggest hubs, experienced an increase in network connectivity during the pandemic as people gravitated to the Rocky Mountain Region for leisure travel (Sindreu).

11. Delta leadership created a more flexible travel experience for customers by eliminating change fees and extending travel credits through December 2022. Family vacations, business trips and other travel plans were postponed or canceled throughout the pandemic. Delta upheld its excellent customer service reputation by cutting change fees for non-basic economy fare classes (Genter). Basic economy fare classes are more affordable versions of regular economy fare classes but customers must pay extra fees for carry-on luggage, checked luggage, and advanced seat selection. When customers needed to change their flight itineraries they were not

penalized with a change fee. If customers needed to cancel their flight they were given a travel credit for the original ticket price and could use the credit for a future trip. The Senior Vice President of Pricing and Revenue Management, Sandeep Dube said "Delta has consistently delivered new ways of simplifying travel and giving customers more control over managing their plans, and we're keeping that promise. We've already removed change fees for most tickets for good, and now we're taking it one step further by giving customers even more time to use their travel credits" (Delta News Hub). Travel credits are currently extended through at least December 31, 2022. The pandemic-era ticketing changes promoted a permanent shift in booking flexibility. I canceled a roundtrip Delta ticket in March 2020 and they gave me a future travel credit for the original ticket price, which I was able to use in March 2022. Delta not only wanted to emphasize new health and safety standards; they revolutionized customer care by making future travel more flexible.

12. Delta addressed pandemic-induced travel fears by introducing a new "Delta CareStandard" of cleanliness in both the airport experience and the inflight experience. All airlines in the U.S. required masks, cleaned the cabin before boarding, installed HEPA air filters and encouraged social distancing when possible (Harvard T.H. Chan School). Delta surpassed expectations by assembling a team of "Clean Ambassadors" in forty different airports and developing partnerships with Lysol and Purell. Delta was also the first airline to hire a Chief Health Officer and to block middle seats in each row on aircraft with a 3-3 or a 2-3 seat alignment (Delta Travel Planning Center) (who wants to sit in the middle seat anyway). Smart business decisions and innovative health and safety changes differentiated Delta from the remainder of the airline industry. Between January and March 2022 I flew on eight Delta-operated flights within the United States and recorded observations from my airport and inflight experiences. Before check-in and in the airport, Delta encouraged the use of self-check-in technology and printing your bag tags for checked luggage to reduce wait times and face-to-face interaction. Before the boarding process, both the stewardess and the Delta iOS app updated travelers on the cleanliness of the aircraft and boarding group order. Onboard the plane, the flight attendants provided travelers with Purell wipes. The seatback screens, tray tables, and restrooms were spotless.

Delta's thorough disinfection process permeated a sense of comfort among passengers and encouraged people to keep the cabin clean. Regardless of the airport, aircraft type, or flight crew's home city, Delta employees expected the same adherence to safety guidelines from customers. On a flight from Boston to Detroit in January, one of the flight attendants made it clear to passengers that refusal to wear a mask in flight would result in removal from the aircraft and airport as well as an immediate ban from flying Delta in the future. The travel ban strategy was effective, as through September 2021, "Delta has banned over 1,600 flyers for refusing to follow airline rules. And Delta is pushing other airlines to share their internal "no-fly" lists to make sure that unruly passengers can't just take their business to another airline" (Genter). Delta not only banned travelers from flying with them. They wanted to ensure impeccable health and safety within the entire airline industry. Saving other airlines the trouble of removing non-complying passengers preserves public health and prevents possible conflict between passengers. Delta showed both leadership and empathy within the industry by banning problematic passengers and reporting to other airlines.

13. Delta's new health and safety standards increased competition from other airlines including United and American. I traveled on multiple domestic flights on both airlines and was impressed by various facets of their coronavirus response. United Airlines implemented touchless technology in their airport terminals throughout the check-in and gate areas. They also spent extra time disinfecting the aircraft and distributing Purell wipes to travelers. American Airlines organized its boarding process into smaller groups to prevent crowding and enforce social distancing. Both airlines notified travelers of the coronavirus guidelines at their destination and allowed them to submit vaccination status or negative test results before their departure date. Before my spring break trip to Puerto Rico, United provided me with a link to submit my vaccination card and arriving traveler forms.

14. United and American performed above average with their health and safety standards but I observed inconsistencies while traveling during the pandemic. American flight attendants and flight crews did not distribute Purell wipes or take extra time to clean and disinfect the aircraft. The difference in cabin cleanliness was

noticeable. Seatback screens and tray tables were not as clean as the flights I observed on United or Delta. The United boarding process was inefficient and resulted in large groups of people crowding the gate area. Neither airline blocked middle seats or hired a Chief Health Officer to advise the future of healthy travel. Delta created an unbeatable combination of airport efficiency, cabin cleanliness, future leadership, and consistent diligence.

15. Delta is mainly challenged by legacy competitors United and American but another smaller airline also brewed a strong combination of operational innovation, business partnerships and financial changes. JetBlue Airways is a low-cost carrier with an excellent reputation and customer service. In a recent interview with Janelle Williams from the JetBlue People Team, I explored their coronavirus recovery strategy. JetBlue's recovery strategy included standard industry solutions including airfare reductions, cost-cutting, and receiving funding from the U.S. government CARES Act. JetBlue also featured the elimination of internships to save money, readjusting contracts with business partners, and establishing a groundbreaking Northeast Alliance with American Airlines (Williams). The alliance between JetBlue and American was intended to bolster the post-pandemic operations of both airlines and increase the level of competition with Delta and United at major Northeast U.S. airports including Boston Logan, New York (JFK and LaGuardia) and Newark Liberty (Pallini). Even though JetBlue's innovative partnership with American injected well-needed competition into the industry, two aspects of their recovery plan are problematic. JetBlue is still in the process of cutting routes from its network, which indicates they are still in the process of returning to pre-pandemic operation status. Eliminating internships for two years is smart from a cost-cutting perspective but careless from a business perspective. Companies hire interns to gauge talent and recruit for full-time jobs. Interns are critical assets to businesses because they are future leaders of companies. Most airlines cut internships for 2020 but not for 2021 (Buchwald). Without new talent, JetBlue will lack innovation, problem-solving and leadership. JetBlue's outline for recovery was innovative but their current business and commercial operations show they are lagging behind their competitors.

16. Delta accomplished its pandemic goals of creating a supportive, resilient culture, maintaining financial stability, and preparing for

post-pandemic travel demand. CEO Bastian displayed exceptional leadership by completely cutting his salary and developing successful financial plans to preserve cash savings and people's jobs and salaries. Flexible travel operations and consistent cleaning procedures in the airport and onboard attracted customers to fly with Delta during the pandemic. Delta was ranked #2 in 2020 and #1 in 2021 for "Best Airlines in the U.S" by Wall Street Journal and ranked #1 for "Best Airlines to Fly During the Pandemic" by NerdWallet. Delta will continue to "keep climbing" with top-tier leadership, excellent customer service, and exciting innovation strategies for the future of post-pandemic travel.

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