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A conversation with Wolfgang Prock-Schauer, the chief executive officer of Jet Airways.



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Delta's Turn

After declaring bankruptcy in late 2005, Delta Air Lines has undergone a complete facelift that has it succeeding in new markets and on the road to profitability.

■ By Lynne Clark | Ascend Staff

Delta Air Lines knows what it wants to be when it grows up — an independent airline that blends the best of its 76-year service heritage with 21st century efficiency and customer value.

The goal isn't mere rhetoric. It's an aggressive reorganization plan crafted in the harsh finishing school of bankruptcy and recently in corporate boardrooms where war-weary strategists recently waged and won a battle against a hostile takeover bid by US Airways.

Since entering bankruptcy protection in September 2005, Delta has proven to investors it can put its money where its mouth is. In just 15 months, the United States' third-largest carrier has streamlined operations by jettisoning unprofitable aircraft and routes, achieving more than US\$2 billion in annual savings. It is using planes more efficiently and plans to further expand its lucrative international routes.

Delta now has strategic clarity from a network point of view, according to Glen Hauenstein, the airline's executive vice president and chief of network and revenue management.

"There were a lot of questions in the past about what Delta was going to be when it grew up, whether it was going to be a multiple brand with Delta and Song, whether it would create a major hub in New York. All of those questions have been answered now. Everything we're doing now is focused on our product and our customers."

Fleet Simplification

Like many network carriers, Delta did not face the reality of needing to change its business model until it stood on the precipice of disaster. Bankruptcy forced it to take a hard look at the economic implications of flying airplanes to destinations for which they were not built.

"Delta's fleet wasn't purchased for the market it was flying," Hauenstein said. "Certainly, we know the 777 is a good airplane, but we also know that a 777 flying from Atlanta, Georgia, to Orlando, Florida, is not a good use of that airplane. So, we had to take a look at the entire fleet and say, 'OK, where should we be flying this plane?' We realized we have an incredible amount of long-haul capable airplanes that were flying in the domestic arena. Today, we are into a three-year program to remove long-haul aircraft from domestic destinations and fly them internationally."

The fleet simplification program has resulted in the introduction of more than 50 new international flights in 2006, making Delta America's fastest-growing international airline and the leading carrier between the United States and trans-Atlantic destinations with flights to 31 trans-Atlantic markets.

In 2007, Delta will expand to more European destinations, adding seven more domestically configured 767-400s that are being converted to international service, freeing up

longer-haul Boeing 777s to fly new routes such as Atlanta to Seoul, Korea, and Dubai, United Arab Emirates.

In 2008, Delta will add 13 Boeing 757-200 aircraft formerly operated by American Airlines that are capable of crossing the Atlantic and serving smaller cities such as Düsseldorf, Germany, or Edinburgh, Scotland, as well as the first Boeing 777LR aircraft to enter China and other points in Asia.

"These are markets we haven't entered in the past," Hauenstein said. "This is a real opportunity for us as we are going to be able to take a relatively low-unit-cost [757] airplane and fly it up to 4,200 nautical miles. We have plenty of airplanes to fund our international growth for as far as the eye can see."

Technological Advances

Bankruptcy also forced Delta executives to look at its technological infrastructure, particularly network, revenue management and pricing technology.

"In the history of Delta, network, revenue management and pricing were never the glamour spots of the airline, and they didn't do a good job of leveraging the technological infrastructure," Hauenstein said. "During the past year, we've been working very hard to put in a technology platform that will sustain as we move forward. We're not there yet, but we've made a lot of progress."

Photos courtesy of Delta Air Lines



As part of its turnaround initiative, Delta Air Lines has implemented a three-year program to discontinue flying long-haul jets on domestic routes and operating them solely in international markets.

Another technological milestone was reached when the carrier invested in an updated booking valuation system that makes use of almost real-time data to help decision makers more accurately value seat inventory. Before, the booking valuations were updated only quarterly and sometimes yearly despite a faster-changing fare and competitive environment.



Photo courtesy of Delta Air Lines

Delta, through its fleet simplification program, added more than 50 new international flights last year, making the carrier America's fastest-growing international airline with flights to 31 trans-Atlantic destinations.

Until a year ago, Delta flew the exact same schedule seven days a week, varying only monthly. Updated technology has made it possible today to better match capacity with demand.

"This was a huge step for us," said Hauenstein. "It helped us close the revenue gap versus our competitors."

"If you only update that system once a year, you make inventory available at suboptimal price points thus making a lot of wrong decisions," Hauenstein said. "That technological upgrade has brought Delta to the forefront of the industry in year-over-year unit revenue increases."

Amit Agarwal, Delta's managing director for network and revenue management systems, is charged with making technology upgrades. Thanks to a new reporting structure that closely ties technology with business, the knowledge inputs are faster, communication more efficient, and business and technology share common goals.

For example, Delta recently implemented journey-control processes six months ahead of competitors despite the fact that it was the last carrier to get on board. Agarwal attributed this to a new culture that encourages speedy, agile decisions made possible by direct leadership and business focus.

"Data integrity and timeliness are crucial; Delta had all the data, but often it wasn't accessible or usable," Agarwal said. "First, we cleaned up the data, and then we invested in technologies that provide better decision making. Currently, we have a number of revenue initiatives underway that will enable even more informed decisions."

Customer Investments

Even in Chapter 11, Delta is reinvesting in products and services to earn customer preference. It began overhauling interiors last year, including leather seats, new carpets and laminates, and better lighting. The carrier has refreshed its BusinessElite product, with enhanced in-flight entertainment, new seat covers, enhanced food and changes to improve seat comfort. It is also introducing new uniforms designed to bring a more professional style and boost the morale of employees. It also plans to introduce live television, upgraded food offerings and other amenities on all flights more than 1,750 miles.

"Every day you come to Delta, it's a better Delta," Hauenstein said. "Our restructuring hasn't just been about cutting costs. It's been about changing the network and reinventing the product. That is unique among bankrupt carriers."

And it seems to be paying off.

In 2006, Delta was awarded "Best Frequent Flyer Program," "Best Airline Web Site" and "Best Airport Lounge" by *Business Traveler* readers in the 2006 Best in Business Travel Awards and was just shy of the top ranking for overall satisfaction among network carriers in J.D. Power and Associates' 2006 Airline Satisfaction Index Study.

In addition, Delta achieved its highest annual load factors on record for consolidated system (78.5 percent, beating the previous high of 76.5 percent in 2005), mainline system (79 percent, above the previous high of 77.6 percent in 2005), and Delta Connection (76.5 percent, versus the previous high of 71.0 percent in 2005).




Leather seats, new carpets and laminates, and better lighting are just a few improvements Delta has made to its aircraft interior to meet customers' needs and preferences. The airline has also redesigned its uniforms to provide a more professional style and boost employee morale.



Delta's flights exceeding 1,750 miles will include numerous amenities such as live television and enhanced dining choices that will help give its customers an exceptional travel experience.

In December, Delta reported that 12.5 percent of its capacity was flying in new markets, more than the rest of the industry combined.

"What's exciting is that we're doing so well already in new markets, and we haven't even reached what we call the 13-month affect, meaning that, unless something catastrophic happens, month 13 is always better than month one," Hauenstein said. "We have that entire

spool coming home to roost this year, which is something we're very excited about for our profitability moving forward." 

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