5.4 STRATEGY SPOTLIGHT

EXPANDING THE PROFIT POOL IN THE SKY

Commercial airlines find themselves in a very competitive market, facing a number of competitors, having high fixed costs, and experiencing demand that is largely driven by economic conditions. As a result, profits in the airline industry are typically fairly low and often negative. The challenges in this industry are evident in the 23 separate bankruptcies that have occurred in the U.S. airline industry since 2000. However, as anyone who has flown in recent years can attest, airlines have found new sources of profit to augment their income beyond what customers are willing to pay when purchasing a ticket. The fees airlines have added on for ancillary services accounted for $36.7 billion in additional revenue for global airlines in 2015, up from a paltry $2.5 billion in 2008.

The range of revenue sources has expanded in recent years. The most obvious source of service revenue is baggage fees. However, airlines also generate revenue by charging booking fees and by selling premium economy seating, the right to assigned seats, exit-row seating, guarantees that family members can all sit together, earlier boarding of flights, premium meals, pillow and blanket sets, Internet access on board, and the right to hold a reservation before making a purchase commitment. Outside the flight experience itself, airlines are generating revenue by charging fees for credit cards, frequent-flyer programs, and access to airport lounges. The importance of these fees is staggering for some airlines. While Emirates Air relies on these service fees for less than 1 percent of its revenue, 22 percent of Ryanair's revenue and 38 percent of Spirit Airlines' revenue is accounted for by these fees.

By separating the value of the actual flight from the services associated with flying, airlines have greatly expanded the profit pool associated with flying. They have found that flyers may be very price-conscious when purchasing tickets but are willing to shell out more for a range of services. While this does increase their revenue, it may also provide benefits for at least some customers. As Jay Sorensen, CEO of IdeaWorks, notes, "It offers the potential for an airline to better tailor service to the needs of individual customers. They can click and buy the amenities they want rather than the airline deciding what is bundled in the base fare."

Sources: Akasie, J. 2013. With a fee for everything, airlines jet toward a new business model. *minyanville.com*, October 1: np; Perera, J. 2014. Looking at airline fees in 2008 compared to 2014. *chron.com*, November 25: np; and Garcia, M. 2015. Airline fee revenue expected to reach nearly $60 billion in 2015. *skift.com*, November 10: np.

products. Despite its huge investment, Andersen has been able to lower costs, enhance quality and variety, and improve its response time to customers.

Using Data Analytics As initially discussed in Chapter 2, corporations are increasingly collecting and analyzing data on their customers, including data on customer characteristics, purchasing patterns, employee productivity, and physical asset utilization. These efforts have the potential to allow firms to better customize their product and service offerings to customers while more efficiently and fully using the resources of the company. For example, Caterpillar collects and analyzes large volumes of data about how customers use their tractors. Since this data helps Cat better assess the uses and limitations of their current tractors, the firm can use data analytics to employ more focused and timely product improvement efforts. This allows the firm to simultaneously reduce the cost of new product development efforts and better differentiate their products.[50]

Exploiting the Profit Pool Concept for Competitive Advantage A **profit pool** is defined as the total profits in an industry at all points along the industry's value chain.[51] Although the concept is relatively straightforward, the structure of the profit pool can be complex.[52] The potential pool of profits will be deeper in some segments of the value chain than in others, and the depths will vary within an individual segment. Segment profitability may vary widely by customer group, product category, geographic market, or distribution channel. Additionally, the pattern of profit concentration in an industry is very often different from the pattern of revenue generation. Strategy Spotlight 5.4 outlines how airlines have expanded the profit pools of their market by adding fees for a variety of services.

profit pool
the total profits in an industry at all points along the industry's value chain.

Coordinating the "Extended" Value Chain by Way of Information Technology Many firms have achieved success by integrating activities throughout the "extended value chain" by using information technology to link their own value chain with the value chains of their

CASE 12

EMIRATES AIRLINE IN 2017*

Within three decades, Emirates Airline went from a small start-up to one of the world's biggest carriers measured by international passenger mileage. Started in 1985, the airline deviated from the strategy of most other airlines to use its position between the U.S., Europe, Africa, and Asia to connect flights between distant pairs of cities such as New York and Shanghai or London and Nairobi. Tim Clark, the firm's president, referred to these as "strange city pairs." No airline has grown like Emirates, whose expansion qualifies it to claim the crown of the freewheeling sultan of the skies.

Its strategy of flying large number of passengers all around the world would have been difficult without the introduction of Boeing 777 long-range planes and Airbus 380 superjumbos. In particular, Emirates has managed over the years to radically redraw the map of the world, transferring the hub of international travel from Europe to the Middle East. Dubai, the hub of Emirates, which currently handles over 80 million passengers each year, has become the world's busiest airport for international passengers. A new terminal, the largest in the world, was recently built at a cost of $4.5 billion just to accommodate the almost 240 Emirates aircraft that fly out to 145 destinations around the world (see Exhibit 1).

Recent developments, however, such as the drop in oil prices and the growth in terrorist attacks have led to a decline in demand. Many companies, particularly in the Middle East, have been cutting back on travel for their employees, reducing the premium revenue that Emirates has been generating from first and business

* Case prepared by Jamal Shamsie, Michigan State University, with the assistance of Professor Alan B. Eisner, Pace University. Material has been drawn from published sources to be used for purposes of class discussion.

EXHIBIT 1 Top Global Airlines

There are several rankings of the world's airlines, but a few have consistently been rated highest in service over the last five years. These are listed below in no particular order.

	Started	Main Hub	Fleet	Destinations
SINGAPORE	1972	Singapore	108	63
CATHAY PACIFIC	1946	Hongkong	161	102
EMIRATES	1985	Dubai	221	142
THAI	1960	Bangkok	91	78
ASIANA	1988	Seoul	85	108
ETIHAD	2003	Abu Dhabi	102	109
EVA	1989	Taipei	68	73
AIR NEW ZEALAND	1940	Auckland	106	58
GARUDA	1949	Jakarta	119	102
QATAR	1994	Doha	146	146
ANA	1952	Tokyo	211	73
SOUTH AFRICAN	1934	Johannesburg	60	42
VIRGIN ATLANTIC	1984	London	40	30
QANTAS	1920	Sydney	118	42
LUFTHANSA	1953	Frankfurt	273	190

Source: Skytrax.

class passengers. Growing fears about terrorism have led passengers to cut back on international travel and to reduce connecting through the Middle East. This has led Emirates to switch from the A380 to the smaller Boeing 777 on some routes.

The largest U.S. airlines have alleged that Emirates, like others such as Etihad and Qatar, have received subsidies from their government. These subsidies have, according to these claims, provided Emirates with an unfair advantage. Tim Clark, the president, has responded to such charges by insisting that his carrier has never received government subsidies or obtained free or cheap fuel. The airline has always disclosed its finances, used international auditors, and posted regular quarterly profits (see Exhibits 2 to 5). In fact, according to its financial statements, Emirates has shown profits for the last 27 years. "We are confident that any allegation that Emirates has been subsidized is totally without grounds," Clark declared.[1]

In fact, Emirates claims that it has worked hard to achieve its leading position by offering onboard amenities, like bars and showers on its aircraft, which other carriers find frivolous (see Exhibit 6). Beyond this, it points to the high standards of service from its crew that speak many languages and come from many countries. Emirates' service manager, Terry Daly, employs an inspiring quote: "I may not remember exactly what you said. I may not remember exactly what you did. I will always remember exactly how you made me feel."

EXHIBIT 2 Performance Highlights

Year Ended, 31 March	Passengers Flown (thousands)	Profit or Loss (AEDm)
2005	12,529	2,619
2006	14,498	2,652
2007	17,544	3,339
2008	21,229	4,451
2009	22,731	2,278
2010	27,454	3,565
2011	31,422	5,443
2012	33,981	1,813
2013	39,391	2,839
2014	44,537	3,254
2015	49,292	5,893
2016	51,853	8,330

Source: Emirates Airline.

EXHIBIT 3 Income Statement (United Arab Emirates Dirham)

Consolidated Income Statement for the year ended 31 March	2016	2015
Revenue	83,500	86,728
Other operating income	1,544	2,091
Operating costs	(76,714)	(82,926)
Operating profit	**8,330**	**5,893**
Finance income	220	175
Finance costs	(1,329)	(1,449)
Share of results of investments accounted for using the equity method	142	152
Profit before income tax	**7,363**	**4,771**
Income tax expense	(45)	(43)
Profit for the year	**7,318**	**4,728**
Profit attributable to non-controlling interests	193	173
Profit attributable to Emirates' Owner	**7,125**	**4,555**

Source: Emirates Airline.

EXHIBIT 4 Balance Sheet (United Arab Emirates Dirham)

	2016	2015
ASSETS		
Non-current assets		
Property, plant and equipment	82,836	80,554
Intangible assets	1,317	975
Investments accounted for using the equity method	522	544
Advance lease rentals	2,580	920
Loans and other receivables	494	619
Derivative financial instruments	-	21
Deferred income tax asset	3	4
	87,752	**83,627**
Current assets		
Inventories	2,106	1,919
Trade and other receivables	9,321	8,589
Derivative financial Instruments	12	342
Short term bank deposits	7,823	8,488
Cash and cash equivalents	12,165	8,397
	31,427	**27,735**
Total assets	**119,179**	**111,362**
EQUITY AND LIABILITIES		
Capital and reserves		
Capital	801	801
Other reserves	(1,179)	(168)
Retained earnings	32,287	27,253
Attributable to Emirates' Owner	**31,909**	**27,886**
Non-controlling interests	**496**	**400**
Total equity	**32,405**	**28,286**
Non-current liabilities		
Trade and other payables	513	202
Borrowings and lease liabilities	40,845	42,426
Deferred revenue	1,596	1,650
Deferred credits	1,090	207
Derivative financial instruments	440	521
Provisions	3,762	3,589
Deferred income tax liability	4	-
	48,250	**48,595**

continued

EXHIBIT 4 *Continued*

	2016	2015
Current liabilities		
Trade and other payables	27,037	27,770
Income tax liabilities	35	34
Borrowings and lease liabilities	9,260	5,382
Deferred revenue	1,316	1,244
Deferred credits	139	49
Derivative financial instruments	737	2
	38,524	**34,481**
Total liabilities	**86,774**	**83,076**
Total equity and liabilities	**119,179**	**111,362**

Source: Emirates Airline.

EXHIBIT 5 **Cash Flow Statement (United Arab Emirates Dirham)**

	2016	2015
Operating activities		
Profit before income tax	7,363	4,771
Adjustments for:		
Depreciation and amortisation	8,000	7,446
Finance costs - net	1,109	1,274
(Gain) / loss on sale of property, plant and equipment	(367)	(132)
Share of results of investments accounted for using the equity method	(142)	(152)
Net provision for impairment of trade receivables	21	32
Provision for employee benefits	733	669
Net movement on derivative financial instruments	(5)	(17)
Gain on sale of investments accounted for using the equity method	(12)	-
Employee benefit payments	(585)	(534)
Income tax paid	(62)	(68)
Change in inventories	(168)	(213)
Change in receivables and advance lease rentals	(2,234)	194
Change in provisions, payables, deferred credits and deferred revenue	454	(5)
Net cash generated from operating activities	**14,105**	**13,265**
Investing activities		
Proceeds from sale of property, plant and equipment	6,535	3,478

	2016	2015
Additions to intangible assets	(374)	(157)
Additions to property, plant and equipment	(9,504)	(10,269)
Investments in associates and joint ventures	(19)	(12)
Acquisition of a subsidiary, net of cash acquired	(23)	-
Movement in short term bank deposits	665	266
Finance income	231	168
Dividends from investments accounted for using the equity method	128	115
Net cash used in investing activities	**(2,361)**	**(6,411)**
Financing activities		
Proceeds from loans	1,213	2,215
Repayment of bonds and loans	(1,703)	(622)
Aircraft finance lease costs	(918)	(951)
Other finance costs	(294)	(341)
Repayment of lease liabilities	(4,055)	(5,628)
Dividend paid to Emirates' Owner	(2,100)	(869)
Dividend paid to non-controlling interests	(118)	(68)
Net cash used in financing activities	**(7,975)**	**(6,264)**
Net change in cash and cash equivalents	**3,7696**	**590**
Cash and cash equivalents at beginning of year	8,393	7,800
Effects of exchange rate changes	3	3
Cash and cash equivalents at end of year	**12,165**	**8,393**

Source: Emirates Airline.

EXHIBIT 6 **Service For Premium Passengers On Emirates A380**

- Offer 1,600 channels of in-seat entertainment
- Serve Cuvee Dom Perignon, 2000 champagne
- Serve Iranian caviar
- Serve gourmet cuisine prepared by chefs of 47 nationalities
- Offer largest selection of premium wines
- Use bone china by Royal Doulton
- Use specially made cutlery by British design house Robert Welch
- Provide Bulgari-designed amenity kits
- Feature a stand-up bar
- Offer two on-board walnut and marble design showers *

* Only for first-class passengers.

Source: Emirates Airline.

Launching a Dream

The roots of Emirates can be traced back to Gulf Air, which was a formidable airline owned by the governments of Bahrain, Abu Dhabi, Qatar, and Oman. In the early 1980s, the young sheikh of Dubai, Sheikh Mohammed bin Rashid al Maktoum, was upset by the decision of Gulf Air to cut flights into and out of Dubai. He responded by resolving to start his own airline that would help build Dubai into a center of business and tourism, given the emirates lack of significant oil resources.

The sheikh recruited British Airways veteran Sir Maurice Flanagan to lay the groundwork for the new airline, which he bankrolled with $10 million in royal funding. He placed a member of his royal family, Sheikh Ahmed bin Saeed al Maktoum, to the top post. At 26 years old, Ahmed bin Saeed had just graduated from the University of Denver in the U.S. Since he had not held a job before, the young sheikh looked to Flanagan in order to figure out how to run the airline.

However, the speculator growth of Emirates can be attributed to Sir Tim Clark, who was handed the critical task of route planning. He recognized that about two-thirds of the world's population was within eight hours of Dubai, but the firm lacked the aircraft to take advantage of its location. This began to change with the arrival of more advanced aircraft, beginning with the introduction of the Boeing 777 in 1996, on to the Airbus A380 in 2008. The long range of these aircraft allowed Emirates to develop routes that could link any two points in the world with one stop in Dubai.

From serving 12 destinations in 1988, Emirates was able to expand at an amazing rate, particularly after it started adding Boeing 777s to its fleet after 1996. The carrier continued to grow even through the recession that started in 2008, taking possession of more new aircraft than any other competitor. "We operated normally. We put on more aircraft. We carried more passengers," said Mohammed H. Mattar, senior vice president of the carrier's airport services.[2]

Providing the Ultimate Experience

Emirates strives to provide the best possible experience to its passengers in all sections of its aircraft. It was the first airline to offer in-flight viewing in the back of every seat. "That seems pretty normal for long haul airlines now, but it wasn't then," said Terry Daly.[3] A caravan of flight attendants, who are fluent in a dozen languages, pass up and down the aisles, providing service with a smile. Daly, who maintains the highest standards for all in-flight services, is known for having once fired eight service supervisors on a single day when he discovered that the flight attendants that they had supervised had deviated from his precise instructions on how to respond to requests from passengers.

From its start, Emirates has also been known for the quality and selection of food that the airline provides, even to passengers in the back of the aircraft. The catering division is one of the world's biggest, a multi-floor maze of monorails, cameras, vast warehouses of wines and liquors, multinational chefs slaving over steaming pans, kettles, grills, stretching as far as the eye can see, along with the latest in robotics, all of which deliver 115,000 meal trays to Emirates planes each day. "It's about making sure the culinary offering is absolutely first class across the airplane," said Daly.[4]

But Emirates has always tried to push further and further on the service and amenities that it provides to its premium-class passengers. Included with a Business Class ticket is a limousine ride to and from the airport, personal assistance with the check-in process, and use of one of its 30 worldwide lounges. One of 600 multinational and multilingual members of a welcome team called *Marhaba*, Arabic for "welcome," help all first- and business-class passengers clear all formalities upon departure and arrival.

Over the years, as Emirates has moved to larger and larger aircraft, it has found ways to enhance the experience of its premium passengers during flight. The airline pioneered the concept of a suite in first class with its launch of the A340 back in 2003. With its 50 A380s, the world's biggest jetliner, Emirates is able to offer 14 first-class suites, each with a vanity table, closet, 23-inch TV screen and electronic doors that seal shut for total seclusion.

First-class passengers also have access to two enormous spa showers, a first in the industry. An event planner who flew first class said, "To walk onto the A380, to have an average size bathroom, a seven minute shower, full size bath towels and your own attendant is pretty amazing."[5] All premium-class passengers–both in first and business class–have access to a big, circular lounge, with a horseshoe-shaped stand-up bar in the center, for which Emirates forfeited a number of business-class seats.

Grooming a Special Employee

Each year, Emirates holds Open Days in more than 140 cities across 70 countries for the purpose of attracting new recruits to join its elite force of 18,000 flight attendants from 140 nationalities who speak more than 50 languages. They are not attracted by the starting salary, which is only about $30,000 per year, or to the free room and board that comes with it. They are excited about the possibility of joining an iconic brand which encompasses people around the world.

The airline offers a vast no-expenses-spared crew training program, where for seven weeks, each new recruit moves through different departments with specialists in various areas. Emirates carefully trains all its employees, from those who check in passengers to those who serve them on their planes. Only about 5 percent of the applicants make it through the selection process. The low acceptance rate pushes people with diverse backgrounds to compete in an American Idol style brains-and-beauty contest for a chance to travel around the world as a member of an Emirates cabin crew.

The exterior of the Emirates' state-of-the-art training facility resembles the fuselage of a jetliner. Inside, everyone pays particular attention to the flight attendants, who must make sure that everyone on the aircraft receives the highest level of service on every single flight. This is particularly important for a carrier whose flights are of long duration because they serve destinations across all continents.

By the end of their training, the newcomers have been instructed in aspects of posture, etiquette, safety, and evacuation. There are strict standards for the color of the lipstick, the shade of the hair, and even the style of the lingerie. According to a recent report, the crew, who are 75 percent women, have an average age of 26 years, compared with an age of over 40 at U.S. airlines. Their weight is carefully monitored, their makeup mandatorily reapplied regularly, and unwed pregnancy is not allowed. Everything must go well with the pinstripe khaki uniform, the color of sand, with white scarfs billowing like exotic sails. Women must adhere to certain hairstyles that the crowning blood-red hat will work with. "When walking through an airport terminal, it's usually a *Catch Me If You Can* movie moment, with passengers all turning their heads," said one of the new recruits.[6]

Like everything else, Emirates goes over the top in what it calls *Nujoum,* the Arabic word for stars, by including motivational team-building exercises in its training program. Travel writer Christine Negroni, who participated in one of these, described the experience that the new recruits typically go through. "It is a combination of a customer service experience and a come-to-Jesus rally, highly produced like a Hollywood spectacular. If you had told me that Disney produced it, I wouldn't doubt it. By the end of the day, they are whipped into a frenzy of feeling *What can I do for Emirates?*"[7]

Communicating to the Masses

In spite of the extra touches and amenities that Emirates can provide for its passengers, the carrier discovered from focus groups that their name was not well known in many parts of the world where they were expanding. They realized that they needed to create a message they could use to develop their brand among consumers that would inform them what to expect from Emirates. This message could also be used to motivate existing and potential employees to rally behind the airline and work to deliver on its promise.

In its usual style of pushing for the best, Emirates summoned the world's top 10 advertising agencies to Dubai to compete for a massive international advertising campaign contract. StrawberryFrog, an advertising agency that had recently started operations in New York City, was one of the firms vying for the contract. Its founder, Scott Goodson, had read an interview with Tim Clark, the president of Emirates, shortly before this gathering of the advertising agencies. "And in that article, he was talking about his vision, that he wanted Emirates to be a global company and wanted to make the world a smaller place by bringing people together," said Goodson.[8]

These comments inspired Goodson to come up with the idea of "Hello Tomorrow," which allowed his firm to clinch the contract with Emirates. These words became not just the theme for an ad campaign but a new way to think about the airline. Through the use of powerful storytelling, images, and music, the message portrayed Emirates not just as a carrier that delivered a superior experience but as a catalyst for connecting a new global culture of shared aspirations, values, enthusiasm, and dreams. In his conversation with Tim Clark, Goodson said: "Ad campaigns are fleeting. The power of a movement is that it can change habits and rally millions."[9]

The StrawberryFrog team spent 18 month at Emirates headquarters educating employees, making them foot soldiers in this "movement" or campaign. In the early spring of 2012, the "Hello Tomorrow" brand was launched, a universal message in myriad languages in 150 countries. In television ads, an Emirates steward pushes his drink cart as a mammoth A380 airplane seems to be literally built around him, its various parts and personnel coming from countries spanning the globe, providing proof that the airline is a truly global enterprise.

Chasing Tomorrow?

Even as Emirates has been trying to set itself apart from other carriers by enhancing the customer experience, it is facing new challenges. It is trying to attract tourists to Dubai to replace some of the connecting passengers that it is losing because of the wars in the Middle East and terrorism there and elsewhere. It is cutting back on its additional orders for the Airbus 380 at least until passenger levels rise again.

At the same time, many of its competitors have been trying to improve on their offerings, particularly for passengers who are willing to pay a little more. Airlines are fighting with each other to attract this more upscale segment as the higher fares allow them to increase their profits without having to add capacity. Singapore Airlines, for example, is trying to beat all competitors by providing a truly enhanced premium economy section. It will offer wider seats with more recline, a cocktail table, more storage space, and a sleek 13.3-inch high-definition screen, the largest in its class. Passengers will be offered state-of-the-art noise canceling headsets and hundreds of channels of entertainment, and they will be offered more options on a menu that will be designed specifically for the premium economy class.

Emirates faces its biggest challenge from its other U.A.E.-based rival, Etihad, which announced an improvement to the first-class suite that Emirates pioneered 12 years ago. Etihad introduced, with grand bravado, a three-room, $21,000 one-way Residence and nine $16,000 one-way one-room First Apartments, complete with Savoy Academy-trained butler and private chefs, on its A380 flights. First offered on flights between Dubai and London, the service is to be expanded to flights between Dubai and New York and Dubai and Sydney.

Some industry analysts have questioned the ability of Emirates to deal with these challenges. Joe Brancatelli, a business travel writer, recently stated: "I could make the case that Emirates' moment has passed. Emirates was the trendy airline three or four years ago."[10] In a recent meeting to announce the latest performance figures for the airline, Emirates Chairman and CEO His Highness Sheikh Ahmed bin Saeed Al Maktoum brushed away these concerns. "Over the years, we have always managed to come up with new products," the young chairman responded.[11]

ENDNOTES

1. Mark Seal. Fly me to the moon . . . with a stop in Dubai. *Departures .com*, Summer 2014, p. 276.
2. Susan Carey. U.S. carriers claim unfair practices. *The Wall Street Journal*, March 6, 2015, p. B 3.
3. *Departures.com.*, Summer 2014, p. 276.
4. Ibid., p. 277.
5. Ibid., p. 277.
6. Ibid., p. 278.
7. Ibid., p. 277.
8. Ibid., p. 310.
9. Ibid., p. 278.
10. Ibid., p. 278.
11. Ibid., p. 275.

EXHIBIT 2 JetBlue Fare Options

	BLUE	BLUE PLUS	BLUE FLEX	MINT
CHECKED BAGS INCLUDED[1]	0	1	2	2
CARRY-ON (1 BAG + PERSONAL ITEM) INCLUDED	✓	✓	✓	✓
BASE TRUEBLUE POINTS (PER DOLLAR)[2]	3	3	3	3
TRUEBLUE ONLINE BOOKING BONUS (PER DOLLAR)[3]	3	4	5	3
CANCELLATIONS OR CHANGES (PLUS ANY FARE DIFFERENCE)[4]	$75 (FARES UP TO $99) $100 (FARES UP TO $149) $150 (FARES $150+)	$75 (FARES UP TO $99) $100 (FARES UP TO $149) $150 (FARES $150+)	0	$75 (60+ DAYS FROM DEPARTURE; FARES < $950) $150 (WITHIN 60 DAYS FROM DEPARTURE, FARES < $950)
SAME DAY CHANGES	$50	$50	✓	$50
EVEN MORE® SPEED (EXPENDED SECURITY)[5]	$10/$15	$10/$15	✓	✓
MOST LEGROOM IN COACH[6]	✓	✓	✓	N/A
FREE SNACKS & SOFT DRINKS	✓	✓	✓	✓
EATUP® & EATUP® CAFÉ[7]	$3–$12	$3–$12	$3–$12	✓
FLY-FI® (HIGH-SPEED INTERNET)[8]	✓	✓	✓	✓
DIRECTV®[9]	✓	✓	✓	✓
SIRIUS XM RADIO®[10]	✓	✓	✓	✓
MOVIES[11]	✓	✓	✓	✓
LIE-FLAT SEAT, EARLY BOARDING, ARTISANAL DINING, DEDICATED CHECK-IN & MORE!	N/A	N/A	N/A	✓

Source: JetBlue official website.

and coherent business model to support it. Were too many complexities being introduced into its simple model of success?

The "Interline" Model

Unlike many other carriers around the world, JetBlue chose to stay independent. The carrier relied on signing a series of "interline" agreements instead of joining an airline alliance. While the interline agreements do not fit into a strict hub-and-spoke model, they nearly amount to the same thing, allowing JetBlue passengers in New York, Boston, and San Juan to connect to destinations around the world.

In February 2007, under the leadership of Barger, JetBlue had announced its first code-share agreement, with Cape Air. Under this agreement, JetBlue passengers from Boston's Logan Airport were carried to Cape Air's destinations throughout Cape Cod and the surrounding islands, and customers were able to purchase seats on both airlines under one reservation.[24] While Lufthansa's January 2008 acquisition of a minority equity stake (42.6 million shares of common stock) in JetBlue did not automatically lead to any code-share agreements, Lufthansa expected to have "operational cooperation" with JetBlue.[25]

JetBlue continued on the path of signing more interline agreements. In March 2011, it announced an interline agreement with Virgin Atlantic. Virgin Atlantic and Virgin America have some shared ownership, with Virgin Group owning 25 percent of Virgin America. Virgin America is a major competitor of JetBlue.[26] In March 2013, JetBlue entered its 22nd code-share agreement, with Qatar Airways, which followed its partnerships with the UAE-based Emirates airline, Korean Air, Air China, and the Indian carrier Jet Airways, allowing JetBlue to expand its reach far beyond the Americas, into India, China, the Middle East, and other parts of Asia.[27] Etihad Airways and El Al Israel joined this list in January 2014 and November 2014, respectively.[28] After replacing the second CEO, Hayes continued expanding the partnership and codeshare agreements throughout 2016. JetBlue signed codeshare agreements with Seaborne Airlines and Azul Brazilian Airlines, and expanded the existing codeshare agreements with many airlines including Hawaiian Airlines, Cape Air, and Icelandair Airlines, among others. In response to growing competition, JetBlue's expansion of codeshare agreements marked a departure from the company's initial strategy to stay independent.

More Goodies for Customers

Over the years, JetBlue has constantly tried to maintain its customer-first attitude. It introduced its "Go Places"