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*Following is the complete transcript of an interview Cerebellas® conducted in late May 2005 with David Neeleman, Founder and CEO of JetBlue® Airways.*

**Cerebellas:** Two recent articles in the Wall Street Journal have discussed what some are calling ‘frequent dier’ and ‘frequent crier’ airline programs—which cater to the funeral industry and to families with children, respectively. Are these efforts more about diversifying the revenue model for air transport in general or finding incremental revenue streams to maintain competitiveness in traditional passenger fares?

**Mr. Neeleman:** I think it’s just a different way to find new business. The costs for transporting someone who is alive, the yields have been under pressure and when someone has passed away and you’re transporting their remains you make more money doing that. It’s a way to increase your revenues. And a lot of innovative people have gotten together and said, ‘how can we make sure these funeral directors send more business to us than to them?’ So we’ve come up with a program where you refer business, and I don’t think it necessarily matters to the deceased or to their family which way they come as long as they’re there before the wake. I think there’s some innovation going on and obviously it seems a little creepy.

**Cerebellas:** So it’s really more about diversifying opportunities for revenue rather than an attempt to find ways to keep down conventional passenger fares, or is that just a happy accident?

**Mr. Neeleman:** That’s just a diversity revenue thing.

**Cerebellas:** In January and March of this year JetBlue ranked last out of 19 airlines in on-time arrival performance. Given the fact that your major hubs are in the North East and you go through Florida for some share of your flights that head on to warmer destinations, how do you deal with the inevitable bad publicity surrounding poor on-time arrival performance?

**Mr. Neeleman:** It’s a good question and we’ve had bad weather before and have been able to make it work. I think in each case there was a confluence of events that came together and I wouldn’t overuse the perfect storm analogy, but there were things that happened that were our own doing. We didn’t do a good enough job of turning around airplanes with heavier loads as we have, and we’re working on that. Most of it wasn’t of our doing. If you look at our cancellations, we always cancel less than anybody else does and where a lot of our competitors will say, ‘we want to get back on-time, and let’s carve out 60 or 70 or 80 cancellations and then we’ll go back on-time,’ then that allows them to look better at on-time percentages, but worse on cancellations.



We think that our customers would prefer to go late than not go at all. That's just a philosophy difference and in the case of the first quarter with the bad weather we had, it showed maybe a little more in our on-time percentage than it has in the past. But maybe also the major driver was Ft. Lauderdale. In the first quarter we had maybe 45 days of the 90 days—half the time—we were in a ground delay program there because they had a saturation issue.

So we've been working really hard. There's a second runway they [Ft. Lauderdale] need to get open and I think we'll have most of that problem alleviated by next year, and I'm very confident and that we'll be back up to the top position that we held all along. I think it's an abnormality and I don't expect that that will continue. We're already in the mid-80s [in on-time performance] for May and we'll get there soon.

**Cerebellas:** JetBlue and Southwest are continually cited as the most successful of the so-called low-cost carriers. What do you think distinguishes these two airlines—and JetBlue in particular—from other low-cost carriers? Why are you successful where others are not?

**Mr. Neeleman:** I think it's because we've been able to provide the best product in the industry with the lowest cost. A lot of people talk about low cost—and we do have low cost—but we also have people that prefer to fly on JetBlue. And I think that's a great thing to have, when you have preference and you also have a good cost structure. And a lot of people just say, 'I want to fly on JetBlue,' and we've been able to levitate above a commodity business.

**Cerebellas:** At a recent lecture co-sponsored by American Express and NAWBO-NYC I asked you if being branded 'low-cost' commoditizes the innovations that JetBlue has brought to air travel. At the time, you didn't think so, but acknowledged that the moniker does lump JetBlue with carriers that compete on price alone. Why not talk about yourselves as a 'high value' airline, for example, to better reflect JetBlue's commitment to innovative, high quality service and low fares, and even further distinguish JetBlue from the pack in the minds of consumers?

**Mr. Neeleman:** Most of our business comes to us from word of mouth and I don't think it's smart—I never have—to over-promise. I would rather make people think—from a new customer point of view—this is a low fare carrier, let's just go fly it. We just want to get you once. We want to get you to fly us once and then we're very confident we'll get you to come back over and over again. So a lot of people would say, 'why don't you call it, 'We'll Pamper You Air,' really emphasize the quality of our operation. Now maybe that might help our crew members, but they know that, they know we're focused on that. I would rather dazzle people, I would rather under-promise and over-deliver because I think that creates more word of mouth.

**Cerebellas:** You founded JetBlue with the innovative idea of bringing 'humanity back to air travel' by coupling high quality service with low fares. Other airlines are mimicking aspects of JetBlue's approach, to varying degrees of success. What does it take to remain innovative in ways that matter to your customers, or is it simply a continual game of one-upmanship?



**Mr. Neeleman:** I think the most important thing is building a culture. They can come up with a gimmick where they say, 'I'm going to do this, I'm going to do that'—but if you don't have the culture and the people to execute on a plan then you're not going to be successful. I think for us if you just take care of your people—you have the right people in the right places and you take care of them—then you're going to be fine, you're going to be the best and anything that you want to bring along in terms of some new innovations then you're going to be able to pull it off because you'll have the people that'll be able to do it. I think it's very difficult for these people that are cutting salaries and laying people off and taking away benefits to say, 'ok, now let's all be friendly and try this new thing.' They're like, 'forget it, I don't want to deal with you or anything else.' I think it all starts with culture.

**Cerebellas:** JetBlue is known for its commitment to the customer experience—even calling travelers 'customers' instead of 'passengers.' Looking beyond the airline industry, why do you think so many companies find it difficult—or are not interested—to become more customer-centric?

**Mr. Neeleman:** You know, I don't know. It takes a lot of work, it takes a lot of focus and I just think people are kind of not visionary or are not willing to see the whole thing through. If you did it and said, 'we're going to be about customer service' and then you don't have the commitment to it, then it becomes just another gimmick and it loses its appeal. I just don't think it's that easy. You can count on one hand the companies that you know that have good customer service. And you think that those companies all by and large do better than those companies that don't, and you'd think that everybody would want to do it. But I can tell you that obviously this isn't something that's easy to do or easily duplicated.

**Cerebellas:** You have spoken often about how culture plays a critical role in how and how well an organization executes its business strategy. At JetBlue you had the opportunity to build a culture from scratch, based upon respect for the customer and making air travel enjoyable—even fun. In many companies, their cultures are at odds with their continued growth and success, yet their CEOs seem loathe to tackle the culture issue. Why do you think this is so? Is this a component of what we just spoke about?

**Mr. Neeleman:** Yeah, I think so. It's hard work. It's hard work to go get on a flight and hang out with your crew members. It's hard work to go downstairs and throw bags. It's better to just be chauffeured around in your limousine and go to your house on the Cape and not have to worry about this stuff. It takes a lot of focus, it takes a lot of hard work, it takes a lot of dedication and I think a lot of people don't want to do it.

**Cerebellas:** Jack Schuessler, CEO of Wendy's, has been outspoken about his company's commitment to doing the right thing in the face of the recent 'finger fraud' where a partial finger was found in someone's chili. The company lost millions of dollars in business to protect its brand rather than pay to make the problem go away. His strident defense of Wendy's brand, even in the face of significant financial loss, is viewed as exceptional in today's business climate. Why is 'doing the right thing' perceived as so difficult and so rare?



**Mr. Neeleman:** I think because sometimes the right thing doesn't pay off in the short term and I think a lot of companies are very short-term oriented. They just think about the next quarter, what are the next quarterly earnings. They're not thinking about five years from now. And I think in the case of Wendy's, he took a stand and it was all proven out that this was a fraud and I think possibly that people will reward him and he'll make back more money than he would have made. Make it all back and maybe even more.

You don't do things because you think you'll make more money—you do the right thing all the time and then you can sleep at night, and sometimes it pays off and you make more money than if you decided to take the short-term fix.

**Cerebellas:** On that issue, how do you avoid the temptation to be drawn into short-term issues insofar as you're a publicly traded company and obviously report your numbers every quarter? How do you avoid getting drawn into that vicious cycle?

**Mr. Neeleman:** Well, you know, it's hard, because there are a lot of pressures on you. Everyone wants the stock price to go up. You've got to hold to your principles and once you say you're going to do it you have to stick with it. If you start out that way it's a lot easier to maintain that.

There are a lot of days that I wish we were still private, but it's a great way to get capital, so you have to take it.

**Cerebellas:** Then maybe I'll go public. Maybe I'll take Cerebellas public!

**Mr. Neeleman:** I'm sure you'd be a 'buy.'

**Cerebellas:** Well, thank you very much.

Sometimes it's instructive to look to companies in other industries as a way of addressing one's own challenges—be they operational, logistical, marketing related, etc. Have you ever taken a page from another company's playbook—beyond the airline industry? Why or why not? What did you hope to learn, and did you?

**Mr. Neeleman:** A lot. I have a lot of respect for Starbucks and for Nordstroms and for Ritz Carlton. We're trying some things now from a Ritz Carlton point of view where they use the names of their customers a lot, and so we're constantly looking and other companies and saying, 'what are best practices?' and how could we do it better. I think a company that says they're the best at what they do and nobody could do it better is a pretty arrogant company.

**Cerebellas:** Your career to date has been one of tackling tough challenges. For example, when I heard you speak, you said the last thing you needed to do financially or for any other reasons was start another airline. It's such a tough business, yet you had very clear vision about what you wanted to create and I'm sure it's an uphill challenge every day. Looking ahead, what new challenges would you like to conquer—perhaps even outside the airline business?



**Mr. Neeleman:** I was born in Brazil my church mission is there, and I've donated a lot of money to a program down there where we have about 800 kids in college where kids are being lifted out from the poverty level to the point where they could be employed and can move. That kind of stuff really excites me. I kind of see myself doing a lot of that charity work. I can't see myself starting and running another business right now, I'm so focused with what I'm doing at JetBlue. I enjoy doing charity work and my church provides ample opportunity to do that so I think that's what I'd like to do, given another ten years or so.

**Cerebellas:** Thank you for your time, this has been a really wonderful opportunity for me.

**Mr. Neeleman:** My pleasure.