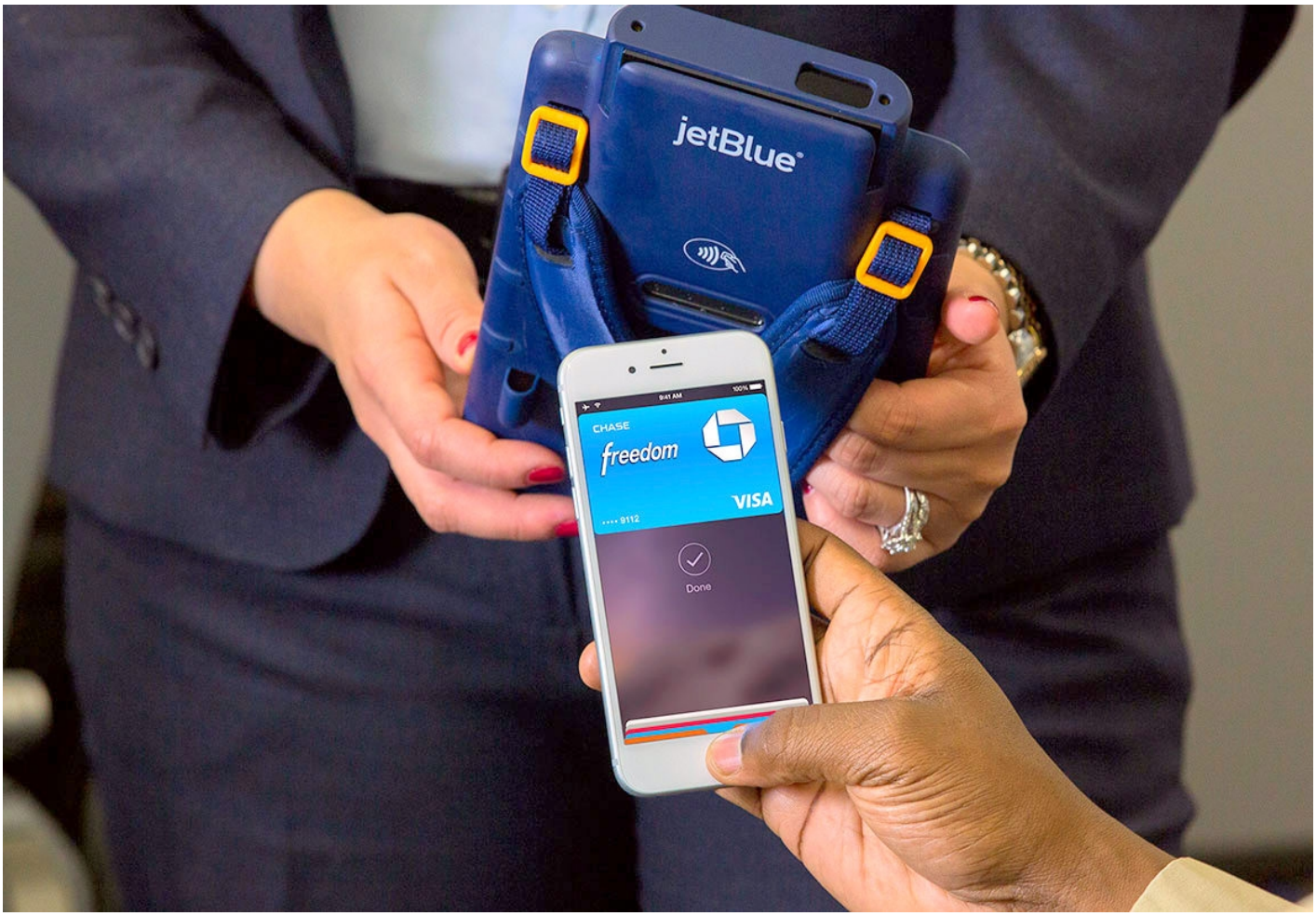
JETBLUE LAUNCHES VENTURE CAPITAL SUBSIDIARY TO INVEST IN TRAVEL STARTUPS

News / Airlines, Finance



JetBlue unveiled a new subsidiary, JetBlue Technology Ventures, which is based in a Silicon Valley incubator and will provide seed funding to early stage technology, travel, and hospitality startups.

JetBlue Technology Ventures is led by its president, Bonny Simi, a JetBlue pilot who had been working on talent acquisition for the airline, and the subsidiary will be located in the Redwood City, California offices of GSVlabs. Other partners in the startup incubator/accelerator arena include Plug and Play and RocketSpace.

JetBlue believes it is the first airline to open a corporate venture capital arm in Silicon Valley and a spokesperson says the venture will be backed by a “multi-million dollar investment.”

Simi, who relocated to Silicon Valley more than a month ago, reports to JetBlue executive vice president and chief information officer Eash Sundaram, who will shape the program’s direction and integrate startup platforms into the airline’s “corporate innovation and technology initiatives,”

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JetBlue states.

While JetBlue's new technology arm will focus on technology, travel and hospitality startups to improve the customer and crew member experience, connectivity, and data, and operations and logistics, it would be wrong to consider it just airline- and onboard-focused, Simi says.

Beyond the Cabin and Operational Efficiencies

Simi says one aim is to expand the vision of JetBlue's brand, adding that improving JetBlue Getaways, the airline's vacation package offering, and destination activities, will be explored, for example.

"We're thinking more broadly beyond the travel experience," Simi says. "How does the travel experience change with 5G phones? What about virtual reality?"

Asked about how much money JetBlue is devoting to its new venture capital unit, Simi says the airline allocated "sufficient funds" for investments in 2016 and to get the program started and additional funds will be transferred as needed in the future. Separately, a spokesperson characterized it as a "multi-million dollar investment."

Will This Be More Fluff Than Substance?

Corporate venture capital efforts, or more broadly, startup funding efforts by travel players, have a mixed record.

CB Insights projected that corporations and corporate venture capital companies in 2015 more than doubled their investments in travel tech companies to $2.3 billion through 68 fundings. The most active investors over the last five years have been Tencent, Concur, Recruit Strategic Partners, Google Ventures, BMW i Ventures, and T-Venture.

JetBlue will not be playing at this scale.

JetBlue Technology Ventures isn't trying to compete with venture capital firms in terms of massive funding rounds, Simi says, but will provide seed funding and will be an asset to startups trying to differentiate themselves by associating themselves with a "cool brand, " namely JetBlue, and getting access to the airline's customer base.

"It's more about the strategic part" that we are bringing to the startups and, in turn, the benefits accruing to JetBlue, Simi says.

Corporations' venture capital efforts have a variety of aims.

"Not all CVCs have the same goals or motivations," says Marcelo Ballve, research director for CB Insights. "Some are driven mainly by financial outcome as an institutional VC might be. Others are driven more by strategic considerations."

"So success would in part be a function of how the funds have defined their goals," Ballve adds.

Among airlines, in 2013 American Airlines started an investment fund for startups that largely offered them marketing help and free airline tickets. It couldn't really be characterized as a corporate venture capital effort, and the airline didn't immediately respond to a question about whether the program still exists.

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Asked how substantive JetBlue's startup initiative will be, JetBlue spokesperson Doug McGraw says: "What distinguishes JetBlue from many other corporate efforts is that we are establishing a presence in Silicon Valley. We believe embedding talent in the startup community will be the most important factor for success."

"While we will have a multimillion dollar investment, this will be about more than just funds," McGraw says. "We are want to build real partnerships with startups to bring their ideas to life, offering them the knowledge and resources of JetBlue. By physically putting a team in Silicon Valley, we will be close enough to the community to make that happen."

JetBlue Technology Ventures has not invested in any startups yet. Interested startups can contact the unit through its website.

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