

Masters of Scale: Rapid Response Transcript – Joanna Geraghty

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JOANNA GERAGHTY: I think the future of the industry is at stake. The pandemic did a phenomenal job in quickly directing your priorities. When your revenue drops 95% overnight, you have to take a step back and reposition. And in a pandemic, your crew member safety becomes your number one priority, followed by customer safety, followed by financial stability. And that enables you to hone in and direct your resources in a very purposeful, driven way.

And then, once you feel that you've got a plan for those three areas, you can then take a step back and say, "Okay, what are the opportunities that are going to come out of this?" Because there will be opportunities.

As an airline that's largely leisure, we're excited about our prospects for recovery because we do think that leisure travel will come back. It will come back in a meaningful way.

She was thanking me for my leadership, and I just looked at her and I said, "What you've done and the sacrifices that you've made have been truly remarkable."

So it's this gut feeling making sure that your plans also reflect not just the data, but also, how does it feel?

Traveling now definitely feels different. But it feels good to be back out there.

BOB SAFIAN: That's Joanna Geraghty, president and chief operating officer of JetBlue. Like other airlines, JetBlue has been crushed by Covid-19. Joanna's had to manage cost cuts, schedule shifts, new protocols, and constant uncertainty.

I'm Bob Safian, former editor of *Fast Company*, founder of The Flux Group, and host of Masters of Scale: Rapid Response.

I wanted to talk with Joanna because, as we head into what used to be the strong season for airlines, JetBlue and its peers are now grappling with the impact of the renewed surge in viral infections nationwide.

Joanna explains how JetBlue is iterating on its models, balancing data with gut feeling. She talks about the future of health passports and what a vaccine might bring. She's direct about how the airline industry has been "rocked to its core." Yet she's also a believer in the power of inspiration.

[THEME MUSIC]

SAFIAN: I'm Bob Safian, and I'm here with Joanna Geraghty, the president and chief operating officer of JetBlue. Joanna is coming to us from the JetBlue headquarters in Queens, New York as I ask my questions from my home in nearby Brooklyn. Joanna, thanks for joining us.

GERAGHTY: Thank you for having me. I appreciate it.

SAFIAN: So 2020 has been an extraordinarily challenging time for airlines. Travel evaporated in the spring. There was some gradual recovery, but airlines are still losing millions of dollars a day. You have to worry about your crew members' health, the health of passengers, new plane-cleaning protocols, mask wearing, a whole range of things. It's kind of dizzying, and frankly sounds a little bit exhausting. How are you faring and dealing with all of this?

GERAGHTY: You know, I look at our frontline team out in the field that has been working throughout this pandemic, bringing customers for essential travel needs around the United States and into the Caribbean. And every single day, they have inspired me, inspired our leadership team to make sure that we're doing the right things from the safety front, from the finance front. They've shown us what true teamwork and really what true leadership is, because it's been remarkable what they've gone through, the resilience and how they have more than risen to the occasion and carried JetBlue quite literally on their backs.

SAFIAN: Are there experiences you've had specifically with particular crew members that are memorable to you?

GERAGHTY: Oh, for sure. I mean, I was out in Los Angeles flying back about two weeks ago, and one of the crew members came over to us after she'd taken a leave of absence so that other crew members could keep their jobs and earn an income, because she was in a position where she could afford to take a little time off. And she was thanking me for my leadership, and I just looked at her and I said, "What you've done and the sacrifices that you've made have been truly remarkable." And we have thousands of stories like that across our company, with crew members that have just gone above and beyond to make sure that we navigate this crisis.

I remember early on, a crew member had written to me from Detroit. And in the beginning of the pandemic, there was actually a lot of rumors that the government was going to close the airspace and shut down air travel. It was very frightening for so many people, rightfully so. And this crew member in Detroit was in the line to go through the TSA checkpoint. And somebody made a comment about, "The airlines should just shut down, because this is a situation that requires sort of a broad lockdown." And the woman behind the crew member turned to the crew member and said, "Thank you for working. I'm going to visit my mom, and she's actually close to passing away. And if you weren't working through this, I would not have a chance to see her again."

And there are countless examples like that, which I think serve to prove how critical the airline industry, but transportation overall, is to the overall infrastructure. And as we think about the vaccine, yet again, airlines are going to become that critical infrastructure, particularly the cargo carriers, that will need to be involved in distributing the vaccine. And so it's been quite humbling and quite inspiring throughout this event to see people rise to this occasion and just shine.

SAFIAN: Are you involved in trying to figure out how JetBlue helps with the distribution of the vaccine?

GERAGHTY: We're not involved yet. We're not a cargo carrier in a meaningful way. We have narrow bodies, and we're also not certified to carry hazardous materials. And based on the Pfizer vaccine at least, dry ice would be considered hazardous material. But similar to what we did early on where we were carrying healthcare workers all around the United States, I would imagine we'll be involved in some way, shape, or form – volunteering our time and our planes to support whatever is needed.

SAFIAN: There've been all these, sort of, waves of emotion and waves of change the last few months, and it's hard for folks to maintain their patience, their stamina. I mean, things seemed like they were brightening up a bit on the Covid-19 front, and now the numbers are looking scary again. How does that sort of wave of change impact the way you plan, the way you interact with the team?

GERAGHTY: So early on, we recognized Covid was not going to be something that went away quickly. In March, we literally had to stand almost the entirety of the airline down overnight. So think people, planes, all of those parts. Where do you put your planes? And so recognizing that any recovery out of Covid would likely be choppy and not linear, we actually built a plan called Project Rise Up, and rise down or stand down if we need to, to try to memorialize how to make JetBlue more nimble and flexible so that when we had positive moments, we could add additional flying in. We could bring more crew members back to work, we could add more hours back in.

And then when the case count rose and demand was pressured, we could stand the airline down in those locations. And so we've actually built a whole framework around this, trying to fundamentally make the airline more flexible, which is anything but what an airline wants to be. And so I think it's worked in a great way, and it's also made our team far more nimble. I will say it focuses your attention on the things that are truly critical, and the things that truly matter. And that definitely helps with execution, because everybody's very quickly rowing in the same direction. But we've focused on how we can dial things up and dial things down, and build a structure and a framework around that.

SAFIAN: You're based in New York, and just recently the New York public schools shut again because they had set certain parameters for, "This is the number that we hit." When you're

thinking about rising up, do you have those same kinds of hard and fast numbers that you're using to drive those decisions, and are they regional? Are they national? How programmatic can you be when this environment is completely different than the past has been?

GERAGHTY: So we created a whole team that's focused on Covid, and it's very cross-functional and it covers everything from scheduling to our revenue to our safety protocols, to how we manage our staffing, and then also how we predict where things are going to go. Because you obviously schedule flights out a certain period of time, and so if you're going to cancel flights or adjust your schedules, you need to do that with some advanced notice. And so we've created a series of dashboards that look at key indicators: economic indicators at the global and the regional level, and then also health indicators. So hospitalizations, positive case count.

We track all of that on a geographic basis as part of our planning process. We put that into place quite early, and then we've iterated on it. One thing we noticed after the spike in the June/July timeframe in the southern states was, some of the increasing positivity rates in the Sunbelt weren't actually as correlated with customer demand as we once saw. Even with the rising case count, customers still wanted to fly.

Back in the March/April timeframe, you could put dollar fares out there and nobody would want to fly. So we started seeing a shift in customer behavior, and adjusted our dashboard somewhat to reflect that. And so we keep iterating as we move through the pandemic and learn more. And we are able to stimulate demand even with a rising case count, albeit the higher it goes up, the slower the demand recovery is.

SAFIAN: And so there's not one number that's dictating what you're doing, other than maybe responding to what consumer demand is in each market?

GERAGHTY: Correct. The numbers help us predict where we think consumer demand is going and then we adjust our models a bit. The other piece in all this too, though, is gut, I think. And that's been something that I think some leaders have excelled at. In New York, in March and April, it felt really bad for those living here. I mean, it was scary. It was a situation where we didn't know a lot about Covid, didn't know how it was transmitted. And so, that very much played into our planning process, because the gut feeling was you only want to be flying essential healthcare workers and other essential workers.

But in other geographies, it's actually quite different. I've flown around quite a bit, and I think New York is suffering from some clearly PTSD from what happened. If you fly to Florida, it's different down there. It's a different feeling, and more people are traveling and more people are outside of their homes. So it's this gut feeling as well, around what the geographic region is like, what the sentiment is like down there, and making sure that your plans also reflect not just the data, but also, how does it feel?

SAFIAN: When you're doing this, how much do you think about the overlay of whether you're encouraging a certain kind of behavior?

GERAGHTY: As we've learned more about Covid, there's been a lot of research done on different environments and how safe or unsafe different environments are. And early on, working with the aircraft manufacturers, working with our trade association, we understood the aircraft environments, the cabin environment is safe. Harvard did an independent study along with the Department of Defense, really looking at different parts of the travel experience and then doing a deep dive on the cabin environment. And it concluded, along with all the research that we had been working on, that the cabin environment is safe. It's a controlled environment.

And with the way the airflow works from ceiling to floor in a circular fashion, through HEPA filters, 97% of the air is actually recirculated every three minutes. And so when you look at an aircraft environment versus other indoor environments such as restaurants, grocery stores, it's actually a very low-risk environment, much lower risk than many of those environments. We've also spent a lot of time working through, how do you position this with customers? There will be some customers that no matter how you position it, they will never believe an aircraft cabin is safe, but there's a lot that actually really, truly believe that the mode of travel flying on an aircraft is actually very safe.

And so, from our perspective, we want to be there for those who have to travel. We want to be that critical infrastructure, but there's a lot of safety protocols that need to be followed. The quarantines are another piece that has been a very interesting thing to try to navigate. Ideally, you would have a common framework where customers knew what to expect when they got to the airport, when they got to their destination. And right now, there are different protocols based upon flying into New York, for example, versus flying into Fort Lauderdale.

If you fly into New York, you need to get a Covid test 72 hours before you leave. You don't need to get the results before you land, but when you land, you have to quarantine for three days. And then on day four, you have to get a second Covid test. We're trying to explain it in a simple way for customers, but each state's a little bit different. And that can be, I think, an impediment to getting customers back out there traveling.

SAFIAN: Thanksgiving is usually boom time for airlines. Is it relatively a boom time?

GERAGHTY: Anything's more of a boom time than March and April. March and April, our revenue went down 95 percent quite literally overnight. And so, in our last earnings call, we guided that revenue would be down about 70-ish percent in the fourth quarter. And so, it's better than it was back in March and April. But we're still in the middle of the pandemic and it's going to be a bit of a ways to go as we navigate through the winter

time frame, and when we think the vaccine is going to be available more widely to the public.

We've always thought that recovery would be non-linear, and we'd have these moments where you take 10 steps forward, and then moments where you'd take five steps backwards. We are far away from being out of the woods.

SAFIAN: So I have to ask you about middle seats. I know you've said that having planes where no one is ever in the middle seat is not sustainable for the business model. You guys have talked about starting to put people into middle seats. Some other airlines have continued to say nobody in middle seats. How do you think about what this middle seat conundrum is?

GERAGHTY: Sure. So the middle seat issue is a uniquely U.S. issue. So I'll just put that first out there. It's not something that you see anywhere in the world.

SAFIAN: Interesting.

GERAGHTY: Back in March, we were the first airline to start blocking seats. From a gut perspective, we said, "You know what? Until we know more about how Covid is transmitted, until we understand more about the safety of the cabin, we think this is something we should do." And then it became, this is something about rebuilding customer confidence in getting on a plane again. When customers understand that aircrafts are safe, and we're confident that they're safe, this is something that we can transition away from. We knew, and every airline I think would agree, it's something long-term that's not sustainable. It's very expensive to do.

And so, we have been kind of navigating the middle seat block on a rolling basis. And when studies started confirming that the aircraft cabin environment is indeed safe, we became far more comfortable raising the middle seat block. We didn't do a flip a switch overnight. We're easing back into it.

We're confident the aircraft cabin is safe, we felt that it's the right time to start lifting that lid. And so, that's been our decision. We're doing it as we enter a trough period. So after January 7, we will no longer have our middle seat blocks, but Q1 tends to be a trough. So there will be naturally less customers onboard the aircraft. So you won't have, in most cases, full flights. And so, we feel good about how we are stepping out of it, but it's a far easier thing to put in place than it is to unwind. But given the safety of the aircraft cabin, we think it's the right decision. And most airlines either had never put them into place or are following suit along those lines.

SAFIAN: One of the airlines that announced that it's going to keep the blocks in place is a much bigger airline. Maybe it has access to a lot more capital than you guys do to weather some of the financial challenges of this time. Is being a smaller airline a disadvantage at a time like this? In what ways is it an advantage?

GERAGHTY: We represent about 5 percent of the domestic seats in the United States, the other legacy carriers are anywhere 20-30 percent, so it gives you a sense of sort of our relative size. I think in a situation like this, it's been an advantage because we have been able to, I think, number one, be very flexible with how we've managed this crisis. Number two, we've also been able to really personalize things with our customers as we've navigated this crisis.

I also think when you're smaller, we have a team that's very engaged. The ability to stay connected with the people that work at your company, and hear what's going on, understand what's working, what's not working, has been incredibly valuable. And I think if you have a workforce of 50/75,000, that's much harder to do.

You want your people to feel close to you. You want to make sure you're connecting with them because it's a frightening time. People are afraid for their jobs. People are afraid for their health, and being able to connect in a very real-time way is incredibly helpful to make sure that everybody knows what direction we're rowing. They know the challenges, they know what we're doing. They know when we've made mistakes, and we need to reverse course. And I think that's been a huge advantage.

SAFIAN: How do you weigh the trade-offs on how you allocate your resources?

GERAGHTY: It's a great question. The pandemic did a phenomenal job in quickly directing your priorities. So when your revenue drops by 95 percent overnight, you basically have to stop spending anything discretionary and take a step back and reposition. And in a pandemic, your crew member safety becomes your number one priority, followed by customer safety because if your crew members aren't safe, then your customers can't be safe, followed by financial stability. And I say them in that order, but they're probably all equal. And that enables you to hone in and direct your resources in a very purposeful, driven way.

And then, once you feel that you've got a plan for those three areas, you can then take a step back and say, "Okay, what are the opportunities that are going to come out of this?" Because there will be opportunities. In 2008, when the financial crisis hit, that was the year that we decided we were going to build our Caribbean franchise, and it's been incredibly successful for us. And so, we know in this environment that there will be opportunities. We feel confident that we're addressing or have a procedure to address health and safety issues, revenue network, and our financial security. Let's not take our eye off of the medium and longer term." And we've done just that.

We have announced growth in Los Angeles. We closed our Long Beach base, which was incredibly hard because it was one of our first cities, but it was historically not performing in the way we needed it to, and Los Angeles was performing much better.

We announced a number of new markets. And within those new markets, there might be some cities that could be potential seventh focus cities for us.

And so, London, that was a very deliberate decision. We could have delayed London, but we decided that, with the pandemic, it may mean that other carriers want to work with us on potentially providing slots. And so, we didn't want to miss out on that opportunity. And it also means narrow bodies across the Atlantic in an environment where it's probably going to be pretty hard for a while to fill a wide body. And so, you have to be very selective on the projects that are longer term that you're going to pursue. But because you don't have a lot of money, it makes it easier to sort of pick the few that you're going to double down on and those that you're going to stand down.

SAFIAN: Are there different things that you think will differentiate airlines in the future than differentiated them in the past?

GERAGHTY: I think similar to 9/11, when security became a top priority, clearly health and cleanliness will be. I think the era of a turn where you're not cleaning tray tables, that's long gone. I think customers, as they rightfully should, will place a high degree of importance on a clean aircraft, on a crew that's healthy. I think that's a good thing. I think people won't come to work when they're sick, either. I think it's cast a light on making sure that, what are the policies and procedures you have in place for your people when they become sick? And what are you doing to make sure you don't encourage them to come to work, because you have the wrong procedures in place? And so I think this notion, obviously of health, is also going to play a meaningful role going forward.

SAFIAN: In the future, is there going to be health screening that is standard for when you're traveling in a plane, whether that's at the airport or whether that's before the airport, on an app?

GERAGHTY: It'll be interesting to see what the vaccine hesitancy rate is and what portion of the population gets vaccinated versus what doesn't. And I think that longer term will influence the notion of sort of the health passport and whatnot. But I think in the short term, we're looking at testing being an important component of reopening locations. We think testing combined with the vaccine, combined with some kind of health passport will be a potential solution to make travel easier for customers.

And in my mind, you're going to need an in-airport solution for testing, but you don't ideally want to bring all of that to the airport. The airport is a challenging enough environment on a normal day. Ideally, you will have the capability longer term to self administer a reliable Covid test that has the right sensitivity and then you'll be able to upload that into some type of health passport.

We're advocating a common standard, so that whether you have this health passport or that health passport, there's a common framework for how your tests would get uploaded and how it can be read by an airport crew member, or in some cases,

somebody with the government, and then you show up at the airport with sort of an all clear to travel. You need the testing capability there for those who forget to do that, but you don't want to be introducing into the airport, "Oof, that person Bob just arrived and he just flagged positive on the Covid test." I mean, that's not an ideal situation.

I think up until this point, JetBlue, along with other airlines, has created different opportunities on its own. So we have a partnership with Vault, for travel. It's an at home saliva-based PCR test. We just announced something with the government of Aruba. They will now accept the Vault test. I think that's all really great. But when I put myself in the shoes of the customer, they want to know something is standard across the board. And I think that's where the industry can do a better job, trying to worry less about how I'm going to get one leg up on testing or one leg up on a health passport, and more what's the right solution for the public.

I think the airline industry will benefit if the traveling public just says, "hey, I get it. I have to upload this to my health passport, take this test, and I'm good to go."

SAFIAN: It sounds like you still have a ways to go before those pieces are in place.

GERAGHTY: We're at the beginning of having those conversations. A4A, which is the Airline Trade Association, they're facilitating those conversations. I don't want to speak for my colleagues, but I think most would agree a common standard, regardless of the tool you use, is advantageous for everybody. But it's a lot of different companies. It's governments. It takes a little while to get there.

And then I think, leave it to the free market. I know Clear, for example, you can go into stadiums using their app. CommonPass is another one that I think offers a neat solution, but I think leave it to the customer to pick the tool, but the standard behind it should ideally be the same.

SAFIAN: You mentioned at the outset the inspiration that you get from your team. I'm curious what the role of a leader is in an environment like this?

GERAGHTY: I think first and foremost, making sure that your team is coming to work, whether they're virtual or in the office, feeling good about themselves, healthy, and that all of the distractions that we all feel during this time are addressed. And I think because this has been going on for so long, I think it does play into people's mental health, too. I think that there's some ups and downs, and being a leader there to listen and to make sure that we're providing the right support and flexibility is critical.

Then second, making sure that we're focusing on the right things. At JetBlue, before this pandemic, we had so many initiatives and so many priorities, and most of those have had to stop. So we've had to be even more prescriptive in some cases of standing stuff down to make sure that we're focusing our efforts on the right things at this time.

And then I think third is not losing sight of the big picture. It's hard. Up until June/July, most of our corporate team was actually working remotely. Now, many of them are back in the office. But when you're not in an office environment, you miss some of the meeting after the meeting, or perhaps understanding sort of the broader picture of how things fit in. And in an environment like this where you're moving very quickly, you have to make decisions in some cases on the fly, it requires a greater degree of communication into your crew members.

And then I think reminding your crew members that we'll make it through this. Unlike 9/11, when the airline industry was fundamentally in a much different financial place, the industry entered into this pandemic in a relatively strong position. Now it's been rocked to its core, but most airlines have raised enough money to navigate at least the medium term. And with the news of the vaccine, the hope is that we'll exit out, albeit with a boatload of debt, and the industry will no longer be as healthy as it was, but most hope that we don't lose sight of those longer term goals, because you can forget that there is light at the end of the tunnel.

SAFIAN: What's at stake in this moment?

GERAGHTY: Listen, I mean, I think the future of the industry is at stake, because this has just gone on much longer than anybody expected, and because all airlines are going to exit with a lot of debt. And so how airlines choose to emerge, whether it's their business model, whether it's how they position themselves with their customers, is going to be interesting to see. From JetBlue's perspective, our brand has actually gotten quite strong during the pandemic, because we've spent so much time, effort, and energy on making sure that we were a trusted and safe airline to fly. I think that's a really good thing.

As an airline that's largely leisure, we're excited about our prospects for recovery because we do think that leisure travel will come back. It will come back in a meaningful way. Because when you've been essentially locked in your house for a year, you're going to want to get on a plane and go to a beach destination or go skiing.

I think business travel will likely look very, very different, as we exit this crisis. And I think one thing it's taught us is we can work on Microsoft Teams or Zoom. It actually works. I don't have to fly to Boston for an hour meeting and lose half a day. And I think that's challenging as you think about what the future for business travel and high-frequency travel between two cities is going to look like. I think, long haul business travel, there'll still be the need for meetings in person. Zoom is definitely not a substitute for the one-on-one interpersonal connection. But I definitely think that the short business meeting, the short hops, I think that's going to be changed for the foreseeable future.

What the future of work looks like? Our crew members in our support center look enviously at Facebook and Google, and the ability to work from home forever. We're not that kind of company. We're a customer service company. And you got to walk a mile in the shoes of the people who serve our customers to understand what their jobs are like, and to understand what it's like to fly on JetBlue, and to understand how you support those who support customers. There's this whole group of people who work behind the scenes, whether it's the cleaners, the people who are fogging the planes – I think so much of an appreciation for everything that they're doing, and how tough those jobs are.

We're already starting to be back in the office. I think if the future of work is at home forever, I fear it's going to disproportionately impact things like diversity, equity and inclusion, promotional opportunities, mentoring. And it will naturally skew to those who are here versus those who aren't. We got to think through that. There are consequences in going 100 percent remote that, while there are benefits, there may be some drawbacks longer term that we aren't thinking about.

SAFIAN: There are so many balls in the air for you. Are you stressed?

GERAGHTY: I'm very happy that my son goes to a parochial school in New York City, and he's still in school five days a week. I feel very stressed for the parents, yes. Today, it's the first day where I think all New York City Public Schools are back remote. So I count my blessings. Every time I get an email from his principal, I hold my breath.

So, no, I'm not stressed. I look at how blessed I am. Because I have a great team. I work for a company that puts its values above all. And I have a team out in the field that continues to just inspire me with the resilience, with their fortitude, and their passion, and, frankly, their appreciation. JetBlue has not furloughed a single crew member in our 20 year history. And furlough's an easy decision to do. You just follow the process and pull the lever. And trying to not furlough, and trying to keep people employed is much harder.

And I think it's been a complete shared effort among our frontline, making certain sacrifices among our leadership team, coming up with creative ideas to ensure we have enough liquidity, and that we're reducing our cash burn to acceptable levels. And I'm really proud and hopeful that we will make it through with that history intact.

Because our culture is important. Our culture is what made us unique and special, and has made us JetBlue for the last 20 years, and redefined this industry. And you can't do it on the backs of your people. It's got to be a shared effort to survive this. And, so far, our frontline has more than done their fair share of the effort.

SAFIAN: Well, Joanna, that's great. And thank you for spending time with us.

GERAGHTY: Thank you.