

TRAVEL AND HOSPITALITY

## Delta Air Lines' stake in Wheels Up takes on NetJets in hot private jet travel market

December 12, 2019



*Delta Air Lines' investment in Wheels Up is an indication of the growth potential of private jet travel. Image credit: Delta Air Lines*

By MICKEY ALAM KHAN

Delta Air Lines will take a minority interest in private jet operator Wheels Up and also combine its Delta Private Jets division in a move that is a harbinger of the market consolidation to come as players target Warren Buffett's NetJets.

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The partnership between Delta Private Jets and Wheels Up, at a total 190 planes, will create one of the largest owned and managed fleets of private aircraft worldwide. It will also join Wheels Up's membership program with [Delta Private Jets](#)', with more than 8,000 members and customers.

"Running a private aviation platform and scheduled passenger airline are less similar than different," said Doug Gollan, Miami, FL-based editor in chief of DG Amazing Experiences and [PrivateJetCardComparisons.com](#). "It's like a heart surgeon and a podiatrist. They're both doctors.

"By keeping a significant minority interest in Wheels Up and taking a seat on the board, Delta gets consumer facing synergies without having to worry about regulatory and operational issues that are different for private aviation," he said.

"For Wheels Up, they can tap into Delta's corporate sales team where there could be some synergies. Many private aviation users also fly commercially, so Wheels Up could extend perks and discounts on Delta Air Lines flights to Wheels Up members. Delta Private Jets already offers Delta Diamond Medallion status when you buy a jet card.

"So, in other words, the partnership can help Wheels Up capture incremental customers who will now use Delta for their commercial flights.

"Delta could also make the Wheels Up digital app available to its Skymiles members. All of a sudden you have distribution and brand awareness to tens of millions of fliers who, if the price is right, would love to fly privately. Many of them will never charter an entire private jet, but they may be interested in splitting an aircraft to fly to a college football game.

"For example, in the New York City area, there are lots of Penn State alum. Instead of driving five or six hours each way, if there were eight people in a King Air, you're talking less than \$1,500 per person. You can leave in the

morning. Tailgate. Then be back at home to tuck the kids in or go out for a Saturday night dinner."

Under founder/CEO Kenny Dichter, New York-based **Wheels Up** had long wanted to expand internationally.

Atlanta, GA-based Delta's alliance partners, particularly those where it has an equity interest, such as Aeromexico, Korean Air, Virgin Atlantic and Air France-KLM, could provide an opportunity for Wheels Up to expand globally. Each airline provides some infrastructure Wheels Up might be able to plug into, Mr. Gollan pointed out.

The transaction is expected to close next year, although there is no intention to disclose the price.

Mr. Dichter is expected to stay in his role.

Net net

The deal's announcement is bound to set the private aviation business in some ferment.

"It solidifies Wheels Up's place at the time for what's shaping up to be a three-way fight with directional aviation Sentient, Flexjet, PrivateFly and Vista Global's VistaJet and XO as they seek to challenge NetJets, which is the dominant player," Mr. Gollan said.

"It may also push more consolidation as smaller players realize they don't have the deep pockets to invest in technology," he said.

INDEED, THE DEAL would seem to buy insurance against the clout of NetJets.

"Part of NetJets' success has been having the financial resources of Warren Buffett behind them," Mr. Gollan said.

"Delta is a Fortune 100 brand, so potentially they bring a lot of intangibles to Wheels Up that can grease the wheels for new products, international expansions and just plain awareness," he said.

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