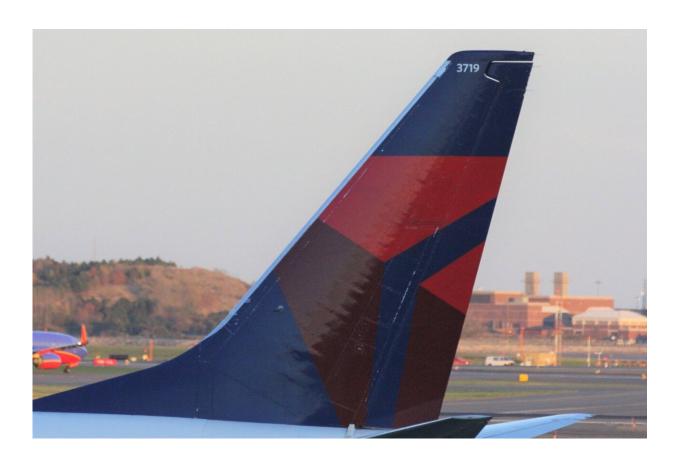


Delta's free WiFi, Sync platform point to more connected future

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Delta Air Lines Inc. on Wednesday launched free WiFi on 75% of its domestic mainline aircraft, an early step toward its overhaul of in-flight entertainment in favor of personalization and free services like



Paramount+ streaming, New York Times puzzles and more.

Expectations around the transportation experience are changing. Delta's announcement of this new Delta Sync platform launching this spring came last month during the CES consumer electronics convention in Las Vegas as automakers on the show floor were displaying in-vehicle entertainment options. Among them: BMW's windshield-projected virtual world to Chrysler's music synthesizer to Peugeot's pop-up panoramic screen, offering personalized features for automated driving scenarios and while occupants are waiting for an electric vehicle to charge.

Now, something akin to new vehicles' smart cockpits is coming to airplane seats. Delta CEO Ed Bastian calls this connectivity the industry's "next frontier." Like in the <u>auto industry</u>, these entertainment and convenience options can be a differentiator, but they're also valuable in making travel more enjoyable and building consumer loyalty—though Delta declined to specify how this could impact future pricing.

"This is something that is scalable," Dwight James, senior vice president of customer engagement and loyalty for the Atlanta-based airline, told The Detroit News. "This is something that will continue to evolve. We want to build more of a personal relationship."

Delta invested \$1 billion over the past several years to bring free WiFi to customers. Flyers still are welcome to bring their phones, laptops, tablets and other devices that they'll be able to connect to the free WiFi service in partnership with T-Mobile US Inc. at no additional cost while in the air, regardless of wireless carrier.

The 700 flights Delta has equipped with Viasat Inc. connectivity will have the service available by the end of the year. Full availability on international and regional aircraft is expected by the end of 2024.



Travelers will need to create a free SkyMiles account to connect to the WiFi and eventually to access the exclusive offerings on Delta Sync available through the 150,000 touchscreens already on Delta flights.

Customers will be greeted personally and be able to stream movies like "Top Gun: Maverick" or TV shows like "So Help Me Todd" on Paramount+, play Wordle or solve crosswords with the New York Times' games, explore destinations on Atlas Obscura or make a restaurant reservation with Resy. Delta also is exploring other opportunities in sports, retail and gaming, James said.

Flyers will be able to leverage Delta's existing partnerships that allow them to earn miles as well for ordering a coffee with Starbucks Corp. or having groceries delivered at home with Instacart Inc. Other partners include American Express Co. and ride-hailing company Lyft Inc.

Delta Sync also supports the facial matching service the airline already offers in Detroit and Atlanta to ease baggage check, security and boarding without an ID or boarding pass.

Altogether, the result is an ecosystem that allows customers to stay connected however they want and make the best use of their journey, whether someone is traveling for business or leisure, James said. That's increasingly important since nearly 70% of SkyMiles accounts belong to people who are Millennials or younger.

That's a growing source of income for Delta, said Stephen Trent, analyst for investment bank Citigroup Inc. Loyalty and co-branding opportunities produced \$5.5 billion in revenue last year of \$46 billion, up almost 35% year-over-year, with expectations for it to grow to \$7 billion in 2024.

"You can choose the experience you want," James said. "People like the



movement of information, because they develop that as part of their lifestyle. For families, it offers more versatility. We are thinking about customer satisfaction, value and meeting them where they are."

Delta isn't alone in emphasizing connectivity. JetBlue Airways Corp. in 2013 first introduced its free "FlyFi" service that it has expanded to its entire fleet. Most other major airlines make WiFi available on at least a majority of their flights that can start anywhere from \$3 to \$10 or even more. Some also offer access to free entertainment amenities, though not all services support streaming.

"Some airlines figure like Alaska Air, they think that most people bring their own screens and would rather watch on their own screens. They don't have the in-seat entertainment," said Helane Becker, analyst for financial services firm Cowen Inc. "It's been used as a competitive tool on and off. Some airlines go down the path of it's expensive to install, to maintain and it adds weight to the aircraft. Others feel it is a competitive necessity."

For Delta, she said, "they want the business traveler and to be in a position to make travel easier and have the most loyal customers."

Over the past decade, there have been increasing efforts in digital solutions among airlines, Citigroup's Trent said, "Whether what's happening in autos is a clear readthrough with airlines, we definitely are seeing movement in that direction."

Airline travel, however, does differ from the automotive sector in that there often are fewer options from which to choose.

"There is not a lot of competition in the market unless you're talking about going from Detroit to Chicago or Dallas or Houston," Becker said. "If you're talking about a hub-to-hub trip, it suggests the airlines need to



be competitive."

Typical additions like this are more of an investment in the airline's future and usually don't mean customers should expect they have to pay more, the analysts said. Pricing is more connected to jet fuel prices and labor costs.

"Providing a comfort comes out of Delta's own pockets," Trent said. "It sends a strong signal that they want to support their brand. This is probably not a massive cost item that would really result in a big upswing in fares."

Airlines already have a lot of information on their customers, Becker said. There is no reason they shouldn't be able to use that as a tool to market and customize experiences like personalized greetings for when customers have boarded. Consumers increasingly want those types of services.

And that's just what Delta will offer, Bastian said during his keynote address during CES.

"Next time, when you board, you're welcomed by that smart screen," he said. "... And these are three restaurant suggestions we have for you that are cool spots that we are holding for an opportunity for you, if you want to engage. How cool would that be?"

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