

# JetBlue Airlines: Getting Over the Blues?

Student Name: ABC

University Name: XYZ University

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## Introduction

While talking about the US airline industry, there are three types of industries there. We can differentiate them with major, regional and low-fare airlines.

How can we differentiate major airlines with other types? Well, the Department of Transportation explains it by saying that those airlines are major that achieve one billion American dollars in a year. There are around 18 major airlines in the United States that earn more than \$1 billion.

On the other hand, regional airlines that normally operates between a large city and a smaller city. These airlines use smaller aircrafts as the passengers, moving towards smaller cities are not in huge numbers. These airlines develop a connection with major airlines in such a way that there is a connection between them that connects major airlines to the smaller cities as well. Currently, there are six airlines in the United States that we consider regional airlines, and Jet Blue is one of them. As we are discussing all types of airlines of the US here, so we need to explain low-fare airlines as well. These airlines help business travelers who are the users of other transportation systems or prefer not to travel. These airlines actually encourage the passengers to use airlines for transportation.

## Company Background – Jet Blue Airlines

David Neeleman introduced Jet Blue to the passengers in August 1998. Initially, the basic idea behind its launch was to provide low-cost travel to the passengers with maximum facilities such as TV, radio, and other in-flight entertainment options. David Neeleman wanted to make air

travel, the most preferred one, and therefore, he initially gave the name of "Taxi" to the airline. However, he changed the decision after consideration.

The headquarters of Jet Blue are in the Long Island New York. Jet Blue uses John F. Kennedy International Airport as a main base. Currently, Jet Blue serves numerous destinations not only in the United States but also for the Caribbean, Latin America, and Barbados, Costa Rica, Mexico, Bermuda, Colombia, and many other countries.

Overall, the performance of Jet Blue Airlines remained excellent. However, the best period was from 2000 to 2004. This era was such a wonderful time period for Jet Blue that even after 9/11, when airlines were suffering huge losses, it performed better. The annual profit during this era was of total \$204 million. (Trefis Team, 2015)

After that, the competition increased in the market that affected a lot to Jet Blue but it remained one of the leaders in the United States. During 2005 and 2006, the organization suffered losses. The reasons behind these losses were political instability, heavy interest expenses, political situation in the world, and repayment of debt. The organization faced huge criticism due to the delays in February 2007 as well. However, company initiated the process of streamlining the costs, waiving change fee, improving reservation systems, and creating customer bill of rights.

### **Competitive Advantage that Jet Blue enjoyed**

Jet Blue started its operations with a competitive advantage that they offered low prices to the passengers. They also provide some luxurious facilities like leather seats and satellite television for every seat. These were such the luxuries that the companies like Southwest were not able to offer. As the company was enjoying this competitive advantage, and people preferred Jet Blue to its competitors, it decided to introduce itself in a new market of short-haul flights. This decision

sent the competitors totally on the back foot that were already struggling in giving tough time to Jet Blue.

### **The Innovative Strategies implemented by Jet Blue**

As the flights of the regional airlines are not very long, so Jet Blue decided not to provide meals to the passengers. They replaced all the cloth seats with leather seats, installed a satellite television set back at each seat. They bought new aircrafts that had excellent fuel-economy and less maintenance and repairing cost. The organization introduced only a few routes initially, and increased them gradually. Another excellent technique used by Jet Blue is that they used secondary airports instead of using main airports. It helped them reduce cost and introduce low-prices to the passengers. As all these strategies are of consumer-centric, so the passengers also responded them exceptionally well.

### **Major Competitors**

Currently, Jet Blue Airways have a very strong and established competitors' list. They have been serving the industry for several years and a strong reputation in the market. Some of the big names are America West, United Airlines, Frontier Airlines, Delta, Virgin America, Sun Country Airlines, Southwest Airlines, and Spirit Airlines.

### **Major Issues faced by Jet Blue Airline**

#### **2007 Valentine's Day disaster**

The first major disaster was 2007 Valentine's Day disaster that destroyed the reputation of Jet Blue drastically. The organization found great lapses in the operations and people found that there were weaknesses in the organization but never came out before it. The experts were expecting it and the airlines were facing it even before the storm that hit the Midwest on the

Valentine's Day in 2007. This storm did not allow Jet Blue Airline to fly that damaged its reputation and customers started not relying on the airline. It had such a huge impact on Jet Blue that the organization started thinking in a new way to restructure the airline. (Julia Hanna, 2008)

### **Restructuring Phase**

After this incident, the organization started revamping the structure in a new way. They started sending emails and messages to their customers prior to the incidents. It helped them a lot, as they introduced a new way of engaging customers. They had already a reputation that they were customer-friendly. This approach improved their reputation and people started thinking again that the 2007 disaster was just an event that everyone could face once in their life span.

It was the time when the organization started come back to its original position. Their “Interline Model” played a great role in this achievement.

What was “The Interline Model”? Well, the organization decided to live independently. They did not push the organization to sign a contract for them for developing an alliance; rather they preferred interline agreements that pushed them in a great way. The experts observed the results after 2010 when the organization showed great results consecutively throughout the second decade of the 21<sup>st</sup> century. The reports show that the net income of the organization in 2001 was only \$ 61 million. It gradually increased and the net income for 2014 was at \$ 401 million that was a huge number under the circumstances. (Essays, UK. November 2018)

Here we need a SWOT analysis to understand how Jet Blue Airlines can improve its performance and what are the competitive advantages and disadvantages of the organization in the market.

## SWOT Analysis

### Strength

While talking about the strengths, we have already mentioned that its long-lasting relationships with customers and low operating cost are the plus points. Jet Blue Airways is also a strong brand name in the market. Its dedicated team, more than one types of aircrafts, efficient use of emails and messages, and marketing strategies are also the strengths of Jet Blue Airways.

### Weakness

Jet Blue is a new name in the market that needs to develop a strong business infrastructure. Its weak infrastructure exposed in 2007 Valentine's Day disaster. They are working on it but it will take time to reach at that stage where they can tackle disasters. Its limited market, which addresses only the middle class, becomes its weakness when it plans to increase the size of the business. Its two types of aircrafts can become a weakness while talking about the maintenance and repairing costs because they need different engineers for both aircrafts. It means that bearing the high maintenance cost is also their weakness.

### Opportunity

The industry and market is expanding. It means that the organization has huge opportunities in the market. As many airlines are collaborating with each other and developing alliances, so Jet Blue also has the opportunity to use its resources and fleet for new markets. The deregulation policies of the US government also has an opportunity to enter into the market for international air travel as well.

## Threats

Security is a key concern in the current market for the airlines. The global economic crisis, strong competition among the airlines, the higher prices of the fuel and terrorist attacks in different regions of the world are other major threats that the airline industry is facing. (Iason Dalavagas, 2015)

## Competitive Business-level Strategies

They have introduced some additional strategies as well. For example, they want to keep their customers healthy and fit and for that, they give non-fat and complementary snacks. The crew is now more energetic as they help the passengers wake up in case of sleeping. They also provide a kit that makes your sleep time more comfortable. Another major strategy that they have introduced is the single class travel. It means that there is no difference in classes. Jet Blue Airways also offer double points to those members that are true blue.

## What has Jet Blue Airways gained until today?

These strategies have made Jet Blue Airways one of the most reliable airlines in the United States. The figures also confirm that the operation completion rate is almost 100% now. It is the best airline that handles the baggage more carefully. The maximum liability that Jet Blue has faced until today is only \$ 2800. It is the best in the market. The organization also provides reservations through VOIP technology that makes sure that the passengers are enjoying maximum protection during reservations.

All these efforts have produced wonderful results in the form of increased efficiency of ground staff, reduced operation and maintenance costs, and increased incentives for the employees.



## Our Recommendation

Jet Blue Airways is performing exceptionally well now. It has gained the net income from nowhere to that level where Jet Blue Airways has a wonderful, and competitive advantage. There are still some recommendations that can improve the performance of the organization more. For example, there is a need of providing standby travel options. Due to security reasons, the airlines are now installing bulletproof cockpits. The company needs to establish it as well to give more satisfaction to the passengers. Cell booking applications, online reporting tools, more choices of meal boxes, adjustment of the pets, and instalment security cameras are other features that must be included in the flight operations by the organizations.

## Conclusion

Overall, the organization has been working exceptionally well since 2010. However, there are some lacunas in the flight operations and maintenance of two types of aircrafts. If the organization has overcome these issues, it can gain advantages that are more competitive although they have already in the tough market. They also need to introduce some more destinations in the market as the company has a potential to implement it. However, they need to be very careful in aligning with other airlines and purchasing of new aircrafts as they are already suffering high maintenance cost due to more than one types of aircrafts.

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