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Bryan Purnomo MGMT 430 10/17/13 From the case it is assumed that JetBlue employs both differentiation and cost leadership strategies in order to earnmarket value. However, in reality the company is employing the integration strategy and the core values of Southwest Airline (SWA) were implemented by David Neeleman, a former employee of SWA. The SWA airlines, which utilize standardized aircrafts and plies in short routes from point to point, has garnered widespread acclaim for its low flying costs and direct connection to cities. As the SWA continues to offer low fares, JetBlue provides tickets with much lower costs with their business model mirroring that of SWA with only a single type of airplane being used thus lowering their total maintenance costs. In addition, JetBlue has also been successful in its cost management strategy by plying their aircrafts to longer distances and also boarding more passengers in a single flight. This strategy has enabled them to gain more profits by covering the fixed costs in the higher number of tickets sold. The low fares offered by the airline per available seat-mile is the lowest fare provided in the whole of the US.
Apart from the cost leadership, JetBlue further distinguishes itself from SWA in other facilities offered to the passengers. SWA has only been able to offer the low air fares by compromising on certain passenger amenities. However, JetBlue has been able to provide high-class services to its passengers even while offering low fares. Some of the facilities offered which distinguishes JetBlue from its competitors include comfortable leather seats; several facilities for entertainment such as individual screens and radio channels. Thus JetBlue has been able to successfully integrate the lower costs of structure and operations with high-class facilities and service provided to the passengers. In addition to these, better services and low fares are also available even during ticket procurement. JetBlue deploys live agents in the ticketing department as it has realized that several customers prefer to speak to agents directly while purchasing their tickets. They also offer home sourcing for aged customers who are unable to commute or buy tickets online. Such measures have increased their productivity and emerged as a cheaper alternative to outsourcing and has also contributed to better face value among its customers. Adopting the integration strategy has given a competitive advantage to JetBlue which offers low cost and a relatively better service value
While such integrative measures can create a competitive edge for the business venture it also comes with its share of challenges and difficulties which have to be met by the organization. In some cases the challenge would require a “ reconciliation of fundamentally different strategic positions which in turn require distinct internal value chain activities” (Rothaermel, 157). Thus the company will have to create an internal value chain by which it would be able to increase its value and also be cost-effective. While JetBlue is able to function well under normal circumstances and gain a competitive edge, situations such as snowstorms pose considerable challenges to the organization. Such situations are unpredictable and call for immediate and expertise action by the technical team and the cooperation of its employees. Such challenges expose the lack of specified and detailed planning for handling pressure situations and natural disasters and other major delays. The company’s image of “ outstanding customer service” was created as a result of friendly, easy and compatible reservation systems and in-flight services offered to the passengers by employing trained and experienced staff. However, the same staff that contributed to the value chain has not been sufficiently trained to handle specific pressure situations. This has contributed to their inability to efficiently handle unforeseen and sudden situations which in turn ultimately leads to customer dissatisfaction. Thus the lack of a specific scenario guideline, proper training to the staff and inexperience in handling such unforeseen and sudden situations has lead the company to take inappropriate and unprofessional decisions that in no way helped to solve the problem. Such scenarios are more likely given the low cost structure of the airline that also involves low training costs for its employees especially in case of home sourced workers. Such challenges could be met by providing the right training to the staff for handling unpredictable and sudden situations.
On the basis of the article, management personal at the top level in JetBlue can adopt various measures to avoid similar occurrences and thereby improve the competitiveness of the airline. In the first place, the resignation of David Neeleman has created a negative impact on the minds of the customers as it has given an impression that the top management at JetBlue is not committed to the company’s operations. Furthermore it has raised several doubts on the strength and control within the company’s internal structure. This has left JetBlue in a lurch and they would have to employ all the means to gain back their reputation and competitive edge. The competitive advantage refers to the reputation of the airline among its customers and the functioning cost of the airline. The snowstorm incident left an indelible mark on the minds of the customers and the reputation of the airline was badly hit. As the running cost of the airline remains the same the competitiveness of the airline in the market considerably reduced which has weakened their customer support. Now it is up to the management to regain their reputation by first sending out a formal apology and offering to compensate the passengers for the lack of service and action on the part of the airline. The compensation to the passengers could be in the form of new tickets or by distributing gifts along with a sincere apology. When such an effort is taken at the right time it could boost the morale of the company among its customers as they will respect the airline for the care and consideration shown towards them. With better awareness creation and verbal communication among its customers JetBlue can actually regain its competitive edge in the market. In addition, the company should also take suitable measures to train their staff and prepare them to handle such situations in a better manner in future. Though this will have a negative impact on the functioning costs, it will however help to create a better value among the customers. It will help to ensure the customers that the airline would be able to handle pressure situations in future. This would eventually contribute to an increase in the value chain which would help to balance out the working costs of the airline.
Rothaermel, Frank T. Strategic Management Concepts. New York: McGraw Hill Companies, 2013. Print.