Jetblue case analysis

Transportation, Airlines

JetBlue Airways airline was established by David Neeleman as a low-fare airline with high-quality customer service. His goal was to create an airline that was innovative for the current market. Their main focus was to provide service to areas that were underserved as well as to large cities with overpriced fares. He aimed to establish a strong brand that differentiated itself from its competitors by being a safe, reliable and low cost-airline. Neeleman managed to achieve this partially by hiring friendly, helpful, team-oriented, and customer-focused people.

JetBlue is capable of offering low-cost flights due to their low operating costs. In order to achieve the cost advantage, they initially operated a single-type aircraft, the Airbus A320, as opposed to the more popular but costly Boeing 737. Not only was the airbus cheaper to maintain, but it was also more fuel-efficient. Additionally, they decided not to serve any meals on their planes as well as their pilots had to always be available, if needed, to help do the cleanup of the aircraft in order to minimize the time the aircraft was on the ground.

They also pioneered the low-cost airline industry by displaying the lowest incidence of delayed, mishandled, or lost bags, and the third-lowest number of customer complaints. Since JetBlue is a customer-oriented company, its objective is to make the customer’s experience extraordinary by providing electronic ticketing and improved in-flight entertainment so that it can rapidly grow as an affordable airline. However, the airline industry has been exposed to many external threats, and therefore, JetBlue has been facing financial problems which were mainly caused by fuel prices.

The rising fuel costs have impacted the airline's financial performance and affected its customers by increasing ticket prices. Another threat for JetBlue is terrorism which has impacted the industry as whole after 9/11. There is also strong competition from other low-cost airlines such as Southwest or AirTran. JetBlue could also explore several opportunities such as creating new destinations worldwide or it could create new city pairs among the destinations it already serves. It could, in general, increase flight frequency on the most popular routes or engage in a strategic alliance with a larger competitor.

One of the most notable weaknesses of JetBlue Airways is the fact that it is a relatively new compared to other airlines. The major strength for the airline is technology. They have utilized technological advances to reduce costs by introducing a ticketless system and making it very convenient to its customers who do not have to worry about losing their ticket anymore. The airline's image was also highly influenced by the major ice storm in 2007 that discouraged a large number of customers from flying with JetBlue. Moreover, JetBlue had to alter its strategies as well as replace CEO, David Neeleman, due to the operational meltdown.

Although the airline is known as being innovative, these issues have caused a downturn in company's finances. A significant share of JetBlue, was bought by the largest German airline, Lufthansa, which provided some stability to the low-cost airline whose stocks' price has decreased by two-thirds since the chaos in 2007. The information about the airline industry that the case discusses needs serious consideration before making a final business strategic decision. It is essential to look at the industry as a whole while closely analyzing JetBlue's case.

Porter's Five Forces Model will be utilized in order to assess the attractiveness of the airline industry as well as to answer the question whether JetBlue needs to make any changes to its current business strategy. The threat of new entrants is low. It takes enormous financial support to start an airline, which in most cases people do not have. Even if a small airline made an attempt to enter the industry, a larger competitor would have a fair chance of buying the smaller one out or the large airlines would exercise their power to take control over all attractive markets.

Subsequently, a newly created airline would definitely face trouble having to compete in this mature industry specifically with other low-cost airlines that have learned to implement high-quality service while providing the lowest prices possible. It appears that one of the available opportunities for a newly created airline would be to take on a differentiation strategy and provide its customers with unique features that larger competitors simply do not have. The bargain power of buyers is fairly high, especially within the low-cost airline industry.

Customers continuously seek to purchase tickets at the lowest price possible while suppliers tend to look for ways to differentiate their service among other competitors. Moreover, the widespread use of the Internet enables customers to find the most affordable fare quickly and conveniently. Definitely, the buyers are price sensitive as far as the airline industry goes, and they are often willing to substitute services provided by one airline to purchase a ticket for less from another airline. The bargain power of suppliers is high mainly because the airline’s success depends greatly on their suppliers.

The switching costs are tremendously high for airlines which makes the suppliers position even stronger. Additionally, there is not much competition in the airplane manufacturing industry on account of Boing and Airbus as being the main manufacturers that dominate the industry. The threat of substitute is definitely high while focusing solely on the national carriers. It was best proven after 9/11 when people began searching for other modes of transportation, and, as a result, the airline industry suffered decline in travel. The available alternative include trains, buses, as well as cars.

International airlines have very less or even no threat regarding other options. Rivalry within the airline industry exists and is highly intensive. This is a mature industry with vigorously competing airlines, many of which serve the same destinations. They aggressively compete on the basis of lowering prices and providing differentiated services, unique to other competitors, and by various frequent flyer programs. Considering the results obtained by performing the Five Forces analysis, one might notice that the airline industry is an unattractive, difficult industry to enter.

At this point, JetBlue could form a strategic alliance with a larger competitor. The collaboration would provide access to new markets that otherwise would not be available to the airline, cut costs, as well as help in developing new efficiency strategies. They could also stick to their low-cost, differentiation strategy while trying to expand their services to international destinations. They also need to continuously work on developing new technologies in order to reduce costs by increasing efficiency. The innovativeness would provide them a competitive advantage over their competitors which at the end would be difficult to imitate.