

Jet blue airways corpotation

[Transportation](#), [Airlines](#)



Jet Blue Airways Corporation is one of the leading airline companies in United States of America for domestic flights. Jet blue is providing premium quality of airline services to the consumers and low fares as it attracts the customers who looks for cost effective. The paper focus on the strategies used by Jet Blue in the recession period, when every airline were facing loss, Jet Blue sustained a profitable rate because of its excellent operating services, with affordability factor. This also helped in reducing the risks, while managing unit level and batch level activities were more flexible. It leads to retain high demand of service and the company is expanding rapidly. The major strategy of the company is to serve those areas which are not served earlier. The company is operating 345 flights daily and the company is planning to extend its service by exploring new markets and destinations.

1) What is Jet Blue's strategy for success in the marketplace? Does the company rely primarily on a customer intimacy, operational excellence, or product leadership customer value proposition? What evidence supports your conclusion?

Jet Blue is one on the leading airline service in United States of America. The company mainly focuses on provision of premium quality service to its valuable clients by offering them low fare prices and other in plane facilities. The prime objective of Jet Blue Airways is o focus underserved market with their low fares and superior quality. Jet Blue is America's top leading airways company which instead of recession earning high yields. The Net income of Jet Blue is around \$103. 4 in 2004.

The interesting point is Jet Blue earns profit at a time when other domestic airline suffered from financial losses. What would be the success strategy of Jet Blue Airlines? In my opinion the success strategy of Jet Blue Airways lies in its operational excellence and economical prices of tickets offered to the customers. All the domestic airways companies offers high quality services, but in my opinion what makes Jet Blue different and excel in the market is its economical fares and different service pattern offered to the customers at port and in plane as well.

The low fares the company offered to its customers is a major factor which increases the profit of the company and more loyal customers. It not only retain the demand of the customers but it also allow company to increase its sales and curtail the costs as the customers who are fare conscious and have limited purchasing power always prefer the service which is low in price. Another factor, which makes company to excel in the market is their flexible schedules and high class operational service. The company offer to its client leather seats, reliable operating service and most of Live TV at every seat with option of channels around 36, and a Satellite radio service. Apart from it, the company has the lowest percentage of mishaps and incidents which helps company to gain customer confidence and trust in this service.

Furthermore, the factor which contributed tremendously in retaining existing and attracting new customers is they offer convenient schedules and they don't overbooked the flights. In case there is some weather problem or mechanical problem in plane, the customer executive clarify the customers about the situation instead of making lame excuses and worsening the situation and image of the company. The convenient schedules not only

enables customers to choose the option which suits best to him but also gives an opportunity to travel non stops and it prevents the customers from flight delays and lost baggage.

Personally I think, the success of Jet Blue Corporation lies in its excellent operational strategy. The company has successfully gained good reputе among the customers as it serves non stop, and quality services with low fares. The customers want good service with economical fares and Jet Blue knows well how to win the hearts of people by providing excellent operational services.

2) What business risks does Jet Blue face that may threaten the company's ability to satisfy stockholder expectations? What are some examples of control activities that the company could use to reduce these risks?

The risks associated with Jet Blue are many as it is surviving in competitive industry. It may result in low yield and the company fails to satisfy its stock holders. The risks associated with the Jet Blue are many. The greatest risk that the company is facing is it is surviving its competitive industry. There are many competitors which are much larger and have financial resources which can let the company to struggle more. The price competition is high with high fixed costs and lower margin. The company has high fixed and variable obligations and if the company plans to expand, the company has a higher portion of fixed and variable obligations and if the company fails to pay implement successful extension strategy, the amount of fixed obligations increased.

Apart from it, the maintenance cost of the company is increasing as the fleet is getting older and needs more maintenance & repair. High labor Costs Company pays to retain its skilled and qualified staff which is one third of the total costs. The company heavily depended upon daily high aircraft utilization to lower their fixed costs, which could be disastrous if there are delays in flights due to weather or other conditions.

Apart from it company heavily depend upon New York customers as it could vary with competitor's improved marketing strategy. Another threat is company relies heavily on automated system and incase of failure of these system the company can be harm drastically. Other threats and risks are companies have limited suppliers in terms of aircrafts, engineers and entertainment equipments. Incase of any incident, the company reputation and financial position will be badly harmed.

However, the company can control its costs and over come these risk with certain control activities. First the company focuses on targeting new market with existing resources so that the company can reduce the risk of dependent heavily upon New York clients. Secondly, the company should focus on purchasing new aircrafts instead of renting it as it will not only reduce the costs in terms of interest and maintenance costs but also improves the quality of services offered as the new plane has much advance technology and it will prefer attract new customers. Though the company has to pay the lease amount, but it reduces its other costs. And in the end the company, will have new assets which strong its financial position.

Apart from it, the company should focus more on its sales and promotion strategies, as the rigorous marketing strategy can bring good results for the

<https://assignbuster.com/jet-blue-airways-corporation/>

company. Preparing financial budgets and then comparing the actual will help. Even if the variances occurs, the management should focus on weak areas like providing more family packages, discount packages to regular customers, and discount packages for kids, older and disable customer. In this way the company not only target larger customer market but it also helps in retaining loyal customers and compete successfully in the industry.

3) How can the concept of unit-level activities be applied to an airline? More specifically, what are two examples of unit-level activities for Jet Blue? What steps has Jet Blue taken to manage these unit-level activities more efficiently?

Unit level activities are those where the activities are costs at labor hours. The activity based concept can be highly successful to reduce the cost of the Jet Blue. The company has its total operating cost which is around. If the company to the employees pays on the basis of hours to its permanent and temporary employees, it will not only increase the productivity, but also increase the efficiency of the personnel.

For example, the company can pay according to the different class of employees and the number of hours they work. Like the booking clerks, the more the booking clerk will work, the more he will pay accordingly. Like wise we can pay pilots and other technical crew according to the hourly basis. The more the flights they do, the more they will earn. It will reduce the fixed costs obligations of the company and the company can retain the high level of cash and cash equivalent. This increases the liquidity ratio of the company. Blue Jet can first have to focus on the need of the staff according to the flight schedules. First the company has to schedule its flights and no

of pilots and other crew who rotate according to the schedules. The salary of such crew should be fixed and can be paid off according to the number of hours they work.

Secondly the Blue Jet should focus on the point that such crew has a contract based jobs and the company should not retain them permanently and has to give them extra benefits like pensions, gratuity and other costs. This further help company to reduce its, operating costs and the company will be in a better position to pay of its debts and earn high yields as the cost of salaries will automatically reduced.

Apart from the salaries of the staff, the fuel costs of the Jet Blue can be calculated according to the number of flights incurred in the day. In this way activity based costing can be applied at the airline industry.

Another step which Jet Blue industry can take is to pay the booking clerks and information clerks should be paid on hourly basis. It will help company to reduce the fixed costs as well as to increases the productivity. The crews who work in shifts at information and ticketing counters can be paid on hourly basis. In this way company can help to attain the efficiency of labor and productivity.

4) How can the concept of batch-level activities be applied to an airline? What are two examples of batch-level activities for Jet Blue? What steps has Jet Blue taken to manage these batch-level activities more efficiently?

Batch level activities costing concept can be applied to the airline industry but it won't be successful. For example batch level of activities is calculated when each batch of products or services produced. In air line industry

services is given to the customers according to the flight schedule. However there are certain costs which can be bifabricated according to the flights like, landing rent, and aircraft rent, maintenance of the air crafts, sales and marketing salaries, salaries of booking clerks. These are the costs that can't be divided according to the no of flights in a day. So in my opinion the batch level activity costing method cannot be applied in air line industry.

Airline industry is an industry which is service based and there are major costs which are fixed and cannot vary with the number of flights like, rent of the aircrafts, lending and spacing fees, sales and marketing employee salaries, repair and maintenance costs, depreciation and amortization costs. So the batch level activity costing concept cannot be successfully applied at the airline industry rather it would complicate the accounting producers and systems.

5) What is one example of a customer-level activity and an organization-sustaining activity for Jet Blue?

In Jet Blue, there are many activitis on the customer level. Customer level activities are those which are directly linked with the consumer base. The more the customers will be the more the base of the activity will be strong. For example, Jet Blue is serving the customers through provision of airline services. There are many activities which are based on customers like ticketing, information, hosting in planes.

The ticketing and information clerks' activities are directly linked with the customers. Most of the customers directly purchase the tickets through information and advance ticketing. These are handled by customer support

executives at ticketing clerks. This is the best example of customer based activity in Jet Blue.

Organization sustaining activities are such which are not directly linked with the customers. For example the company is required to audit its accounts annually from the independent Chartered Accountants firm as it is required by law. When Jet Blue audited its accounts from its chartered accountants and gains an auditor report on these accounts, then it is called organization sustaining activity.

6) Give an example of a transaction driver and a duration driver that could be used to assign fuel costs to a particular flight departure. Which of the two activity measures would be more accurate and why?

The example of transaction driver to flight departure in assigning fuel costs are like number of flights departed. The fuel costs of the Jet Blue can be recognized through transaction driver as per no of flights departed. And at the end of the day, the total cost of the fuel can be accumulated. It is a least expensive method but have less accuracy as the driver assume the same quantity of resources like man power required every time the activity is performed.

Where as duration drivers are the drivers in assigning in fuel costs as per number of times the flights departs in a day.. It is a bit expensive but highly accurate as cost can be easily accounted as the fuel quantity and the number of flights departed. We can easily accumulate the costs.

In my opinion the duration driver's suits best for the airline industry as it gives more accurate picture of the total fuel costs of the flights. Transactions

drivers are least expensive but have less accuracy as they assume the same quantity of resources are required every time an activity is performed. Where as duration drivers are more accurate but needs more resources as compared to transaction drivers.