Jet blue airline performance report

Business

JetBlueAirline, a highly performing company in the United Sates, found its way in Delaware in 1998.

The company was founded in 1999 by David Neeleman under a different name, “ NewAir” (Wynbrandt, 2004). David Neeleman has constantly been considered as a super achiever throughout his life with his innovative business principles leading to identical competitors in the Airline industry in the U. S. Notably most of the company’s executives in high profile management positions are former employees ofSouthwest Airlines. As a result, the company started by incorporating many approaches derived from Southwest Airlines like affordable travel costs but later distinguished itself through innovative and captivating business ideas (Wynbrandt, 2004).

These included Satellite radio and TV entertainment during every flight. The company realized an initial commendable progress in the 1999 when it was awarded more than seventy landing and take off slots at the famous and prestigious John F. Kennedy International Airport. In February 2000, the U. S government gave JetBlue an official flight approval allowing the airline to launch its services in Buffalo and Ft. Lauderdale.

Forest Hills Tower located in New York City is currently the headquarters of JetBlue Airline. It is noted that the company had its largest expansion plan in 2002 and by the end of the year almost 800 of its employees worked at the Forest Hills Tower. Recent findings have however revealed that the company had not shut down its expansion plans and that it was considering the relocation of its headquarters to Florida from the Metropolitan area of New York City. However, the president of New York, Helen Marshall reiterated that they were doing all they could to keep JetBlue Airline in Queens. On the other hand, Dave Barger, the CEO of the company met with the governor of Florida to discuss the possibility of relocating the company's head offices (Weiss & Friesen, 2008). Nevertheless, officials of JetBlue have indicated that the relocation is likely to take place in 2012 and not in 2010 as viewed by many people.

By revenue passenger miles, the company enjoys position eight in the United States. The company has continued to differentiate itself through unique approach in service delivery in recent years. JetBlue has maintained its low flight fares compared to other travel airlines. This has mainly been facilitated by reduced operating and distribution costs. Notably, the company had the lowest Cost per Available Seat Mile (CASM) in 2007 at a value of 8.

38 cents. This trend continued in the 2008 when the company registered the lowest CSM in the airline industry minus fuel costs incurred. However, the company's CASM shoot to 10. 2 in the last quarter of 2008 although the figure was below 14. 9 cents which is considered as the company's average (Weiss & Friesen, 2008).

Officials of the company have noted that JetBlue has set a target of 5 CASM increase for the year 2010. It is important to note that although JetBlue has continually employed low cost mode for several years with positive results being recorded, economic experts argue that the unpredictable oil prices are likely to put the company at risk. The company recorded an average increase a 43% in fuel costs in 2007 and 45% in 2008. As a protective mechanism, the company evades about 30% of its fuel costs annually.

Through this way of maintaining its effective cost cutting methodology, the company has hedged approximately 45% of its 2010 fuel requirements.

This is attributed to the decreasing fuel prices experienced towards the end of the year 2009 that saw the company pay an average of $2. 08 per gallon. This decrease in fuel costs witnessed in the last quarter of 2009 directly contributed to profit a net income of $58 million realized. Unlike its competitors who opted to reduce their capacities between 2006 and 2008, JetBlue has always focused on expanding its Available Seat Miles (ASMs); an idea which has greatly boosted the company's performance. It also made manifold use of its aircraft compared to its rivals. Consequently, by the end of 2009, the company was enjoying a total of 151 aircrafts with a 2010 target of up to 7% in its capacity; an idea that is likely to exponentially boost its profits.

As a major factor in any business, customers have been given special consideration. The company offers high customer service to ensure that every customer receives services worth his/her money. This approach has also been augmented by maximum employee productivity through routine training plus the use of only two major types of aircrafts. According to financial reports and analyses of the company, revenue increment has always been realized. For instance in 2008, the company recorded an increase of 19.

2% in revenue. This was attributed to the idea of continuous increase in the number of flight routes with high frequency of already existing flights. It is however notable that the company's revenue grew at a lower rate compared to its operating expenses. This was linked to unstable oil prices; a factor which continues to affect many companies globally. Nevertheless, a drop in fuel prices in the last quarter of 2009 had positive impact in terms cutting down fuel costs (JetBlue Airways (JBLU)).

The number of departures recorded by the company drastically increased by almost 9% to approximately 55, 000. With the welfare of its customers being at the center of the company's operations, the average fare on every flight was reduced by 10% as a result of economic recession witnessed in 2009. Unlike its competitors some of which have turned to copycatting marketing strategies of JetBlue, the company has a major advantage of having young fleet that is less than four years old. This is quiet favorable since most airline companies in thee U. S have a fleet age of ten years. Young fleet has also promoted cutting down of maintenance costs which drains resources for many companies in the industry.

JetBlue is able to carry out repair and maintenance at considerably lower costs. A good comparison emanated from Southwest Company which spent more than 6% of its total revenue on fleet repair (JetBlue Airways (JBLU)). Although JetBlue is enjoying low repair costs, it should be noted that an increasing trend is expended due depreciation factors that cannot be avoided. Additionally, JetBlue Company completely relies on the Metropolitan Market of New York in its daily operations with approximately 60% of total flights having a destination or origin flight in the market. As a result the company's daily flight are highly vulnerable to interruptions caused by cancellation of flights due to congestion and poor weather.

This widely affects the operations of the company and lowers the level of customer satisfaction which enjoys first priority accorded by company management. To add on, the company is susceptible to other factors like frequent regulations given by the Department of Transport and Federal Aviation Authority. When DOT gives regulations say, congestion management policies, these are likely to negatively affect JetBlue Company unless it is considered during the regulatory period. New York weather has also in recent years affected overall performance of JetBlue. For example during the first quarter of 2007, more than 1, 200 JetBlue flights were cancelled as a result ice storm.

This led to a total revenue loss of up to $30 million (JetBlue Airways (JBLU)). After this incident, the company focused on ways of dealing with other related cases in future to avoid total loss. JetBlue considered a compensation program for those customers who might end being affected by cancellation or disruption of flights due to poor weather. It is pretty clear that JetBlue Airline Company has a great potential of not only expanding but also beating its competitors in service delivery. The company has maintained a high reputation in terms of customer satisfaction and service delivery.

This is likely to be a significant factor in achieving its long-term objectives. As a growing and promising company, JetBlue needs to ensure that economic recession and other factors which have been predicted are factored in their plans and projects to avoid incurring of losses. Hedging of oil prices should be considered in order to continue maintaining low fuel and travel costs during its operations. Technology should also be highly factored into the daily operations of the company in terms of service delivery, monitoring of flights and employees among other activities that are aimed to better the company. JetBlue Company has a bright productive future and potential which is likely to see it rise to above its competitors with a wider margin and even become the leading Airline Company in the United States