

■■■ DISCUSSION QUESTIONS

1. What do you think of the concept of converting the top two floors of the YMCA to a budget hotel and then gradually converting the rest?
2. Discuss the client mix that evolved in the YMCA and what effect this will have on any plans for hotel conversion.
3. Discuss possible strategic options for the YMCA.
4. Will conversion of the current building assist the Honolulu Armed Services YMCA to meet its mission?

■■■ Case 6 JetBlue: Delighting Customers Through Happy Jetting

In 2007, JetBlue was a thriving young airline with a strong reputation for outstanding service. In fact, the low-fare airline referred to itself as a customer service company that just happened to fly planes. But on Valentine's Day 2007, JetBlue was hit by the perfect storm—literally—of events that led to an operational meltdown. One of the most severe storms of the decade covered JetBlue's main hub at New York's John F. Kennedy International Airport with a thick layer of snow and ice. Small JetBlue did not have the infrastructure to deal with such a crisis. The severity of the storm, coupled with a series of poor management decisions, left JetBlue passengers stranded in planes on the runway for up to 11 hours. Worse still, the ripple effect of the storm created major JetBlue flight disruptions for six more days.

Understandably, customers were livid. JetBlue's efforts to clean up the mess following the six-day Valentine's Day nightmare cost over \$30 million dollars in overtime, flight refunds, vouchers for future travel, and other expenses. But the blow to the company's previously stellar customer-service reputation stung far more than the financial fallout. JetBlue became the butt of jokes by late night talk show hosts. Some industry observers even predicted that this would be the end of the seven-year-old airline.

But just three years later, the company is not only still flying, it is growing, profitable, and hotter than ever. During the recent economic downturn, even as most competing airlines were cutting routes, retiring aircraft, laying off employees, and losing money, JetBlue was adding planes, expanding into new cities, hiring thousands of new employees, and turning profits. Even more, JetBlue's customers adore the airline. For the fifth consecutive year (even including 2007), JetBlue has had the highest J.D. Power and Associates customer satisfaction score for the entire airline industry. Not only did JetBlue recover quickly from the Valentine's Day hiccup, it's now stronger than ever.

Truly Customer Focused

What's the secret to JetBlue's success? Quite simply, it's an obsession with making sure that every customer experience lives up to the company slogan, "Happy Jetting." Lots of companies say they focus on customers. But at JetBlue, customer well-being is ingrained in the culture.

From the beginning, JetBlue set out to provide features that would delight customers. For example, most air travelers expect to be squashed when flying coach. But JetBlue has configured its seats with three more inches of legroom than the average airline seat. That may not sound like much. But those three inches allow six-foot three-inch Arianne Cohen, author of *The Tall Book: A Celebration of Life from on High*, to stretch out and even cross her legs. If that's not enough, for as little as \$10 per flight, travelers can reserve one of JetBlue's "Even More Legroom" seats, which offer even more space and a flatter recline position. Add the fact that every JetBlue seat is well padded and covered in leather, and you already have an air travel experience that rivals first-class accommodations (something JetBlue doesn't offer).

Food and beverage is another perk that JetBlue customers enjoy. The airline doesn't serve meals, but it offers the best selection of free beverages and snacks to be found at 30,000 feet. In addition to the standard soft drinks, juices, and salty snacks, JetBlue flyers enjoy Terra Blues chips, Immaculate Baking's Chocobillys

cookies, and Dunkin' Donuts coffee. But it isn't just the selection; it's the fact that customers don't feel like they have to beg for a nibble. One customer describes snacking on JetBlue as an "open bar for snacks. They are constantly walking around offering it. I never feel thirsty. I never feel hungry. It's not 'Here, have a little sip,' and 'Good-bye, that's all you get.'"

Airlines often can't control flight delays, especially at busy airports like JFK. So JetBlue wants to be sure that customers will be entertained even in the event of a delay. That's why every seat has its own LCD entertainment system. Customers can watch any of 36 channels on DirectTV or listen to 100+ channels on Sirius XM Radio, free of charge. If that isn't enough, six bucks will buy a movie or your favorite television show. JetBlue rounds out the amenities with free Wi-Fi in terminals and free sending and receiving of e-mails and instant messages in the air.

Even JetBlue's main terminal, the new state-of-the-art T-5 terminal at JFK, is not the usual airline experience. With more security lanes than any terminal in the United States, travelers scurry right through. High end dining (tapas, lobster tempura, and Kobe sliders, just to name a few options) can be found among the terminal's twenty-two restaurants. And its twenty-five retail stores are characteristic of the latest mall offerings. A children's play zone, comfortable lounge areas, work spaces, and piped in music from Sirius XM Radio make travelers hesitant to leave.

More Than Amenities

Although the tangible amenities that JetBlue offers are likely to delight most travelers, CEO David Barger recognizes that these things are not nearly enough to provide a sustainable competitive advantage. "The hard product—airplanes, leather seats, satellite TVs, bricks and mortar—as long as you have a checkbook, they can be replicated," Barger tells a group of new hires in training. "It's the culture that can't be replicated. It's how we treat each other. Do we trust each other? Can we push back on each other? The human side of the equation is the most important part of what we're doing."

It's that culture that gives JetBlue customer service unlike that of any other airline. Taking care of customers starts as early as a customer's first encounter with a JetBlue call center. Many callers feel like they are talking to the lady next door. That's because, in all likelihood, they are. JetBlue's founder pioneered a reservation system that employs part-time reps working from home. Mary Driffill is one of 700 at-home reservations agents in Salt Lake City alone. She logs on to her computer and receives calls in her four-year-old daughter's bedroom, under the watchful eye of Raggedy Ann, Potbelly Bear, and Chewy, the family Pomeranian-Chihuahua mix. "It's the best job I've ever had," says Driffill. "Every day I talk to people who love the company as much as I do. That reminds me I'm part of this."

JetBlue employees are well acquainted with the company's core values: safety, integrity, caring, passion, and fun. If that sounds like an awful lot of warm fuzzies, it's intentional. But JetBlue hires the types of employees that fit these values. The values then provide the basis for what Robin Hayes, JetBlue's chief commercial officer, calls the company's S.O.C.I.A.L. currency program. In JetBlue's words:

Standing for something. JetBlue was formed with the idea of bringing humanity back to travel, and our engagement with our customers is central to that mission.

Operationalizing the brand. Whether it be in the airport, on the planes, on the phones, or online, the connection with our customers is a key factor in how we do business.

Conversing with customers, broadly. To be properly in touch with the community, it requires the ability to understand and react to the collective conversation that occurs.

Involving, immersing employees. Social media involvement requires understanding and involvement from all aspects and departments of the company.

Advocating the brand. For JetBlue, we understand the ability to market to a social community is dependent on our customers' willingness to hear and spread those marketing messages.

Listening. Waiving the carry-on bike fee . . . shows we quickly identify and adapt new policies based on feedback we receive through social media channels. It demonstrates our ability to listen and react holistically.

When you Love your Customers, They Love you Back

Customers who spread positive word of mouth are called many names—true friends, angels, apostles, evangelists. The religious overtones of such labels come from the idea that loyal customers are like true believers who share the good word like a missionary would. JetBlue has an unusually high ratio of such customers. Most airline customers are loyal because they have frequent flyer points. If not for those points, most couldn't care less with whom they fly. For most, flying is a generally unpleasant experience regardless of who operates the plane.

However, JetBlue customers are so enthralled with what the airline has to offer that they look forward to flying. And they want to keep in touch with the brand even when they aren't flying. JetBlue has 1.1 million followers on Twitter, more than any other company except Whole Foods Market and Zappos.com, two other customer service legends. Twitter even features JetBlue as a case study on smart corporate twittering. More broadly, by the metric of social currency (a fancy term for networks of customers spreading by word of mouth), JetBlue is the strongest U.S. brand, outperforming even Apple.

JetBlue's strong word of mouth has been fueled by the company's ability to delight customers. People love to talk about JetBlue because the experience is so unexpected. Most airline travel has a particular pattern: small seats, bad entertainment, and little (if any) food. JetBlue breaks this pattern. Leather seats, your own entertainment system with dozens of channels, and at least some choice of food. People can't stop talking about the experience because they have to express their surprise, especially given the "value" price. They are so used to airline travel being poor, late, or uncomfortable these days that cases where a company seems to care and provide good service seems noteworthy. Satisfaction itself is unexpected.

In 10 short years, JetBlue has proven that an airline can deliver low fares, excellent service, and steady profits. It has shown that even in the airline business, a powerful brand can be built. Few other airlines have been able to write this story. If you're thinking Southwest Airlines, you'd be on target. In fact, JetBlue's founders modeled the airline after Southwest. JetBlue has often been called, "the Southwest of the Northeast." JetBlue's onboard crews even greet customers onboard with jokes, songs, and humorous versions of the safety routine, something Southwest has been known for since the 1970s. But where Southwest has made customers happy with no frills, JetBlue is arguably doing it all, including the frills.

Until last year, Southwest and JetBlue steered clear of each other. But then both airlines added a Boston-Baltimore route. Boston is a JetBlue stronghold; Baltimore is Southwest's biggest market. But with JetBlue's younger workforce and newer, more fuel-efficient planes, its cost per available seat mile is 8.88 cents, whereas it's 9.76 cents for Southwest. That has allowed JetBlue to do something that no other airline has done to Southwest; undercut it on price with \$39 tickets that are \$20 cheaper than Southwest's lowest fare. It's not clear yet how the battle of the low-fare, high-service airlines will play out. But it may well turn out that as JetBlue and Southwest cross paths on more routes, the losers will be the other airlines.

DISCUSSION QUESTIONS

Chapter 1

1. Give examples of needs, wants, and demands that JetBlue customers demonstrate, differentiating these three concepts. What are the implications of each for JetBlue's practices?
2. Describe in detail all the facets of JetBlue's product. What is being exchanged in a JetBlue transaction?

3. What value does JetBlue create for its customers?

4. Is JetBlue likely to continue being successful in building customer relationships? Why or why not?

Chapter 2

1. Explain how JetBlue has created a service culture.
2. Do you think JetBlue would be a good company to work for? Explain your answer.