Case 7

JetBlue: *High-Flying Airline Melts Down in Ice Storm*

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INTRODUCTION

On Wednesday, February 14, 2007, JetBlue Airways Corp. (NYSE:JBLU) suffered the most severe service disruption in its seven-year history. A winter storm snarled operations at the regional carrier's JFK International Airport in New York, its main East Coast hub, forcing the airline to cancel more than half of its flights. Ten planes sat unable to move on icy runways in New York, trapping passengers inside for up to 10 hours. JetBlue's ordeal continued for nearly a week. The airline had trouble resuming normal operations when additional storms struck, leaving planes and crews out of position. The carrier ultimately cancelled nearly 1,900 flights, affecting 130,000 travelers, before it was able to restore normal operations on February 20. The unprecedented service failure would force the airline to grant $26 million in passenger refunds and vouchers and to spend another $4 million on employee overtime and other storm-related costs.[1]

Although the massive Valentine's Day storm affected every airline flying East Coast routes, the news media focused their attention on JetBlue's problems. Commentators wondered if the company that had once promised to "bring humanity back to air travel" had abandoned its commitment to stellar customer service and become yet another uncaring airline. Stranded passengers wasted no time publicizing their complaints on blogs and in the media, and skittish investors began unloading JBLU stock. This was the worst crisis in the young company's history. JetBlue's management had to act quickly to regain customer loyalty, reverse a barrage of hostile press coverage, and reconfigure operations to prevent a similar disaster from recurring.

"MAKING FLYING HAPPIER AND EASIER FOR EVERYONE"

The airline was founded in 1998 by 38-year-old David Neeleman, who saw himself as "bringing humanity back to air travel and making the experience of flying happier and easier for everyone."[2]

A former Mormon missionary, Neeleman started his first company, a travel business, while a student at the University of Utah. He went on to establish a regional carrier, Morris Air, and in 1992 sold it to Southwest, where he became executive vice president. The entrepreneurial Neeleman lasted for six months at Southwest, where his fast-paced style did not suit the more cautious corporate culture. As one of his colleagues there later said, "He didn't understand the nuance of the organization. He needed to walk, not run."[3] Still in his 30s, Neeleman moved on to co-found WestJet, a Canadian regional airline, and after making it profitable, he helped develop Open Skies, an electronic ticketing system later acquired by Hewlett Packard.

***NOTE:** This case is based entirely on published sources and has been prepared for teaching purposes.*

In 1998, Neeleman gathered a team of investors and seasoned airline industry executives and founded "New Air Corporation." The firm changed its name to JetBlue in July 1999, when it announced that it would offer low-cost, high-quality service to and from New York City, as "New York's hometown airline." At that time, the CEO promised that JetBlue would be a "new kind of low fare airline," offering the types of amenities reserved for pricier carriers, including wider seats, more legroom and storage space, and 24 channels of inflight television. The company's press release promised innovations like touch-screen check-in and "fares 65 percent less than other airlines on identical routes." JetBlue began flying in February 2000, offering non-stop service between New York and Fort Lauderdale, Florida.

The traveling public responded favorably to Neeleman's offer of excellent customer service, upscale amenities, and low fares. Thanks to its younger fleet and newer staff, the firm enjoyed lower maintenance and labor costs than its old-school competitors. It was also well-capitalized; the combination of lower costs and a strong balance sheet helped JetBlue avoid the major losses its competitors incurred after September 11, 2001, and positioned it to take market share away from them. Neeleman took the company public in April 2002. By the end of 2004, JetBlue was flying high. Its revenues had quadrupled—and the company had made a profit every year. It had climbed to 11th place in revenue passenger miles generated, and had done so with fewer planes than many of its bigger competitors.[4] **Exhibits 1, 2, 3,** and **4** provide data about the airline's growth and performance.

FLYING HIGH IN A TURBULENT INDUSTRY

By 2005, Neeleman was leading one of the few successful start-ups in the highly competitive U.S. airline business. More than 100 airlines had been launched since the industry was deregulated in 1978, but only a handful had survived the tremendous competitive pressures in this mature industry.[5] The events of September 11, 2001, had a significant impact on the U.S. economy in general and on the airlines in particular. In 2000, the industry generated total sales of \$120 billion; over the next two years, revenues plummeted to \$105 billion, and it would be five years before sales recovered (see **Exhibit 5** on page 596). The airlines also faced strongly rising fuel prices, heavy debt loads, and increasing pension liabilities related to their aging workforces.[6] By September, 2005, four major carriers (United, US Airways, Delta, and Northwest), representing 40 percent of the industry's total capacity, were operating under Chapter 11 protection.[7,8]

During this period, JetBlue had effectively established a powerful brand and carved out a distinct and profitable position as a low-cost airline offering a high level of service. The firm strove to provide every customer with "the JetBlue Experience," which combined value, service, and style. Passengers enjoyed free co-branded amenities, including brand name snacks, Dunkin Donuts coffee, XM satellite radio, DIRECTV satellite television, and Bliss Spa comfort kits. Passengers could watch live television, listen to satellite radio, purchase 20th Century Fox inflight movies, and sip wines chosen by "low fare sommelier" Josh Wesson of Best Cellars, a value-oriented chain of retail wine shops. The JetBlue Experience also included innovation. From its inception, all JetBlue travel had been ticketless, all fares one-way, and all seats assigned. It was the first airline to deploy the new Embraer 190 regional jet and the first to offer free live television; in 2002 it acquired inflight television provider Live TV and began marketing the service to other airlines.

"represents the total number of paying passengers on all flight segments flown.
miles" represents the number of miles flown by revenue passengers.
not include LiveTV employees.

SERVICE EXCELLENCE

JetBlue has sought to provide what it calls "the best customer service in the business," and has won dozens of top awards for its performance.[9] In 2007, it was named the number three most admired airline by *Fortune* and best in customer satisfaction by *Market Metrix*. In 2006, it was picked as the best domestic airline by both *Conde Nast Traveler* and *Travel + Leisure*, the best low cost/no frills airline by OAG, and the best U.S. airline in the annual quality ranking survey conducted by the University of Nebraska–Omaha and Wichita State University. In 2006, JetBlue enjoyed the second-lowest rate of customer complaints among the 10 largest U.S. airlines (see **Exhibit 6** on page 596).

Neeleman's vision of a new category of airline, one that would make flying more fun and more civilized, was as compelling for employees as it was for passengers. A former missionary to Brazil, Neeleman had an extraordinary ability to connect with people and to inspire them, like the pilot who told *Fast Company*, "I would walk through fire for him."[10] He traveled frequently on JetBlue flights, working alongside employees, talking with pilots in the cockpit, visiting with customers about their experiences, and asking how the airline could better serve them. Neeleman and his executive team placed a high value on involving employees in all aspects of the business and cultivating a sense of teamwork. All employees are called "crewmembers," and supervisors attend "Jet Blue University" for a course in the company's principles of leadership taught by Neeleman and chief operating officer Dave Barger. Al Spain, senior vice president of operations, said, "There is no 'they' here. It's 'we' and 'us.' We succeed together or we fail together."[11]

Even after the ice storm, employees defended the airline. On February 19, someone who identified him- or herself as a JetBlue employee posted a response to a blogger who had been critical of the company's handling of the situation:

> Had you booked a ticket on Delta or American, your flight would have been cancelled and you wouldn't have gotten a refund. You would have had to fly at another time, but you wouldn't have been compensated for your delay—at all . . . in no way. In fact, they wouldn't have apologized . . . at all . . . EVER!
>
> What happened to all of you (including my fellow pilots and flight attendants that were stuck right along with you—and just as miserable as you were) was awful, not cool, uncomfortable, a huge pain in the ass and a really, really, really bad day.
>
> That's about it though. See, when you travel it's like buying a lottery ticket: if you get to your destination hassle free—you win! If you have issues along the way . . . that's life! But if you get a refund for your troubles . . . that's amazing! . . .
>
> I'm sorry you went through what you went through on Valentine's Day, and I want you to come back to jetBlue so I can give you the jetBlue Experience you've grown accustomed to and we do our best to deliver every day.[12]

WARNING LIGHTS IN THE COCKPIT

In May 2004, *Fast Company* profiled the young CEO, praising his hands-on approach and warning that it would be increasingly hard to maintain as JetBlue got bigger:

> Much that's distinctive about this airline—from the enthusiasm of its employees to its relentless customer focus to its hip, slightly countercultural image—is precisely the

sort of thing you can pull off when you're small, and that becomes far tougher the bigger you get. Can JetBlue maintain those qualities as it morphs from nimble start-up into the bureaucracy that's required to manage a vastly more complex operation?

It's a question that applies to many truly innovative companies these days. Call them postmodern corporations, perhaps. If they pull off this transition, they become big, but remain in important ways the antithesis of bigness-think Starbucks, Dell, and Amazon. Like JetBlue, they depend on flexibility, speed, and a sense of intimacy with employees and customers alike. Put another-way, the challenge JetBlue now faces is this: Is small scalable?[13]

Neeleman began flying into turbulence in 2005. At the same time as *Fast Company* was pondering his ability to save his company from the fate of People Express, a similar concept which failed in the 1980s, rivals Delta and United were launching Song and Ted, low-cost/high-frills offerings meant to directly compete with JetBlue. Labor and maintenance expenses began to creep up as JetBlue's people and planes got older and the company experienced problems with the introduction of a brand-new aircraft type, the Embraer 190. As is often the case when an airline brings a new type of aircraft into its fleet, JetBlue experienced unexpected glitches. Not only did the new Embraer 190s arrive behind schedule, installing the in-flight entertainment system so integral to the JetBlue passenger experience took longer than expected. Also, pilots and mechanics used to doing things a certain way on the existing fleet experienced significant learning curves in operating the new aircraft. On-time performance eroded and flights were canceled.[14] In addition, Florida and the Gulf Coast, important markets for JetBlue, were ravaged by Hurricanes Rita, Wilma, and Katrina in the summer of 2005. The demand for air travel to the affected regions fell, petroleum refineries were closed, and JetBlue's fuel costs soared 52 percent. At the end of 2005, the company reported its first-ever operating loss, $20 million.[15]

Neeleman and Barger discussed these challenges in the company's 2005 Annual Report and offered a plan for recovery. They planned to grow revenues by raising average fares, using capacity more efficiently and adding service to small and medium-sized cities where a relative lack of competition would allow JetBlue to command a price premium. They also reiterated the airline's commitment to reliable service, which meant "operating flights even with a delay rather than canceling the flight for the schedule's convenience." To manage costs, they promised to improve workforce productivity through better training, smarter business processes, and more extensive use of automation, and they said they would control the risk of rising fuel prices through financial hedging strategies. The executive team also refused bonuses, and Neeleman delayed the delivery of 36 new aircraft.[16]

By the end of 2006, Neeleman and Barger's plan to grow their way out of trouble seemed to be working. Revenues rose 39 percent in 2006, to $2.36 billion. The firm enjoyed three successive profitable quarters, ending the year just $1 million in the red. In January 2007, David Neeleman told investors, "I'm tremendously proud of the efforts our crewmembers have made in advancing our plan to institutionalize low-cost carrier spending habits and improve revenue overall." Dave Barger said that the airline's performance in 2006 "positions us well for 2007, a year in which we plan to grow capacity 11 to 14 percent, while continuing to enhance the JetBlue Experience." Investors appeared to share management's confidence. Towards the end of 2006, analysts began to upgrade their recommendations, and by mid-January, the stock price had soared to a new 52-week high. No one knew the turbulence that lay just ahead.

STORMY WEATHER

On its seventh anniversary, February 11, 2007, JetBlue was operating some 500 flights a day to 50 cities in the U.S., Mexico, and the Caribbean. David Neeleman had built one of the very few successful major new airlines since the industry was deregulated nearly 30 years before. The company's prospects seemed bright. And then, three days later, JetBlue was hit with the worst crisis in its history.

February 14 began as a normal day at JetBlue's Forest Hills, New York headquarters, near John F. Kennedy International Airport. The company had issued a routine news release shortly after 9 a.m., announcing that it had formed a partnership with Cape Air to offer service to four communities on Cape Cod. The day before, a front had moved into the New York City region from the west, dropping one-tenth of an inch of snow. Heavy snow was in the forecast for upstate, but it appeared that the city would be spared the brunt of the storm. At the airport's weather station, the barometer started falling at midnight. By dawn, what had been light snow in the early morning hours had become ice pellets and light freezing rain, with temperatures hovering in the upper 20s. No one seemed to know that by lunchtime, barometric pressure would drop nearly an inch and a full blown nor'easter would be raking the airport with winds gusting up to 40 miles per hour, coating planes and runways with ice. Early that morning, in keeping with the airline's desire to avoid cancellations, JetBlue gate agents loaded passengers onto six planes, in hopes that they could get out during a break in the weather. These planes remained stuck at the gate; while over the course of the morning, four more JetBlue aircraft arrived and remained on the tarmac, unable to reach the terminal because all gates were occupied, and ground equipment used to tow planes was frozen in place.

As the hours crept by for the passengers and crewmembers stuck onboard the 10 airliners, JetBlue's operations appeared to have become paralyzed. The problems at JFK, its East Coast hub, rippled throughout JetBlue's system. Its 800 number, staffed by home-based workers in Utah, was overwhelmed by the crush of calls from customers seeking information or trying to rebook delayed flights. Its New York-based 20-person crew services department, which handles the scheduling of crewmembers, was also overwhelmed.

The storm showed signs of relenting by early afternoon, as freezing snow changed into light snow, and JetBlue officials kept the loaded planes in place, apparently still hoping to salvage some of the flights. By 3 p.m., however, they had admitted defeat and asked the Port Authority of New York and New Jersey for help in rescuing stranded passengers. The last passengers entered the terminal after 7 p.m., having sat onboard for six to 10½ hours.

Television news crews were waiting for the passengers in the terminal. WABC-TV interviewed some of the 134 passengers on Flight 751, which had been bound for Cancun, Mexico. "There was no power and it was hot. There was no air. They kept having to open the actual plane doors so we could breathe," said one passenger.

"Nobody gave us any answers. They kept telling us we know as much as you do. And I said, I don't work here, you work here, give me answers," another passenger said.

"Everybody is incredibly tired and frustrated and we didn't expect to be in New York tonight, so it's ridiculous. Just sitting there and sitting there and them saying they were going to pull us into the gate and they never did. There was very little food. It was just a nightmare," a third passenger was quoted as saying.[13]

JetBlue's problems quickly became national headline news. Yossi Glieberman, a 41-year-old Brooklyn man who came in on a flight from Nashville that could not make it to the gate, told *Newsday* that the pilots provided frequent updates and flight attendants distributed snacks liberally, allowed passengers to recharge cell phones and let children help push the service carts.[18] "It could have been worse," he said of the nine-hour ordeal. Other fliers were less complimentary. An unnamed man told ABC World News, "My vacation is canceled. No flights out. I can't go anywhere. They can't get me out on vacation. My kids are home in four-degree weather when we're supposed to be on a beach with 90-degree weather."[19] Cheryl Chesner, a bride who had to cancel her honeymoon trip to Aruba, told the *San Francisco Chronicle*, "It was the worst. It was horrific."[20]

One customer, a New York resident who was angry about missing a much-anticipated Valentine's Day trip home to Los Angeles with her new boyfriend, started a blog called www.jetbluehostage.com.[21] Using the screen name "Gen Starchild," she wrote, "Nothing says 'I love you' like being held hostage on a frozen plane with the man you love, 99 strangers, 4 other people you happen to know, 4 screaming babies and 3 rambunctious kids running about, nothing but chips and soda for sustenance, faulty power, unreliable direct TV, and an overfilled sewage system for 11 hours."

The blog became well-known and led to an interview for Gen and her boyfriend on CNN. JetBlue's public relations department asked her to meet with David Neeleman. She recapped the March 5 meeting on her blog:

> It went a lot like this.
>
> Canned answer
> Canned answer
> *We're sorry*
> *It'll never happen again*
> *I don't have the answer, this is who you need to talk to.*
> *I'm sorry.*
> Etc.
>
> Then he hit a wall and I could actually see the change in him. From the beginning of the meeting, he was playing these passive aggressive "you're not important" games, by taking FOUR PHONE CALLS, on his mobile at that. Not from JetBlue employees concerned about the weather cancellations. Calls from his wife. Calls from his neighbor. I'm the queen of mind games, you can't pull that on me.

Gen Starchild and her fellow "hostages" were not the only travelers inconvenienced by the events of February 14, though they may have been the most visible. And JetBlue was not the only carrier grounded by the storm. Between February 13 and 15, American cancelled 914 flights, or 13.4 percent of its schedule; United grounded 865 flights (17.1 percent); US Airways 728 (19.6 percent); and Contintental 119 (3.7 percent). By comparison, JetBlue's 634 cancelled flights represented 39.6 percent of its schedule.[22]

In all, some 250 flights, nearly half of JetBlue's entire schedule, were cancelled on Valentine's Day. The following days were also plagued by problems, because the ice storm had left airplanes and crews out of position and additional winter weather created more headaches. Internal communications and coordination between airline staff seemed to be a problem. A woman who took a JetBlue flight from California to New York on February 17 posted this report on jetbluehostage.com: "JetBlue's system was completely overloaded. The staff at Burbank had no clue what was going on—the lack of pilots was a total shock to them—and there were so few staff actually at JFK that no passengers could get answers. A man with a bullhorn finally came out (because the baggage carousel board was completely inaccurate) to tell people which flights were coming out on which carousels."

In an effort to restore order, the airline cancelled some of its flights on February 15 and 16, but problems persisted, so managers took the unprecedented step of preemptively cancelling ("precancelling") 23 percent of all flights over the next two days in order to reposition planes and allow pilots and crews to rest. This action demonstrated a significant shift in thinking on the part of JetBlue managers, who had always tried to take a "wait-and-see approach" with the weather.[23] Announcing the move on February 17, spokeswoman Jenny Dervin told *The New York Times:* "Sometime in the afternoon, it just fell apart. The folks running the operation are just exhausted. We said, 'Let's stop the madness.'"[24] "We ran into an operational death spiral," Dervin told *Newsweek.*[25] The pre-cancellations, which fell over the President's Day long weekend, worked, and by Monday, February 20 JetBlue was back to normal.

JETBLUE WORKS TO REBUILD PUBLIC TRUST

As the airline's executives struggled to climb out of the operational death spiral, its public relations staff got busy trying to repair the firm's damaged image. On the evening of February 14, JetBlue issued a public apology and announced that it would give a full refund and a free roundtrip ticket to any passenger detained onboard for more than three hours; it would also give refunds to any passenger whose flight was cancelled. Over the next few days, the airline announced that it was relaxing its policies about rebooking so that customers who were affected by the storm would not be penalized for rebooking new flights. Throughout the ordeal, top executives practiced their commitment to "visible leadership." Dave Barger went to JFK on the 14th to oversee the operational response and speak with passengers and crewmembers. David Neeleman became the company's public face, granting dozens of media interviews, in which he accepted responsibility, expressed remorse, and pledged to prevent this kind of problem from happening again. In a front-page *New York Times* story on Sunday, February 19, Neeleman said he was "humiliated and mortified" and promised that JetBlue would pay penalties to customers if they were the victims of mistakes by the airline.[26]

One week after the Valentine's Day ice storm, the operations were finally back to normal. Neeleman had issued a personal apology, which appeared in his blog and in full-page ads in major newspapers (see **Exhibit 7**). The airline also published a Customer's Bill of Rights, specifying how and when it would compensate passengers for delays and other problems (see **Exhibit 8**). Reactions to Neeleman's apology and the Bill of Rights were generally positive. On February 21, *USA Today* published an editorial calling JetBlue's service failure "inexcusable" but praising its response. The paper contrasted JetBlue's handling of the Valentine's Day snafu to similar, smaller-scale strandings by American and United in December and wrote that it hoped this would touch off "a round of competition over customer-service guarantees, instead of the usual cost-cutting."[27]

The business press, however, was far less kind. In a stinging rebuke, *BusinessWeek* struck JetBlue from its list of "customer service champs." The magazine's March 5 cover (see **Exhibit 9**) was headlined "Our first-ever ranking of companies where the consumer is king. Here's the magnificent 25—and one extraordinary stumble." The cover graphic was a numbered list of the top four companies, with a squiggly blue line drawn through JetBlue's name. The editors said kicking the airline off the list was a "tough call." Despite Neeleman's candid, public apologies, "the road to recovery isn't paved with TV appearances," the magazine cautioned.

> What matters most is execution—doing the deep, hard organizational work to ensure the crisis never happens again. While JetBlue recognizes that fact, it still has plenty to prove . . . JetBlue has piled up service accolades faster than most airlines collect

complaints . . . plus JetBlue's trumpeting of its own customer-friendly approach, means its passengers' expectations are inevitably higher. Other airlines, after all, had long waits at JFK . . . but interminable delays, cancellations and service snafus, says UNC Kenan-Flagler Business School professor Valarie Zeithaml, can be "more detrimental [to JetBlue] than to a larger airline. It runs totally counter to who they are coming out and saying they are and what they live."[28]

Other observers raised questions about Neeleman's leadership. On February 20, Larry Kudlow, host of CNBC's Kudlow and Co., said:

> The guy's a great entrepreneur. He created and built and grew this company. OK, no question about it. But how many times in the past do we know that entrepreneurial CEOs are not necessarily the ones that take these companies to the next stage where management and administration are really the keys? He clearly struck out on management, information, communications, where's this equipment, where were the pilots, how to get in touch with one another, where are the flight attendants? And I know he's made a lot of mea culpas, and I appreciate his character in doing that, but the fact remains: Can he manage a large airline company?

Earlier that day, the embattled CEO held a news conference at which said he had no intention of stepping down from his post. "I'm the founder of the company, I'm the CEO, and I think I'm uniquely qualified to deal with these issues."[29]

The incident also spurred calls by passenger advocates for tougher oversight by the federal government. The Coalition for Airline Passengers' Bill of Rights, a newly formed group, used JetBlue's woes to again demand relief. The coalition was formed by Tim and Kate Hanni, a Napa, California couple who were trapped on the ground for nine hours in Austin, Texas by American Airlines in late December 2006. The Hannis described their experience in a February 4 letter to the *Mobile (Ala.) Press-Register.*[30] These angry, frustrated travelers demanded that Congress pass new laws to force airlines to refund 150 percent of the ticket price to passengers stranded more than three hours and inform passengers about what's going on within 10 minutes of a prolonged delay. They launched a website, strandedpassengers.blogspot.com, and within its first month reportedly collected 4,200 signatures on a petition.[31]

A similar incident in 1999, when Northwest Airlines detained passengers for seven hours on a snow-covered runway in Detroit, had sparked calls for action by Congress. The airline industry staved off new regulations then by promising to take care of the problem. Now, in the wake of the Hannis' experience and the JetBlue debacle, it appeared that federal lawmakers were ready to act. Over the President's Day weekend, before JetBlue issued its own Bill of Rights, U.S. Senators Barbara Boxer (D–Calif.) and Olympia Snow (R–Maine) proposed a new law to prevent airlines from holding passengers onboard for more than three hours and to require them to provide food, water, and clean toilets. Congressman Mike Thompson, a Democrat who represented the Hannis' district, promised to introduce a similar bill in the House. Sen. Boxer told National Public Radio:

> We have to protect the people of the United States of America. We have to protect their families. We have to protect our children. And now, post-9/11, it's very difficult for passengers to complain about anything because of the seriousness of what happened

on 9/11. Passengers who cause any trouble at all can get themselves in a lot of trouble. So when you're on an aircraft, you're pretty much—have to comply with everything. And here you're in a situation where you're in a lockdown, almost a hostage situation. It's just unacceptable. This is a very simple thing we're talking about. It's common sense. The airlines, I think, will benefit from it, and I hope we can get it done. I'm not naive about it. Every single time there's a regulation we propose, there's an outcry. The automobile industry didn't want to do seatbelts. They didn't want to do airbags. Now they take credit for it. So, you know, there is a role for the government, since we are really responsible for licensing these airlines.[32]

Aviation experts warned that the proposed new regulations could actually make things worse for passengers by depriving the airlines of flexibility. Daryl Jenkins, a consultant who teaches airline management, told *USA Today* that the proposal was "totally impractical . . . What if a plane is ordered after three hours to go back to the terminal when they are second in line to take off? That doesn't make sense." John Cox, a former airline pilot, said that it would reduce the reliability of the system because airlines need to keep flights ready to take off as soon as the weather permits. Returning them to the terminal could increase delays.[33]

WHAT LIES AHEAD FOR JETBLUE?

Three weeks after the crisis, Neeleman was still communicating with customers about the company's response. It appeared that some customers were confused by the conditions for when the company would and would not offer compensation for delays. Neeleman explained the differences between "controllable" and "uncontrollable" delays on his blog, "David's Flight Log."[34]

On March 8, the company announced that John Owen, executive vice president–supply chain and information technology, had resigned but would remain with the company as a "senior advisor" through the end of 2008, and that Russell Chew had been hired to serve as chief operating officer. Chew, a veteran of American Airlines and the Federal Aviation Agency, "brings a big-airline perspective to JetBlue . . . Russ will be in charge of making sure our operations run on time and as scheduled, so that you don't have to rely on our Bill of Rights for compensation," Neeleman told customers. "Because let's face it—getting a \$25 voucher or more is nice, but it's better to arrive or depart on time." Chew will report to Dave Barger, who would remain with the company as "President and Founding Crew Member."

The press continued to raise questions about JetBlue's long term viability, however. On March 12, *BusinessWeek* cited unnamed "industry sources" as saying that, as part of its 2006 cost cutting moves, the company had sacrificed needed upgrades to its reservations, call center, and crew scheduling systems. It also warned that the market may be tapped out, quoting a consultant who said, "there aren't too many markets you can throw 150-seat airplanes into," and raised the specter of a unionization drive among pilots who have watched the value of their stock options fall.[35]

The market appeared to have lost confidence in the once high-flying company. By March 14, JetBlue's stock price had fallen to \$11.75, 11 percent below its February 14 closing price of \$13.23.

One month after the ice storm, JetBlue's management team was still digging out.

CHALLENGES

JetBlue was confronted with some serious issues as it continued to try to recover from its Valentine's Day meltdown. Although operations had returned to "normal," the company had spent millions of dollars on passenger refunds and vouchers, employee overtime, and other storm-related costs. JetBlue executives had spent countless hours practicing "visible leadership" and David Neeleman, the public face of the airline, had accepted responsibility, expressed remorse repeatedly, and promised that this type of problem would never happen again. But, could JetBlue depend on Neeleman to lead the company out of trouble? Did the executives at JetBlue learn enough from their service failure to fix what was wrong and prevent it from happening again? If not, what further action should be taken? What, if any, strategic and operational changes should be made to ensure the company's full recovery?