Case 4-1

JetBlue Airways: Regaining Altitude

New York–based JetBlue Airways had started 2007 on a roll; growth, in terms of both destinations and fleet size, was far outpacing even the most ambitious industry projections. And more important, the airline continued to enjoy a cult-like following among its loyal customers, thanks in large part to uncommonly attentive service, generous legroom, free satellite television feeds in every leather seat, and, of course, the company's signature Terra Blues potato chips. In fact, JetBlue ranked highest in customer satisfaction among low-cost airlines in 2006 and among all major airlines in the United States in 2005.[1]

Yet as a winter nor'easter barreled toward the New York metropolitan region on February 14, 2007, JetBlue's leaders were blissfully unaware that the next seven days would be by far the most trying in the company's eight-year history. Within five days, the company would have cancelled more than 1,000 flights, incurring tens of millions of dollars in losses in the process and tarnishing JetBlue's sterling reputation, thanks to a combination of bad luck, flawed decision making, and multiple systemic failures.

JetBlue founder and CEO David Neeleman encouraged his executive team to search for bold and inventive solutions to restore the company's public image, win back customers, and reassure employees and investors. If that meant parting with convention, then so be it, Neeleman said.

JETBLUE TAKES OFF

The 1999 launch of Jet Blue Airways was never supposed to work. After all, of the 58 startup jet airlines that had commenced operations since the U.S. government deregulated the industry in 1978, only 2 survived. "It is a business whose margins are so razor thin that a couple of passengers on each plane can spell the difference between profit and loss and where a 1-cent rise in the price of jet fuel can cost the industry an added $180 million a year," wrote industry expert Barbara Peterson in 2004.[2]

Industry behemoths like Eastern Air Lines, Trans World Airlines, United Airlines, American Airlines, Braniff International Airways, Northwest Airlines, and Delta Air Lines reaped enormous profits and ruled the skies until Congress and President Jimmy Carter passed the Airline Deregulation Act of 1978. The primary purpose of the act was to eliminate government control over commercial aviation and encourage market forces to shape the industry's development.

Although the cut-throat competitive tactics used by the legacy airlines in the 1980s and 1990s caused most new companies to fail, competition persisted, and airfares dropped significantly into the twenty-first century, leading to the rise of low-cost carriers such as AirTran Airways, Southwest Airlines, and JetBlue Airways.

JetBlue was the brainchild of David Neeleman, an industry visionary who promised to "bring humanity back to air travel."[3] Neeleman, who was born in Brazil but grew up in Utah as part of a large Mormon family, was no stranger to startup airlines. He helped to build Morris Air, a Utah-based airline that Southwest acquired in 1993 for $129 million.

[1] B. Peterson, *Bluestreak: Inside JetBlue, the Upstart That Rocked an Industry* (New York: Portfolio, 2004).

[2] Ibid.

[3] Ibid.

Source: This case was prepared by Gregory G. Efthimiou of the University of North Carolina at Chapel Hill. It was published in 2008 as the winner of the Arthur W. Page Society's annual Case Study Competition Journal. Reprinted by permission.