Case study JetBlue

Early in its history JetBlue achieved a competitive advantage based on value innovation. In particular, JetBlue was able to drive up perceived costumer value while lowering costs. This allowed it to carve out a strong strategic position and move to a non-contested market space. This implies that no other competitors in the U.S. domestic airline industry were able to provide such value innovation at that point in time. Rather than directly competing with other airlines, JetBlue created a blue ocean.

Although JetBlue was able to create and initial competitive advantage, it was unable to sustain it over time. Because JetBlue failed in reconciling the strategic trade-offs inherent in combing differentiation and cost leadership, it was unable to continue its blue ocean strategy, despite initial success. Since 2007 JetBlue experienced a sustained competitive disadvantage, at one point in 2014 lagging the S&P 500 index by more than 100 percentage points.

A new leadership team CEO Robin Hayes put in place in early 2015 is attempting to reverse this trend. The new team made quick changes to improve the airline`s flagging profitability. It decided to start charging $50 per checked bag instead of offering it as a free service. Moreover, it also removed the additional legroom JetBlue was famous for in the industry, adding 10 percent more seats on its airplanes. It remains to be seen if JetBlue`s strategic repositioning will be successful.

1. Despite its initial success, why was JetBlue unable to sustain a blue ocean strategy?
2. JetBlue`s chief marketing officer, Marty St. George, was asked by The Wall Street Journal, „What is the biggest marketing challenge JetBlue faces?“ His response: „We are flying in a space where our competitors are moving toward commoditization. We have taken a position that air travel is not a commodity but a services business. We want to stand out, but it`s hard to break through to customers with that message“.
    a. Given St. George`s statement, which strategic position is JetBlue trying to accomplish: differentiator, cost leader, or blue ocean strategy? Explain why.
    b. Whic strategic moves has the new CEO, Robin Hayes, put in place? Do these moves correspond to St. George`s understanding of JetBlue`s strategic position? Why or why not? Explain.
3. What recommendations would you offer to JetBlue to strengthen its strategic profile? Be specific.