

Value Adding

Customer's Name

Academic Institution



### **Abstract**

In order to prosper in business, the product or the service provided must be of value on its own and must possess the capacity to stand on its own. The modern market is characterized by extreme competition from numerous companies and organizations dealing with the same products and services. In order for the products of a particular company to stand out, they must be of high quality. Value adding is a way of differentiating a company from the pack. This paper through qualitative evaluation of JetBlue Airways case study is going to look at some of the reasons as to why value adding is an important marketing strategy.



## Value Adding

### **Introduction**

JetBlue airways, as stated by Bodouva & Bodouva (2004), began its operation in February 2000 with the inauguration of services between Ft. Lauderdale in Florida and J. F. Kennedy airport, New York. Since then, the company is estimated to have served more than twelve million passengers. Currently, JetBlue operates over 164 flights per day in addition to serving over twenty destinations in nine states as well as Puerto Rico (Bodouva & Bodouva, 2004). Even though JetBlue operates in a highly competitive environment, its continued profitability has earned it remarkable loyalty among customers as well as its employees. JetBlue Airways is one of the best financed start-up airlines in the United States aviation history. Its initial capitalization is estimated at over \$130 million (Holloway, 2008). The initial marketing strategy of the company was to combine common sense and technology in addition to setting out an objective of introducing humanity into airline travels as well as making flying an enjoyable experience. So as to achieve this, JetBlue aimed at being the first airline that did not employ paper-based recording system. The company introduced computers and information technology in all sectors of its operations. In addition to efficiency, the company focused on service to their customers. The company's main objective, as far as service is concerned, is to become customers' advocates based on the perception that customers have the right to be provided with high quality services at affordable cost. JetBlue airways started from a humble beginning. The founder of JetBlue, David Neeleman, joined top management of southwest airways, and as a result of his aggressive, restless hands-on personality and always seeking for new innovative ways, he created tension and jealousy among other members of the Southwest Airways top

management team. In 1994, Neeleman stopped working for the Southwest Airways. After leaving Southwest Airways, Neeleman launched WestJet, a carrier that became extremely successful. He developed a novel e-ticketing reservation technique referred to as Open Skies (Bodouva & Bodouva, 2004). Based on his experience in aviation, Neeleman decided to develop a new and larger airline. This idea was motivated by the fact that tastes of customers change and therefore it would be important to adapt persistently to these changes. Neeleman intended to develop the new airline based on Southwest's marketing strategy of stimulating demand in underserved markets with low fares (Bodouva & Bodouva, 2004). This strategy was to be achieved through the use of highly competent employees and aircrafts. Another strategy of accomplishing this objective was through flying bigger planes for longer distances in addition to offering an enhanced overall passenger experience. Another strategy of achieving success at such an early stage was excelling in the aspects that really distinguish the brand from others at a significantly low cost. Comfort, courtesy and punctuality were the guiding principles of the Airways. These principles were extended to all levels of the company's operation, externally and internally and have resulted in the creation of a distinct customer appeal.

### **Value Adding**

In the modern market, customers look at purchases from a cost-benefit analysis. They evaluate whether the benefit associated with a particular product is equal or outweigh the cost (Helbig, 2007). However, different customers have different opinions as far as definition of benefits is concerned; and due to that fact, it is important that the value being added to a particular product or service be beneficial (Helbig, 2007). Value adding can be defined in different versions depending on the type of services or commodities a particular company deals with. The fundamental objective of value adding is to increase the worth of services and goods a company deals with, in order to attract and retain as many customers as possible in addition to increasing profits. The decision to go into value adding should not be taken lightly; it has more risks associated with it. However, the rewards are greater than the risk involved. In addition to increasing profits, value adding makes one a master of his/her own. JetBlue airways is a very good example of the companies that have embarked on value adding in order to attract as well as retain more customers with intent of increasing profitability.

Bodouva & Bodouva (2004) states that JetBlue was established to accomplish one purpose: to provide low cost Americans flights with high quality customer service. The dedication of this company has made it one of the most profitable companies in the modern times. Even in the current troubled markets, JetBlue places its customers in an anterior position.

Customers' service, which is the foundation principle of JetBlue, remains the main concern of this company. The founder of JetBlue realized that customer service was one of the greatest weak points associated with the aviation sector and decided to bank on it. He realized that passengers were becoming increasingly dissatisfied with airline travel as a result of increased flight cancellation and delays, mishandled baggage, complicated cost structures, in addition to lack of customer care. These negative aspects and others associated with airline travel provided an opportunity for JetBlue (Bodouva & Bodouva, 2004).

JetBlue is determined to establish itself as the most effective company as far as airline travel is concerned. It also seeks to offer a high quality experience, stressing on safety, security, customer service, reliability, in addition to reduced cost of travel. The principle competitive strengths of the company are low operating costs, strong capital base, strong brand, and outstanding company culture (Johnson and Weinstein, 2004). JetBlue has created an outstanding brand that helps to make a distinction from its main competitors. The company has created a strong brand through its objective of being identified as a safe, reliable and low cost airline, which is highly focused on customer service, offers an enjoyable flying experience, and is continually developing.

JetBlue is at a crossroad where other airlines have stalled before. However, its formula of low cost, efficiency and high level of customer value has the capability of remaining undiluted as the company continues to grow. JetBlue has established a very strong as well as vibrant customer service-oriented company culture; a culture that is reinforced by enlightening the employees concerning the importance of customer service in addition to safety as well as the need to remain productive and keep costs at a minimum. Establishment of a customer service oriented culture

has earned the company traveler loyalty (Bodouva & Bodouva, 2004). It is among the few companies that have sparked genuine customer enthusiasm. Ineffective communication between crewmembers is one of the major issues that negatively impact on customer base of the airline industry. JetBlue however, has established an open and honest communication system concerning delays especially when there is likelihood of interruption due to the weather or mechanical problems. The other competitive strength of JetBlue is its location. Its base is located in New York's J. F Kennedy Airport, which offers access to a market of about 21 million potential customers.

A strong management team is the other competitive strength of JetBlue. Its management team is made up of highly qualified as well as experienced members. Finally, integration of advanced technology in its operations has allowed for continued prosperity of the company. JetBlue was the first airline company to install cabin security cameras on all their aircrafts (Mard, Dunne, and Osborne, 2004). Even though JetBlue is a newly established airline, its focus on the people, contemporary aircraft, comprehensive personal service, excellent service and state-of-art the management of revenue has made the company to standout among many.

In addition to offering low travel costs with high style, friendly crewmembers who believe in service as well as a high quality of service, the company has developed a great deal of value added services with sole intent of satisfying their customers' needs. These include: comfortable leather seats, ticketless travel, free satellite TV on every seat (Mard, Dunne, and Osborne, 2004), a significant amount of legroom, no discount seats, airplane yoga cards, assigned seats, and a true loyalty program among many others. Aircrafts in addition to various programs established by the airline are designed in a unique manner so as to meet customers'

needs. JetBlue's programs are flexible and transparent and act as a major customer attraction strategy (Hitt, Ireland, and Hoskisson, 2009). JetBlue staff has realized that proper handling of customers is a principle factor behind the success of any business. The management team of Jetblue believes that the flight experience provided to customers is the main reason why customers find it more preferable to other airlines (Bodouva & Bodouva, 2004).

Contrary to other companies, all fares in JetBlue are one way. JetBlue also offers customer friendly services. Customers are compensated whenever flights are delayed for more than four hours or for loss of luggage. The introduction of Jetblue Airways Bill of Rights, where customers are compensated for any inconveniences occurring as a result of technical problems is one of the major strategies that will insure continued development of JetBlue Airways (Johnson and Weinstein, 2004). The awareness that customers will be compensated as a result of interruptions makes sure that crewmembers are committed to operate at high customer service standards. JetBlue airline crewmembers are committed to flights with limited interruptions and cancellations whenever possible. This makes sure that customers are satisfied with the services offered by the company and that they understand in case inconveniences occur (Johnson and Weinstein, 2004).

The ability of the company to keep costs low through limiting cabin services is the other factor that will ensure success of the company. Contrary to other airlines, JetBlue does not offer major meals during flights. However, it does offer snacks, blueberry muffins and blue chips. JetBlue also controls flight costs by using point-to-point flights instead of hub-and-spoke (Mard, Dunne, and Osborne, 2004). The company has a large number of reservation staffers who work from home; has developed online booking programs; maintain a new flight of aircrafts; fly to



major and smaller airports; make use of nonunion workforce; in addition to offering higher wages and profit sharing so as to keep employees from joining unions, all of which have contributed to the growth and increased profitability of the company (Bodouva & Bodouva, 2004).

There are various potential challenges predicted to face the company in the future. One of them is that as crewmembers become more senior, they will claim more tangible benefits as well as pensions. Unionization of the workforce, as stated by Mard, Dunne, and Osborne (2004), will result in increase in labor costs which will in return result in reduced profits. The other challenge is that as the flight legs become longer, provision of meals to the customers will be necessary. Growth is also predicted to result in reduced involvement of the executive staff. However, the management team has made it clear that they are aware that growth comes with a price and this is the reason why they are focused on maintaining customer loyalty in addition to customer value.

JetBlue aims at providing excellent services on all its operations based on the fact that customers do not necessarily point to a single issue that gives them value, but to all services provided by the company. Bodouva & Bodouva (2004) states that the value offered by JetBlue to its customers extends to its service-oriented culture, which is characterized by the high quality service provided by all employees to the customers. JetBlue Airways is a value based organization established on the principle that in order to be extraordinary on the outside, one has to first be outstanding on the inside. All employees of JetBlue regardless of their position are regarded as crewmembers. The company hires highly qualified personnel and treats them in a manner it expects them to handle its customers. The company requires that all employees view

the business from customers' perspective. Viewing the business from a customers' perspective enables the company to offer a superior system of delivery that continually evolves to satisfy the needs as well as wants of its customer base (Johnson & Weinstein, 2004). The company holds strongly on to the belief that all activities within a prosperous organization are driven by value, which is the base for development of an organization. Instead of developing a mission statement that employees and customers are not interested with, JetBlue emphasized on words that allow everybody associated with the company to talk together. Talking together allows for sharing of values, an aspect that makes decision-making much easier. Instead of controlling employees with supervision and rules, JetBlue show employees how its decisions fit with corporate values.

JetBlue is characterized by five major values: caring, safety, integrity, fun and passion. The company aims at propping-up compliance with all regulations, maintaining consistency along with high standards, maintaining respectful associations with customers and employees, embracing healthy balance between family and work, and taking responsibility for personal and company development in addition to ensuring safety of employees and customers (Hitt, Ireland, & Hoskisson, 2009). The company also aims at exhibiting honesty, trust along with mutual respect in all aspect of the job, and prioritizing customers' needs. JetBlue adds value to its services by creating enthusiasm for the job. The company always converts negative circumstances into a positive customer experience. It also creates a friendly environment with intent of relieving customers of their tension. The company also adds value to customers' experience through humor.

There are various elements that can be evaluated in order to determine the relationship between customers and crewmembers in the airline industry so as to highlight its important to the

airline. Some of these relationships include: responsiveness, assurance, reliability, tangibles and empathy. JetBlue crewmembers are reliable and possess the capacity to execute their duties accurately. They are always willing to offer assistance to customers in times of need. Due to their confidence, JetBlue crewmembers are able to offer assurance to customers. They are also easily approachable. A very good example of empathy is whereby JetBlue chief executive officer, Neeleman, takes two flights weekly in order to interact with customers and hear first-hand passenger feedback (Bodouva & Bodouva, 2004). Neeleman apologizes on behalf of the company for all inconveniences that passengers may experience. Neeleman also serves snacks and assists passengers to keep their luggage safely on the overhead bins. JetBlue crewmembers are encouraged to serve customers in a friendly and courteous manner. Through instilling an organizational culture, which promotes and also rewards friendly attitudes towards customers, the company has been able to have its crewmembers being friendly and courteous to its customers. The company makes it known to its employees that practicing courtesy towards each other as well as towards the customers is one of the major reasons why they have their job. As a result, the crewmembers have no problem with being friendly and courteous to their customers. Besides friendliness to their customers, crewmembers are friendly towards each other (Johnson & Weinstein, 2004).

Crewmembers are not forced to treat their partners and customers well, since they already know the benefits of doing so. They listen to the grievances of customers and forward them to the relevant authority for further evaluation. JetBlue has developed a mechanism through which grievances of customers are addressed promptly. JetBlue management team communicates all changes to the company's mode of operation to crewmembers, who in turn communicate them to the customers (Bodouva & Bodouva, 2004). The issue of traveling cost is addressed with high

transparency, and personal requests made by customers are attended to with extreme caution. JetBlue crewmembers are considered the most helpful within the airline industry. They are committed to conducting themselves in a fair, honest, and transparent manner in addition to providing reliable information to their customer on matters relating to environment and social responsibility. As a result of working as a team, JetBlue crewmembers are able to effectively handle various issues that may adversely affect their customers (Hitt, Ireland, & Hoskisson, 2009). JetBlue crewmembers strive to make this airline one of the most efficient in the industry. A major motivation of the crewmembers is the notion that dissatisfaction to the customers can greatly derail their performance towards achieving their principle objectives. Customers are treated in an equal manner regardless of their social and economic status.

Even though JetBlue is experiencing tremendous growth, the company is not contented. The management team realizes that it is only as good as its last appearance. Due to that fact, the company is committed to dealing effectively with all issues that may negatively impact on customers' experience. In order to guarantee continued growth and success, the management team has come up with a strategy focusing on three main goals: people, performance and prosperity (Johnson & Weinstein, 2004). This strategy is grounded on the perception that solid operating performance is driven by great people and as a result, continued prosperity is experienced. The future of JetBlue is committed to offering the best airline experience, continually striving to go beyond expectations and build on the loyalty of the brand.

### **Conclusion**

It can therefore be concluded that in order to prosper in business, the product or the service provided must be of value on its own and must possess the capacity to stand on its own. JetBlue Airways is one of the companies that have embarked on value adding in order to attract as well as retain more customers with intent of increasing profitability. JetBlue has established itself as the most effective company as far as airline travel is concerned due to the fact that it focuses on satisfying customers' needs through establishment of highly competent customer services. Even though JetBlue is at a crossroad where other airlines have stalled before, its formula of low cost, efficiency and high level of customer value has the capacity to remain undiluted as the company continues to grow. JetBlue has established a very strong as well as vibrant customer service-oriented company culture; a culture that is reinforced by enlightening the employees concerning the importance of customer service in addition to safety as well as the need to remain productive and keep costs at a minimum. The ability of the company to keep the costs low through limiting cabin services is the other factor that ensures success of the company. JetBlue is characterized by five major values: caring, safety, integrity, fun and passion. JetBlue crewmembers are considered the most helpful within the airline industry. They are committed to conducting themselves in a fair, honest, and transparent manner in addition to providing reliable information to their customer on matters relating to environment and social responsibility. JetBlue crewmembers strive to make this airline one of the most efficient in the industry.

## References

Bodouva N. & Bodouva J. (2004). Case 9: Jetblue airways-adding value. doi:

10.1201/9780203501498.bmatt9

Hitt M., Ireland R., & Hoskisson R. (8<sup>th</sup> ed.). (2009). *Strategic management: Competitiveness and globalization: Concepts & cases*. Cengage Learning.

Helbig, Dian. (2007). *What does value add mean?* Retrieved from

[http://www.sideroad.com/Sales\\_Techniques/value-add-sales.html](http://www.sideroad.com/Sales_Techniques/value-add-sales.html)

Holloway S. (3<sup>rd</sup> ed.). (2008). *Straight and level: Practical airline economics*.

Aldershot: Ashgate Publishing, Ltd.

Johnson W. & Weinstein A. (2<sup>nd</sup> ed.). (2004). *Superior customer value in the new economy: concepts and cases*. CRC Press.

Mard M., Dunne R., and Osborne E. (2004). *Driving your company's value: Strategic benchmarking for value*. New Jersey: John Wiley and Sons.

August 26, 2010 from <http://www.crcnetbase.com/doi/abs/10.1201/978020350149>

8.bmatt9

Hitt M., Ireland R., and Hoskisson R., (edn 8), (2009), *Strategic management: competitiveness*

*and globalization: concepts & cases*, ISBN 0324655592: Cengage Learning

Holloway S., (edn 3), (2008), *Straight and Level: Practical Airline Economics*, ISBN

0754672565: Ashgate Publishing, Ltd

Johnson W., and Weinstein A., (edn 2) (2004), *Superior customer value in the new economy:*

*concepts and cases*, ISBN 1574443569: CRC Press

Mard M., Dunne R., and Osborne E., (2004), *Driving your company's value: strategic*

*benchmarking for value*, ISBN 0471648558: John Wiley and Sons

Sideroad, (2007), *What Does Value Add Mean?* Retrieved on August 26, 2010 from

[http://www.sideroad.com/Sales\\_Techniques/value-add-sales.html](http://www.sideroad.com/Sales_Techniques/value-add-sales.html)

