

JetBlue Airways: Regaining Altitude after the Valentine's Day Massacre of 2007

TEACHING NOTE

Purpose of the Case Study

1. To describe how an unexpected crisis can threaten the reputation of a highly regarded and profitable company;
2. To illustrate how an unlikely series of events can reveal critical business problems and communication issues;
3. To enable the reader to evaluate and apply potential image restoration strategies to a recent corporate communication dilemma;
4. To demonstrate how a bold idea can potentially transform the way a company does business and relates to its key stakeholders; and
5. To encourage critical analysis and stimulating discussion of corporate crisis communication practices and strategies.

Identifying the Business Problem

Valentine's Day 2007 changed the course of history for JetBlue Airways. The upstart low-fare airline – which had enjoyed unprecedented acclaim from customers and industry observers during its first eight years – suddenly found itself in the midst of its first major operational catastrophe. A winter storm that enveloped the New York metropolitan area and JetBlue's hub at John F. Kennedy International Airport left scores of the company's passengers stranded in planes on the tarmac for six hours or longer. Thousands of other customers waited in vain at the airport for flights that would inevitably be cancelled.

The flight disruptions at JFK plunged JetBlue's entire operation into chaos. The company's planes and flight crews were soon out of place, forcing the carrier to cancel approximately 1,200 flights over a six day period.¹ The cancellations cost the airline an estimated \$20 million in revenue and \$24 million in flight vouchers to customers who were impacted by the disruptions.² JetBlue founder and CEO David Neeleman attributed the crisis to a combination of bad weather; inadequate communication processes to direct the company's 11,000 pilots and flight attendants on where to go and when; an overwhelmed reservation system; and the lack of cross-trained employees who could work outside their primary area of expertise in an emergency.

JetBlue representatives issued repeated apologies in the days that followed the meltdown at JFK, but these words did little to quell customers' frustration. Worse, members of Congress soon threatened to intervene if the airline industry failed to take action. Neeleman challenged his executive team to develop a bold, compelling solution to JetBlue's newfound image problem. After considering multiple image restoration strategies, JetBlue settled upon two: mortification and corrective action. Mortification occurs when a party accused of causing a crisis admits responsibility for the wrongful act and asks for forgiveness.³ Corrective action involves restoring the situation to the state of affairs before the crisis and taking steps to prevent a recurrence of the crisis.⁴

The corporate communication team arranged for Neeleman to appear on more than a dozen television news and talk show programs on February 20, including *The Today Show* and *The Late Show with David Letterman*. Neeleman had already starred in videos posted to JetBlue's Web site and YouTube in which he said he was "humiliated and mortified" by the company's failures.⁵ Through numerous written and spoken mea culpas, Neeleman begged JetBlue's customers for forgiveness.

The most daring component of Neeleman's redemption plan was the JetBlue Airways Customer Bill of Rights. The CEO described the bill of rights as a written covenant between the company and its customers. The bill of rights specified in no uncertain terms the monetary compensation customers would receive if JetBlue failed to meet certain performance benchmarks, such as ground delays after landing. After days of frenzied and contentious meetings, Neeleman and his team came to an agreement at the conclusion of the weekend after Valentine's Day. Neeleman announced the groundbreaking and unprecedented initiative to the public on February 19, 2007.

Despite the best efforts of JetBlue's leaders to make amends for the crisis, fallout was inevitable. JetBlue founder David Neeleman ceded the CEO position to second-in-command Dave Barger on May 10, 2007, but retained his role as chairman of the board.⁶ European carrier Lufthansa swooped in and announced the purchase of a 19% stake in JetBlue in December of 2007.⁷

Time will tell whether JetBlue's public apologies and its customer bill of rights are enough to repair the company's reputation among customers, employees, investors, the government, competitors, and the media. Regardless of the outcome, JetBlue's bold strategies for image restoration promise to inform corporate communication discourse for years to come.

Assessing Critical Stakeholder Issues

Like all U.S. commercial airlines, JetBlue Airways serves and appeases a complex network of interdependent stakeholders. Company leaders must continually evaluate the specific needs of each constituency and tailor outreach efforts appropriately. JetBlue counts among its most important stakeholders:

Customers. Bad weather and a series of miscues on the part of JetBlue officials left hundreds of passengers stranded in planes on the tarmac at JFK International Airport on February 14, 2007, while thousands more across the country waited in vain to complete their travel. As the crisis unfolded, Neeleman and his leadership team knew they had to find a way to make amends to customers who were impacted by the service disruptions. Company officials also had a broader public relations nightmare on their hands. JetBlue, once regarded as the darling of the airline industry, became the punch line for late night talk show hosts like Jay Leno. Now both disgruntled and unaffected existing JetBlue customers – as well as members of the general public who might one day fly with the airline – represent the focal point of the company’s image restoration campaign.

Employees. Even David Neeleman admitted that JetBlue let its employees down in the wake of the operational crisis that began at JFK on Valentine’s Day 2007. Exemplifying JetBlue’s renowned customer-centric, “can do” attitude, many of the company’s employees sought to help the carrier recover from the meltdown. Their offers to assist were frequently lost or ignored, however, due to communication breakdowns and flawed protocols. Internal communication vehicles, such as company e-mail and the “Blue Notes” electronic bulletin, were insufficient in helping JetBlue leaders connect with employees who were willing and able to pitch in. Although new CEO Dave Barger and his staff have vowed to correct internal communication gaffes uncovered by the 2007 crisis, there is still work to do. JetBlue employees need to feel connected to leaders and one another now more than ever, especially in light of the announcement of the purchase of a 19% stake in the company by Lufthansa.

Shareholders. With over a thousand flights cancelled in six days, JetBlue investors knew the company would suffer financially from the Valentine’s Day 2007 crisis. What they did not know at the time: JetBlue was willing to do whatever it took to win back customers who had been impacted by the service disruptions. Tens of millions of dollars in refunds and travel vouchers were issued to affected passengers. Soon David Neeleman was on national television announcing a new initiative called the JetBlue Airways Customer Bill of Rights, a program designed to attract and reassure customers. The financial impact of the bill of rights, the CEO transition from David Neeleman to Dave Barger, and the Lufthansa investment all represent key ongoing issues in the minds of JetBlue shareholders in 2008.

Federal Government. JetBlue's operational crisis as a result of the 2007 winter storm attracted significant media coverage, and in turn became a hot-button issue on Capitol Hill. Several members of Congress soon took to the airwaves to denounce JetBlue's handling of the situation at JFK on Valentine's Day. Many promised to support legislation that would hold airlines accountable for such transgressions. While many of the legislators were appeased by Neeleman's voluntary announcement of a customer bill of rights, company leaders know that federal regulators and officials will continue to keep a watchful eye on JetBlue and its industry counterparts.

Competitors. Before its launch, low-fare upstart JetBlue shocked the legacy carriers by announcing that every seat on its planes would come standard with a personal television featuring satellite-fed live programming. Eight years later, JetBlue again surprised its competitors by putting a laundry list of performance guarantees in writing in the form of a customer bill of rights. None of JetBlue's rivals – not even those recently affected by similar weather-related service disruptions – have announced intentions to follow suit. Companies such as Delta, American, Southwest, United, and Continental will surely follow the success or failure of JetBlue's image restoration efforts with great interest. Following a financially challenging 2007, JetBlue leaders must continue to distinguish the carrier from its rivals and set the pace in a highly competitive industry.

Media. As the ice storm wreaked havoc on JetBlue's operations in New York on Valentine's Day 2007, company officials witnessed firsthand how quickly the media can turn on an industry favorite. Shortly after the crisis commenced, broadcast, print, and online outlets churned out tales of woe from outraged JetBlue customers. In the public eye, JetBlue was suddenly transformed from an offbeat and customer-friendly low-fare carrier to what it feared most: just another bumbling major U.S. airline. JetBlue leaders found themselves in the midst of turmoil as 2007 progressed, and as media experts are quick to point out, conflict sells. Media reports chronicled the change in executive leadership at JetBlue, as well as the company's shaky financial performance and subsequent buy-in by Lufthansa. To effectively reach many of its other key constituencies, JetBlue needs to find a way to stay in the good graces of the media in 2008 and beyond.

Articulating the Most Desirable Outcomes

- Restore the faith of disillusioned JetBlue Airways customers whose travel plans were affected by the 2007 winter storm-related crisis
- Win over new customers by differentiating the company from legacy airlines and other low-cost carriers
- Earn favorable coverage by U.S. media outlets as JetBlue continues to expand

- Reassure shareholders and Wall Street that JetBlue remains a viable and promising vehicle for investment
- Ensure employees feel like they are empowered to perform their responsibilities effectively, as well as contribute to recovery efforts in the event of a crisis
- Convince federal government regulators and legislators that JetBlue's top priorities continue to include safety and customer service
- Continue to set the pace in the U.S. commercial aviation industry for high performance and the implementation of innovative programs

Applying the Page Principles

It would be difficult to overstate the impact Arthur W. Page had on the practice of modern public relations in America. As a vice president for AT&T from 1927 through 1946, Page was the first person in a public relations role to hold a senior executive position at the top of a major U.S. corporation. As a way to honor his legacy, the Arthur W. Page Society promotes seven basic tenets of Page's philosophy for the practice of public relations. The application of these Page Principles to JetBlue's corporate communication crisis follows.

Tell the truth. JetBlue officials never attempted to deny the company's culpability in the operational meltdown that began at JFK International Airport on Valentine's Day 2007. While the crisis was initially caused by an untimely ice storm in the northeast United States, company officials soon revealed that errors in judgment and a lack of effective communication were also at fault. The corporate communications team at JetBlue advocated the image restoration strategy of mortification, whereby then-CEO David Neeleman and other company spokespersons took responsibility for the crisis and apologized to impacted customers.

Prove it with action. "Talk is cheap," said David Neeleman on February 19, 2007. "Watch us."⁸ Neeleman backed up his talk with the announcement of an ambitious new initiative less than a week after the onset of the crisis. The JetBlue Airways Customer Bill of Rights represented a first for the U.S. commercial aviation industry: a written agreement that stipulated the specific compensation passengers would receive if the airline failed to meet certain service levels.

Listen to the customer. After stumbling badly in the days that followed February 14, 2007, JetBlue began methodically repairing the damage it had caused by first listening to its loyal customer base. Many devoted JetBlue customers were caught in the operational meltdown in New York and across the country, and Neeleman vowed to win back as many of these air travelers as possible. JetBlue employees listened

to countless horror stories from passengers who had been stranded aboard planes on the tarmac at JFK for hours. Officials heard from scores of other customers whose travel plans had been derailed and those whose bags the airline had lost. JetBlue then set about correcting its mistakes and taking steps to prevent a recurrence of the crisis.

Manage for tomorrow. Although JetBlue officials saw the tide of public opinion toward the company turn quickly following its so-called “Valentine’s Day Massacre,” the goodwill it had generated since its launch eight years earlier did serve to alleviate the situation. David Neeleman and his executive team knew public apologies for the crisis would only go so far. After all, many airlines had failed to fulfill promises to “make it right” after past transgressions. The institution of JetBlue’s written bill of rights, however, eschewed a short-term financial Band-Aid in favor of a long-term commitment to the company’s valued customers.

Conduct public relations as if the whole company depends on it. In this instance, the very survival of JetBlue Airways was contingent on the success of its public relations efforts. The company lost tens of millions of dollars in less than a week and alienated scores of loyal customers thanks to the crisis. JetBlue officials therefore knew that accountability and credibility would be of paramount importance when formulating a strategy for restoring the company’s reputation.

Realize a company’s true character is expressed by its people. JetBlue’s considerable annual expenditures on employee recruitment and training seemed to pay off during this crisis. While some employees were hampered in their efforts to help the company, many took it upon themselves to devise solutions and workarounds in the absence of direction from JetBlue headquarters. Case in point: the two JetBlue pilots who took a \$360 taxicab ride to upstate New York, flew one of the company’s idle jets to JFK International Airport, and subsequently transported dozens of stranded customers to their destination in Florida.⁹ Passengers on this make-up flight heaped praise on the pilots and JetBlue received positive media coverage for its employees’ heroics.

Remain calm, patient and good-humored. Perhaps the hardest time to maintain one’s composure and sense of humor is during a crisis. Numerous stories nevertheless emerged about the poise, patience, and creativity exhibited by JetBlue employees aboard stranded planes, behind ticketing counters, and in front of reporters’ microphones. For example, flight attendants aboard delayed planes at JFK kept restless children busy by allowing them to push the beverage cart and hand out snacks. For his part, David Neeleman tried to appear at ease and confident during his appearances on television programs such as *The Today Show* and *The Late Show with David Letterman*.

Discussion Questions

1. What image restoration strategies should JetBlue Airways employ to rebuild its reputation as a customer-centric company?
2. If you were in charge of JetBlue's external communication effort, how would you try to make amends with customers who were delayed aboard planes or in terminals for hours?
3. How could JetBlue have better communicated with its internal stakeholders across the country on Valentine's Day and during the days that followed?
4. When addressing the company's stakeholders, how much blame for the crisis would you place on the inclement weather on Valentine's Day?
5. What is the best way to publicly explain the hundreds of additional flight cancellations that were necessary because of JetBlue's decision to "reset" its operations?
6. Should the corporate communications team at JetBlue arrange for CEO David Neeleman to appear on the national television news and talk show circuit following the crisis? What are the potential benefits and risks to the company's reputation?
7. What are the financial and reputational risks of publicly committing to an initiative like the JetBlue Airways Customer Bill of Rights?
8. What concerns might JetBlue's shareholders as well as members of its legal and finance departments have about a proposed JetBlue Airways Customer Bill of Rights?
9. Could JetBlue ever retract its Customer Bill of Rights once it is made public?
10. If implemented, how would you market the JetBlue Airways Customer Bill of Rights to external and internal stakeholders?

Teaching Note References

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² Ibid.

³ Benoit, W. (1995). *Accounts, excuses, and apologies: A theory of image restoration strategies*. Albany, NY: State University of New York Press.

⁴ Ibid.

⁵ Bailey, J. (2007, February 20). JetBlue to begin paying penalties to its stranded passengers. *The New York Times*, p. C1.

⁶ *JetBlue Airways names Dave Barger president and chief executive officer*. (2007, May 10). Retrieved November 2, 2007, from <http://investor.jetblue.com/phoenix.zhtml?c=131045&p=irol-newsArticle&ID=998672&highlight=>

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⁹ Daly, M. (2007, February 18). How two pilots put silver lining in JetBlue clouds. *New York Daily News*, p. 12.