JetBlue
-Case Study

Case Study - JetBlue

Company Background

JetBlue is an award-winning, low-cost commercial airline that has been in operation since February 2000. The company is based in New York and employs over 12,000 people. In U.S. airline rankings, it ranked #3 in 2012 behind AirTran Airways (#1) and Hawaiian Airlines (#2).

As of May 2013, it has received nine consecutive airline customer-satisfaction awards from J.D. Power and Associates. It has the distinction of being America's first and only airline to offer its own Customer Bill of Rights that provides meaningful and specific compensation for customers who are inconvenienced by service disruptions within JetBlue's control.

JetBlue's Challenge:

To determine whether a high level of employee engagement increases profitability. The three hypotheses were

1.   Customer-facing employees impact customer satisfaction which drives loyalty, revenue, and profit.

2.   Employee "net promoters" impact customer satisfaction which drives loyalty, revenue, and profit.

3.   Employee "net promoters" directly impact loyalty, revenue, and profit.

Successful carrier JetBlue looked to HCMI to determine if there was a correlation between employee engagement and profitability.
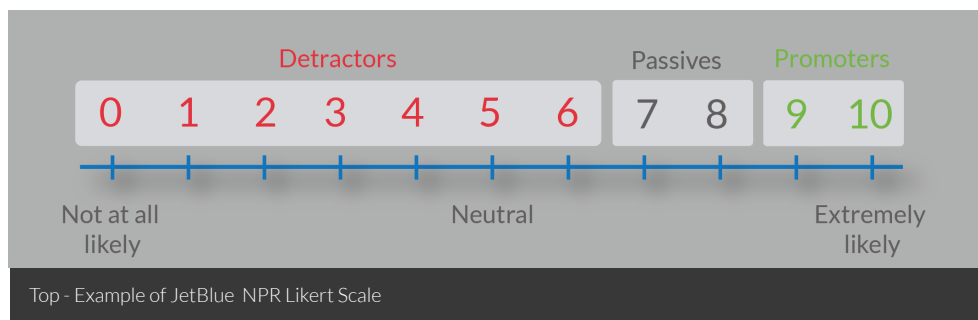
HCMI's Solution:

In 2010 HCMI started by linking workforce metrics (e.g., total cost of workforce, cost per hire, cost of turnover) to key business drivers such as employee engagement, retention, customer satisfaction, customer loyalty, revenue, and profit. HCMI built metrics including the "Net Promoter Score" (NPS) to measure level of employee engagement and created scorecards to measure results.

The NPS was determined by asking employees to respond to the following question using a scale from 0 to 10: How likely are you to recommend JetBlue as a good place to work?

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Employees were placed into one of three groups based on their response:

- Promoters (9, 10) – dedicated Crewmembers who LOVE working at JetBlue and recommend that their friends work there
- Passives (a.k.a. Neutrals) (7, 8) – Crewmembers who are satisfied with working at JetBlue, but are not raving about it
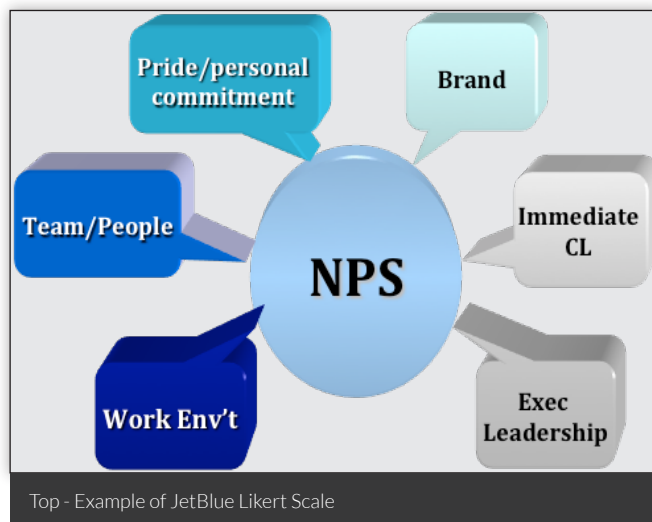- Detractors (0 – 6) –Crewmembers who may advise those they know: "Do not work at JetBlue!"

Top - Example of JetBlue NPR Likert Scale

The NPS was calculated using the following formula:

Above - Net Promoter Score Calculation

Key drivers of crewmember NPS included the following six factors:
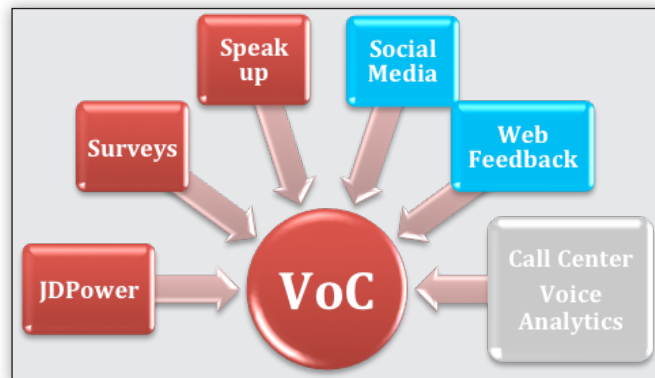

Top - Example of JetBlue Likert Scale

Key Drivers of NPS

- Pride/Personal Commitment
- Team/People
- Brand
- Immediate Crew Leader
- Executive Leadership
- Work Environment
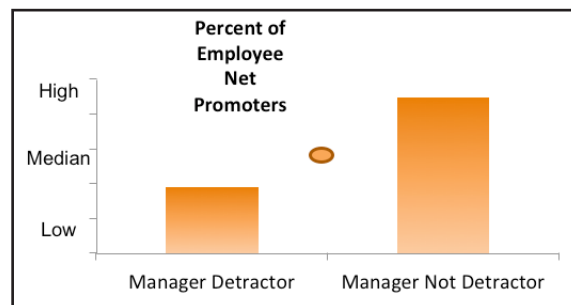
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NPS data were integrated across multiple data sources:

Through the use of HCMI's Workforce ROI Calculator™ - an advanced analytics tool that quantifies the financial impact of workforce interventions – as well as the use of Workforce ROI Dashboard charts and graphs (available through HCMI's proprietary workforce intelligence software), HCMI was able to determine which hypothesis was correct.

Results:

- The data supported hypothesis #2: employee net promoters drive customer net promoters ("customer net promoters" are customers who responded favourably – a score of 9 or 10 - on a one-item customer-satisfaction survey that was sent via email after taking a JetBlue flight) which drives loyalty which drives revenue. In other words, employee engagement = higher customer satisfaction = increased customer loyalty = higher revenue and profit. The added benefit of having a high NPS is that it acts as free advertising since happy customers will recommend JetBlue to those they know.

- Employees who had low-performing managers had lower engagement and NPS scores than employees who had medium- to high-performing managers.

- Employees whose managers were net promoters were twice as likely to be net promoters. Conversely, employees whose managers were not categorized as net promoters were less likely to be net promoters.

- Manager tenure was positively correlated with employee NPS and engagement scores. Furthermore, employees with managers who had less than one year of tenure had the lowest net promoter and engagement scores of any other population segment.
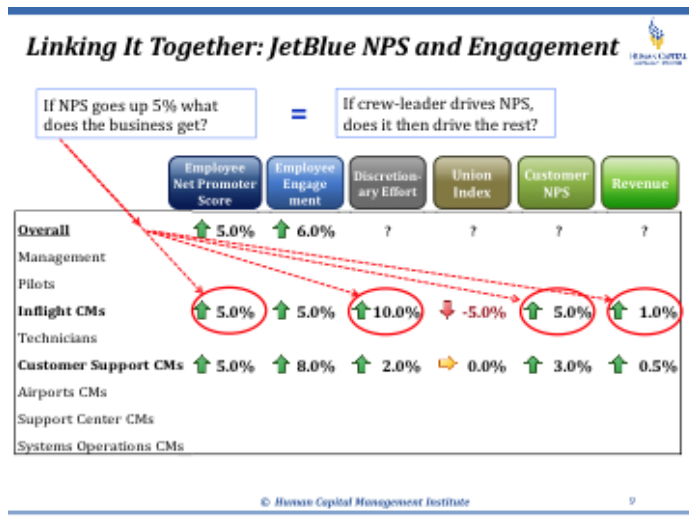
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- Locations and flights with higher average NPS were correlated with increased customer satisfaction and revenue. Net promoters also have higher average performance ratings and retention rates, and attract outside talent with an increased probability of becoming net promoters. Conversely, locations that had a higher percentage of low-engaged employees had a higher percentage of "detractors".

- A 5% increase in NPS resulted in a 1% increase in revenue, which equated to $26 million - $96 million. These figures were based on two scenarios. The first ($26 million) was based on the idea of filling one more seat per flight and the second ($96 million) was based on the idea of charging $5 more per ticket per flight).

Linking it Together: JetBlue NPS and Engagement

Per the in-flight crew member "linkage model" above, a 5% increase in employee NPS results in the following:

- A 5% increase in overall employee engagement
- A 10% increase in employee discretionary effort
- A 5% decrease in likelihood to form a union
- A 5% increase in customer NPS and
- A 1% increase in revenue ($26 - $96 million)

HCMI also conducted additional analysis to provide the following information to JetBlue:

1. Cost per Available Seat Mile:
   - JetBlue = $.0888 (industry lowest)
   - Competitors = $.0976
2. Load Factor:
   - JetBlue = 77.1%
   - Competitors = 73.1%
3. Break-even Load Factor:
   - JetBlue = $.0888 (industry lowest)

4. Revenue per Seat Mile:
   - JetBlue = $.1134
   - Competitors = $.1301
5. Total Cost of Workforce:
   - JetBlue = 20% of expenses
   - Competitors = 34% of expenses

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Following the analyses, HCMI made the following recommendations to JetBlue:

1. Identify opportunities to further drive customer net promoters through employees.
2. Determine where net promoters come from.
3. Explore whether net promoters are made, discovered, or polished.
4. Examine how net promoters can optimize JetBlue.
5. Do further analysis on manager stability as it seems to be a key driver of NPS and engagement scores.

Conclusion:

HCMI was able to quantify the impact of a 10% increase in net promoter scores ($26 million – $96 million) and confirm that the source of favorable employee net promoter scores is highly engaged leadership.

Though somewhat unconventional, the NPS is JetBlue's #1 key performance indicator (KPI) and is reported to the company's CEO. While NPS isn't the only secret to JetBlue's financial success, the $42 million gain (49% increase) in year-end net income (i.e., profit) change from year-end 2011 to 2012 proves that a low-cost airline can do big business and even set the bar higher for full-service competitors.

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About Human Capital Management Institute

HCMI (Human Capital Management Institute) is a workforce analytics software and services firm that provides organizations with powerful software, actionable intelligence and deep analytics expertise to deliver better business results through smarter workforce spending. Since our founding in 2008, HCMI continues to lead in human capital analytics capabilities with our SOLVE^{TM} workforce intelligence platform, unique Human Capital Financial Statements HCF$^{TM} and the world's largest workforce productivity benchmark database. Our mission is to enable organizations to leverage their workforce as a source of transformational value creation.