SkyLink Airlines: Strategic International Expansion

BCG Winter Case Competition 2025

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Skylink Airlines: International Expansion Strategy

"SkyLink aims to reduce reliance on the North American market by expanding internationally with a focused, data-driven plan."

Background

- → Operates 540 aircraft — youngest fleet among competitors (avg. age 5.2 yrs) lower costs, better efficiency
- → Routes mostly domestic; limited international service (Canada, Mexico, Caribbean)
- → Positioned as a low-cost, high-efficiency carrier with strong customer satisfaction
- → Ancillary fees (baggage, seats, onboard purchases) are lowest among major U.S. competitors
- → High domestic load factor (85%) shows strong utilisation and network maturity
- → International load factor at 72%, lower than competitors; early-stage international presence with room to grow and optimise

Target Market

- → SkyLink's service model resonates with travellers who want a reliable, clean, and efficient experience at low cost
- → Target largely non-business passengers, including families, young adults, and independent tourists
- → Customers value transparent pricing and low additional charges for extras like baggage and seat selection
- → Budget-conscious leisure travellers who prioritise affordability and convenience over luxury
- → Attracts environmentally aware individuals through efforts like digital boarding passes and reduced single-use plastics

Current Competition

- → Competes with major U.S. carriers; Delta, United, and American Airlines
- → SkyLink's annual revenue is $28.45B, smaller than Delta ($61.6B) and United ($57.06B), reflecting its leaner scale and growth phase
- → Operates fewer total routes (180) compared to Delta (311) and United (363), offering opportunity to expand network
- → Maintains a lower cost structure with reduced baggage, seat fees as well as cheaper in-flight purchases
- → Fleet is smaller but newer; average age of 5.2 years, significantly younger than Delta (14.9) and United (15.9), supporting fuel efficiency and lower maintenance

Market Entry Criteria

"Selecting the Right Market: Strategic Filters"

Market Demand & Connectivity

- Inbound Tourism Volume.
- VFR & Diaspora Demand
- Existing Air Connectivity
- Urban Population

Economic & Competitive Landscape

- GDP per Capita / Middle Class Size
- Regulatory Openness
- Competitive Intensity
- Fuel & Airport Cost Environment

Feasibility & Strategic Fit

- Slot Availability
- Geographic Fit / Hub Proximity
- Political & Operational Stability
- Strategic Alignment

Shortlisted Markets: Evaluating High-Potential Entry Options

A structured assessment of three promising international markets based on demand potential, diaspora links, connectivity gaps, and strategic fit with SkyLink's business model.

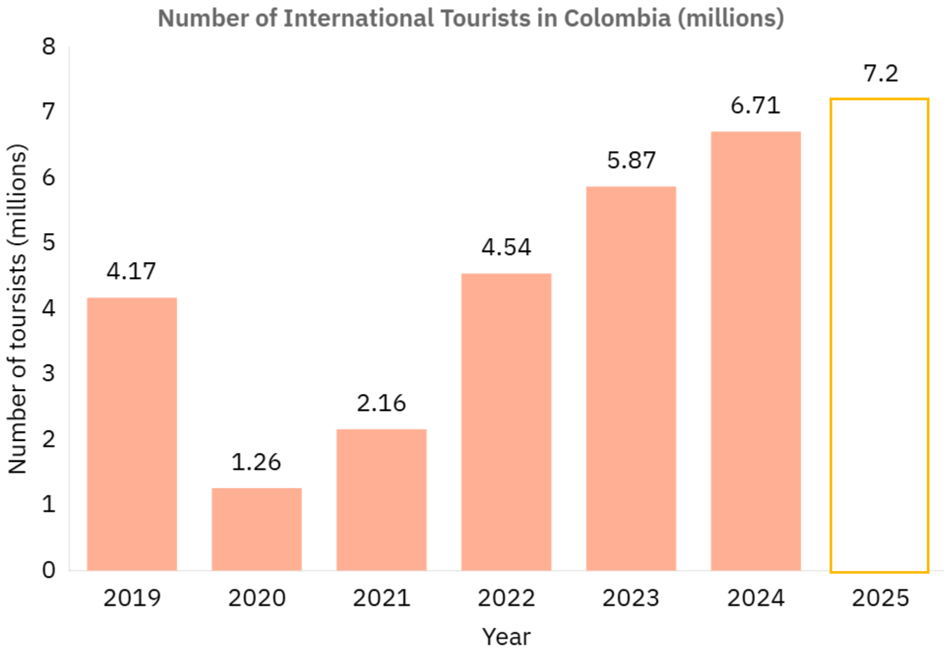
	Colombia	Philippines	Morocco
Analysis	→ Attracted 6.7M tourists in 2024, with the US accounting for 25% of international arrivals → 1.4M Colombians living in the US, supporting strong VFR (visiting friends and relatives) demand → Key cities like Medellín and Cartagena remain underserved by direct US routes → Collapse of Viva Air creates an immediate market gap for LCC entry → Strong cultural and geographic alignment with US leisure travellers	→ Welcomes 950k US tourists annually, bolstered by 4.2M Filipino diaspora in the US → No major low-cost carrier competition on direct US–Philippines routes → English-speaking, tourism-friendly destination — but long-haul flight time increases costs and complexity → Regulatory environment is more restrictive and bureaucratic, requiring cautious entry	→ Receives 300k US tourists/year, with growing appeal as a leisure destination → Strong brand image in Europe; potential to act as a hub into North African → Underserved by direct US flights, particularly from secondary cities → Limited diaspora presence in the US and less alignment with SkyLink's core leisure demographic
Why	→ Clear demand-side strength from both tourism and diaspora → SkyLink can quickly fill market void left by Viva Air → Route distances and airport readiness make it operationally easy to launch → Matches SkyLink's low-cost, leisure-focused strategy	→ Strong diaspora and tourism base aligns with VFR/leisure segment → White space in LCC long-haul market → Strategic opportunity if SkyLink can absorb long-haul complexity → A more ambitious, high-reward option	→ Represents a longer-term growth play → Fits LCC disruption model in a market not yet saturated → Unique geography (Africa-Europe bridge) offers future hub potential → Lower strategic alignment with SkyLink's current base but still viable

"Colombia scores highest across demand, ease of launch and SkyLink strategic fit"

Colombia

Tourism Growth

- 14% YoY growth in international tourism in 2024
- 2024 arrivals exceeded pre-pandemic levels by 60%
- Strong long-term outlook with sustained growth in visitor volume



Location

- Underserved cities like Cartagena and Medellín account for ~40% of Colombia's tourist arrivals
- Below 6-hour flight time meets customer expectations and avoids comfort complaints
- Acts as a strategic bridge between North and South America, enabling future network growth

Travellers

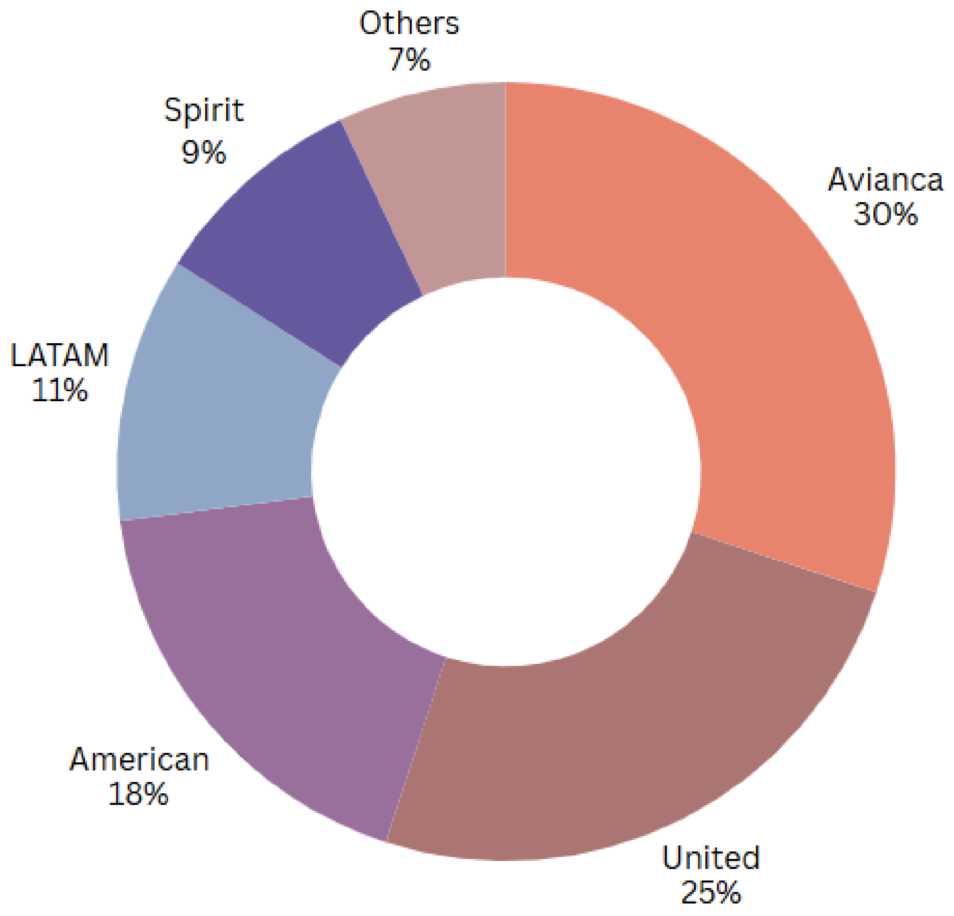
- Price-sensitive leisure segment aligns with SkyLink's low-cost model
- 1.4M Colombian diaspora in the U.S. drives strong VFR demand
- High cultural familiarity and Spanish-language alignment reduce market friction

"Tourist Arrival By Country – 2024"

1	United States *(1,104,798)*
2	Venezuela *(468,083)*
3	Ecuador *(340,358)*
4	Mexico *(320,244)*
5	Peru *(188,103)*
6	Panama *(180,069)*

Competitive Landscape

Market Share (%) of US – Colombia routes



Airline	Price Model	Strength	Weakness
Avianca	Hybrid	Broad Colombian network	Post restructure brand recovering
United	Legacy Carrier	Reliable US connections	Limited routes in Colombia
American	Legacy Carrier	High frequency from key US hubs	High ticket fares
LATAM	Legacy Carrier	Network all over South America	Few direct US – Colombia routes
Spirit	Low-Cost Carrier (LCC)	Cheap fares & direct routes	Poor service quality

Others: Includes JetBlue, Delta, Copa, and regional operators. These carriers either operate non-direct or low-frequency US–Colombia routes, have limited network presence within Colombia, or serve niche segments. Combined, they hold a small market share (~7%) and pose minimal competitive threat to SkyLink's direct, low-cost model.

Low-Cost Carriers (LCC) Landscape & SkyLink's Differentiation

LCC Landscape

VIVA & Wingo collapse

- Over-expansion and weak cash positions left both airlines exposed to demand swings and cost increases.
- Heavy reliance on Bogotá led to congestion and damaging fare competition.
- Regulatory setbacks, including failed merger approvals, hurt credibility.
- Takeaway: The market remains attractive but demands a cautious, flexible entry strategy with better route selection and financial resilience.

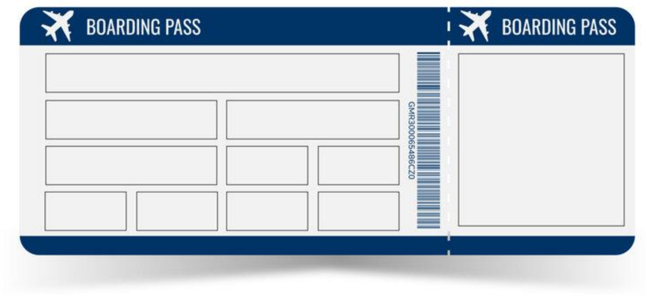
Common Strategies & Gap

- Competitors focus on ultra-low fares, high aircraft use, and minimal extras.
- Many are concentrated in Bogotá, leading to delays and pricing pressure.
- Limited flexibility in route strategy, with most airlines sticking to traditional corridors.
- There is little brand differentiation beyond price, creating space for a new entrant with a sharper value proposition.

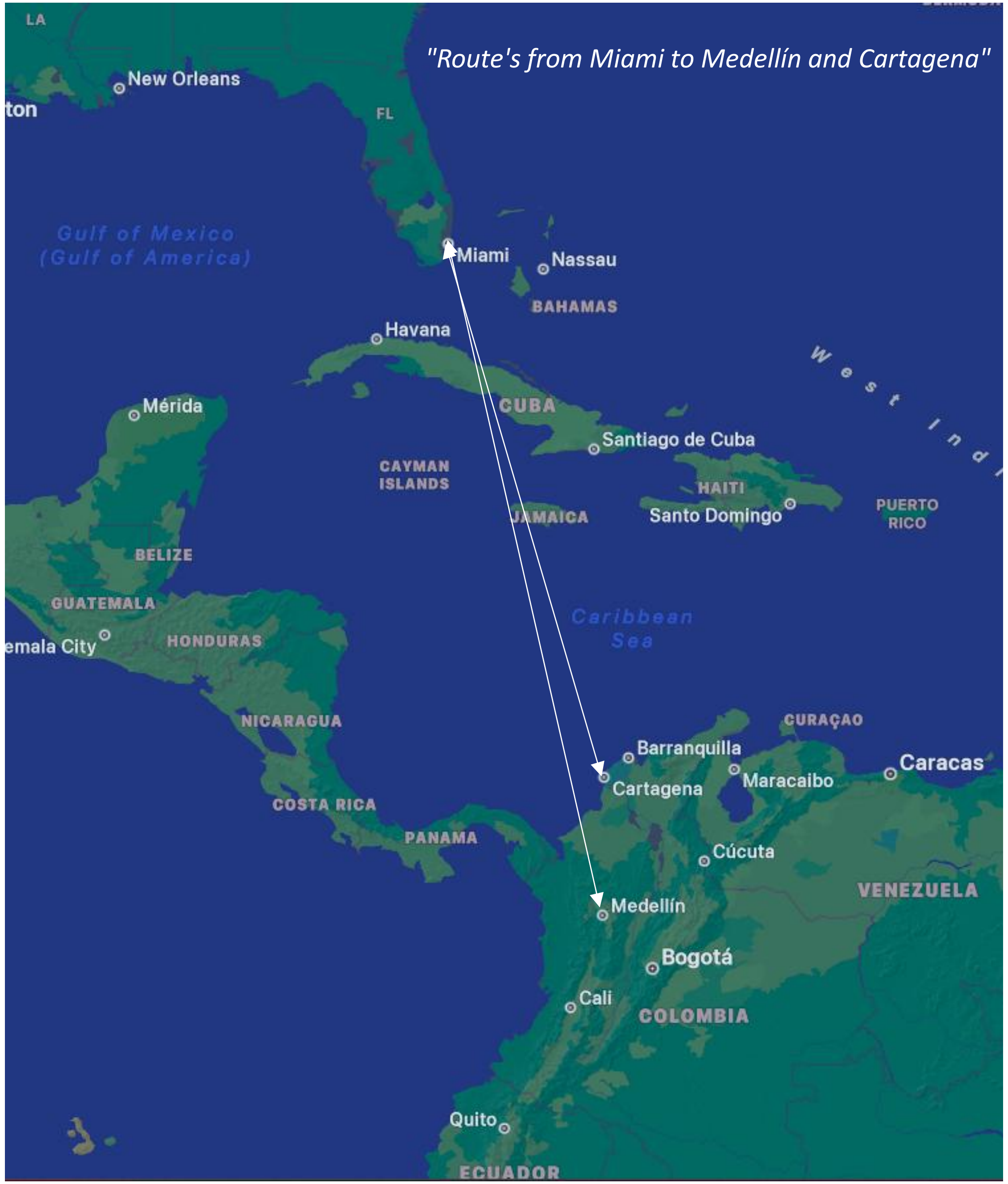
SkyLink Advantage

VIVA
¡Vuela más!

- Efficient, sustainable fleet reduces operating costs and emissions.
- Secondary city focus avoids congestion and taps into underserved demand.
- Local partnerships boost visibility and customer appeal.
- Diaspora engagement builds trust through cultural familiarity.
- Sustainability focus appeals to conscious travellers and aligns with global trends.



Market Entry Strategy: Routes, Partnerships & Demand Activation



Routes & Demand Activations

- Pilot route from Miami to Medellín and Cartagena, avoiding Bogotá due to limited slots and higher congestion
- Operates for 6 months, with 2–4 weekly flights to test demand and optimise route economics
- 2% market share goal, translating to approximately 160 flights per year
- Flight schedule concentrated in peak travel seasons to maximise visibility, drive early bookings, and build brand awareness

Brand Positioning and Partnerships

- Local Hotels & Resorts: Bundle offers help boost perceived value for customers without cutting ticket prices; also tap into existing hospitality loyalty programmes
- Local Government: Co-market routes via digital & local campaigns; governments often support route launches with promotional grants
- Car Rental Companies: Loyalty tie-ins and long-stay traveller fit
- Telecom Bundles for SIM/data - good for diaspora/VFR traffic

Pricing Strategy

Cost Breakdown to Fly from US (Miami) – Colombia

- Fuel: 3.5 hour flight – 3000 litres/hour = 10,500 litres at $0.56/L = **$5900**
- Crew: 2 pilots and 5 cabin crew = **$1500**
- Maintenance: $300/hour = **$900**
- Airport Fees: Landing, handling and terminal use = **$2000**
- Overheads: Spread over all flights (lower than legacy since smaller fleet) = **$1000**
- Taxes and Fees of US airport = **$1000**

- Average total seats in plane used for 3 hour flight: **200**
- Assuming a *72% load factor* (as stated in case for international flights) = **144 passengers/flight**

- Entry tax for Colombia (included in costs): $38/person = **$5500**

- Total Costs for Skylink/plane = **$17,800**
- **Total Cost per Passenger = $123**

Airline	Average One-Way Fare (USD)
Avianca	$200 - $250
American	$250 - $300
United	$300 - $350
LATAM	$250 - $300
Spirit	$150 - $200

Break-even: $123

Target Price Range:
$160 - $180

"Target price undercuts all other carriers with a 30% - 45% profit margins and if competitors respond with price drops, our newer, fuel-efficient fleet lets us lower fares further, without taking losses"

Risks & Mitigations

Competitive Risk Response

Risks

- Incumbent carriers (e.g. Avianca, Spirit) may respond with aggressive fare reductions, additional capacity, or increased frequency
- Risk of intensified competition from regional LCCs like Wingo or re-entry by former players (e.g. Viva)
- Price pressure could lower load factors and compress margins during launch

Mitigations

- Leverage SkyLink's low-cost base and fuel-efficient fleet to remain profitable even with lower fares
- Focus on underserved secondary routes (e.g. Medellín, Cartagena) to avoid direct competition
- Use pilot launch during high-demand season to build brand and early customer traction

Client/Execution Risk

Risks

- Limited international operating experience within SkyLink's core team
- Regulatory, legal, and airport process complexity may cause delays or compliance issues
- Internal misalignment between departments (ops, legal, marketing) could disrupt rollout

Mitigations

- Assemble a dedicated cross-functional international expansion team with external advisors
- Utilise pilot phase to refine operations and establish a repeatable launch model
- Leverage U.S.–Colombia Open Skies Agreement to reduce regulatory friction

Brand Awareness Gap

Risks

- Lack of brand recognition in Colombia may reduce consumer trust and booking volumes
- Local market may favour established domestic or legacy carriers
- Service expectations may differ from U.S. market, risking brand misalignment

Mitigations

- Form partnerships with tourism boards, hotel chains, and telecom providers to increase visibility
- Target diaspora travellers familiar with SkyLink through digital channels and community outreach
- Launch promotions and VFR-targeted loyalty programme to drive trial and build brand familiarity

Macroeconomic & Political Risk

Risks

- Political shifts or regulatory changes may impact air rights, aviation taxes, or foreign carrier policies
- Currency fluctuations (USD/COP) could affect fare attractiveness and operational costs
- Social unrest, economic downturns, or infrastructure disruptions could impact tourism and flight reliability

Mitigations

- Structure pilot route with low capital exposure to test market viability
- Price in USD where possible and negotiate supplier contracts with currency flexibility
- Monitor political landscape via local partners and maintain optionality for LATAM-wide diversification

Conclusion

- Colombia is the optimal launchpad for SkyLink's international growth strategy
- Entry via Medellín and Cartagena offers low-cost scalability and avoids slot constraints
- Pilot phase allows for data-led validation before broader roll-out
- Strategic partnerships and loyalty initiatives support early traction
- Flexible pricing model ensures competitiveness without sacrificing margins
- Risk-aware plan includes mitigations for political, operational, and brand challenges
- **Future plan:** Scale across Latin America using Colombia as a hub, expanding to high-potential markets like Peru and Central America