

From: Team 2: Regina Yusim, Kordero Gutierrez, Stephanie Grosely, Michael Ward, Dessi Nikolova

To: Mr. James Reinholdt, CEO of JetBlue

Regarding: JetBlue Global Expansion: Market Screening and Analysis

Recommended Market: India

Date: November 1, 2013

Background

JetBlue Airways is low cost, domestic airline based out of the United States. JetBlue is a competitively priced, but high quality airline that competes on cost and convenience for their customers. They currently operate out of 80 destinations within the United States, Mexico, Canada, and the Caribbean. Most flights fly out of a single hub that is either a major market or a major destination.

Based on JetBlue's success and attention from foreign governments, JetBlue is considering further expansion into international markets. This report focuses on the analysis of three potential markets including Australia, India and Germany. The screening and analysis of five market indicators is the first step for JetBlue in selecting a new market.

Part 1: Selection of Market Indicators

The following report presents a detailed summary and a thorough assessment of three diverse international markets, India, Germany, and Australia, for the purpose of choosing a location for JetBlue's future airline expansion. The market screening process consists of the identification and analysis of five market indicators, which are presented below. The selection of these indicators was based on the collective information they provide for each of the three potential countries. Each indicator was extensively researched in order to fully understand each market.

To complete the market screening process and analysis, the following indicators were chosen: **Gross Domestic Product (GDP), Gross Domestic Product (GDP) Growth, Gross National Income (GNI) Growth, Air Transport – Passengers Carried and Total Population.** These indicators presented a well-rounded set of data to analyze each country and their respective business environments. By evaluating each indicator and the collective analysis as described in this report, JetBlue will poses the tools needed to select which market will be the best for further expansion. The benefit of each indicator and the corresponding data elements are described below.

1. Gross Domestic Product (GDP)

Figure 1.1

GDP					
Country	2008 (000,000)	2009 (000,000)	2010 (000,000)	2011 (000,000)	2012 (000,000)
India	1,224,096	1,365,372	1,710,917	1,872,845	1,841,717
Australia	1,052,255	923,499	1,138,262	1,384,145	1,520,608
Germany	3,623,686	3,298,635	3,284,473	3,600,833	3,399,588

Measured in current U.S. dollars

Gross Domestic Product (GDP) is the monetary value of all finished goods and services produced within a country's borders within a specific period of time. As shown in Figure 1.1, for the purposes of this report GDP was reported annually over a five-year period. As GDP is a measure of total economic production, it may indicate the overall condition of a country's economy. By analyzing GDP, companies like JetBlue can determine whether or not an economy is improving or worsening.

2. Gross Domestic Product (GDP) Growth

Figure 1.2

GDP Growth					
Country	2008	2009	2010	2011	2012
India	3.9	8.5	10.5	6.3	3.2
Australia	3.8	1.6	2.1	2.4	3.4
Germany	1.1	-5.1	4.2	3	0.7

Measured as an annual percentage

As shown in Figure 1.2, **GDP Growth** is presented as a percentage change in the GDP value when compared to the previous year. By analyzing GDP Growth, JetBlue can determine the timing of business cycles for expansion or recession and how fast an economy is growing. For example, if a GDP Growth rate is declining over several periods it may be an indication of economic recession in that country.

3. Gross National Income (GNI) Growth

Figure 1.3

GNI Growth					
Country	2008	2009	2010	2011	2012
India	3.7	8.5	10	6.5	3.1
Australia	2.4	-4.5	2.8	2.6	0.9
Germany	0.5	-3.9	3.7	2.9	1.2

Measured as an annual percentage

Gross national income (GNI) is the sum of value added by all producers who are residents of a nation, plus any product taxes not included in output. Also, income received from abroad such as employee compensation and property income. The main differentiator from GDP is that GNI measures income received by a country both domestically and from abroad, although they may both be used to determine the

economic health of a country. While GNI was not used as an indicator for the purpose of this report, **GNI Growth** was examined over the five-year period.

GNI Growth, reported annually in Figure 1.3, is also a key indicator in reflecting a country's economic growth and performance over a period of time. Examining the percentage change in GNI Growth year over year will assist JetBlue in determining which countries' market is most attractive for expansion.

4. Air Transport - Passengers Carried

Figure 1.4

Air Transport - Passengers Carried					
Country	2008 (000)	2009 (000)	2010 (000)	2011 (000)	2012 (000)
India	9,877	54,446	64,687	74,357	70,501
Australia	51,488	50,026	60,640	62,537	65,158
Germany	107,941	103,396	101,852	112,015	110,575

Air Transport – Passengers Carried, presented in Figure 1.4, includes both domestic and international aircraft passengers of air carriers registered in the country. For the purpose of this report Air Transport – Passengers Carried was reported annually for the last five years. By analyzing Air Transport – Passengers Carried, JetBlue can determine which market is the most attractive based on number of existing air travel customers.

5. Total Population

Figure 1.5

Total Population					
Country	2008 (000)	2009 (000)	2010 (000)	2011 (000)	2012 (000)
India	1,174,662	1,190,138	1,205,624	1,221,156	1,236,686
Australia	21,384	21,778	22,065	22,323	22,683
Germany	82,110	81,902	81,776	81,797	81,889

Total Population, as shown in Figure 1.5, consists of the total number of people living in the specific country. For the purpose of this report the focus will be on the Total Population year over year. Analyzing the Total Population will assist JetBlue in appraising the potential market size for each country.

Completion of the market indicators leads to the market analysis. In this next section, the market indicators will be weighted in level of importance. This will assist JetBlue's project management team in determining what market the company should expand into.

Part 2: The Weighting of the Key Indicators

Choosing metrics is an important aspect of deciding a new location for JetBlue, however analysis must be done to ensure the correct country will be chosen. In order to

choose a single country for expansion, the project management team decided to use a weighted average score to see which country does best. Below are tables (columns from right to left) with the listed metric, the three countries, their five-year averages for the metric, their proportions relative to each other, the metric's weight, and score (ratio X weight). Weights were assigned for each metric from a scale of 1 - 10 with the lowest weight utilized in the analysis being a "4" and the highest being a "10".

Figure 2.1 (thousands)

GDP (Current US Dollars)	Country	5 Year Average:	Ratio:	Weight	Score:
	India	1,603,989,907	26%	4	1.0
	Australia	1,204,754,129	19%		0.8
	Germany	3,441,443,557	55%		2.2

Figure 2.2 (thousands)

GDP Growth (Annual Percentage)	Country	5 Year Average:	Ratio:	Weight	Score:
	India	6.5	65%	4	2.6
	Australia	2.7	27%		1.1
	Germany	0.8	8%		0.3

Figure 2.3 (thousands)

GNI Growth (Annual Percentage)	Country	5 Year Average:	Ratio:	Weight	Score:
	India	6.4	79%	4	3.1
	Australia	0.8	10%		0.4
	Germany	0.9	11%		0.4

Figure 2.1 shows the five year total GDP averages for India, Australia, and Germany with the corresponding weight of "4". Figure 2.2 shows the five-year average GDP Growth rates for the corresponding countries. Similarly, Figure 2.3 shows the five year average GNI Growth.

The importance of including total GDP, GDP Growth, and GNI Growth, as mentioned in Part 1: Market Indicators, led the project management team to include them in the analysis but weight them equally. Due to the four factors being weighted equally at the weight of "4", they contribute 33.3% to the overall score. India, with its large economy and growth rates, lead this field with a score of 6.7, or capturing 55% of the possible 12 points (three metrics times the weight of "4").

Figure 2.4 (thousands)

Air Transport - Passengers Carried	Country	5 Year Average:	Ratio:	Weight	Score:
	India	54,774	25%	10	2.5
	Australia	57,970	26%		2.6
	Germany	107,156	49%		4.9

Figure 2.4 shows the five year Air Transport - Passengers Carried for the selected countries. Due to the significance of the metric, the project management team decided to give it a weight of “10”, or 27.7% of all possible points. Germany, with its financial and economic centers, led the field earning the country a score of 4.9.

Figure 2.5 (thousands)

Total Population	Country	5 Year Average:	Ratio:	Weight	Score:
	India	1,205,653	92%	6	5.5
	Australia	22,047	2%		0.1
	Germany	81,895	6%		0.4

Figure 2.5 shows the five-year Total Population for the selected countries. JetBlue’s project management team decided to give it a weight of “6”, or 16.6% of all possible points. Ultimately, India scored 5.5 out of the 6 points possible or 92% of the possible points for the metric.

Overall Score: Figure 2.6

Country	Overall Score:	Average Score:
India	16.2	2.70
Australia	10.2	1.70
Germany	9.6	1.60

As one can see from Figure 2.6, India (16.2) scored significantly higher than both Germany (10.2) and Australia (9.6). This was derived from summing all the scores from Figures 2.1 – Figure 2.5. In addition, one can also see the average score from each of the metrics. India again scored the highest in this category with an average score of 2.46. Although weights are important, analysis on the trends and projections is equally as important. The next section of the report will dive into this analysis and the elimination process.

Part 3: The Market Elimination or “Screening” Process

The weighted ranking described in Part 2 of this report will now be used to screen each set of data. By examining each weighted indicator, a determination can be made as to which country is the most beneficial for JetBlue to enter and which countries can be discarded from the analysis.

GDP and **GDP Growth** were both weighted a “4” in level of importance, each indicating higher scores for different countries. While GDP is a measure of overall economic activity, it does not encompass consumer demand or spending, therefore this indicator is analyzed on the basis of economic condition for each country.

While Germany scored higher than both India and Australia in terms of total GDP (Figure 2.1), it also scored lowest in GDP Growth (Figure 2.2). Of the three countries only Germany reported a decline in GDP Growth over the five-year period (2009), while both Australia and India showed consistent signs of a growing economy. India by far scored the highest in terms of GDP Growth with a score of 2.6.

Similar to GDP, **GNI Growth** was weighted a “4” in level of importance. Figure 2.3 shows that India (3.1) scored significantly higher than both Australia and India each at 0.40. Where GDP Growth is a measure of overall economic activity within a country over time, GNI Growth measures production of residents whether or not they live within that country’s boundaries. The weighted data for GNI Growth (Figure 2.3) shows that India is developing globally more steadily than Australia and Germany.

The Air Transport – Passengers Carried (Figure 2.4), combined with Total Population may be the most important factor in determining a new market for JetBlue and weighed a “10” on level of importance. It is important to keep in mind that passengers carried include both domestic and international aircraft in each country. India (2.5) and Australia (2.6) scored neutrally for this set of data while Germany (4.9) doubled each of their scores.

In terms of passengers carried Australia is an unattractive market, not only for its low rating, but also for its total of passengers carried per year. The data shows that the number of passengers carried is rising slowly year over year, but in comparing passengers carried and Total Population to those of India and Germany, Australia statistically appears inferior. While Germany scored the highest for passengers carried, growth varied over the five-year period, declining three out of the five years analyzed.

Total Population (Figure 2.5) was weighted a “6” in level of importance. Although Total Population is important in assessing a new market and potential consumers, the airline industry may not be able to reach or service an entire country. With less than two percent of India’s Total Population, it’s no surprise that Austria at 0.1 scored lower than both India and Germany. Germany however isn’t far behind with a score of 0.4. The populations for both Australia and Germany scored significantly lower than India, as India ranks within the top three populations in the world.

Figure 2.6 demonstrates the averaged **Overall Score** for each country. By examining this data it can be determined that India’s average score of 2.70 is significantly greater than both Australia (1.70) and Germany’s (1.60) scores. Australia scored lower than India and Germany in the weighting of nearly every indicator, specifically Total Population and GDP Growth. Overall, Germany scored neutrally, but data showed to be less stable and varied over time and between each indicator. Based on this information and the analysis described in this section, a conclusion can be drawn to **eliminate both Australia and Germany** as potential markets for JetBlue to enter.

Completion of the market analysis and screening processes leads into the final step of the market selection, the recommendation. In the next section, the best market for JetBlue's expansion will be identified.

Part 4: The Recommendation of the Final Market

The weighted ranking described in Part 2 and the market elimination in Part 3 of this report will now be used to determine the most favorable market for JetBlue. The weighted ranking report can help JetBlue identify which indicators are most important. While looking at the market elimination in Part 3, JetBlue will be able to figure out their country of choice by eliminating the "weakest" contenders.

As the data in the weighted rankings report show, especially Figure 2.6, the numbers indicate that **India is the most suitable country** for JetBlue's expansion. India ranked an overall score of 16.2 points compared to Germany at 9.6 points. The huge point difference indicates India is the best choice for JetBlue's expansion. India ranked as one of the highest countries in GDP Growth, GNI Growth, and Total Population. The GDP has grown tremendously in India year over year.

The economy of India is the tenth largest in the world by nominal GDP and the third largest by purchasing power parity (PPP). This is an increase from 2012 where India ranked 141st by nominal GDP and 130th by GDP (PPP). Furthermore, India's GNI Growth shows exploding growth in the country. The graph below (Table 1.1) demonstrates India's constant linear growth over the past 10 years as being highly constant. This data shows that India is consistently improving their economy.

Table 1.1

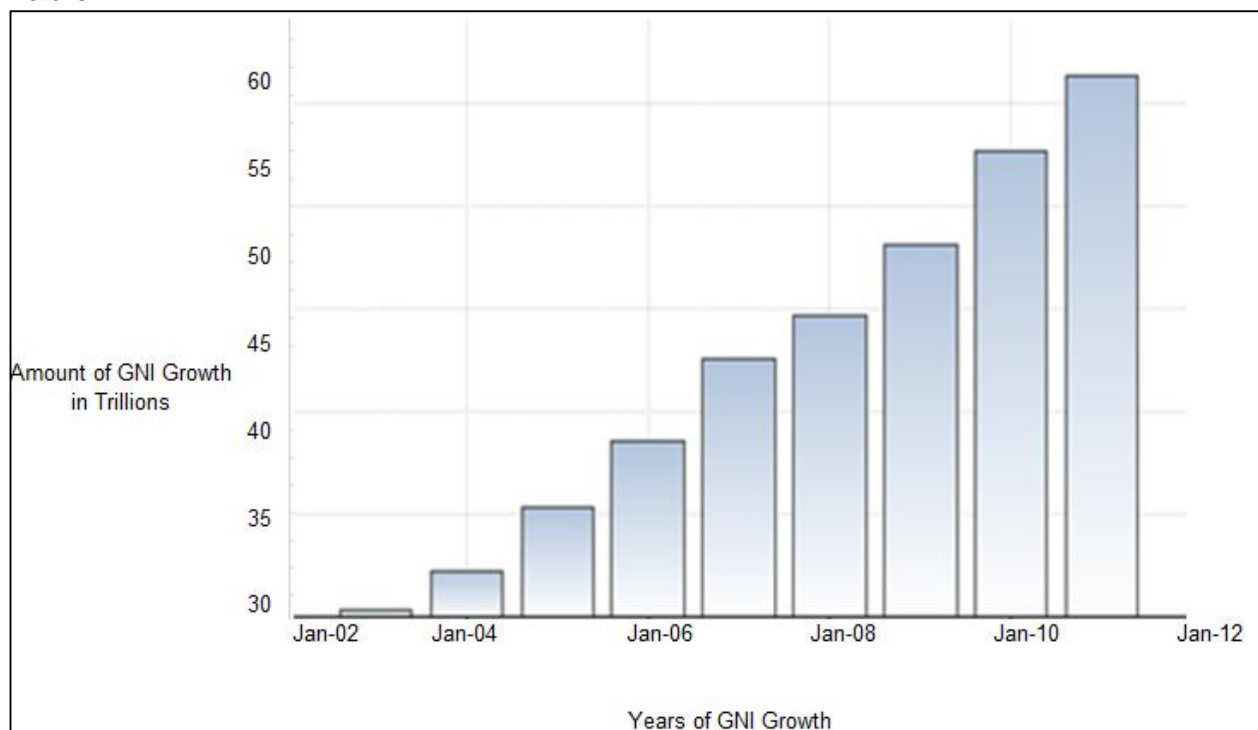


Table 1.1 shows the historical data chart for gross national income in India. The data demonstrate the past 10 years' worth of GNI data for India. The X- axis shows the years the information was gathered while the Y-axis demonstrates the amount of GNI the country has grown.

Supporting the data above, India has also been ranked in the top market for traveling. In the study conducted by business travel, India is among the fastest growing business travel markets. This study shows that India has grown tremendously in both business and leisure trips by plane annually. As a market for expansion, India is ranked in the top 10 for business travel by plane. This data further proves that the information provided in part 2 and parts 3 are accurate with where the market stands.

Citations

- Euromonitor International, Ltd. (2011). *World Consumer Lifestyles Databook 2011*. Retrieved from <http://www.lib.washington.edu.offcampus.lib.washington.edu/Msd/ip-restricted/b57714125/b57714125-2011.pdf>
- (2013). Frequent travel programs - us - august 2013. *Market Research*, Retrieved from <http://www.marketresearch.com/Mintel-International-Group-Ltd-v614/Frequent-Travel-Programs-August-7803313/>
- The Indian Express. (2013, October 16). *India among fastest growing business travel markets: study*. Retrieved from <http://www.indianexpress.com/news/india-among-fastest-growing-business-travel-markets-study/1183361/1>
- India Online Pages. (2013). *Population Map of India 2013*. Retrieved from <http://www.indiaonlinepages.com/population/population-map-of-india.html>
- (2013). JetBlue airways corporation - swot, strategy and corporate finance report. *Market Research*, Retrieved from <http://www.marketresearch.com/MarketLine-v3883/JetBlue-Airways-Corporation-SWOT-Strategy-7388942/>
- Maps of World. (2011). *Population of Australia*. Retrieved from <http://www.mapsofworld.com/australia/population.html>
- Trading Economics. (2012, December 31). *Gross National Income (Constant LCU) in India*. Retrieved from <http://www.tradingeconomics.com/india/gross-national-income-constant-lcu-wb-data.html>
- Wikipedia. (2013). *Economy of India*. Retrieved from http://en.wikipedia.org/wiki/Economy_of_India
- The World Bank. (2013). *Data: India*. Retrieved from <http://data.worldbank.org/country/india>
- The World Bank. (2013). *Indicators*. Retrieved from <http://data.worldbank.org/indicator>