



JetBlue Global Expansion

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To: Mr. James Reinholdt, CEO of JetBlue

Regarding: JetBlue Global Expansion: Market Entry Analysis and Recommendation

Recommended Market: India

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Background

JetBlue Airways is a 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 average Air Transport - Passengers Carried for the selected countries. Due to the significance of the metric for the purpose of understanding demand for air transport, the project management team decided to give Air Transport - Passengers Carried a weight of "10", or 27.7% of all possible weighted points. Germany scored the highest out of the three countries with 4.9 points out of the possible 10.

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) (Wikipedia, 2013). 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 Gross National Income in India

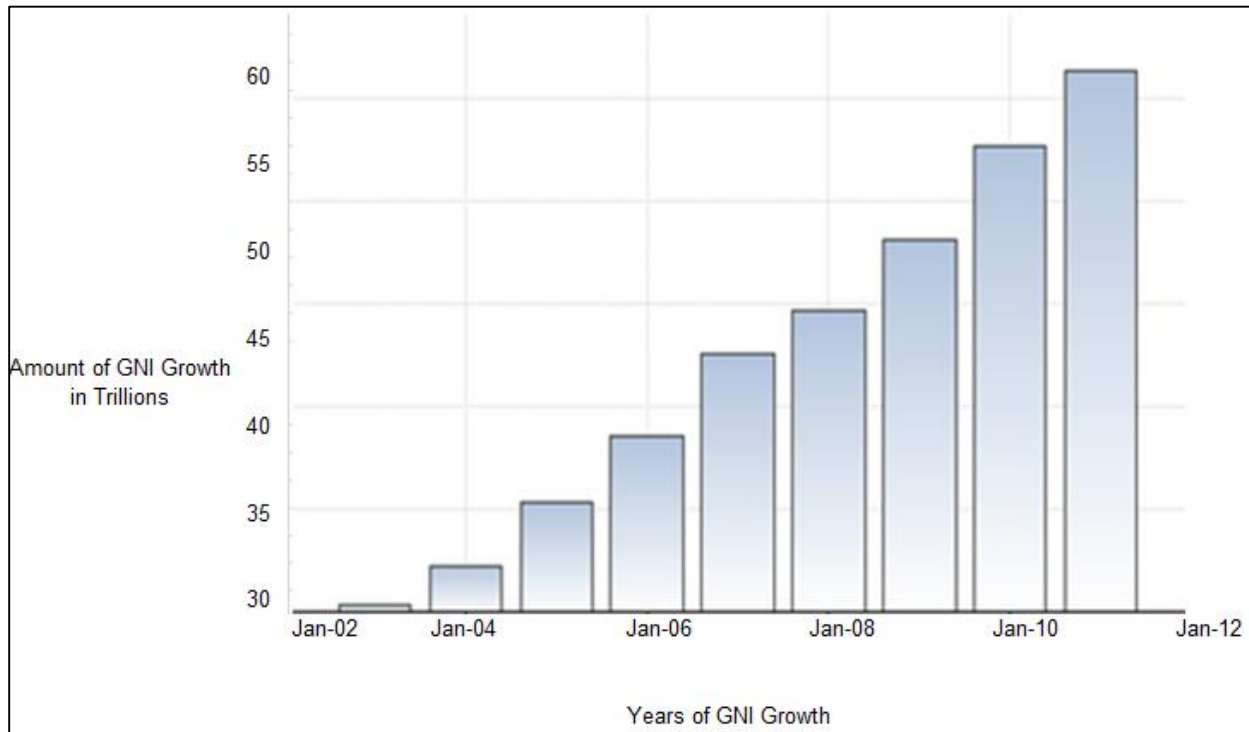


Table 1.1 shows the historical data chart for GNI for India. The data illustrates the massive growth that India has experienced over the past 10 years. The X- axis shows the corresponding years that the information was gathered while the Y-axis demonstrates the amount of GNI the country has grown.

India has also been ranked in the top market for travel destinations. In the study conducted by Business Travel magazine, India is among the fastest growing business travel markets. This study shows that India has grown tremendously in terms of 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 Parts 2 and 3 is accurate given where the market stands.

Summary of the Market Selection Process

In Parts 1-4 of this report the project management team selected five key indicators to assist in the screening process for each potential market: India, Australia and Germany. The data for GDP, GDP Growth, GNI Growth, Air Transport - Passengers Carried, and Total Population was collected, weighed, and analyzed in order to eliminate two of the three countries. Ultimately India was chosen as the best target market for JetBlue to focus on in their next steps towards global expansion. Completion of the screening process and selection of India as the recommended market leads the project management team to the next phase of research: analyzing the external environment of India.

Part 5: The Political Environment

One of the most important aspects for a business to succeed is a need for viable and stable political environment. This viable and stable political environment allows businesses to

complete, produce goods, and services effectively. The World Bank measures the political environment through a series of six “Governance” indexes which are presented **Figure 3.1** and **Figure 3.2** for India over the past three years. As part of JetBlue’s future expansion into India, the project management team will fully evaluate India’s political environment and determine it’s suitability for JetBlue business venture based on the metrics below.

Figure 3.1

		2010	2011	2012
Country:	Index	Score		
India	Voice and Accountability	0.43	0.39	0.35
	Political Stability	-1.23	-1.29	-1.25
	Government Effectiveness	0.02	-0.01	-0.18
	Regulatory Quality	-0.37	-0.33	-0.47
	Rule of Law	-0.04	-0.11	-0.10
	Control of Corruption	-0.51	-0.57	-0.57

Figure 3.2

		2010	2011	2012
Country:	Index	Percentile		
India	Voice and Accountability	60.66	60.09	58.29
	Political Stability	12.26	11.32	11.85
	Government Effectiveness	56.46	54.98	47.37
	Regulatory Quality	39.23	39.81	33.97
	Rule of Law	54.50	52.11	52.61
	Control of Corruption	36.19	33.18	34.93

Voice and Accountability (VA)

The metric *Voice and Accountability* is defined by the World Bank as, “capturing perceptions of the extent to which a country's citizens are able to participate in selecting their government, as well as freedom of expression, freedom of association, and a free media” (World Bank, 2013). As the world’s largest democracy, India is ranked fairly high in this metric.

When looking at **Figure 3.2**, one can see that the percentile rank for India is consistently above half the world. This shows that India, although not a perfect or great democracy, is still a country that values the people’s voice and are accountable to them. A great example of this has been the recent protests to protect women from sexual assaults and the government’s reaction to change laws to prevent such abuses.

Political Stability and Absence of Violence (PV)

The *Political Stability and Absence of Violence* is noted by the World Bank as, "capturing perceptions of the likelihood that the government will be destabilized or overthrown by unconstitutional or violent means, including politically-motivated violence and terrorism" (World Bank, 2013). Although the people of India tend to have a voice that is somewhat powerful in their government compared to the world, it does not mean there is political stability or absence of violence. For JetBlue, this metric is incredibly important as it measures how safe India is. At

JetBlue, safety for both employees and customers is imperative and the company will not tolerate an unsafe business environment. Compared to the rest of the world, India ranks very poorly which is indicated in **Figure 3.1** by a negative score and **Figure 3.2** with India being within the bottom quarter percentile in the world.

This violence is due to many factors including religious conflicts between Muslims and Hindus, social economic tensions, and sexual violence towards women and minors. Such conditions have shown a negative tendency (especially in **Figure 3.2**) showing that India has not improved its score when compared to the rest of the world. This metric is important, however, despite the low score, most of the violence occurs in the rural countryside and not in major metropolitan areas where a JetBlue airport hub would be. Additionally, the project management team is confident in setting up the appropriate security measures required to support such an operation and keep both our customers and personnel safe.

Government Effectiveness (GE)

Government Effectiveness is characterized by the World Bank as, “capturing perceptions of the quality of public services, the quality of the civil service and the degree of its independence from political pressures, the quality of policy formulation and implementation, and the credibility of the government's commitment to such policies” (World Bank, 2013). Despite the lack of political stability and violence seen in India, the government is still able to be somewhat effective when compared to the rest of the world. This is clearly seen in **Figure 3.2** where India falls in the top half percentile in the world for this metric. This might be due to the remnants of British rule and institutions.

Regulatory Quality (RQ)

The metric *Regulatory Quality* is denoted by the World Bank as, “capturing perceptions of the ability of the government to formulate and implement sound policies and regulations that permit and promote private sector development” (World Bank, 2013). Regulatory conditions in India can be seen as difficult as **Figure 3.1** shows India with a negative score for the past three years. In addition to this negative score, India's percentile compared to the rest of the world as shown in **Figure 3.2** is significantly below belonging in the bottom half the world.

Rule of Law (RL)

Rule of Law is described by the World Bank as, “capturing perceptions of the extent to which agents have confidence in and abide by the rules of society, and in particular the quality of contract enforcement, property rights, the police, and the courts, as well as the likelihood of crime and violence” (World Bank, 2013). Despite the low violence and regulatory scores, India does fairly well compared to the rest of the world for this metric. **Figure 3.2** shows that India belongs in the top 50 percentile with a score of 52.61.

Regardless of being in the top half percentile, India has seen its score decrease over the past three years. Again, this is due to violence and harsh economic conditions in the rural countryside. The project management team does not believe this will affect JetBlue's operations in metropolitan areas.

Control of Corruption (CC)

The metric *Control of Corruption* is defined by the World Bank as, “capturing perceptions of the extent to which public power is exercised for private gain, including both petty and grand forms of corruption, as well as “capture” of the state by elites and private interests” (World Bank, 2013). One of the biggest challenges to businesses entering into a country is the level of corruption.

India’s efforts at controlling corruption are well below global standards as they have both a negative number in **Figure 3.1**, and are in the bottom 50 percentile when compared to the rest of the world. This is a well-known problem and very systematic in the culture. However, the project management team believes by working with trusted business partners and regular and consistent meetings about the ethics of corruption we can effectively limit how much the practice will be practice.

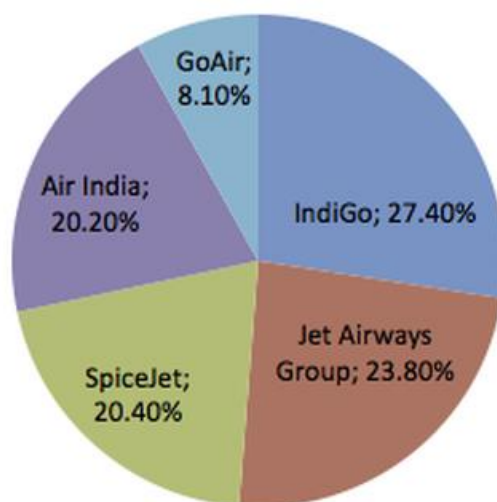
Overall Political Environment

India is a vast country with an equally vast and complex political environment. Challenges for a business to complete in India can be many on a political level. However, the JetBlue program management team strongly believes that the risks can be mitigated by ensuring a strong security presence and working with regional partners. This emphasis on cooperation is critical for a successful expansion in India.

Part 6: The Competitive Environment

The competitive environment in the airline industry is very aggressive. If JetBlue were to enter India their competition would be tough. Some of their competitors would be IndiGo, Jet Airways, SpiceJet, Air India, and GoAir. In the Current Indian Domestic market share by Airlines, IndiGo holds the biggest share at 27.40%. This is demonstrated in **Figure 4.1** as a market share that is currently held by the biggest competitors in India.

Figure 4.1: Indian Domestic Market Share by Airline, Mar-13



Source: CAPA, DGCA

Figure 4.1 demonstrate the Indian Domestic market share by Airlines. This is India's most competitive airline in the domestic sector. This data was taken on March of 2013.



IndiGo Currently holds the largest market share at 27.40% of the Indian airline industry demonstrated in **Figure 4.1**. Indigo's competitive advantage is to focus on being a budget savvy airline. They have eliminated a lot of wasteful costs by using online one type of airline the Airbus A320's. Providing one type of airline has eliminated the cost of training pilots on multiple planes, this eliminated the amount of overhead they keep in the parts department, and this eliminated the hassle of finding workers to keep up with different planes. By housing one type of plane IndiGo has saved a lot of money and can focus on being an "On time, Low Face, Courteous, Hassel-Free, low Cost Airline"



Jet Airways currently holds a 23.80% share of the Indian airline industry demonstrated in **Figure 4.1**. Jet Airways competitive advantage is to focus on high quality standard of flying. Jet Airways believes they can achieve a pre-eminent position in the market by offering a high quality of service and reliable, comfortable and efficient operations. They believe their airline is going to upgrade the concept of domestic airline travel to be a world-class domestic airline.



SpiceJet currently holds a 20.40% share of the Indian Airline Industry demonstrated in **Figure 4.1**. SpiceJet's competitive advantage is to focus on providing an affordable, comfortable and refreshingly efficient experience for all of their travelers. SpiceJet's key features for success of their airline are affordable and dynamic fare structure, power of technology, power of performance, power of safety and experienced management. They use those five combined features to make them competitive in the Indian airline industry.



Air India currently holds a 20.20% share of the Indian airline industry demonstrated in **Figure 4.1**. Air India's competitive advantage is their ability to fly their customers anywhere. They are affiliated with Air India Express that operates as a low-fare carrier between India and the Middle East and Southeast Asia. Air India Cargo provides freight transportation. The government of India combined Air India and Indian Airlines, both which are state-controlled carriers, under one umbrella. Air India believes their logo is what gets clients to fly with them. They established a logo on their planes back in 1946 called the Maharajah.

The Maharajah began merely as a rich Indian potentate, symbolizing graciousness and high living. And somewhere along the line his creators gave him a distinctive personality: his outsized moustache, the striped turban and his aquiline nose. The maharajah has evolved over the years into a symbolized character that changes outfits depending on the flight. His character can change into being a lover boy in Paris, a sumo wrestler in Tokyo, a pavement artist, a Red Indian, a monk... he can effortlessly flirt with the beauties of the world. The Maharajah mascot for Air India has brought a lot of recognition to the airline.



GoAir currently holds an 8.10% share of the Indian airline industry demonstrated in **Figure 4.1**. GoAir's competitive advantage is a low-fare carrier for business travel. GoAir, a low-fare carrier launched with the objective of commoditizing air travel, offers airline seats at marginal premium to train fares across India. The airline positioned itself as "The Smart People's Airline". Their captivating theme 'Fly Smart' is aimed at offering passengers a consistent, quality-assured and time-efficient service through low fares. By positioning themselves to be a business travel airline they focus on 'punctuality, affordability and convenience' business model.

Part 7: The Consumer Environment: Macro

The macro consumer environment in which a company operates will influence its performance, and the amount of the influence will depend on how much of the company's business is dependent on the health of the overall economy. Conditions that exist in the economy as a whole, the macro will include trends in Gross domestic product, employment, spending, and monetary and fiscal policy.

Figure 5.1 Consumer Spending Habits

Years	2008	2009	2010	2011	2012
Discretionary Air travel					
Air travel consumer expenditure per capita (Rs in millions)	350,582	406,819	480,702	604,306	758,510
Discretionary Income					
Leisure and recreation (Rs in millions)	405,482	438,126	478,451	574,358	688,976
Changes in lifestyle					
Higher education students ('000)	14,863	15,747	16,899	18,066	19,083
Employed Population ('000)	386,175	388,707	398,664	404,731	414,842
Unemployed Population ('000)	34,001	31,906	28,033	28,136	23,825
Purchasing Habits and Trends					
Housing (Rs in millions)	3,593,274	4,205,482	5,317,598	6,521,656	7,710,750
Household Goods and Services (Rs in millions)	1,125,162	1,234,851	1,394,943	1,753,918	2,072,143
Health Goods & Medical Services (Rs in millions)	1,287,698	1,423,140	1,706,280	2,143,317	2,589,161

Figure 5.1 above illustrates the consumer spending habits over the last five years. The table above breaks down consumer spending as a country in four different segments discretionary air travel, discretionary income, changes in lifestyle, and purchasing habits and trends.

By analyzing the data above in **Figure 5.1**, India's economy has shown substantial economic growth. JetBlue should enter this market because the countries air travel has had a constant growth year over year; the demand for their services is growing rapidly. India's discretionary income has shown exponential growth over the last five years as well, by observing the data above JetBlue can see the country's economy is growing.

Over the last five years India's economy has nearly doubled in size. By looking at the changes in lifestyle of this country one can how the economy is doing. People are spending their money to advance their education and as a result the employment rate has shown consistent growth, the unemployment rate has shown a steady decline over the five-year period. By looking at the changes in lifestyle of India, one can clearly see how they spend their money.

The citizens of India are using their money for long term use, as one can see above the housing market has doubled in size over the from 2008 through 2012 showing that the people of India are spending their money intelligently. As the housing market doubles in size so does household goods and services along with health goods and medical services. India is investing in long-term growth which JetBlue can see the economy is growing stronger year after year. By entering this market JetBlue shouldn't have to worry about market risk because the people of India are spending their money for long-term growth.

Part 8: The Consumer Environment: Segmentation

In researching the Indian marketplace the project management team has identified the need to outline specific segments for JetBlue to target in their expansion. Each segment has been selected on the basis of geographic, psychographic, or demographic variables and covers a wide range of potential customers. These segments include: Business Travelers, Leisure Travelers, People Who Live in or Near a Major City, and New Adopters.

Business Travelers

With the advent of globalization, business travel has never been as widespread as it is today. Company development in current days involves expansion in global markets; therefore companies have no choice but to send their employees all around the world in order to fully develop the potential in their companies or businesses.

The rapid development of the BRIC countries in recent years has also led to a tremendous increase in business travel in those countries. India, being part of the BRIC countries, has seen a big rise in business travel spending in the past few years. In 2012 India saw a 5.8% growth in business travel, with spending a total of \$22.1 billion on business travel last year. This increase creates a significant opportunity for JetBlue to target the business travel segment group. One of the main strengths of JetBlue is the reliable and convenient schedule of the flights they offer. Currently India is in tenth place for business travel expenditure (International Business Times).

Leisure Travelers

Leisure travelers are a very important consumer segment for JetBlue to focus on. The rapid development of the Indian economy is influencing consumers on levels beyond business travel. The growth of the country means that more and more people can afford to travel and take more vacations. This will be the perfect time for JetBlue to establish themselves as a leading airline company in the minds of the consumer. As annual income increases, families will be more likely to spend money on leisure travel.

Due to the weaker economy in the past many people left India in order to look for better opportunities and a better life. One of the leading countries with Indian immigrants is the U.S. As an American airline JetBlue has an incredible opportunity to connect the two markets. "India is one of the top source markets" for the United States when it comes to leisure travel. In 2012 over 660,000 tourist visas were issued in India for the U.S., compared to 131,901 for Canada and 322 for the UK. The increase in visas for the U.S. from India was over 16% from the previous year (The Economic Times).

People Who Live in or Near a Major City

Generally the people who live in or near a larger city will present a big target market for JetBlue. This is true for a couple of reasons. First, people who live in more populated areas are more likely to have higher incomes therefore will be more willing to spend money on air travel and will be more frequent customers. Currently the three metro areas with highest population are Chennai, Delhi, and Kolkata (Census 2011). These are great potential consumers, due to the area in which they live. Living in a bigger city means that they will be more likely to travel,

because they are closer to an airport and therefore they will not have to travel long distances by bus or train in order to get to a nearby airport.

New Adopters

This segment presents a big opportunity and big challenge for JetBlue due to its nature and cultural background. As a developing country India offers a lot of potential for incoming companies, because there is a large market for new products and services. A key approach for JetBlue will be to target the new adopters.

Generally, new adopters have an open mind when purchasing goods and services and are eager to try the newest products. New adopters also tend to have their opinions heard and share experiences with friends and family. This is an opportunity for JetBlue to connect with the new adopter audience as a new entrant in the airline marketplace. In recent times, “the online travel market in India has witnessed tremendous growth and is attracting a large number of national and international players” (Financial Express). This shows that people are becoming more and more aware of online services and they are becoming more comfortable about new ideas, technologies and companies.

Part 9: The SWOT Environment of JetBlue

JetBlue is a low-cost passenger airline that provides customer service primarily on point-to-point routes. By looking at JetBlue’s SWOT Analysis it can determine the company’s ability to expand into India. This section will break down JetBlue’s strengths, weaknesses, opportunities, and threats to JetBlue.

JetBlue SWOT Analysis

Strengths	Weaknesses
<ul style="list-style-type: none"> 1. Great customer responsiveness 2. Low cost structure 3. Employee relations 4. Amazing customer service 5. Low operational costs 6. Serves densely populated cities 	<ul style="list-style-type: none"> 1. Relatively new to industry 2. Small market share/small business size 3. Little international market exposure 4. Only one type of airplane 5. Fuel hedging
Opportunities	Threats
<ul style="list-style-type: none"> 1. India market expansion 2. Global expansion 4. Purchase fuel in advance 5. Bear less debt 	<ul style="list-style-type: none"> 1. Rising fuel costs 2. Tough competition 3. Governmental regulations

Strengths

- The company has a successful business model and exhibits strong financial results, as well as strong revenue growth despite the downturn in the industry following the terrorist attacks of September 11, 2001.
- Unique services in the airline industry: when it comes to customer service JetBlue goes above and beyond other major airlines. They offer free unlimited, name brand snacks to everyone on the plane. For example, JetBlue offers Dunkin Donuts coffee and snacks.
- The low operation costs of JetBlue are one of the most important strengths of the company. The company is utilizing aircraft efficiently generating more revenue per plane. The company is also operating one type of aircraft, the Airbus 320, thus lowering maintenance and training costs and spare parts needs.
- The company operates only new airplanes, thus minimizing maintenance costs and offering a good “flying experience” to its customers. The company also benefits from its reliable on-time performance, comfortable airplanes, and friendly flying personnel to attract and secure its customer base.
- The company serves densely populated cities in underserved airports, with high fares. This strategy helps the company capture market share in these segments.

Weaknesses

- A considerable weakness of JetBlue is its small size. The company is operating 42 aircrafts, for 73 flights per day and annual revenues of \$635 million.
- Little to no exposure to international markets. Gradual global and domestic expansion: another weakness is that JetBlue continues to expand, but not at a rapid rate. They only offer flights to 61 cities in the United States and a couple of foreign countries. Global expansion is also taking place, but at a much slower rate. This is a disadvantage because direct flights save people time and money.
- The company is operating only one type of airplane, the Airbus 320. This represents a weakness for the company as well. Indeed, the planes have the same age and might all suffer at the same time from an eventual recurrent technical problem on this type of aircraft, which should be catastrophic for the company.
- JetBlue also faces one of the airline's principal risks, which is the rising fuel price. The company is spending a considerable amount of money in hedging for fuel prices volatility. In addition, as the company is relatively consuming low volumes of fuel, it can suffer from significantly higher prices in case of fuel shortage.

Opportunities

Internal

- Market expansion into India will provide for an opportunity to grow into the international market. India provides a great opportunity for JetBlue due to its growing economy, growing business air travel, population, and location in Asia.
- In the future, the purchase of the new 100 seat Embraer E190 aircraft would allow JetBlue to enter smaller markets while maintaining low operating costs, and increase flight frequency on existing routes.
- The private placement of convertible debt proposed by JetBlue's investment bankers would provide sufficient capital at relatively low interest rates.

- JetBlue is a fast growing company, and should thus bear having less debt. The company has thus the opportunity to raise additional equity.

External

- The low fares offered by JetBlue would allow it to attract new passengers who might otherwise not fly.
- The mid-sized market that JetBlue intends to enter will represent a new opportunity for growth to the company.
- By expanding its activities, the company will purchase larger volumes of jet fuel and would thus have more leverage in procuring fuel than today. The company will thus suffer relatively less from fuel shortages.

Threats

- The company is intending to grow and become an airline company “like the others.” JetBlue might thus lose its advantages from being low-cost, small and highly profitable.
- The company is clearly departing from its strategy, which has been the source of its strengths up to 2003.
- With the rapid expansion of the company, the jet fuel expenses, as well as the cost of their hedging will grow rapidly. The company will be more exposed to both the fuel price volatility and the growing cost of hedging it.
- As the company will get bigger, with higher manpower, those might want to be unionized.
- Government regulations in entering a new country may not allow the same level of investment, and may alter ways JetBlue currently does business. Lack of political stability in India is also a factor.

Part 10: Goals and Objectives of JetBlue

Business Goals

When entering a new market, especially internationally, it is essential for any company to set business goals. These goals may be broad or specific, and ultimately guide the company towards a specific strategy. For JetBlue, the project management team has researched and compiled three goals to assist in their entry into India:

1. Customer Value

India’s airline industry is primarily price driven; many of JetBlue’s domestic competitors currently operate under a low-cost model. To differentiate themselves from the domestic competition, JetBlue will strive to carry forward their excellent customer experience into the Indian market to create value for customers. While maintaining their low-cost model, JetBlue will strive to attract customers with the superior customer service and unique company culture that have set them apart in the U.S. market. For example, JetBlue boasts spacious and comfortable seating in their aircrafts, advanced entertainment options, the first bag free option, generous flight delay accommodations and more.

2. Brand Establishment

A primary goal for JetBlue in entering the Indian market will be to establish their brand. Since JetBlue primarily operates in the U.S., their name may be completely foreign to most potential Indian customers. JetBlue should strategically advertise with a message that appeals to the domestic market, as what has worked in the U.S. may not necessarily appeal to the Indian population. In addition, advertisements will need to be carefully placed to ensure maximum exposure. For example, since public transportation is popular throughout India, JetBlue should consider advertising within the public rail system as opposed to billboards. In addition, JetBlue should seek to establish a web presence in India to ensure they are effectively appearing in flight search results.

In connection with competing based on customer value, first impressions will be imperative for JetBlue. Impressing first-time customers with superior customer service will drive word-of-mouth advertising to generate new sales. Establishing a brand is also establishing a reputation, among existing customers and potential referrals.

3. Strategic Partnerships

To operate in India, it will be important for JetBlue to establish strategic partnerships with domestic companies. One of the advantages of partnering with domestic companies is gaining the company's knowledge of local markets to better leverage JetBlue's position. Partnerships will enable JetBlue to achieve a higher percentage of market penetration over time through the acquired knowledge and domestic brand recognition. These partnerships will also enable JetBlue to appear as a local company rather than a U.S. company operating in a foreign country. There are many domestic partnership opportunities available to JetBlue, including customer service talent, in-flight catering services, in-flight entertainment, cabin cleaning services, uniform suppliers, freight crew, in-flight crew, etc.

Business Objectives

Determining a central hub for operations is a primary business objective for JetBlue. This will be the main location for passenger traffic and where JetBlue will have the most exposure. The project management team suggests that JetBlue enter the Indian market using the **Delhi Indira Gandhi International Airport (DEL)** as its main hub for operations. The DEL airport is located in the city of New Delhi and is one of the largest airports in India, accommodating approximately 34 million passengers per year.

In addition, New Delhi is the second most populous city in India. In choosing city-pairs to operate out of New Delhi, the project management team looked to focus on popular pairs, yet pairs that were not overly saturated. As a result, the top city-pairs currently serviced by all of JetBlue's domestic competitors were excluded from the suggested city-pairs. Six city-pairs were ultimately chosen, each operating three round-trip flights per day for a total of 18 round-trips per day.

The project management team suggests the following city-pairs for JetBlue to service from Delhi Indira Gandhi International Airport:

- Delhi – Kolkata
- Delhi – Guwahati
- Delhi – Chennai
- Delhi – Goa
- Delhi – Agra
- Delhi – Gujarat

The city-pair routes outlined above are illustrated in **Appendix 1**. As **Appendix 1** demonstrates, the city-pairs chosen are distributed throughout India, servicing major cities throughout the country. By expanding JetBlue's reach to farther destinations rather than shorter trips, it will extend the reach of JetBlue's brand for exposure throughout the country.

Figure 6.1

JetBlue Pro Forma Income Statement for India Expansion

For Fiscal Year Ending 2014			
Revenue	\$	257,964,480	100.0%
Other Revenue	\$	-	0.0%
Total Revenue	\$	257,964,480	100.0%
COGS	\$	200,000,000	77.5%
Gross Profit	\$	57,964,480	22.5%
Selling, General, Admin. Expenses Total	\$	26,075,000	10.1%
Research & Development	\$	-	0.0%
Depreciation & Amortization	\$	5,866,667	2.3%
Total Operating Income	\$	26,022,813	10.1%
Interest Expense	\$	2,000,000	0.8%
Income Before Taxes	\$	24,022,813	9.3%
Taxes	\$	4,804,563	1.9%
Net Income	\$	19,218,251	7.4%

Based on the number of city-pairs chosen, the project management team was able to project JetBlue's estimated sales and passenger forecast for the coming year. Assuming JetBlue will operate in India using the Airbus 320 aircraft with the capacity to carry 150 passengers, sales projections were made using an average estimated seat price of \$300 and \$350 for more spacious seating. Assuming a 20 percent vacancy factor for all flights, **Figure 6.1** demonstrates projections for sales and revenues in the coming year. Expenses were estimated as a percentage of revenue. Calculations for **Figure 6.1** can be found in **Appendix 2**. The applicable tax rate was estimated to be 20% leading to a first year net income of \$19.22 million. Foreign exchange risk will be mitigated by use of hedging techniques.

Figure 6.2

JetBlue Passenger Volume for India Expansion

For Fiscal Year Ending 2014			
Forecasted Passenger Volume		985,500	
Revenue per Passenger	\$	261.76	100.0%
COGS per Passenger	\$	202.94	77.5%
Gross Profit per Passenger	\$	58.82	22.5%
Selling, General, Admin. Expenses Total Per Passenger	\$	26.46	10.1%
Research & Development Per Passenger	\$	-	0.0%
Depreciation & Amortization Per Passenger	\$	5.95	2.3%
Total Operating Income Per Passenger	\$	26.41	10.1%
Interest Expense Per Passenger	\$	2.03	0.8%
Income Before Taxes Per Passenger	\$	24.38	9.3%
Taxes Per Passenger	\$	4.88	1.9%
Net Income Per Passenger	\$	19.50	7.4%

In addition, the project management team also prepared passenger projections for the coming year. As can be seen in **Figure 6.2**, forecasted passenger volume for 2014 is projected just under one million passengers at 985,000. Additional forecasts for passengers can be found in **Appendix 2**. The project management team believes that strong GDP growth, which has been consistent in India over the past five years, will continue to contribute to increases in passengers. Additionally, we predict that successful marketing campaigns will also marginally increase passengers. **Figure 6.2** and **Appendix 2** also show the breakdown of revenues, expenses, and other associated costs to the expansion in terms for each passenger.

Summary of the Business Environment

In Parts 5-10 of this report, the project management team analyzed the exterior business environments of India and JetBlue. The information presented directly related to the Political Environment, Competitive Environment, Consumer Macro and Segmentation Environments and SWOT. This information was then used to set goals, objectives, and make projections for the entry of JetBlue into India. Together the information presented in Parts 1-10 of this report will now be used to select the appropriate entry mode for JetBlue market entry into India.

Part 11: Strategic Entry Models

In researching how JetBlue will enter the Indian marketplace the project management team has identified the need to select a specific mode of entry. Each potential entry mode and the respective analysis is presented below.

Joint Venture

The general definition of a joint venture is “two or more organizations that share a common interest in a business enterprise or undertaking” (Ball). For JetBlue, a joint venture would be in the form of a new corporate entity formed by JetBlue as the foreign entrant, and a local partner. In other instances, a joint venture may be formed by a government agency and an international firm, or even two international companies entering a third market.

This mode of entry has many benefits as well as drawbacks, mainly because of the shared risk and reward between each of the companies. One of the main benefits of a joint venture is the reduction in risk by both companies. Typically each company enters into the joint venture with strengths that help offset the overall risk of entering a new market. This allows management to focus on developing and improving business operations, and maximizing each company's resources.

Another benefit of forming a joint venture is the amount of capital saved by investing with another business. By entering into the partnership each company will share the costs necessary to enter the market such as costs for research and development, logistics, or inventory. Alternatively, the drawbacks of such arrangement are shared profits between the two firms and the limited amount of control over decisions and operations of the joint venture.

Entering India through a joint venture is a practical mode of entry for JetBlue due to their lack of knowledge and experience in this market. Although there is possibility for direct foreign investment by an airline in India, a joint venture would allow for JetBlue to partner with a company who offers market knowledge and who can share the capital investment, reducing JetBlue's risk.

Strategic Alliance

Strategic alliances are popular among companies that are trying to battle the ever-increasing costs of global expansion. As the costs for research and development steadily increase, it is more difficult for companies to invest in new projects. A strategic alliance can help by setting an agreement between two or more parties to pursue a set of agreed upon objectives need while remaining independent organizations.

Partners in the strategic alliance may provide each other with resources such as products, distribution channels, manufacturing capability, project funding, capital equipment, knowledge, expertise, and or intellectual property. The alliance is a cooperation or collaboration that aims to create a synergy where each partner hopes that the benefits from the alliance will be greater than those from their individual efforts. The alliance often involves shared risk, shared expenses and technology transfer, which provide access to knowledge and expertise.

This type of partnership creates benefits for all parties involved. Entering a strategic alliance could potentially reduce costs by allowing different partners to focus on their competitive advantage, as a result productivity and efficiency will increase. When one company has the ability to focus on the process it does best, each partner within the alliance will benefit from potential gains. Another significant advantage is the shared risk between the companies involved in the alliance. When a company decides to enter a new market, the risk involved is large. However, if the company enters a strategic alliance this risk is shared and therefore decreases the amount of risk taken on by either of the companies in the strategic alliance.

Despite the many benefits this mode of entry provides, there are some drawbacks. The main disadvantage is the shared control and rights to the company. Sharing the rights to the company would give the other insights into your company and business strategy. If you were to ever separate from the strategic alliance, your partner will still know everything about your company and where you're trying to go. Going into business with another competitor in the market carries a risk of disagreements on certain topics and decisions. Some disagreements can really affect the alliance and where the companies are trying to expand. If more people are involved in the management of an organization, the harder it is to make management decisions, which in the long run might have a negative influence on the business.

In the case of JetBlue, a strategic alliance will be a very appropriate mode of market entry. JetBlue will be entering a very new and different market than ever before. Teaming up with a local company could help JetBlue gain more insight on the specific business environment; in this case airlines and air travel in India. Also, joining forces with a local company helps gain trust and brand awareness among potential consumers. This is extremely important for the success of enter into a new market.

Turnkey Operations

A turnkey operation is defined as “an export of technology, management expertise, and in some cases capital equipment” (Ball, 2010). This type of entry mode is an export model common among manufacturing and franchise operations. The exporter in this scenario would be a hired contractor who is typically an expert in setting up operations within a specific industry. The contractor designs and constructs the factory or storefront, gathers supplies, materials and trains the staff. Once a trial run, or series of trial runs, is complete, the full functioning business is turned over to the purchaser to officially open operations.

Although turnkey operations are moderately popular among foreign entrants in India, they are less common among airlines. The most prevalent types of turnkey operations in India are by entrants in manufacturing or technology driven industries, in which case the seller would be responsible for providing a fully functional manufacturing plant, providing materials and training workers. An advantage to utilizing the turnkey mode of entry is potential for circumventing corruption when entering a foreign market. As previously mentioned, India's attempts at controlling corruption are well below global standards. If JetBlue were to utilize a local seller via turnkey operation, they may avoid some of the costs incurred as a result of corruption, perhaps in obtaining permits for example. A foreign market entrant would be more likely to incur extra “fees” as a result of a corrupt market or government.

For JetBlue, many of the functions provided through a turnkey transaction are unnecessary. The benefits of space and materials provided by the turnkey seller would be less relevant in the operation of airport terminals and flight services. In terms of inventory, JetBlue may already have a contract in place for additional planes that could be used in India, or an existing fleet that could be transitioned into the new market. In addition, one of JetBlue's strengths is employee relationships and company culture; if JetBlue were to enter using a turnkey operation the initial relationship between JetBlue and the employee would be lost. JetBlue would risk their new operation lacking in the sense of company culture until they could take over operations and train to their standards.

Franchising (Licensing)

Franchising is defined as “A form of licensing in which one firm contracts with another to operate a certain type of business under an established name according to specific rules” (Ball, 2010). This type of entry mode is a non-equity-based mode of entry meaning it is relatively free of risk and requires little investment. This mode of entry is a great way to enter international markets. Franchising permits the franchisee to sell products or services under a highly publicized brand name and a well-proven set of procedures with a carefully developed and controlled marketing strategy.

Franchising of goods and services foreign to India are in its early stages of development. For example, franchising only started to grow in India in mid-2009 (Wikipedia, 2013). India has a large middle-class of 300 million people who are not restrained with spending money; this is a great opportunity for franchising markets. The population in India is very entrepreneurial in character with a highly diversified society. So far, franchise agreements are covered under two standard commercial laws: the Contract Act 1872 and the Specific Relief Act 1963, which provide for both specific enforcement of covenants in a contract and remedies in the form of damages for breach of contract.

Franchising as a mode of entry, is typically done with the intent to distribute goods. Generally, franchising is not used as a mode of entry for an airline to enter a foreign country. Despite all of the benefits of a franchise, the project management team does not believe that using a franchise would work due to JetBlue giving up control of their operations to the franchise, the risk of failing if the franchisee doesn't have the knowledge and expertise to run an airline company, and JetBlue would give the rights away to their business structure.

Merger or Acquisition

A merger is a combination of two companies to form a new company while an acquisition is the purchase of one company by another in which no new company is formed. Acquiring a company in the same industry often results in enhanced economies of scale, companies would be combined, form a larger entity, along with increased efficiency in production and other aspects of business operations. Therefore acquiring a company in the same industry can result in reduced cost due to economies of scale.

In a merger the new company is theoretically provided with access to more customers, the merged company can make use of the very best minds from both companies and make up for shortfalls in the individual companies' skill sets. By using this entry mode, the political environment of India doesn't support it. As seen in **Figure 3.1** India's control of corruption with private business falls in the bottom percentile, well below the global standard. If JetBlue were to use this mode of entry it would have a hard time operating within the country. Furthermore in **Figure 3.1** the Indian governments political stability and absence of violence scores very low. The government could be overthrown by violent political protest, the country suffers from very strong religious conflicts and social economic tensions. JetBlue would have trouble with these political problems.

Figure 4.1 demonstrates the market share of every airline that operates out of India. All of these represent a great partner, but some stand out more than the others. Its not just about who has the greatest market share, its about who is JetBlue more compatible with. Indigo airline

represents 27.40% of India's market share, they market themselves as budget savvy airline. However, Spicejet represents 20.20% of India's market share. Spicejet airline operates as an affordable, comfortable, and refreshingly efficient experience for all their passengers. If JetBlue were to use this mode of entry, Spicejet airline would be the most viable option due to similarities of both companies. They represent a big portion of India's market and share the same values as JetBlue. Both companies are competitive on price, and pride themselves in being a high quality and efficient airline.

Direct Foreign Investment

Direct Foreign Investment (DFI) is a strategic vehicle that companies can use when expanding internationally. DFI allows a company to investment in a wholly owned company or minority owned company. It is important for management teams to fully understand both the benefits and downsides of either a wholly owned DFI company or a minority owned DFI company. The differences are explained further below.

A wholly owned DFI subsidiary is a company which its equity is owned (51-100%) by the parent company (in this case JetBlue). This subsidiary can either be a greenfield investment or purchased from a going concern. This option would allow JetBlue to have the most control possible over operations, prices, resources, and profits. In addition to having over the subsidiary, market learning would allow for further opportunities to develop as the management team customizes services towards the Indian customer. Although the benefits of control and market learning sounds promising, the largest downside from this option is higher financial risk. In order to start a company from the ground up or purchase a current company, a large amount of financial capital will be needed. Additionally, Indian laws regarding DFI will limit the control of the subsidiary.

A minority owned DFI subsidiary on the other hand, is a company which JetBlue would own only 1-49% of that firm's equity. This mode of entry would allow JetBlue to still have ownership in the company (although not complete ownership). Despite the ownership restriction for minority DFI being at 49%, having a trusted third party to purchase shares of equity could help secure control over the company. A major added benefit of this mode of entry is the capital required for the purchase or founding of this company (would require a partner) could be significantly less.

Due to the shared aspects of the company, risk would also be shared making it less risky than a wholly owned subsidiary. In addition, working with the partner may yield a faster learning curve for Indian tastes and customs. The largest downside includes sharing profits with the partner. Other factors that are important to note include working with a partner and maintaining an effective partnership.

Recommended Model

After considerable analysis of all the modes of entry, the project management team strongly believes and recommends that a joint venture, with a local strategic partner in India, should be chosen as the strategic vehicle to enter the Indian commercial aviation market. As previously mentioned, a joint venture would allow JetBlue to work with a local partner and share the risks of entering into a new market. In addition to sharing risks, JetBlue would also share costs for research and development, logistics and resources. This would allow JetBlue and the

local partner to focus on areas that they specialize in and quicker entry into the market than many of the other entry models. To minimize costs and maximize synergy benefits, the recommended share for JetBlue in entering the joint venture is 50%. Although a higher investment is permitted within JetBlue's industry, a more conservative share is recommended to incentivize JetBlue's potential partner to perform within the partnership, while also reducing JetBlue's risk.

Although there are many benefits of a joint venture, the downsides are also critical to the decision making process. The project management team strongly believes that the downsides of sharing profits and having less control in decision making with another company are relatively minor compared to the great benefits that a joint venture provides. Additionally, both the benefits and downsides of a joint venture were found to be more favorable for both the short and long term success for JetBlue than any of the other entry options. This was mainly due to the shared costs, quicker time to entry, and working with a local partner that understands India's unique cultural atmosphere and comprehensive regulations.

It is important to stress the quality of data, which was meticulously collected and checked for accuracy. Numerous sources allowed the project management team to make an educated decision that will work for JetBlue in both the short and long run.

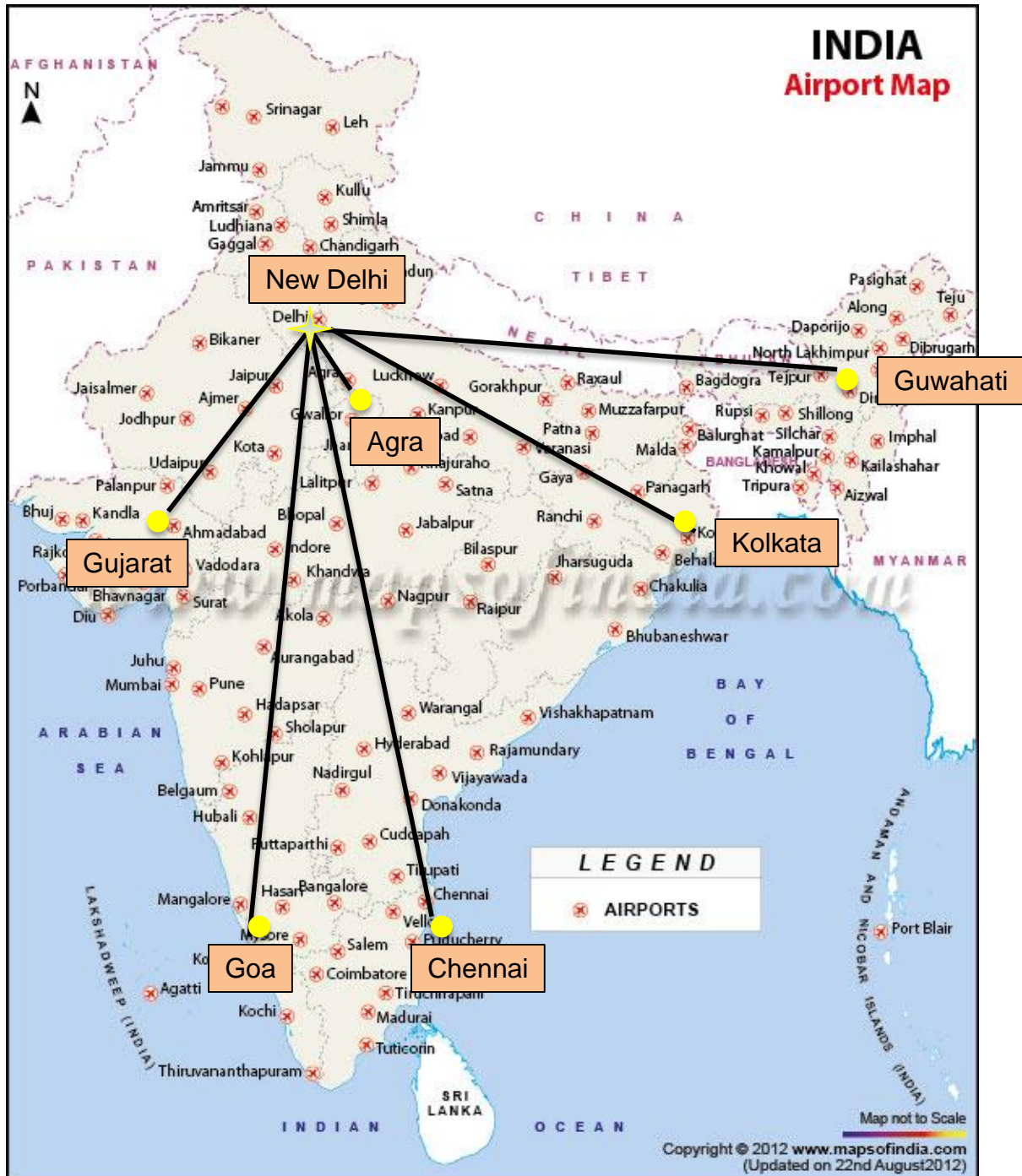
In conclusion, the project management team strongly urges that the CEO and senior officers at JetBlue consider a joint venture in India. This strategic vehicle will allow JetBlue to not only maximize shareholder value, but also create customer value while minimizing the financial risk in the most effective manner. Additional information and individual learning points from the project management team can be found in the appendix ([Lessons Learned: Appendix 4](#)).

Part 12: Summary of JetBlue Market Entry Plan

The JetBlue project management team has full confidence in the report due to the high quality of work and effort that went into the report. The team has double-checked all of the numerical data and analysis to be as accurate as possible. In addition, the team has verified that the information provided is accurate given the resources available at the time of completion. The JetBlue project management team strongly believes that their final recommendation is the best mode of entry for JetBlue's expansion into India. Thank you for taking the time to read the recommendations. If you have any questions, please feel free to contact the project management team at projectmanagement@jetblue.com.

Appendix 1: Map of Selected City Pairs Operating out of Delhi Indira Gandhi International Airport

This map outlines the six selected city-pair routes to be operated out of the main hub of Delhi Indira Gandhi International Airport in New Delhi.



(Maps of India, 2013)

Appendix 2

Sales Per Round Trip Flight			
Type of Seat	Number of Seats	Price (US \$)	Sales (US \$)
Standard Seating	114	\$320.00	\$36,480.00
Extra Space	36	\$350.00	\$12,600.00
Total	150		\$49,080.00
Vacancy Factor:	20%	Total Daily Sales:	\$39,264.00

Costs for Departments				
Item	Finance Budget	Human Resources	Marketing/Sales	Operations/Production
<i>Personnel</i>	30	4	5	500
<i>Avg. Salary</i>	\$60,000.00	\$55,000.00	\$55,000.00	\$45,000.00
<i>Other Expenses</i>	\$100,000.00	\$80,000.00	\$100,000.00	\$1,000,000.00
Total:	\$1,900,000.00	\$300,000.00	\$375,000.00	\$23,500,000.00

Appendix 2 (cont.)

Revenue/Expense Analysis

Item	Revenue Per Flight	Total Revenue Per Day	Total Revenue Per Year
Revenues	\$39,264.00	\$706,752.00	\$257,964,480.00
COGS	\$30,441.40	\$547,945.21	\$200,000,000.00
Gross Profit	\$8,822.60	\$158,806.79	\$57,964,480.00
	Expenses Per Flight	Expenses Per Day	Expenses Per Year
Admin Expenses			
Finance	\$289.19	\$5,205.48	\$1,900,000.00
HR	\$45.66	\$821.92	\$300,000.00
Finance and HR Total:	\$334.86	\$6,027.40	\$2,200,000.00
Marketing/Sales	\$289.19	\$1,027.40	\$375,000.00
Operations/Production	\$289.19	\$64,383.56	\$23,500,000.00
Admin, Marketing, and Operations Expenses Total	\$913.24	\$71,438.36	\$26,075,000.00
Amortize Value of Startup Costs	\$892.95	\$16,073.06	\$5,866,666.67
Interest Expense	\$304.41	\$5,479.45	\$2,000,000.00
Total Expenses:	\$2,110.60	\$92,990.87	\$33,941,666.67
Income before Taxes	\$6,712.00	\$65,815.93	\$24,022,813.33

Appendix 2 (cont.)

Revenue Forecasts for Jet Blue

	2014 Forecast:			2015 Forecast:		
Revenue	\$	281,026,505	100.0%	\$	306,150,274	100.0%
Other Revenue	\$	-	0.0%	\$	-	0.0%
Total Revenue	\$	281,026,505	100.0%	\$	306,150,274	100.0%
COGS	\$	217,880,000	77.5%	\$	237,358,472	77.5%
Gross Profit	\$	63,146,505	22.5%	\$	68,791,802	22.5%
Selling, General, Admin. Expenses Total	\$	27,884,605	9.9%	\$	29,819,797	9.7%
Research & Development	\$	-	0.0%	\$	-	0.0%
Depreciation & Amortization	\$	5,866,667	2.1%	\$	5,866,667	1.9%
Total Operating Income	\$	29,395,233	10.5%	\$	33,105,339	10.8%
Interest Expense	\$	2,000,000	0.7%	\$	2,000,000	0.7%
Income Before Taxes	\$	27,395,233	9.7%	\$	31,105,339	10.2%
Taxes	\$	5,479,046.57	1.9%	\$	6,221,068	2.0%
Net Income	\$	21,916,186	7.8%	\$	24,884,271	8.1%

Passenger Forecasts for Jet Blue

	2014 Forecast:			2015 Forecast:		
Forecasted Passenger Volume		1,073,604			1,169,584	
Revenue per Passenger	\$	261.76	100.0%		261.76	100.0%
COGS per Passenger	\$	202.94	77.5%	\$	202.94	77.5%
Gross Profit per Passenger	\$	58.82	22.5%	\$	58.82	22.5%
Selling, General, Admin. Expenses Total	\$	25.97	9.9%	\$	25.50	9.7%
Research & Development	\$	-	0.0%	\$	-	0.0%
Depreciation & Amortization	\$	5.46	2.1%	\$	5.02	1.9%
Total Operating Income	\$	27.38	10.5%	\$	28.31	10.8%
Interest Expense	\$	1.86	0.7%	\$	1.71	0.7%
Income Before Taxes	\$	25.52	9.7%	\$	26.60	10.2%
Taxes	\$	5.10	1.9%	\$	5.32	2.0%
Net Income	\$	20.41	7.8%	\$	21.28	8.1%

Appendix 2 (cont.)

Growth Rates & Assumptions:

GDP Growth:	Incremental Industry Growth:	Special Growth Factors
6.25%	2.36%	0.33%
Tax Rate:	20%	
Special Factors Breakdown:		
Marketing Impact	0.12%	
Customer Service	0.21%	
New Lines of Service	0.00%	
Efficiency Factor	2.00%	

Note about Assumptions:

Efficiency Factor only affects the item “Selling, General, Admin. Expenses Total” in the forecasts for Revenue and Passengers. Additionally, GDP Growth, Incremental Industry Growth, and Special Growth Factors affects JetBlue’s *forecasted* revenues for fiscal years 2014 and 2015.

Appendix 3: Project Sources

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Appendix 4: Lessons Learned

The following is a summary of lessons learned by each member of Group Two, while completing the JetBlue assignment.

Stephanie Grosely

- It is more challenging than I initially anticipated to write about JetBlue without doing additional research into the company and their operations. The goals and objectives section of the paper is an example of an area that was difficult to write about without additional information. However, we quickly utilized the JetBlue website as much as possible for company information.
- Selecting the most important key indicators was a little troublesome, in that it was difficult to determine what would be the most beneficial in terms of information and support for our briefings when we did the initial selection. I would do more research in this area in the future, as this is the first project where I have utilized market indicators.
- In terms of teamwork dynamics, I think with any group project it is challenging to get everyone working in unison. Especially in this environment when we're all enrolled in multiple classes and most working full time. Since this was a big, course-long project with multiple layers I learned that the earlier drafts are completed the better, leaving plenty of time for edits, reworking of ideas, and formatting.
- When completing the section for entry modes, I found that there wasn't a lot of helpful data for market entry in India. There were a few government websites with general information, but not how that mode of entry could be completed (or if it was possible at all).

Misha Ward

This project presented many challenges and learning opportunities for me which I believe deeply will benefit me throughout my career and life. Below are a list of the four main learning points for me.

- **Scope:** One of the largest difficulties, for me, during this project was the tremendous scope of what we were trying to achieve with the paper and communicate it effectively to the reader. It was difficult to really tie everything together to create a clear and concise dialog. Although it was definitely problematic to make such technical writing flow, it also provided great learning opportunities. Learning how to communicate in a way that is effective is incredibly important and I strongly believe this project was a good way to really learn how to do so successfully.
- **Organization:** Another great difficulty for me was organizing so much data and finding out what was important to include in the paper and what was not. Organizational difficulty was especially evident when we had so much data and was hard to place it correctly into the document. To me, this was difficult due to some of the complexities that the table would present. Although organizing both the data and analysis was tough, I found that the experience was rewarding due to the need to organize information and present it is

incredibly important. I believe that because of this project, I will be able to do other reports/papers that are similar to this project in a more proficient way.

- **Time Management:** Time management for me would also provide a great amount of difficulty during this project as it was difficult for me to really place how long the research and writing would take. In order to address the issue of time management, I worked at providing myself with more time to complete the quality work required. I also made sure that I knew exactly when the due dates were for the project and worked hard to get my parts by then. Working with my team also provided a great framework for structure for me (although I must admit I sometimes missed deadlines).
- **Teamwork:** With the inherent difficulties listed above, finding time to work with my team members and making sure we were all on one page was also a challenge. Due to our busy schedules, we decided to communicate mostly via Google Docs. However, it was not easy to keep formatting and our ideas consistent without a lot of extra work put into the document. This process was initially incredibly stressful but as the project progressed, our team adapted and worked together in a more cohesive way. We also placed measures to ensure deadlines were set and held each other accountable. From these measures, I believe that the team really came together to produce a high quality report. I believe that the lessons from this project will provide me with more leadership and organizational skills for both my career and personal life.

Regina Yusim

- I believe the most challenging part of this research paper for me was the lack of knowledge of the airline industry. I spent a lot of time just researching how JetBlue is compared to its outside competitors. What JetBlue does to be competitive and why it hasn't spread into international countries like other airline companies.
- Another challenge aspect to this paper was finding that the data for market share was different on every single website I went to look for it. This became hard because I didn't know what website had accurate numbers or if there was an accurate number. When I finally chose my data, I found it from a "reliable" source. With that being said, I strongly believe that this could have been the most reliable source I found unless I did the data myself.
- Team dynamics was a struggle starting out due to schedule issues among the group. Most of our team works full time, goes to school full time, or has family that took an abundant amount of time out of our days. I feel like our group was struggling at the beginning with time but learned as the project progressed that we need to have our parts done way in advance of the due date so it can leave time for correct the paper and filling any missing information. This project helped me realized that not everyone works at the same pace that I do and the only way to work as a group is to find a way that best fits everyone. This project definitely helped me learn the abilities that I have and the ways I can learn from others. By the end of this project I feel we have finally became a team instead of at the beginning struggling to just get it done.

This project also helped me realize how to work with a team at work or outside of school. You don't really know who is in your group and their personalities but you have to put all

of our differences aside and get the project done to the standards of what our boss is looking for. I feel like this project pushed me in ways that I haven't done in all of my college days. I worked with people that I have never worked with before and struggled at the beginning to figure out a way that would work best to accomplish this paper. This project helped me realize that this will happen at work and you can't just do everything to get the project done yourself but you have to work with the team you are provided and work out the difference you have.

- Lastly I struggled with the SWOT analysis. It was very difficult to find the information off of the JetBlue website. The ability to not look at other sources made it hard to figure this portion out. I believe I learned a lot about detail and patience in this part of the project because I had to reread all of JetBlue's website over and over again until I could figure out the SWOT.

Kordero Gutierrez

- The biggest challenge of this project was figuring out where to start, deciding which country to enter was the hardest part of the project. In the first briefing we had a tough time figuring out what key indicators to use, it was hard to choose which key indicators fit best with our decision.
- I had a hard time researching the consumer environment: macro portion of the project. There wasn't a lot of information out there, but I did find some international data books in the UW international resource webpage. The second hardest part of this section was deciding what data to use and to really demonstrate that the data best fits the consumer trends.
- Another big challenge I faced was looking at entry modes into a foreign market, sure definitions are easy to find on the Internet but with little to no knowledge on the airline industry made it pretty difficult to determine an entry mode. The data was pretty hard to find. I found that the airline website had a lot of reliable information.
- The most challenging thing was coming together as a group and getting the project finished. Being in a group is challenging enough but to work with other people's schedules was very difficult to meet deadlines. Everybody had important things to do like working and focusing on other classes. I noticed that when we finished our briefing a couple days before the deadline we all could read and polish up other portions.

Dessi Nikolova

- The process of a company entering a new market includes a lot more than just researching the customers' demands and the competition involved. For a company to be successful, it needs to figure out the way the consumers think and respond to certain products and ideas, which involves getting to know the culture, traditions, and mentality of the given target market segment.
- A company's business strategy may be very straight forward at a first glance, but when in fact it is a lot more complicated than it seems. That's why it is important to complete a thorough research and match up data from a few different sources.

- Sometimes the data that is found for a certain project may completely change the approach and direction in which the project was originally going. So it is important to stay flexible and change your strategy to correspond to the best way of completing a certain task.
- It is important to consider outside forces that might interfere with a project's completion and success. One business strategy might work great in a certain environment, but at the same time be a complete failure in another environment. That's why outside factors play a crucial role in the success of a given project.