

Market Opportunity Analysis and Value Proposition Design for the Entry of Yellowjet, a Philippine Low Cost Airline to European Market

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Introduction

Define the objectives and the application methods used in the Master thesis.

I. Theoretical part

- **Conduct literature review and gather theoretical information on market opportunity analysis, customer value proposition design and international market entry strategies.**

II. Practical part

- **Describe Yellowjet company, and its current marketing environment, initiatives, and strategies.**
- **Analyze the market opportunities and design value proposition for Yellowjet.**
- **Create the project of crafting the market entry strategy of Yellowjet into the European market.**
- **Assess the project's risk, cost and time nature.**

Conclusion

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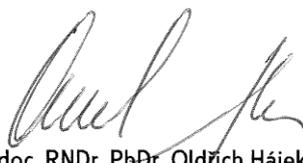
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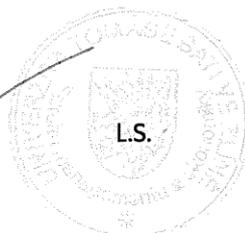
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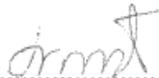
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ABSTRAKT

Cílem Yellowjet je stát se nejúspěšnějším „low cost“ dopravcem na světě. V důsledku nedávné regulace EU, která umožňuje opětovný vstup leteckých společností z Filipín do evropského vzdušného prostoru, s ohledem na rozšíření na mezinárodním trhu se jedná o dobrou příležitost pro Yellowjet. Yellowjet přijal novou strategii a koupí širších letadel nabídne klientům lety na delší vzdálenosti, čímž uspokojí poptávku současných zákazníků.

Vzhledem k nasycení trhu na asijských trzích, Yellowjet je hledá příležitosti a expanduje do Evropy, aby nabídl své „low cost“ služby. Bude se také orientovat na zahraniční turisty a lákat je k objevování Filipín.

Tato práce má tři hlavní složky, počínaje analýzou příležitostí, která zachycuje situaci na vnitřním a vnějším prostředí s cílem určit, na které konkrétní evropské země Yellowjet vstoupí. Po výběru země budou popsány různé cílové segmenty zákazníků a jejich profily. Analýza zahrnuje všechny příležitosti a hrozby a spolu s analýzou výhod je sestavena hodnotová propozice. Na závěr bude sepsána projektová strategie vstupu na trh, včetně prvků marketingového mixu.

Klíčová slova: analýza trhu, letecký průmysl, hodnotová propozice, mezinárodní vstup na trh, služby a marketing

ABSTRACT

Yellowjet's mission is to become the most successful low cost carrier in the world and with the recent EU regulation allowing re-entry of airlines from the Philippines in European airspace, this presents a good opportunity for its expansion in the international market. It has also recently adopted a low cost-long haul strategy which in turn allows them to have the necessary capabilities to expand given its purchases of widebody aircraft.

Given the saturation of Asian markets, Yellowjet is then forward-looking into expanding into Europe in order to serve and bring its branded low-cost and fun flying experiences to the overseas Filipinos and to foreign tourists to travel and explore the Philippines.

This thesis has three major components, beginning with opportunity analysis which takes a look at the internal and external environment in order to identify which specific European country Yellowjet will enter. After choosing the country, the different target segments and

their customer profiles will be discussed. An analysis of their different jobs, pains and gains will be matched with the features and benefits offered by Yellowjet. This will form the customer value propositions. Lastly, the project for the marketing entry strategy will be described including the elements of the service marketing mix.

Keywords: market opportunity analysis, airline industry, value proposition design, international market entry, services marketing

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I hereby declare that the print version of my Bachelor's/Master's thesis and the electronic version of my thesis deposited in the IS/STAG system are identical.

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INTRODUCTION

Much literature has been said about the imperative for companies to become global with the main driver behind as globalization, as commercial trade can no longer be contained within a domestic market because of saturation and for greater opportunities abroad. To achieve growth, businesses must expand in an international scale and see the world as their market.

Yellowjet, once a domestic-focused low cost airline in the Philippines is now at the brink of engaging in an international market entry strategy. From a Filipino centered product offering it expanded its horizons with its mission to let everyone fly and a vision to become the most successful carrier in the world. It does not set its sights only on the Philippines or the Asian region but it sets a long-term strategy where it aims to become more global and tap more destinations around the world while still remaining rooted with the Filipino hospitality and its fun-branded flying experience.

There are some questions though that are needed to be answered with regards to this strategy. First, there must be a rationalization of why is there a need to penetrate the European market. The different opportunities in both the macro and micro-environment must be analyzed in order to make a sound recommendation as to whether there is logic in engaging in such market entry strategy. A combination of these analyses can allow us to see which type of strategy Yellowjet must conduct with regards to the European market.

Afterwards, decisions for which country to enter will be determined based on the alignment with the Yellowjet mission of connecting or reaching out where the Filipinos are. The different segments that it will target will be defined and particular value propositions will be designed to cater and appeal to each segment.

The entire strategy in a page will be based from the interactions of internal and external analysis and different strategic pillars for Yellowjet will be identified. From the marketing mix for services, a project will be recommended which relates to each of the different strategic pillars.

This thesis will be focused on the importance of the customer value proposition highlighting that it is the heart of any strategy where all the company objectives and decisions must come from paying attention to what the customer needs and delivering value while remaining competitively advantageous and ahead of the competition in order to sustain profitability.

I. THEORY

1 OPPORTUNITY ANALYSIS

In this section, we will focus on and introduce how opportunity analysis is defined, what is its importance to the business and what are the different aspects of the analysis or frameworks that it is comprised of.

1.1 Definitions

Opportunity analysis is defined as an assessment of what areas of opportunities are available for the firm when considering the external, internal and financial environment. (Stevens et al., 2012) Kotler and Keller (2015) agree to these definitions and expand by zooming in the external analysis as a consideration of the macroenvironment forces while the internal analysis can be related more within the microenvironment. These two forces play an important role as to how the business earns its profits. They further suggest the importance of having a marketing intelligence system to keep the business and its managers updated with the latest trends in the industry as well as latest developments in the market competitive space that other competitors are taking a lead on and could be a space for entry as well.

Business opportunity analysis allows for screening the opportunities faster so that different perspectives are analyzed from the point of view of the customer, the business and the competitor. (Kohlert et al., 2013) It requires first the business to question whether the opportunities presented are valid as to whether there is a motivation behind the customers to take some action or react given a specific strategic move. Then, it expands to analyzing if the company is ready to participate in the competitive market space and can provide a value greater than or in differentiation than its competitors. Lastly, there is a requirement to make sure that the opportunity is worth pursuing and provide satisfactory returns. As we can see, understanding the customers is a component of internal analysis while looking at the market space is part of the external environment analysis. Looking at the profitability and the potential return is a component of financial analysis keeping the definitions of opportunity analysis aligned with the first definition presented.

Kuada (2008) states that the intended result from a market opportunity analysis is to aid managers and key stakeholders to make an informed decision about how an organization's new business model, product introduction, market entry and strategy revision must be implemented.

The Association of Business Executives (2008) uses the term situational analysis as a synonymous term for market opportunity analysis. It is a helpful tool to help the organization go to where it wants to be by knowing where it is currently both internally and externally. This process is guided and summarized with the usage of SWOT profiles. Situational analysis is reviewing the past, what has happened with the company, the current situation and the likely future in the operating environment of the organization. Operating arena refers to all factors that affect the organizations and the operations.

Kotler and Keller (2015) drills down two aspects:

- **External Environment**

These are factors by which the firm cannot control or influence and the best strategy therefore is to be prepared and have some proper planning to have a contingency plan based on expected happenings. The scale by which the impact varies – can be directly affecting the day-to-day operational businesses in the value-delivery chain but otherwise it can be merely an influential force in terms of the regulations but will not affect the core of the business. The figure below shows the example of environmental forces in an organization.

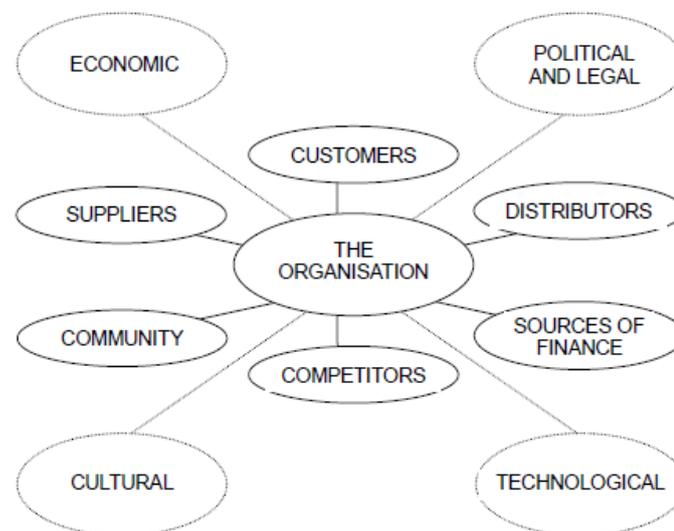


Figure 1. Environmental (External) Forces affecting an organization

Source: ABE, 2008

- **Internal Environment**

In contrast, when we speak about areas of business or aspects by which the organization has control and influence, these require an internal analysis as it involves close inspection of factors relating to the firm's ability to operate, plan, make decisions and deliver results. A

key aspect of this analysis is a marketing audit, where an evaluation of previous marketing efforts and strategies are being examined – to see what are the key success drivers and which aspects must be corrected so that mistakes will not be repeated. As conditions change in one form or another, the key for a firm is to be able to be flexible and easily adaptable.

In total, the information from both internal and external analysis gives a snapshot of the current state of the organization which lays the foundation in deciding the objectives (goals) and strategic formulation or the key pillars or missiles that will help the company reach its goals.

1.2 Rationale behind Opportunity Analysis

Kotler and Keller (2015) discuss the importance of market opportunity analysis especially for entering markets that it is not familiar with. Such as the following scenarios:

- **Benefit Communication**

Because the defined target market is a novelty or a new unfamiliar territory, conducting the analysis will help if there is a fit between what the company offers and its benefits. It also gives guidance as to how the company's benefits from its products and services can be properly articulated.

- **Trade and Media Channels**

Understanding the customers and their daily lives will help identify who and where target market is, what is their profile and behavior and by which media and channels can they be tapped and reached.

- **Resource Analysis**

It is also important for the company to look if it has enough resources to penetrate the intended market. With such, it will know which capabilities are available and whether other investments are necessary to deliver the benefits and the proposition.

- **Perspective in Competition**

As companies want to offer more than the competition, it is very important to take a look at whether there clearly is a current competitive advantage that could rationalize whether the intensity can still allow for some space to enter. Also, understanding competitors can provide insights as to which areas are underserved and what innovations can be introduced.

- **Investment Decision-making**

Lastly, assessing the potential returns will keep managers to make a decision whether the opportunity is worth the costs or another opportunity is more viable. The analysis facilitates the decision-making process by choosing which one has the most fit based on the current capacities and capabilities of the company.

1.3 Sources of Opportunities

Kotler and Keller (2015) shares that the different opportunities a firm could face come from three major sources:

- **Lack in the Market**

When there is something that is lacking or missing in the market that consumers are in need of but is currently unserved. Consumers fight for and directly communicate their need and thus little marketing effort is needed as all that it requires from companies are to pay attention and listen so that the product or service to be launched is relevant and solve the requirements.

- **Bring Superiority to Existing Products**

The second opportunity comes in the form of product and service upgrades where the company tries to bring added value to its current roster portfolio. It is done to communicate that the product is relevant of the times as it is always innovating and injecting modernity. It is conducted to further enhance loyalty of the current consumer base by ensuring that there are improvements to quality and that the company is paying attention and listening to their needs. This is done to build or position the product in a more superior way that could make it a source of its competitive advantage.

- **Innovation**

The last opportunity comes from getting insights from the customer as to the best case scenario for a product or scenario by brainstorming what ideal case they expect from the company. They also closely follow the product life cycle – as to what kind of interactions they perform with the current roster of products and services in order to spark and inspire for some innovation by exploring some usage areas that can be communicated or highlighted more effectively.

1.4 Opportunity Identification

Anthony (2012) provides the perspective of opportunity identification from the point of view of the customer. By trying to understand what jobs customers try to get done, the correlation to purchase and the barriers beyond demographical market information data, deeper insights can be mined regarding purchase and usage psychology behind a sale. From this, the five Cs of opportunity identification are stated below:

- **Circumstance**

Circumstance refers to the very instance that the problem was experienced and what the different assessment methodologies the customer goes through before reaching a decision about a potential solution. Relating this to the Yellowjet case study, we can see that a customer who longs to travel to Europe for leisure or travel will have a different circumstance compared to a foreigner who needs to return back to his country. The company can then look for innovation areas by analyzing the different circumstances where a particular customer job will arise.

- **Context**

During market research, a customer cannot fully or accurately describe the tasks he has done in the past nor the future. Thus, it is a requirement to be in the same context of the customer by fully immersing in his environment – from the moment he encounters the problem and the way he solves such. This is called contextual research wherein companies immerse as much as possible with the customer to see things from their perspective.

- **Constraints**

We can relate constraints to barriers or problems faced with consumers and develop and grow innovative solutions to pertaining consumer problems. This requires a critical understanding what are the apprehensions or the reasons behind why a customer doesn't consume our service. Upon understanding the reasons, the company must innovate and quickly listen to these communicated barriers. The reasons could be in terms of price, of inconvenience, or lack of required specifications or even ignorance. Appropriate strategies must be conducted base on the noted barrier.

- **Compensating Behaviors**

Companies must look for alternative ways a product or service is used to serve the consumer.

- **Criteria**

Consumer purchasing decisions are effected by rational, emotional and social forces. Each one defines a quality to a particular individual. Thus, the opportunity arises from finding some untapped areas could be a platform for innovation because there are still sources of growth which other companies have not yet exploited.

Halvorson (2013) requires that it is crucial for company success to be able to become cognizant of opportunities as they arise. However, it must be matched with strategic execution and implementation.

1.5 Types of Opportunities

Kotler and Keller (2016) note down different type of opportunities that a marketer can take advantage of. One of which happens when there is industry trend convergence as synchrony occurs between different industries. This will require for introduction of hybrid products that cater to both industries.

Also, they can attempt to take advantage of the Internet to facilitate the buying process to make it more streamlined and efficient. Another type of opportunity are for those who provide information and advice as they can monetize the content in their business model.

Another trend involves customization of product or service – with the increasing demands of the customer they are inclined to be highly selective and request for what they want exactly from the organization.

New capabilities or non-existing products without the customers realizing the need can also be introduced. They can also increase speed of delivery of current products or offer a product at lower price without sacrificing the quality.

1.6 Opportunity Analysis in International Markets

Opportunity analysis in international marketing takes a different perspective and this has been outlined by Doole and Lowe (2008). Marketers must be very cautious as to where they would expand because resources are very limited and they must maximize where to take their operations and make their investments to those with potential growth. Scanning the potential country must have the following criteria:

- **Accessibility** – The company must not have legal restrictions or barring from the desired market to enter or any research that will be conducted will just be a waste of

resources. Assessment must be done with regards to government regulations, tariffs, and non-tariff barriers to assess market accessibility.

- Profitability – At a general level it is important to see the market conditions as to whether profits can be reaped either from the point of view of currency, exchange regulations, government support to local players, price controls and product substitutes. It is also important to assess which are the potential partners that will be sourced locally and whether the business environment is stimulating for growth.
- Market Size – The potential market size must be evaluated whether any investment can generate demand which will translate to revenues.

2 OPPORTUNITY ANALYSIS FRAMEWORK

Stevens et al. (2012) has provided the following framework when making an assessment of different opportunities. A discussion of each of the components will subsequently follow. In summary, we can see that there are interactions between the external, financial and internal analysis. For this thesis, the financial component will not be given much detail but some commentary will be given with regards to the profitability of the different routes operations and revenues per passenger by Yellowjet.

Having a thorough study of the opportunity must be conducted before a go or no-go signal will be made to pursue something. Without the proper analysis and rushing towards making a decision, failure and mistakes are more likely to occur. Though scenarios of the future cannot be clearly delineated, a mitigation plan must be prepared for undesirable circumstances and the thorough framework for opportunity analysis is beneficial before making any commitments.

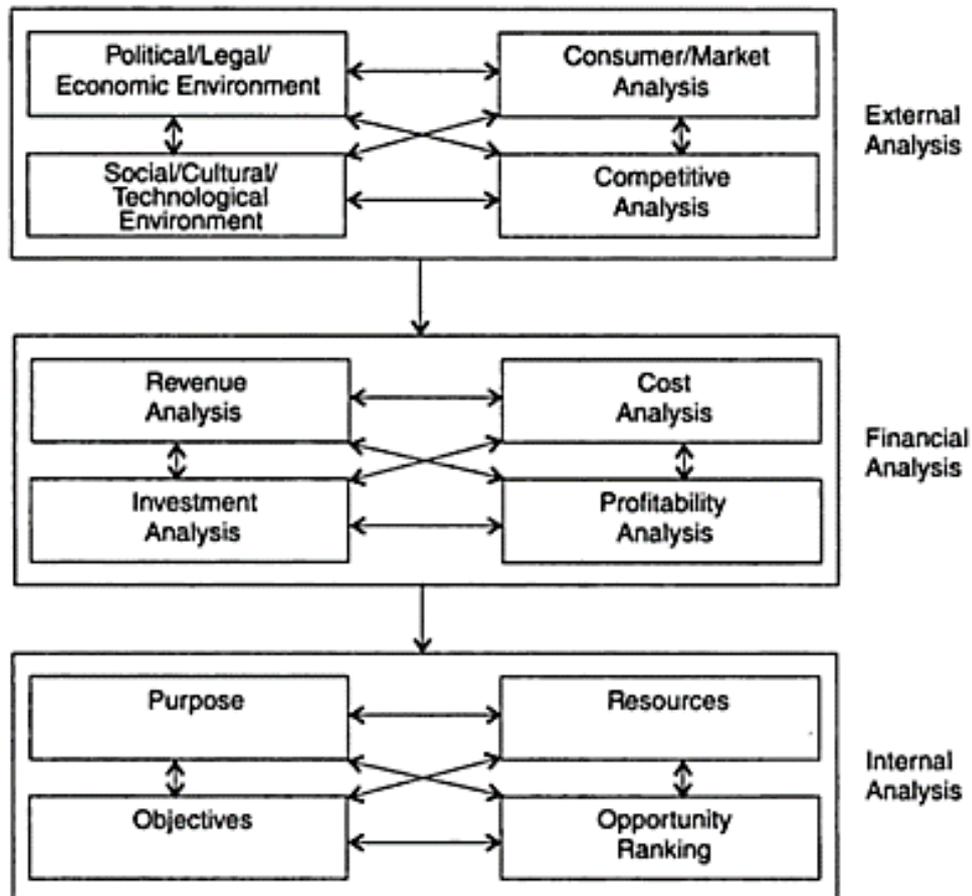


Figure 2. Framework for Opportunity Analysis

Source: Stevens et al, 2012

2.1 External Analysis

Stevens et al. (2012) defines that the opportunity assessment begins with external analysis with making a detailed study of the environment by which the business intends to operate. However, it does not end in studying these macroenvironment and political, economic, social-cultural, technological, legal and environmental (PESTLE) forces. It also looks at market size, trends, and consumer attitudes and behavior. They further suggest the understanding of current and potential competitors who are targeting the same customers that are in the intended source of business. A framework that can help analyze this industry structure better according to Hollensen (2010) is a meso-level of Porter's five forces.

Information for external analysis usually takes time because they are not readily accessible and will require deeper research and analysis given their externality from the organization. Diligently identifying which uncontrollable elements of the environment are relevant to the current business scenario are necessary in order to make sound decisions with regards to market entry strategies.

We will zoom on these two frameworks – PESTLE and Porter's five forces below.

2.1.1 PESTLE Analysis

The PESTLE Analysis takes various terminologies (PEST, PESTEL, STEP-N, STEP-C) and is generally defined by Grunig and Kuhn (2015) as an analysis which covers six main environmental spheres such as political, economic, sociocultural, technological, ecological and legal. There are no predefined steps into conducting this analysis but requires for listing the potentially relevant environmental factors. Listed in the figure 3 below are some questions that firms can ask when conducting the PESTEL analysis.

However key insights provided by the same authors are as follows: There is the necessity to avoid motherhood statements that could not affect the strategic choice from the presented opportunity and communicate those that are significantly influential and part of the analysis. Selection of these elements are crucial and tricky and must require that the complete picture of the environment must give visibility into strategically relevant developments.

The statements also must not only be relevant for the past and the current but also be forward-looking to include forecasts and probable developments.

Lastly, the elements of PESTLE analysis should not be analyzed separately but should be linked and interrelated to each other because each of the different elements can be reinforcing or in contrast from each other. Certain progresses can interact with the other elements and this view must be included and discussed.

<p>Political environment</p> <ul style="list-style-type: none"> ▪ How stable is the political environment? ▪ What are local taxation policies and how do these affect your business? ▪ Is the government involved in trading agreements such as EU, NAFTA, ASEAN, or others? ▪ What are the foreign-trade regulations? ▪ What are the social-welfare policies? 	<p>Technological environment</p> <ul style="list-style-type: none"> ▪ What is the level of research funding in government and industry and are those levels changing? ▪ What is the government and industry's level of interest and focus on technology? ▪ How mature is the technology? ▪ What is the status of intellectual-property issues in the local environment? ▪ Are potentially disruptive technologies in adjacent industries creeping in at the edges of the focal industry?
<p>Economic environment</p> <ul style="list-style-type: none"> ▪ What are current and projected interest rates? ▪ What is the level of inflation, what is it projected to be, and how does this projection reflect the growth of your market? ▪ What are local employment levels per capita and how are they changing? ▪ What are the long-term prospects for gross domestic product per capita and so on? ▪ What are exchange rates between critical markets and how will they affect production and distribution of your goods? 	<p>Ecological environment</p> <ul style="list-style-type: none"> ▪ What are local environmental issues? ▪ Are there any pending ecological or environmental issues relevant to your industry? ▪ How do the activities of international pressure groups affect your business? ▪ Are there environmental-protection laws? ▪ What are the regulations regarding waste disposal and energy consumption?
<p>Sociocultural environment</p> <ul style="list-style-type: none"> ▪ What are local lifestyle trends? ▪ What are the current demographics and how are they changing? ▪ What is the level and distribution of education and income? ▪ What are the dominant local religions and what influence do they have on consumer attitudes and opinions? ▪ What is the level of consumerism and what are popular attitudes toward it? ▪ What are the attitudes toward work and leisure? 	<p>Legal environment</p> <ul style="list-style-type: none"> ▪ What are the regulations regarding monopolies and private property? ▪ Does intellectual property have legal protections? ▪ Are there relevant consumer laws? ▪ What is the status of employment, health, and product-safety laws?

Figure 3. Content of a PESTLE Analysis
 Source: Grunig & Kuhn, 2015

2.1.2 Porter's Five Forces

Porter (2004) defines that competitive forces exist in an industry and that these affect the level of investment inflows and how firms are able to sustain returns which are above average. The five competitive forces are entry, threat of substitution, bargaining power of buyers, bargaining power of suppliers and rivalry among competitors. By looking at this perspective, this is future-oriented as it assesses not only the current playing field but also analyzes other relevant market players in the industry that could affect a market opportunity. Porter (2004) uses the term "extended rivalry" to describe that all other suppliers, substitutes, and even consumer buying power can be competitors with varying levels of intensity.

A combined analysis of these five forces will state how the intensity of the competition and profitability are in the industry. Companies must pay attention and counter-offer to be able to compete with the strongest force dominating in the industry.

David and David (2014) recommends a three-step process on using the forces as to whether relevant profits can still be achieved despite competition in a given industry:

- Identification of key aspects of competitive forces relating to the company
- Evaluation of how strong it is affecting the company
- Decide collectively whether the total impact still makes sense for market entry

Competitive rivalry is said to be the strongest out of the forces because competitive advantage is a requirement to succeed over other firms with each strategic move countered by one another. This intensity is directly correlated with the number of market players as there tends to be an evening out in terms of size and capabilities with products in maturity and reactions more leaning towards price wars. High intensity will lead to lower overall industry profit which makes the industry unattractive.

New firms entering an industry increases the intensity of competitiveness but there can be barriers in terms of gaining scale economies, technological capabilities, capital requirements, distribution and the relevant knowledge needed to operate. It is necessary to identify which new firms are coming in and counterattack by capitalizing on the strengths and opportunities.

Substitute products are ceiling markers on the price to be charged. This threat increases when the prices of substitute products are declining and consumers becoming more easily capable for switching. Suppliers can also affect intensity when there are large number of suppliers given few substitute materials or when raw materials are very costly. In order to maintain or

control suppliers, firms can pursue a backward integration strategy when suppliers are not reliable or do not satisfy the firm's requirements. Lastly, the relationship with customers who have sizeable volume or have high demands must always be ensured because they have strong influence in the business.

Hollensen (2010) relates the five forces framework into analyzing how to squeeze maximum competitive gains in the context of where the business is situated. The dimensions confronted by although recent thinking shifted from a competitive mindset towards cooperative arrangements. Hence, firms must balance between its competitive and collaborative strategies based so that this synergy is mutually consistent and reinforcing. Which in the end positions the firm in an optimum area.

2.1.3 EFE Matrix

Upon conducting both analyses, we can summarize the findings through the External Factor Evaluation (EFE) matrix which can provide companies with a clear view not only of the opportunities but also for the threats that could manifest during market entry. Lodato (2014) describes this matrix as a tool for assessing the business conditions which helps making a visualization of the opportunities and threats faced by the business. It records a number which relates to the strength of the company's external position. Creating the EFE matrix requires a listing of the external factors split into opportunities and threats and assigning a weight to each factor and giving a scored rating based on the relative strength. The scores are multiplied with weights and totaled to see the ability to respond to external factors.

2.2 Financial Analysis

Financial analysis involves an assessment whether the opportunity taken can generate positive profits. (Stevens et al, 2012) Key metrics such as ROI, ROA can provide information for investors with the business profitability and this also can influence capital financing structure as these metrics are presented to potential lenders and banks in order to finance the capital for the business opportunity.

2.3 Internal Analysis

The last stage of analysis involves studying factors controllable or internal to the company that can affect decisions on pursuing an opportunity. There must be a fit between a com-

pany's mission, objectives and capabilities. Opportunities must be aligned with these internal factors and a company might reject financially viable options if these are not aligned with the corporate mission.

Hill et al. (2014) regards internal analysis as a focused review of the resources, capabilities and competencies of a company with the goal to identify strengths and weakness within. Paley (2006) uses looking into the window as a metaphor of examining interior capabilities when defending or attacking markets so that attacks are optimized against the weak spots of competitors. He then adds the following components of internal analysis which are described in Table 1.

For Nijsssen and Frambach (2013), internal analysis has two-fold benefits, that it is not enough knowing which exploitations from current resources and capabilities will be delivering competitive advantage but rather it must also be aware of the necessary adjustments from resource and capability perspective to take advantage of emerging opportunities that will create customer value. They define internal analysis as “the systematic evaluation of organizational resources and capabilities that are available to the organization while the objective to obtain insight into the organization's current and future abilities to create and sustain a competitive advantage in the market by delivering superior customer value.”

Table 1. Components of Internal Analysis (Paley, 2006)

Technique	Description
Performance analysis	Relates to structure, people, culture, tasks, systems, resource utilization and productivity
Strategy analysis	More applicable on how senior management and other leadership team make decision in reacting to competition, defending current markets and entering new opportunities
Strategic priorities analysis	Long term view on the direction of the firm, how the firm is committed to quality and concern for customers and its employees
Cost analysis	Minimization of cost while achieving maximum competitive advantage
Portfolio analysis	Conducts a market review, with the products and strengths of business units in each market
Financial resource analysis	Analysis of whether cash is available to make the necessary strategic moves
Strength / weakness analysis	Distinctive survey of areas and types of unique assets

2.3.1 IFE Matrix

The IFE Matrix is a tool that visualizes a company's strength and weaknesses in its functional areas through internal analysis giving one measure for the relative strength on its controllable factors. (Lodato, 2014) Its process of generation is similar to how the EFE matrix is generated.

2.4 SWOT Analysis

The SWOT Analysis is a helpful tool to integrate both internal and external analyses. The objective for the SWOT is to generate alternatives or choices of future strategies that a company can pursue given the internal strengths and weaknesses and external opportunities and threats. Where the "central purpose is to identify the strategies to exploit external opportunities, counter threats, build on and protect company strengths and eradicate weaknesses." (Hill et al, 2014)

Martin (2014) regards the SWOT analysis as any kick-off to any strategic plays or decisions and rationalizes that there are no generic areas but regards a strength as a strength only in the particular context of where the company plays and how it plans to win.

SWOT is a very intuitive tool and has a number of benefits. (Hartline, 2011) First, it is very simple and requires little technical knowledge or training only understanding of company nature and industry. Second, it reduces costs associated with strategic planning. Third, even without marketing information systems, it provides flexibility and the ability to integrate and synthesize diverse information from both quantitative and a qualitative nature. General knowledge and trends are organized with recent developments data from wide diversity of information sources. Lastly, this fosters multi-functional teams through open information exchange and seeing how the different components of the company work together as a whole.

To successfully build a SWOT analysis, Hartline (2011) offers the following suggestions:

- Focus – the SWOT analysis must be focused on a specific strategic pillar or specific market opportunity
- Competitors – Not only the major ones must be considered, but all product, generic, and total future competitors

- Cross-Functional Deployment – Knowledge sharing across departments and information must be implemented so that ideas are spread that could lead to innovative solutions to marketing issues
- Relentless focus on the Customers – SWOT analysis must be prepared with the view of the customer in mind
- Cause identification – It is not enough to describe the situation internally or externally but it is also a requirement to identify the root causes for the firm performance.

The end product of the SWOT analysis is a matrix allowing analysis visualization that are related to the firm's marketing efforts and to the strategic focus of the marketing program. The important aspect is to see connectivity between strengths and opportunities to create capabilities in meeting customer needs. A strategic canvas can then be formed after considering the interactions of the different parts of the matrix with potential options for aggressive, defensive, conservative or competitive strategies.

The process of developing these strategies are called structured strategy generation. (Gilligan, 2012) It involves matching strategies where strengths are used to take advantage of opportunities that require an aggressive approach, when matched with threats requires for competitive strategies. In terms of weaknesses, if matched with threats there is a defensive approach while matched to opportunities are conservative.

Conversion strategies are often difficult as the objective is to transform the weakness to strength and threats as opportunities. Creative strategies then go through analytical procedure and iterations.

2.5 Comparisons with Other Frameworks

Aside from the framework from Stevens et al. (2012), Aaker (2013) also offers his own method for conducting the market opportunity analysis. The objective for such is to assess market attractiveness, structure and dynamics. The table below shows the components of the framework. We can see similarities especially in terms of profitability analysis which is aligned with Porter's five forces.

Table 2. Market Analysis Framework (Aaker, 2013)

Component	Description
Market size	Analysis of total size level
Market trends	Latest trends occurring in the market and their drivers

Market growth rate	Size and growth characteristics of the market, the rate at which is growing or declining and the driving forces behind sales trends
Market profitability	Porter's five forces
Industry cost structure	Breakdown of own and competitors' major cost and value added components
Distribution channels	Identification of channels of distributions and their evolutions
Success factors	The assets, competencies needed to compete successfully

3 VALUE PROPOSITION DESIGN

Any marketing strategy begins with understanding the customer segments and designing value propositions around them. Each customer segment must be treated differently and individualized because each customer has different needs and capabilities. Thus each value proposition must be designed to specifically cater or appeal to a particular customer segment. Ryals (2011) defines the value proposition as a value statement provided by the company to customers which are materialized by products and services. There is a certain willingness to pay from the customer because of expected benefits lead greater than the cost, which is the concept of *value* itself.

3.1 Characteristics of Value Proposition

Hax (2010) defines that a customer value proposition must meet the following four requirements:

- Uniqueness – there must be a level of differentiation that will highlight which aspects of the service or the brand can distinguish it from the rest of the competitors.
- Sustainability – the communicated proposition must have a long-term view and impact for both the company and the customers thus the uniqueness will last long and is non-imitable so that the competitive advantage remains
- Value-adding – the company must deliver significant values and benefits to the customers
- Customer bonds – the proposition also injects a relationship component into it for which the company and its customers are bound with mutual trust and benefits. Customer bonding happens when strategy and management are driven by the customer.

According to Hax (2010), “every institution owes itself to the customer and it is fundamental ... to get to know the customer deeply and to provide a unique and differentiated value proposition that will allow [the company] to claim a form of leadership in the industry.” He then adds that a competitive mindset is narrow and centered on rivalry. And becoming ahead of someone instead of truly becoming value-adding through customer focus is not sustainable.

The value proposition is about consumers but is built for the organization. It is not openly stated to the customers but the way marketing campaigns are done and the way of communication should embody this. Lastly, the proposition deepens the essence of the business by defining how the business will interact with the daily customer’s life. (Barnes et al. 2009)

Verweire (2014) argues that the value proposition must be compelling and focused in order to succeed. They need to make the tough choices in terms of what to include in the product, price, access, service and connectivity and maintains to hold an acceptable threshold level for these attributes with a key simple messaging.

3.2 Strategy and Value Propositions

“Strategy is based on a differentiated customer value proposition. Satisfying customers is the source of sustainable value creation. Strategy requires a clear articulation of targeted customer segments and the value proposition required to please them. Clarity of this value proposition is the single most important dimension of strategy.” (Kaplan & Norton, 2004)

Any strategy of a company will be based on the customer value proposition as it is these satisfied customers where all the companies can reap all the benefits and profitability. Tyson (2011) names the value proposition as the “heart of strategy” that is an important component of the business model as it offers or allows the customers to do their jobs faster, more efficient and better other than other solution providers. Its success is linked to the offer and must gain substantial support with interior people, process and technology so that the proposition is linked to customer requirements. Different types of value propositions have goals such as: increasing benefits, reducing costs, raising benefits while reducing costs, raising benefits more than the costs and lowering benefits less than reduction in costs.

3.3 Why Build Value Propositions

Barnes et al. (2009) defines the rationale behind building value proposition as an approach in organizational development that builds value to the customer experience. They refer the process as a discipline to provide customer value while keeping the company at a profit. Through customer value propositions, they can provide profitable and superior customer value (which is the benefit less costs) which can generate wealth and a continuous cycle of increasing value as profits are reinvested back to the company. The key to building profits is to build winning value propositions that are centered on the customer experience.

3.4 Designing Value Propositions

Value propositioning is a development process and it does not end with the output of having a proposition statement. As a process, it is not a single capturing of the experiences of customers but it has the ability of evolving over time. Value proposition approach does not mean

that every demand of the customer will be listened but it will be an attempt to adjust the offering while still remaining profitable.

This thesis will present two ways on how the value proposition can be developed – the Proposition Builder by Barnes et al. (2009) and the Value Proposition Canvas by Osterwalder (2012).

3.4.1 Value Proposition Builder™

The value proposition builder™ is a tool developed by Barnes et al. (2009) to help get clarity as to how value propositions can capture and express experiences and be developed for particular customer segments. The process is action-driven and not merely theoretical and has been tested for different situations. It is an iterative process and does not end with having success driven by consumers but it always go back to the customer and continuously improves on what is being delivered.

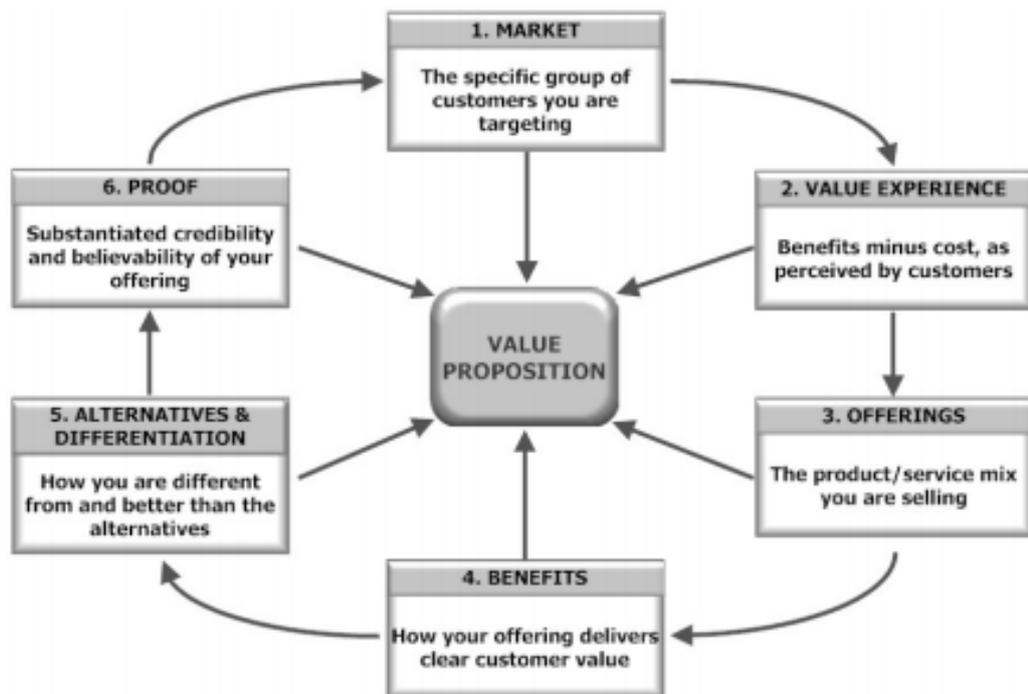


Figure 4. The Value Proposition Builder™ (Barnes et al., 2009)

The target market refers to the customers you want to target and you want to offer your products and services to. Value refers to truly understanding what is valuable from the customer point of view. Offerings refer to designing the product and service mix around the value while benefits talk about while taking considerations both internally and externally of the value and prioritizing which one to deliver based on costs. Alternatives aims to position

the company as to what are the points for differentiation and uses a proof as a reason for customers to believe through evidences to deliver the desired value experience.

Barnes et al. (2009) provides us a step-by-step process which begins with deciding who the company decides to talk to. The company cannot talk to every customer in the world and must focus its resources on the market, those customer segments that can deliver value for them. To identify such requires an analysis of the behavior, usage patterns and motivation behind the profitable customer segments.

The next step is analyzing and defining how value will be experienced from the organization. This should reflect across the customer journey and what touchpoints generate positive, negative and neutral feedback. The goal is to translate neutral and negative feedback into “Wow” moments. All must be reflected with the perceptions of the customer.

After this, product and service offerings must be designed in the context of the value we want customers to experience. If designing a new offering, analysis of the life cycle, threats and requirements. This step also reviews profitability and makes an analysis whether certain elements of the product or service portfolio remain relevant or some could already be delisted.

Benefits are then built next which resonate with the customer concept of value. They could be of different categories: expected, augmented and potential. Expected benefits arise from offering the basic minimum while augmented ones go beyond customer expectations. Potential benefits are those that are not directly planned at first but experienced on the side which is indicative of growth.

The fifth step is differentiating the offering against alternatives which requires deeper competitor analysis and mapping out which are the positioning of others across components or brand elements. This is to see where competitors are innovating and whether this could spark some ideas that could refresh and improve the current levels.

The last step is proving and providing evidence that the company delivers on its promise. Where its claims can truly be identified as valid and can have various techniques through statistical tests, research or scientific validation, tests and case studies, customer tutorials which sets the base for reliability.

3.4.2 Value Proposition Canvas

Alexander Osterwalder (2014) developed the value proposition canvas to expand on the original business model generation method that he has developed. This expansion more focuses on the customer needs, the jobs he tries to accomplish and offering a solution to these gaps. The full canvas is presented in the Appendix 2. There are two sides in the value proposition canvas, the customer profiles which aim to get an understanding of the customer (right) and the box in left represents the value map, a bundle of offers that aims to deliver value to the customer. When there is agreement between these two sides, the company is able to achieve fit. Fit is achieved when the value proposition, the benefits customers can expect matches with the characteristics observed from studying the market.

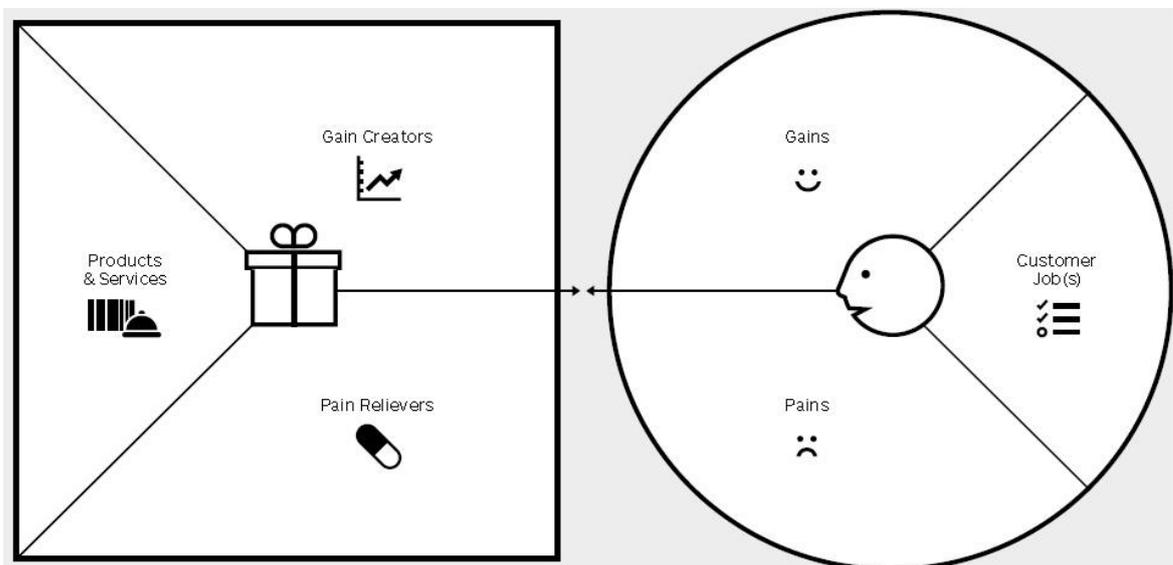


Figure 5. Value Proposition Canvas (Osterwalder, 2014)

The initial process begins with understanding the customer profile. This involves defining the customer jobs. We can see similarities with the Barnes (2009) model in defining the market and the customer profile. In here, we aim to understand the customers and what are the goals they are trying to accomplish, their needs and the tasks they must perform.

The next step involves the customer pains, what are the frustrations or barriers for them in accomplishing their tasks. This will express what their apprehensions are or what prevents them from being successful and could express what are the limitations or the gaps currently in the market. This could be expressed in terms of challenges in terms of pricing and affordability, achievability and ease of accessing a product or service. Thus pain points must be clearly documented and a scale of how grave such experience or how important is this to be

resolved must be assessed. This also involves analyzing the bad outcomes, risks that hinder customers in doing their jobs.

The last component of the customer profile are the gains which are the expected benefits or outcomes that customers are looking for. Osterwalder (2014) notes that “some gains are required, expected, or desired by customers, and some would surprise them. Gains include functional utility, social gains, positive emotions, and cost savings.” Required gains are basic expectations that will make the product or service work on its core. This is similar with the Barnes (2009) model of defining the expected benefits. The expected gains are basic features which could make a service work even without them. Desired gains go beyond expectations which are aligned more to the consumer wants. Lastly unexpected gains are those that delight and surprise customers without them knowing it beforehand. These gains must be discussed as concretely as possible.

The second component, the value map begins with the creation of the bundle of products and services. It is a simple inventory of what the company has to offer, an enumeration through which the value proposition will build on. The products can be tangible, intangible, digital or financial.

Next component in the value map are the pain relievers which describe how the products and services solve customer pain points. It aims to answer how the problems will be reduced given by what we offer or annoy the customer during, before or after trying to complete their tasks they want to achieve. Focus must be given on those extreme pains or those that really trigger suffering so that they can at least feel better.

Finally gain creators how benefits will be delivered from the offerings and an action plan on how we can bring surprise in function, social, savings or positive emotions. Focus must be given on those that are the major relevant aspects that can truly change the experience of customers in order to make a mark and be relevant.

In this section, we see that the company has control over the pain relievers and gain creators while the pains and gains of customers are something that are external and it is a design decided by the company which aspects will be addressed. The best ones addressed those that matter most and are most significant for the customers and do this with its best efforts.

The last component is the fit which signals that there is an excitement from customer side with the value proposition, gaining sufficient traction when jobs are addressed, gains are provided and pains are resolved. The key is not only to deliver this fit but to continuously

maintain and strive that there is alignment between the customer profile and our own value map. Fit is decided by the customer and can take different levels: on-paper, when solutions solve problems. It can also be in terms of the market when there is evidence already through customer validation and lastly is in terms of revenue gains as our service offering has evolved into a sustainable business model.

3.4.3 Comparison of Two Value Proposition Methods

In general, we can see great similarities between the two ways on how value propositions are designed. Leal-Ruokonen (2013) synthesizes that the Barnes model are more general as it covers the value proposition for a company. Osterwalder's Value Proposition Canvas is designed for each customer segments which requires more effort and time to develop and brings a specific result and requires a deeper understanding of the targeted segment.

In this thesis, since we are not developing the proposition for the whole Yellowjet but rather those that are only relevant for its market entry to Europe, Osterwalder's canvas is more appropriate.

4 INTERNATIONAL MARKET ENTRY

4.1 Internationalization

The process of internationalization which will be described next is outlined by Onkvisit and Shaw (2008). It begins from domestic companies who have decided to focus and serve their own domestic markets. Afterwards, seeking greater opportunities to expand, they also decided to cover international markets. Though heavily applicable towards the manufacturing field, we can see the trend or shift towards becoming or lacking commitment as evidenced by the lack of resources being shared which then moves to allocation for greater international activity and higher resources allocated. The success must be first concentrated and proven first in a specific country before expansions across other areas will be done. However, certain argumentations have stated the need for companies to become global at the onset or even have a multi-national mindset as it is dependent to a global market across its value chain – its employees, its manufacturing and scale of operations and its customers.

4.2 Benefits of Internationalization

Kahn (2013) rationalizes behind the importance of internationalization with an imperative idea that brands must be global and offer value spanning different countries and touch different cultures. There should be a certain level of porosity to change with market conditions and to have the same level of consistency across consumers who are very mobile and multi-cultural.

The key is to keep consistent core meanings regardless of whatever market the company is in. Any slipup can threaten the power of the brand, as discrepancies might not be encouraging for consumers which could affect the trust and reliability of an international brand.

Lee and Carter (2012) agrees on this view by stating that global marketing is a survival necessity for organizations because consumers now live in an area of wide interconnectivity. The term “global village” is used.

4.3 International Marketing

Ghuri and Cateora (2009) define international marketing as the “performance of business activities that direct the flow of a company’s goods and services to consumers or users in more than one nation for a profit.” A key difference now lies in terms of how marketing is

being done as complexity in international marketing operations arises because of intercultural differences. The key marketing principles in price, promotions, and distributions for a product are still upheld to be the same as these are fundamentals. The difference exists in terms of what environment they are operating in which needs an adaptation of the implemented marketing plan. Entering a foreign market is accompanied with a range of problems that are unfamiliar to the domestic market and will require different strategies to manage the risks and uncertainty in foreign market space.

Marketers then are required to be flexible and agile, not in controlling elements which cannot be controlled but by being able to adjust the marketing strategy in order to still reach favorable outcomes. International marketing therefore requires a delicate fit on how the marketers mould or adjust the controllable elements of the marketing mix in order to become successful alongside elements of the penetrated country which are uncontrollable such as the politics, competition, laws, consumer culture, technology, and etcetera. Environment and culture are two major factors that can shape the success of any international marketing campaign.

4.4 International Market Entry Strategies

Hollensen (2010) provides us a framework below for the different factors affecting the market entry of a firm in an international scale.

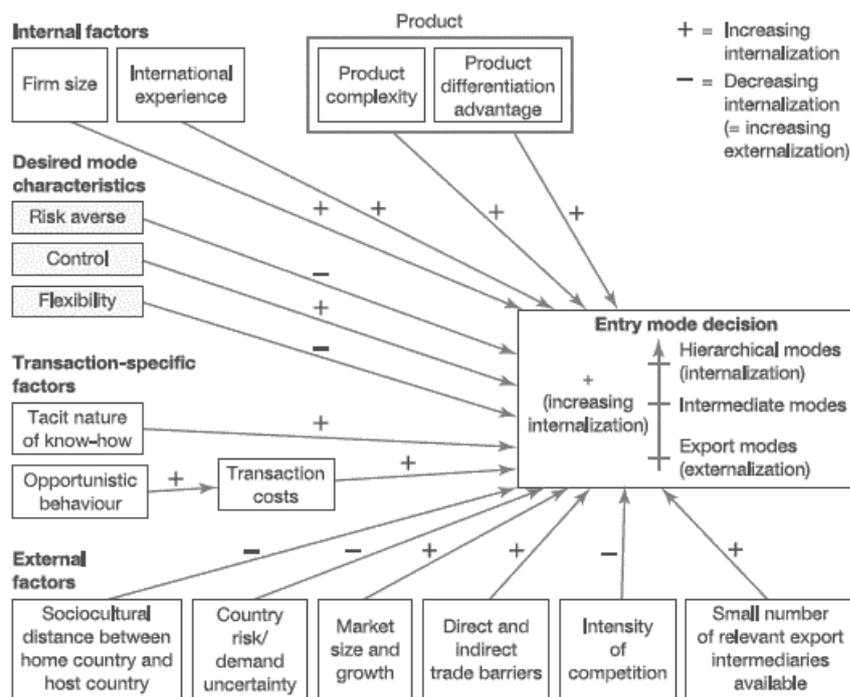


Figure 6. Factors for International Market Entry (Hollensen, 2010)

Where we see that internal, external, transactions and desired mode affect how a market is entered. In the internal factors, the size of the firm and how exposed it is in playing in the international field needs to be assessed. The better the firm is in scaling or expanding abroad can contribute to higher levels of internalization.

External factors such as distance between home and penetrated country as well as demand risk and competition intensity can negatively affect the allocation for investment while market size and growth prospects lead to higher internalization.

Third, risk, control and flexibility needs to be assessed as higher risks are more prone to lower internationalization and rely heavier on exporting schemes. While the last component involves know-how which examines the ease of knowledge transfer and opportunistic behavior and transaction costs.

These four factors will affect the decision for entry mode based on internalization:

- Hierarchical (ownership, internalization and location) through foreign direct investment
- Intermediate modes (cooperations and alliances)
- Export modes (ownership and externalization)

4.5 Internationalization for Airlines

Albers, Heuermann and Koch (2009) have made an adaptation of these international market entry strategies in the context of airline penetration in Europe. Their dissection of the different market entry modes are listed below.

Table 3. International Market Entry Strategies for Airlines

Source: Albers, Heuermann and Koch (2009)

General Entry mode	Airline entry mode
Export	Export
Cooperation	Marketing alliance
	Code-sharing
Foreign direct investment	Joint venture
	Minor equity participation
	Acquisition of foreign airline
	Establish national subsidiary
	Establish own base

The objective of internationalization of airlines is to provide connections with the origin country and the intended area for entry with different entry modes. Export strategy remains

that the home base still remains as a specific hub without any investments in other countries therefore operating the penetrated country at a distance.

In cooperation it can be beneficial in terms of marketing alliances or code-sharing where two or more airlines share the same flight with the flight number owned by the different airlines under its own designation scheme.

Lastly, the one providing larger involvement are foreign direct investments which can encompass more strategic moves. Joint ventures occur when two airlines decide to manage a new route from both or their capabilities. While consolidations are more evident when acquisition of smaller airlines are being done to serve and increase capacity. Subsidiaries and base building can be done to set up a local hub in the penetrated country in order to increase and widen the reach but certain legalities must be overcome as full control and establishment of separate entity will be managed with this mode of entry.

II. ANALYSIS

5 COMPANY ANALYSIS

This section will elaborate on an analysis of the Yellowjet Company – an introduction of the company profile and the business atmosphere it operates. It will also discuss the current position in both the domestic and international markets and how it has achieved such through its marketing initiatives and marketing mix strategies that they use. Finally, this section will wrap up with a better picture of what the company's strengths and weaknesses are. An awareness of this internal analysis will give key touchpoints as to what aspects of Yellowjet's business must it continue and improve on upon entry to European skies.

5.1 COMPANY PROFILE

Yellowjet is the largest airline player in the Philippines, operating as a subsidiary of a conglomerate holdings company. It is during this year that they are celebrating their 20 year anniversary from the initial operations which started during March 1996. As a low cost carrier, the company has been an early pioneer a low cost travel but of great value strategy, "offering low-cost services to more destinations and routes within the Philippines than any other airline." (Yellowjet Corporate Website, 2016) Yellowjet offers the lowest air fares without foregoing the fun travel experience of its customers with its constant stream of innovations. They have substituted frills with simple and fun in-flight games and activities that resonate with what Filipinos are known for. This strategy allowed them to become to dominate the domestic market, gaining a highest market share for 2014 at 60.8% with competitors PAL at 29.1% and Air Asia at 9.7%. Over 100 million passengers and counting have flown through Yellowjet.

Currently, its airline operations are driven by a strong, modern and young fleet of 57 aircraft composed by 49 Airbus and 8 ATR 72-500s. They are expected to receive more aircraft in the succeeding five years. Through this fleet they can serve a range of 34 domestic and 30 international destinations.

During the third quarter of 2013, the company has expanded its operations by offering long-haul services with its first destination, Dubai. It is the first Philippine carrier in 15 years to land a non-stop direct flight. This is a proud historic moment for Yellowjet to carry the Philippine flag and serve the tourists and Filipino overseas workers in UAE with fares that are up to 40% lower than the current offering.

Vision

Yellowjet: The most successful low-cost carrier in the world.

Yellowjet expands its vision by aiming big, as it wants to become the most successful low-cost carrier in the world. With this, we are seeing that they are very much determined to make a mark and bring success in a global or world-wide scale. However, we see that its principles will remain grounded on being a low-cost carrier, a no frills service.

Mission

Why everyone flies.

With its mission, they want to be the reason why everyone flies. They must attract these travelers not only from a value point of view, but they must also balance it with sufficient quality so that they will remain loyal customers who will provide positive word of mouth and will recommend the traveling experience with Yellowjet.

They will execute this mission by continuously innovating, and operating with excellence. They want to become an employer of choice, have a deep sense of family values, enhance the life of communities and offer a fair return to the shareholders. Lastly, they want to be actively participate and contribute in the nation's progress as part of their corporate social responsibility initiatives.

5.2 CURRENT POSITION IN THE MARKET

Yellowjet maintains its dominance in the domestic market. Such that in 2014, the total domestic passengers that they have flown are 13 million, growing 18% from the previous period due to extended domestic route network and the 100% acquisition of Tiger Airways Philippines allowing them to provide more flight frequencies to other provinces in Visayas and Mindanao. By final year of 2014, the combined total share of both Yellowjet and Tigerair Philippines was at 60.8%, clearly making them the domestic routes market leader across all important metrics, also flying the most destinations, routes and flights. As seen in the table below, the domestic market share of Yellowjet has been very positive, growing year on year. (Yellowjet Corporate Website, 2016)

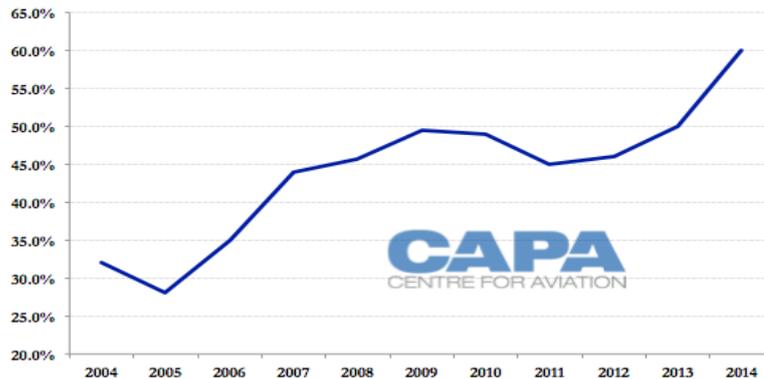


Figure 7. Yellowjet Domestic Market Share Figures

Source: CAPA – Centre for Aviation & Philippine CAB, 2015

In terms of international traffic, 15.7% from the previous period due to launching of new international destinations. This has been aligned with improved ratings of international organizations with the capability and compliance to safety standards of Philippine airlines. New long-haul destinations have also been introduced in Middle East, Japan, Australia. In-bound passenger growth has also been observed from countries such as Taiwan and Indonesia. The largest markets remain to be Singapore, Hong Kong and South Korea. In total of the international market, Yellowjet has 18.7% in terms of market share for 2014, growing 0.9pp from the market share of 2013 17.8%, trailing behind the PAL group. The split of market shares can be seen below.

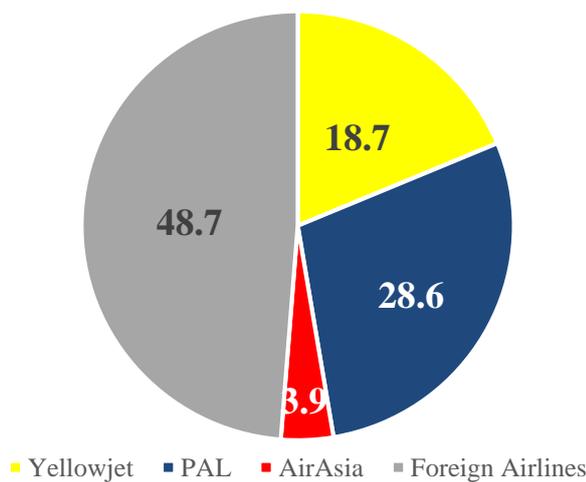


Figure 8. International Market Shares - Philippines Flights

Source: Yellowjet 2014 Annual Stockholders Briefing

Yellowjet also made strategic partnership with Tiger Airways Singapore, providing guests the connection through both route networks connecting passengers seamlessly in India, Southeast Asia, Philippines and North Asia.

5.3 CURRENT MARKETING ENVIRONMENT

5.3.1 Market Segments, Target Market and Positioning

Segments

Yellowjet's segmentation strategy can be divided both geographically and psychographically. First, we can classify and divide the market between those Filipino travelers versus those foreigners and tourists. Filipino travelers are familiar with the Yellowjet brand because of its expansive domestic reach. On the other hand, foreigners and tourists gain awareness of the Yellowjet brand as a necessary point-to-point carrier once they decide to visit other Filipino provinces outside the main island of Luzon. Another way for them to discover Yellowjet is when they are in regional Southeast Asian destinations and decide to make a trip to Manila because Yellowjet usually offers the lowest fares.

In terms of psychographics, there are those who are traveling for leisure or fun, and then there are those who can be categorized under flying as necessity. Those who fly for leisure have in mind the desire for an affordable, fun and no-frills service. Those who fly under necessity are comprised of those students or overseas Filipino workers who need to go home to their respective provinces during holiday periods to visit their family and relatives.

Target Market

Yellowjet carries its promotions and marketing based on psychographics regardless of whether they are locals or foreigners. Their primary target market are travelers who are budget-conscious and value-driven, who want affordable, fun and low cost flights. They are very price-sensitive professionals who are proficient in Internet and technology and are fond of traveling. They always stay up to date with the latest airline promotions and are well-versed on how to use the website because they need to be able to book the promotional fares fast as availability is limited. They usually schedule their travels during vacation and holidays while they demand an airline service with "no frills" - no included food on board, or in-flight entertainment service because they believe that the destination is more important than the flying experience and would want to save up on every leg of the journey. They are subscribed to loyalty emails and promotional newsletters and could even be part of the loyalty programs.

Examining the hierarchy of needs, they feel accomplished and fulfilled when they are able to book a cheap or promotion flight. The process of booking a flight is a form of bargain hunting, and they feel successful if they are able to bag an affordable flight, bragging to their friends that they are able to book the lowest cost despite having limited seats on sale. Each sale or promotion is celebrated as an opportunity for an escapade travel from their professional lives. Usually, booking flights is also a communal activity, a ritual where travel-minded friends monitor seat sales and book flights for their like-minded travel enthusiasts.

Looking at demographics, Yellowjet focuses more on the youth and young professionals (18 to 35 years old) who have the time and capability to go for traveling under budget conditions. They are commonly seen as “backpackers” as they are very flexible with the itinerary, being easy to move from one place to another without any restrictions. In terms of income level, they can be more of in the middle class being more price-sensitive and preferring to get the best deals and bargains, trying to save cost for travel at each step of their journey as they prefer to spend more on experiences they will have at the destination country.

Positioning

Yellowjet has positioned itself to be the reason behind why everyone flies through value-driven price offers without compromise of great value and quality service. They believe that even though there are no-frills or added perks in the service, these can be replaced with safe, affordable, reliable and fun-filled air travel. They execute these fun flights through an enjoyable experience of flying through in-flight games and activities strengthening the brand identity as fun and adventurous.

It currently also did a major rebranding during June 2015, from being focused to a domestic market towards expanding the success globally. The refresh aims to communicate still that the brand personality is energetic, dynamic and relevant to the current times, updating the look to a more global appeal while still representing the Philippines. The logo colors are inspired from the natural landscapes of the Philippines – blue seas, bright yellow sun that are reminiscent of the beautiful landscapes and islands which usually people associate with the country. This evolution features a friendlier and approachable main visual image, the eagle, as it aims to be a brand that is soaring high. Given the established levels of the brand in the Philippines and Asia, it aims to use that as jump off point to achieve a higher level of success in the international airline market.

Yellowjet now establishes itself an international carrier, making Philippines an accessible destination to people throughout the world. Its aim is to build an extensive network within and from the Philippines, knowing the importance of air travel in the life of the Filipinos. However, it still upholds its proud roots and heritage being ambassador of the Philippines to the world, making traveling to this wonder available and accessible to the world. To strengthen the ties to Philippines and its hospitality, they aim to bring the Filipino warmth, friendliness and care that can be experienced on-board.

As a brand, Yellowjet aims to achieve a global status where they want the brand to be primary associated with travel, fun, and affordability but without any compromise to quality and service. As a secondary association, it aims to be tied with promoting the Philippines, its festivals, natural attractions and the warmth and hospitality of the Filipino people.

5.3.2 Marketing Initiatives and Strategies Used

Yellowjet is the pioneer of the “low fare, great value strategy.” They changed the landscape of domestic travel in the Philippines which was usually positioned on luxury, in-flight service and meals by offering no-frills and aggressive pricing. To elaborate this concept of a no-frills airline, these elements are discussed in the table below, where the savings on certain frills are passed on and are enjoyed by the customer in the form of lowest year-round fares for all flights which are a good attracting point for stimulating demand.

Table 4. No-frills airline concept

- | |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <ul style="list-style-type: none"> • No hot meals or in-flight snacks included in the fare, rather these are sold at a cost • No newspapers • Mono-class seating • No in-flight entertainment • Operating with a single aircraft type, simple or standardized fleet to reduce crew training, maintenance and repairs • Faster turnaround time |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|

Because of the effectiveness of the strategy, all of its competitors have already joined in this strategy, forcing others to cut and reduce their fares by also removing luxurious and added benefit services and also apply the same method of communication of promotions.

However, what distinguishes Yellowjet’s marketing strategy from the competitors in the region is that it is not merely a transportation service or a point-to-point carrier that brings people from one place to another. Its communication of its services positions the airline as a

travel partner and a travel enabler. As a partner, it can be seen that it is concerned with not just merely the act of flying but has an offer of complementary services and additional products that could make the travel experience much easier and hassle-free. These range of offers will be discussed in the subsequent chapter.

More importantly, it is also a travel enabler. It fuels the aspirational desire and the longing for travel of Filipinos. It brings traveling, which was considered a luxury and limited for the privileged to be available not only for every Filipino, but for everyone, aligned in to its mission to be “why everyone flies.” The statement of “why” is very powerful, driving that they must spark demand, and be a compelling reason– through value driven pricing and always the lowest fares – that a reliable, safe, quality travel is very much now accessible for everyone.

5.3.3 Current Marketing Mix

In this section, an in-detailed description of the elements of the marketing mix of Yellowjet will be discussed.

Product

The core product of Yellowjet is the airline transportation, the domestic and international route networks where they operate shown in the figure below. In summary, they operate in 90 routes over 64 destinations. Appendix 1 lists the exact locations split according to the different destinations. As of March 2016, they have made history by launching a new international route between Manila and Guam, its first US destination, with four times weekly flights. Yellowjet is the only low-cost carrier flying between Philippines and Guam using the Airbus A320 fleet. This marks the route expansion across the Pacific, where aside from Guam flights are being operated to Sydney, Japan, Korea, Dubai and Doha, among others in total of 30 international destinations.

However, it is important to note also their operations in domestic network as they have six strategically spaced hubs and servicing 34 destinations that cover an expansive connectivity within the Philippines.



Figure 9. Yellowjet Route Network

Source: Yellowjet Website

However, it is important to take note that they also offer other supplementary and innovative products and services that complement air travel.

- **Fun Cafe** – Offer for sale on-board a wide array of savory light snacks and drinks fit for everyone’s taste. Delicious new offerings and light meals are introduced every quarter. Yellowjet branded merchandise such as caps, shirts, bags, and mascot toys can also be purchased.
- **Duty Free Shopping** – Usually during international flights, selling world class products such as cosmetics, skin care, perfumes, chocolates and gift items which are offered for great savings. Cabin attendants can share product catalogue to interested consumers.
- **Go! Mastercard** - Issued credit card from a bank tie up that offers rewards and flight incentives for purchases from a company.
- **Mobile Application** – Available in iOS and Android to allow guests to book at their convenience and check in their flights while on the go.
- **Fast Check-in Options** – Up to 72 hours and hours before international flights, passengers can check in their international or domestic flights. Thus, this reduces the need for passengers to line up and queue in order to get their boarding pass. They have also deployed some machines / kiosks for check in which are located near the

counters in selected Philippine airports. Mobile agents are also equipped with tablets and mobile boarding pass printer so that they will come to passengers on the queue and instantly

- **TravelSure** - This product provides passengers an online available insurance product which allows travelers from one to 65 years old to have peace of mind and it covers travel related medical concerns, costs of delay, accidents, and damage or loss of checked baggage.
- **Seat Selector** – For a minimum fee, passengers can select their seats for additional leg room or aisle access from booking online.
- **Sports equipment** – Allows guests to bring their own sport equipment to their destination to avoid rental fees. Covers bicycles, golf clubs, scuba equipment, and surf-board.
- **AirWifi** – Ability for guests to connect on Wifi for a minimum fee.
- **Cargo Services** – Facilitates exchange of goods service across individual shippers and cargo agents within and outside the country.
- **BIZ** – Partnerships with government and corporations to have a travel account with Yellowjet to get corporate fares, transferrable bookings and other perks.

Price

As a low cost carrier, Yellowjet always aims to offer the Year-round lowest fares in the market. Offering low cost and discounted fares will be compensated with the high revenues and volumes coming from huge customer demand which increases the seat load factor across its various routes. Effective last year from the global decline in the prices of fuel, they have dropped prices even more by removing the fuel surcharge to be charged on to customers. The fares have two variants, the year round low fares which is the standard non-discounted price per route and the promotional fares which varies depending on the campaign or the season. Sales promotion is also a form of communication to the passengers wherein the earlier a booking is made prior to flight, the more can they avail of larger discounts and savings.

LiteFare

This innovative pricing scheme was pioneered by Yellowjet as they offered as a standard fare discounts by automatically carrying less baggage. If some baggage needs to be checked in on board, this allowance could be pre-purchased to save on time and money. The amount

of options for pre-purchase baggage can be from 15 to 40 kilos. This makes the check in process faster and more manageable.

Fare Bundles

Pricing is organized based on the different travel preferences of the consumers. There are different fare options that consumers can choose and their own and can automatically see the difference of the different pricing schemes. They can combine for purchasing of just airfare, or with luggage and meal.

Fare Promotions

This is what the airline is known for. During special occasions they offer massive discounts on the basic fares to go even as low as one peso (approximately 2 Czech crowns) during their “Piso Fares”. They usually tie these promotions during special anniversaries or holidays and usually come up with a creative title on promoting this sale. They also price their routes creatively, usually ending in repeating numbers such as 888 or 999 pesos as the base fare. Price endings of 8 or 9 are psychologically appealing to the consumers and see great value and are attracted to purchase such.

Place

The main driver for accessing the product is facilitated through the online booking website. They have been the pioneers in innovation by leading the online and electronic ticketing mechanism. Their website is ranked 31st in the Philippines. The online booking system has very much dramatically reduced the company’s distribution costs.

In support for this e-ticketing service, they also have some retail outlets and owned ticketing offices, partnership with travel agencies, payment centers and other external agents to increase distribution channels and to ease access and operations in both domestic and international destinations. Bookings can be done also by call centers, client accounts or through other third party sales outlets such as distributors, wholesalers and sales agent.

In order to grow rapidly and expand reach, the company is opening new routes and new destinations to cater to a larger number of customers throughout the world and to fulfill the mission of becoming a leading low cost carrier not only in the Asian region but also across the United States and Europe.

Promotions

Traditional Media. Yellowjet has an in-flight magazine called Smile. It features the destinations and travel tips across the whole route network which could inspire guests of travel journey that they might enjoy. They also engage in traditional advertising (print, newspapers, radio, television spots and outdoor advertising) to announce major seat sales.

Online. The website is the main touchpoint of Yellowjet in announcing its online sales promotions leveraging its strong internet presence and worldwide audience. They also have a membership program GetGo, the one stop solution for all guest information related to Yellowjet. As a member of to GetGo, guests have to option to get updated ahead of great deals, promotions and newsletters. But most importantly, it is a lifestyle rewards program that allows guests to accumulate points with their flights and accumulate points to redeem free flights or add on perks. Points are not limited for earning on flights, but they can also earn points from partners such as gasoline or fuel refill, hotel accommodation and other tie-ups with credit cards-related usage and purchases.

In the GetGo membership, guests can check and update all past and current bookings, they can update profile details, update credit card information and add guest list to facilitate faster booking, and manage the travel fund from the earned points and rewards through the flights.

Yellowjet is very much active in social media. As of to date, they have 2.6 Million fans in its official Facebook account and have 1.57 Million followers on twitter. They are very much known and awarded for their innovative marketing and campaigns in social media. The content of its pages maintain a positive reputation of the airline. With constant promotions of low fares on these pages, the people's attention are diverted to something good about the airline despite the complaints of those having delayed and cancelled flights. This presence in social media strengthens their reputation and brand positioning of their cost leadership. They also have an active Youtube channel with almost 6000 subscribers to provide updates on latest routes, newest product launches and announcements. The company also uses online advertising to reach those who are in the stage of planning their trips and searching for flights. These online ads aim to direct them to the website and contribute for around 50% of the total flights bookings in the website.

Viral marketing. During the 2010, the safety demonstration instruction has been conducted by the flight attendants in the form of a dance and has become very viral, receiving seven

million visitors in one week. This move has surely generated positive word of mouth about the brand, embodying that it is indeed a fun-spirited, energetic and adventurous airline.

Public Relations. The company uses press releases, annual reports, events and experiences to market its brand. They usually report on the awards that they have received, the quality certifications and the effectiveness in their marketing communications strategies.

People and Physical Evidence

In terms of people, the main face of Yellowjet to its guests are the flight attendants who service the routes. They are maintaining the attitude of comfort, friendliness and warmth while embodying professionalism and the Fun Filipino spirit. They are not dressed elegantly or luxuriously but are wearing fun and functional clothing that is casual and fresh, one which is ready to take on the global scale. They recently did a facelift to the cabin crew uniform to elevate their image as they are important marketing touchpoints. People will see them once they pass through busy airports and could make judgments about the quality of the airline just through the way they present themselves and the way they look. People are also involved in terms of the customer service, and thus they aim to quickly respond to customer complaints and issues, booking and queries to ensure customer satisfaction.

The physical evidence that the guests experience with the airline is through both the exterior and interior look of the aircraft. They have re-branded the livery of the aircraft alongside the brand refresh, adjusting the eagle, the logo, the brand name in according to the new brand standards. They have also ordered the aircraft A320 with sharklets (winglet) that extends from the wingtip in order to increase the efficiency of fuel usage and to increase the cross country speed. These type of aircraft will reduce fuel burn by 4% and can increase the range of miles that can be travelled. For its long haul distance flights, it uses the airbus A330.



Figure 10. Airbus A330 Yellowjet Interior

Source: <https://www.yellowjet.com/fleet/airbusA330.html>

Yellowjet has been perceived to be problematic when it comes to their communication behavior. Slow response time on queries concerning delayed and cancelled flights, as well as the lack of concrete answers on crises have been noted. However, Frequent fliers still find the Facebook page reliable as the main contact point because Yellowjet strives to offer answers to questions or concerns as best as it can.

Facebook has been an effective tool for Yellowjet in terms of maintaining a positive perception from their clients even with all the negative feedback regarding delayed and cancelled flights. Customers can still feel a personal and direct relationship with the company. Through personalized attempts to reply to tweets and wall posts, customers feel that each of their voices and concerns are being heard. Individually responding boosts the level of engagement with the brand.

As a way also to create excitement and translate its fun and upbeat personality, Facebook is the main point of contact to its avid fans and to those bargain hunters who want to keep updated with the latest promotions. The regularity of sales promotions increases engagement of customers with the airline and a kind of relationship that is more tolerating and accepting.

Productivity and Quality, and Processes

In terms of quality, Skytrax which ranks and gives reviews of different airlines has awarded Yellowjet as a 3-star airline. It also has the ISO 9001:2008 certificate guaranteeing that Yellowjet has consistency in terms of its business procedures as well as all key process in the airline. This includes effective process monitoring, transparency and recording of transactions and employment of continuous improvement techniques. This certification is issued system-wide and not only for a specific division of the company.

In short, the certificate is a testament that as an airline it provides a safety which is world-class and quality management practices that are adapted to those which are best practiced in the industry. In terms of processes, it employs a strict maintenance program while focusing on having the best training for its pilots, cabin crew, engineer and maintenance personnel to pass the strict audit mechanisms by the Civil Aviation Authority of the Philippines (CAAP). They just do not deliver in terms of the bare minimum, but going beyond the regulatory requirements is a way in which they can commit to passenger safety and quality.

In terms of some productivity metrics, for 2014, the On-time performance was posted at 73% with seat load factors of 83.9% in the domestic and 78.9% in its international flights. (Yellowjet Reports, 2014)

5.3.4 Benchmarking

Upon analysis of the 8Ps of Yellowjet, we are now ready to make some comparisons and benchmarking across domestic and international competitors. Domestic competition that will be considered will be Philippine Airlines and Airasia. While international competition will be RyanAir, Wizzair and Easyjet as these are the Top 3 major low cost carriers in Europe. The benchmarking table is listed below.

In principle, the sum of the total weights across the different factors will be 100%. The highest score for each category is 10, the lowest is 1. When ranked per element of the marketing mix, the highest rank is 1 while the lowest is 6 since we are comparing 6 airlines.

Table 5. Benchmarking Table for Yellowjet (Source: Own Analysis)

Category	Weight	Company	Domestic Competition		European Low Cost Carrier Competition		
		Yellowjet	Philippine Airlines	Airasia	Ryanair	Wizzair	Easyjet
							
Product							
Strength of brand image	9%	6	7	8	10	8	7
Noteworthy flying experience	4%	8	7	6	5	6	6
Fleet size	4%	6	7	3	10	7	9
Carry-on luggage allowance	2%	6	7	6	7	3	7
Mobile application	2%	7	3	7	8	8	8
<i>Product Score</i>		1.36	1.39	1.34	1.8	1.46	1.53
<i>Product Rank</i>		5	4	6	1	3	2
Price							
All year round lowest fares	4%	8	3	8	7	8	6
Regular promotional fares	3%	10	4	7	8	7	6
Value for money	3%	8	9	7	6	6	7
<i>Price Score</i>		0.86	0.51	0.74	0.70	0.71	0.63
<i>Price Rank</i>		1	6	2	4	3	5
Place							
Expansive route network and destinations	8%	6	4	3	10	7	8
Appeal of online booking website	5%	7	6	5	8	6	5
<i>Place Score</i>		0.83	0.62	0.49	1.2	0.86	0.89
<i>Place Rank</i>		4	5	6	1	3	2

Promotions							
Buzz / positive word of mouth	8%	7	6	5	3	5	5
Social media presence and number of likes	5%	10	8	9	7	6	8
Loyalty / membership program	4%	8	9	7	5	7	6
Direct / email marketing campaigns	3%	8	7	6	6	5	5
<i>Promotions Score</i>		1.78	1.45	1.31	0.97	1.13	1.19
<i>Promotions Rank</i>		1	2	3	6	5	4
People							
Cabin staff service	5%	7	9	5	4	4	5
Customer service quality	5%	4	6	5	3	5	4
<i>People Score</i>		0.55	0.75	0.5	0.35	0.45	0.45
<i>People Rank</i>		2	1	4	6	4	4
Physical Evidence							
Legroom / seat pitch in aircraft	5%	6	9	7	6	6	7
Overall interior aircraft appeal	3%	7	8	6	5	7	7
Quality of exterior livery of aircraft	3%	7	8	6	7	5	6
<i>Physical Evidence Score</i>		0.72	0.93	0.71	0.66	0.66	0.74
<i>Physical Evidence Rank</i>		3	1	4	5	5	2
Productivity and Process							
Safety and accident-free	6%	8	7	6	10	9	10
Quality certifications (Skytrax)	5%	7	7	7	6	7	7
On-time performance	4%	5	7	8	9	7	8
<i>Productivity and Process Score</i>		1.03	1.05	1.03	1.26	1.17	1.27
<i>Productivity and Process Rank</i>		5	4	5	2	3	1
TOTAL SCORE	100%	7.13	6.7	6.12	6.94	6.44	6.7

Legend

	<i>Strength</i>		<i>Average Performance</i>
	<i>Weakness</i>		

5.4 ANALYSIS OF STRENGTHS AND WEAKNESSES

An internal analysis of Yellowjet will serve as a foundation to determine which areas must we focus and improve on as well as the elements of the company to continue in order to provide a stronger proposition once entering European skies. The summaries of strength and weakness with respects to the 8Ps of Services Marketing are listed in the table below.

Table 6. Strengths and Weaknesses of Yellowjet

Source: Own Analysis

8Ps Factor	Strengths	Weakness
Product	<ul style="list-style-type: none"> • Noteworthy flying experience 	<ul style="list-style-type: none"> • Brand image • Fleet size
Price	<ul style="list-style-type: none"> • Year round lowest fares • Regular price promotions • Value for money offers 	
Place		<ul style="list-style-type: none"> • Limited route network
Promotions	<ul style="list-style-type: none"> • Leader in terms of buzz and positive word of mouth • Active in social media presence • Strong membership program • Regular direct marketing campaign offers 	
People	<ul style="list-style-type: none"> • Warmth of cabin crew 	<ul style="list-style-type: none"> • Quality of customer service
Physical Evidence		<ul style="list-style-type: none"> • Limited legroom
Productivity and Process		<ul style="list-style-type: none"> • Lowest in on-time performance

5.4.1 Strengths

- What sets Yellowjet apart from the European and domestic carriers is its promise of a fun and enjoyable flying experience through fun flight activities and games. This is certainly a trademark which no other carrier is conducting.
- Across domestic and international flights, it lives through the promise of offering the lowest fares across different destinations by comparing the year-round fares. However, across European destinations we see that Wizzair has the lowest general average prices of its fares.
- Yellowjet also is the leader in terms of promotions – as they have cycle of promotions which run every month. They run these cycles across different destinations. We cannot see this aggressive mode of promotions as frequent compared to other carriers domestic or in Europe. They usually advertise these sales promotions using creative headlines.

They communicate these promotions through social media and through online booking via their website. Besides, for the first entry they always provide discount during the launch of a new route so new customers can expect a very affordable price for the first point-to-point connection that they will make as they enter Europe.

- Yellowjet offers can be considered value for money because of the practice of less deceptive pricing tactics. Ryanair is known for usually putting hidden insurance or hidden contribution charges that requires guests to opt-out. Guests must pay attention to these hidden costs to avoid being overcharged. In Yellowjet, you get what you pay for and can just have some add-ons if extra services are preferred.
- Buzz and positive word of mouth are generated by Yellowjet because they drive excitement through regular sales promotions. The mascot, a happy smiling eagle is also a good brand trademark. The character of the airline has been highlighted as fun and innovative from the viral marketing campaign which rose from demonstrating the safety procedures.
- Despite being an airline based in the Philippines, Yellowjet is leading the social media presence by having the highest numbers of likes in its Facebook account. Thus, they reach customers through a lot of different touchpoints. Even in Instagram, we see that posts and content are curated, not directly promoting the sales or the fares but showing pictures of travel locations and destinations to encourage and drive for travel.
- A strong membership program also empowers Yellowjet as it has combined account management and rewards into its GetGo Membership. Plus, members can earn points not only from flights but also from various partnerships that they have with credit card corporations and hotel accommodations.
- In terms of marketing campaign, Yellowjet will send email of its latest deals and sales once opted in. Aside from these, they also combine information about all-in packages so that guests will not be troubled by the hassle of booking separate parts of the travel. These deals are only exclusive online and to members of the loyalty program.
- The last notable strength of Yellowjet is through the warmth and hospitality of the Yellowjet cabin crew. They are known to always bring their fun smiles on board as they aim to establish themselves as a fun carrier representing the fun in the Philippines. Surely guests are treated in a fun and always positive experience with the cabin crew as they are served properly and treated always like a family.

5.4.2 Weakness

- Compared to European low cost carriers, Yellowjet needs to still establish its brand image in order for it to be familiarized with European travelers. They will not have a trouble marketing themselves from Filipinos who reside in Europe but huge marketing and brand activities must be conducted upon entry.
- The fleet size of Yellowjet is smaller than the competitors. If they want to really expand and become the leading global low cost carrier, they must continuously expand and order aircraft. This yet is something that is continuously expected as they have ordered new aircraft to come for the succeeding years but this entails high operations and capital expenditure.
- Especially in Europe, Yellowjet has no established route network yet as the plans for its entry are still being under discussion or a work-in-progress. Yellowjet needs to find routes that will be both profitable for them and have sufficient market demand. The main objective must still be for them to become the major connection from Europe to Philippines rather than be a point-to-point network across European destination as this strategy is already conducted by Ryanair or Easyjet.
- There is a higher risk with entry in Europe because higher levels of customer service are now demanded as they will now be servicing a larger customer base with different cultures and expectations of service. Thus they must be prepared to serve them by hiring language experts or even having some extended training and headcount.
- Especially in longer haul routes, it will be more beneficial to reconfigure the plane interior to have higher legroom than in domestic routes to increase comfort of traveling.

There are other areas where Yellowjet remains average, though not major areas of concern, these are also points that need to be paid attention to for success.

- Yellowjet must continuously innovate and pay attention to its mobile applications, to increase its usability and functionality.
- The same goes for the online website as it is the main touchpoint usually used for booking flights, they must ensure that the website has enough capacity especially during promotional sales. They also must keep navigation simple and user friendly. It has been known that internet bookings have the highest portion of total direct sales for Yellowjet, averaging 50% of their total sales.

- Also, they must ensure safety of their passengers as their priority and must strive to always use the highest standards and practices of maintenance to ensure that all aircrafts are in their best condition. Pilots and cabin crew staff must always be re-trained to be prepared for all sorts of conditions and emergency situations.

6 OPPORTUNITY ANALYSIS

In this section, we will look at the current airline industry in the Philippines and see what the trends are in terms of the strategic moves of major players. However, what will be highlighted are the activities of low cost carriers in Europe and what are the opportunity areas for market entry in Europe. Afterwards, this analysis, key volume numbers will be presented as well as an environmental analysis of the European aviation market. Porter's five forces analysis will be used to study the industry sector which in summary will give us a complete picture of the opportunities and threats for this entry strategy.

6.1 MARKET TRENDS

6.1.1 Domestic Travel Trends

The years 2013 and 2014 have been tough in the domestic market as the growth was flattish at 0.1% amounting to 20.35 million passengers flown (CAPA, 2015) coming from a major passenger decline in 2013. This has ended the almost doubling of passenger traffic between the years of 2007 to 2012, driven by the rapid expansion in the low cost carrier segment pioneered by Yellowjet.

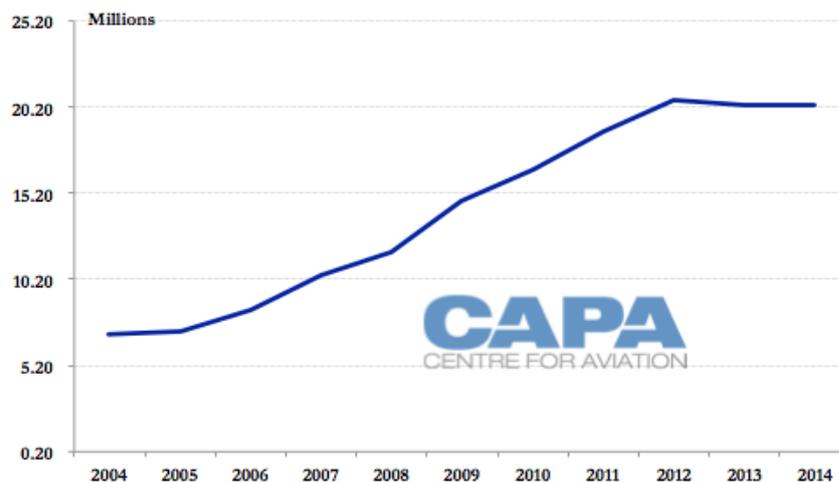


Figure 11. Annual Domestic Passenger Traffic in the Philippines

Source: CAPA – Centre for Aviation & Philippine CAB, 2015

Despite the decline in overall industry, Yellowjet has not been affected by this decline, continuously growing its domestic traffic. Now looking forward to 2015, the aviation outlook is positive due to the significant fall in oil prices since 2014. Different factors contribute to classifying the domestic market as “bright” with budget and low-cost carriers continuing to lead the growth in the industry.

- Improved Market Conditions in the Philippines

Market and economic conditions in the Philippines are stable growing the GDP at 6 to 7% per annum. The growth of GDP translates to higher disposable incomes of Filipino families, increasing their ability to afford flying. Also, the strong market fundamentals also allow those who can already afford flying to become more loyal and travel more often. (Camus, 2016) This increase in income is favorable due to the increasing trend for travelers to opt for shorter flights rather than by sea transportation or ferries. Low fares in low cost carriers are very much able to stimulate the demand and to entice first time flyers.

- Lower Fuel Prices

Major airline players in the Philippines were able to gain back their profitability thanks to the global impact of lower fuel prices as fuel is one of the major expenses of airlines.

- Consolidations and Capacity Management

Consolidations and Mergers and Acquisition activity within the country have resulted into the airlines in the country to be more competitive in the Southeast Asian region. In early 2013, Air Asia Philippines merged with Zest Airways while Airphil Express was merged to a full service regional subsidiary under the Philippine Airlines now under the name of Pal Express. In 2014, Yellowjet has acquired Tigerair Philippines and is now branded as CebGo. These acquisitions have the dual benefit of reduced capacity and improved profitability.

Airlines in the Philippines have also cautiously managed their capacity through fleet expansion in order to avoid overcapacity and demand not catching up as happening in other Southeast Asian region.

6.1.2 International / Regional Travel Trends

In this section we will look at the international inbound and outbound flows to the Philippines and we see that in the region certain trends are existing including the fast expansion of low cost carriers, the low cost long haul operations, increasing inbound tourism arrivals in the Philippines.

- Rapid Low Cost Carrier (LCC) Growth

The rate that low cost carriers (budget / no frills airlines) in Southeast Asia have expanded is up to 8 times from total seat capacity of 25 million in 2004 to 200 million seats in 2014 2. (CAPA, 2015) This then reflects a general trend of the market to go for affordable travel for

short point-to-point destinations rather than go for full service carriers which have only expanded by 45% from 180 to 260 million seats (2014 vs 2004) or annually growing only of 5%. From this, we see that LCC competition within the region is very much intense with pressures on profitability.

The LCC penetration in Southeast Asia is 60%, meaning that that 60% of the seat capacity are offered under low cost and no-frills. Given this popularity for low cost travel, full service airlines establish LCC subsidiaries – such is the case for the establishment of PAL express under the full serviced Philippine Airlines as LCCs pose as a serious threat to legacy or full service carriers. In the Philippines, most customers are price sensitive and look for value for money, the LCC penetration is even higher than the region average at 87%. (CAPA, 2015)

- Medium and Long-Haul Products from Low Cost Carriers

Low Cost Carriers now begin to enter international markets with longer destinations as saturation occurs in the short haul routes. This opportunity is matched with their purchase of widebody aircraft which allows airlines to fly further distances. Seven Southeast Asian low cost carriers operate 52 widebody aircraft where Yellowjet ranks the third ranked according to the fleet size. Long-haul low cost is a trend that is described to be a powerful force in the Asia Pacific as most of the airlines are playing this strategy based on the type of aircraft that is for delivery in the succeeding years. Australia is the most popular long-haul destination for these Southeast Asian carriers with 30% LCC seat penetration.

Table 7. Southeast Asian LCC Widebody Fleet Size

Source: CAPA Fleet Database, 2016

Rank	Airline	Country	Number of Widebody Fleet as of Jan 2016
1	Air Asia X	Malaysia	20
2	Scoot	Singapore	11
3	Yellowjet	Philippines	6
4	Lion Air	Indonesia	5
5	Thai Air Asia X	Thailand	5
6	NokScoot	Thailand	3
7	Indonesia Air Asia X	Indonesia	2

Following the success of long haul product, Yellowjet has entered into this segment, fighting head on into the international markets only exclusively serviced by the Philippine flag carrier such as Sydney, Australia and recently in March 2016 has begun the flights to Guam, United States. The expansion is scalable, and aims for efficient operations while bring consistency

to the brand promise of Yellowjet. The first direct long haul flights offered by Yellowjet occurred in October 2013 between Manila and Dubai, transitioning the airline's short haul and regional span and being the first Filipino carrier to land in Dubai in 15 years. This is an important connection because Dubai and Middle East serves as gateway that could serve as a connection to Europe. It considers the importance of Middle East as a region where there is sufficient demand from the growing Filipino overseas workers population.

As per Yellowjet as of March 2016, they have the following long-haul destinations based on the order when they were launched Dubai, UAE (Oct 2013), Kuwait (Sep 2014), Sydney, Australia (Sep 2014) Riyadh, Saudi Arabia (Oct 2014), Doha, Qatar (Jun 2015), and Guam, USA (Mar 2016). The launch of long-haul is not occupied without any challenges as the seat load factor for 2014 was 61.3% (Yellowjet, 2015). The long haul operations for 2014 have also incurred losses of over US\$20 Million dollars. (CAPA, 2015)

- Growth in Philippine Inbound and Outbound Tourism

Compared to neighbors in Southeast Asia, Philippines has the lowest number of international tourist arrivals, but it is the one that is growing rapidly due to increasing promotions and campaigns drawn by the government's department of tourism. Euromonitor (2015) notes that the country is the sixth fastest growing brand as a nation as it is becoming easily accessible worldwide.

In terms of outbound tourism or the Filipinos going out of the country for travel, Gatdula (2014) notes that in terms of growth of Travel spending, Philippines ranks the second among emerging markets. This is in light again of the improving economic conditions allowing better standards of living where travel is no longer as luxury and is made affordable by low cost carriers and budget forms of traveling.

- Skies Integration

Camus (2016) reports that within the Association of Southeast Asian Nation or ASEAN, Philippines has agreed to the air pact for liberalization agreements increasing the travel and trade across the region with potential to lower travel costs and fares. This liberalization allows for unlimited travelling frequencies among the capital cities. This pact will boost and benefit the tourism and service industries as Manila will be opened to more flight options and connectivity to the rest of ASEAN.

6.2 VOLUME AND VALUE DRIVERS

In this section, we will focus on the market size in the international market as the focus of this paper is an entry into Europe. We will first look at inbound and outbound capacities of airlines to and from the Philippines. We will also look at the passenger movement - tourism arrivals and departures by guests coming to and from the Philippines.

6.2.1 Inbound Tourism

In terms of seat allocations flying to the Philippines, it has been noted that the allocations for 2016 have increased to 13 million from 2015's allocation of 9 million seating which is indicative that airlines are now increasing capacities and priorities to Philippine destinations while people from all the world are able to connect more and visit the country. (Magkilat, 2016) Growing at a rate of 7 percent over the last five years without government enforcement signals a demand to tourist markets and more airlines choosing to fly to the Philippines. Although majority are still full service carriers, this trend is expected to change given the proliferation of budget and low cost airlines in Southeast Asia.

Looking at how this split is allocated, we have this information from 2012 by CAPA and we still see that PAL is a leading competitor with 25.8% seat allocation while Yellowjet trails as second with 18% seat capacity allocated for its international flights. The split of seats per carrier can be shown in the Figure below.

Aside from the seats, another factor that can be tracked will be to identify which markets or countries does the Philippines attract in terms of tourist arrivals. It is important to note this to gain understanding of which one-stop connections are still underserved or which routes can become potentially taken as an opportunity. Pacific Asia Travel Association (PATA) has provided us with estimates as to how big the market will be and their estimated number of tourists for 2016 is 5 million, growing at a rate of approximately 5% from the previous period. This growth rate will be held flat to reach approximately 5.5 Million by 2018. This then reaffirms the growing inbound tourism from the efforts conducted by government to promote the country as a tourist destination. The estimates for the total arrivals can also be seen in the figure below.

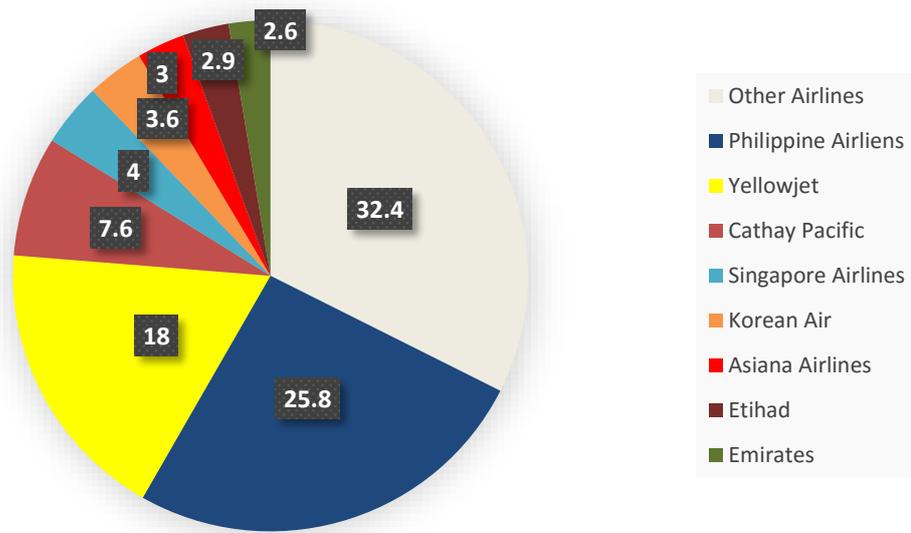


Figure 12. Philippines International Capacity Share by Carrier

Source: Espiritu, 2014

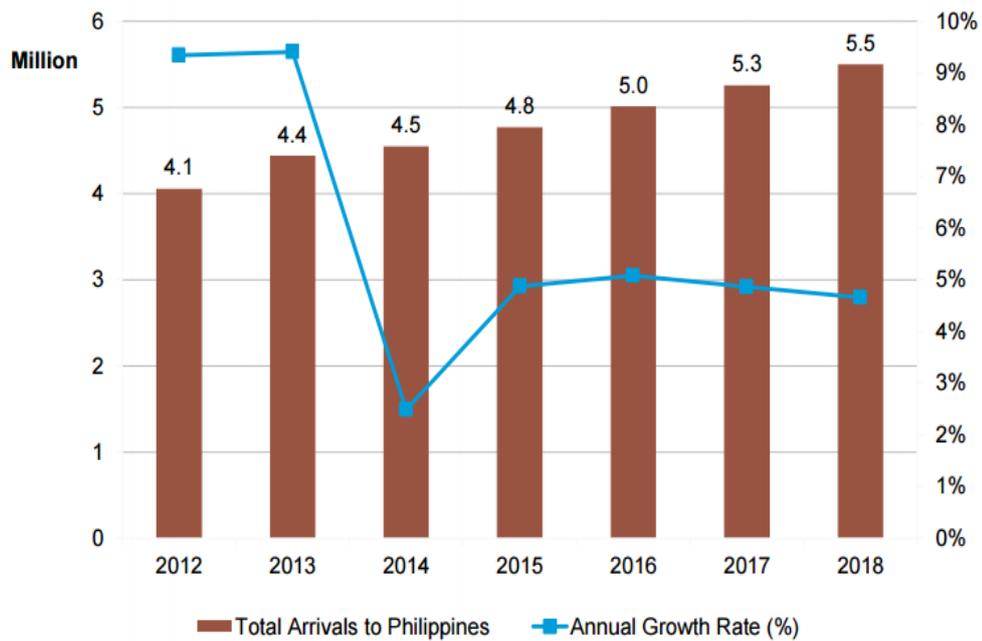


Figure 13. Total Arrivals to Philippines and Growth Rate (PATA, 2014)

However, it is also important to note which sector or to which markets do the Philippines attract the most. In terms of volume for 2015 visits, we can see that Koreans are the number one tourists who visit the Philippines. They have a total arrival of 1 339 678 tourists, growing by 14% over the previous period. The second tourist arrival comes from the United States while the third one are the Japanese. The whole Top 12 Markets by Volume and their respective growth rates are listed in the table below.

Table 8. Top 12 Incoming Tourist Arrivals by Volume to the Philippines
Source: DOT, 2016

Rank	Country	2015 Volume	% Share	Growth Rate
1	Korea	1,339,678	24.99%	13.97%
2	USA	779,217	14.54%	7.81%
3	Japan	495,662	9.25%	6.88%
4	China	490,841	9.16%	24.28%
5	Australia	241,187	4.5%	7.3%
6	Singapore	181,176	3.38%	1.16^
7	Taiwan	177,670	3.31%	24.27%
8	Canada	156,363	2.92%	8.66%
9	Malaysia	155,814	2.91%	11.9%
10	United Kingdom	154,589	2.88%	15.65%
11	Hong Kong	122,180	2.28%	7.08%
12	Germany	75,348	1.41%	3.5%

Total tourists for the year 2015 were 5,360,682 which has shown a growth of 10.91% from previous years 4,833,368.

An important point of analysis are a focus on the inbound arrivals for Europe where we could see that Majority of the European travelers (44%) come from Northern Europe with 234,630 travelers, with United Kingdom as the lead market. This is succeeded by Western Europe with 202,793 travelers (38%) with Germany leading. Southern Europe comes third at 10% and Eastern Europe at 8%.

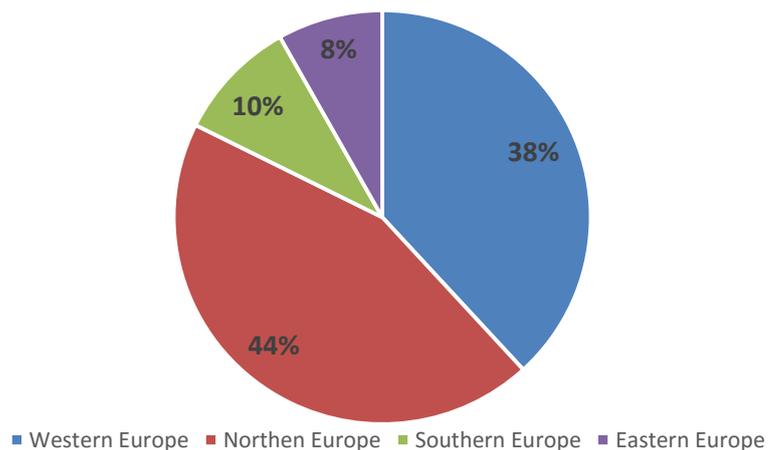


Figure 14. Split of European Tourists in 2015
Source: DOT, 2016

Given that UK and Germany are the top 2 leading European inbound markets, we can also continue this ranking and identify that out of all Europe, it is important to note that the fastest growing versus 2014 year is Spain with 24.76% annual growth. Following Spain is Portugal

(22.62%), then France (16.84%), Greece (15.66%), United Kingdom (15.65%), and Finland (15.55%).

Table 9. Top 10 European Tourist Arrivals by Volume to the Philippines

Source: DOT, 2016

Rank	Country	2015 Volume	% Share	Growth Rate
1	United Kingdom	154,589	2.88%	15.65%
2	Germany	75,348	1.41%	3.5%
3	France	45,505	0.85%	16.84%
4	Netherlands	28,632	0.53%	13.46%
5	Switzerland	27,200	0.51%	6.47%
6	Russia	25,278	0.47%	-9.23%
7	Spain	24,144	0.45%	24.76%
8	Sweden	23,206	0.43%	6.15%
9	Italy	21,620	0.40%	8.83%
10	Norway	20,968	0.39%	0.59%

6.2.2 Outbound Tourism

We can see clearly from the chart below that value spending by outbound tourism of the Filipinos are on an upward trend such that by 2013, total value spent was US\$ 8,400 million dollars, growing by 17.65 % over 2012.

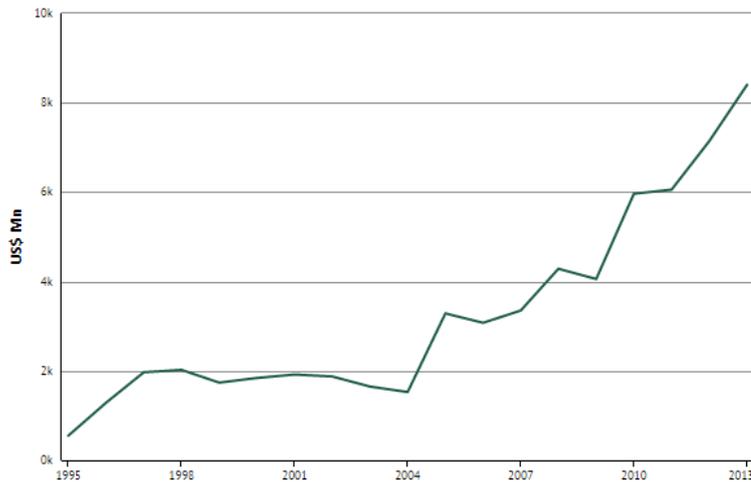


Figure 15. Outbound Tourism Spending – Philippines

Source: Philippines - Outbound Tourism Indicators - Tourism expenditure in other countries, 2015

This indicates a positive opportunity as Filipinos are now more inclined and have the capability to travel outside the country because of the improving economic conditions.

Choong and Hedrick-Wong (2014) studied in terms of the volume of outbound leisure trips by residents of the Philippines and have found that estimated CAGR is 8.7% from 2014 to 2020 reaching 6.2 million by 2020.¹ Compared to the growth in households, outbound trips will be growing 5 times faster. The growth of the outbound international leisure trips will still be driven by those families earning more than US\$10,000 per annum (representative of 34% of all the households) as they are also growing much faster than the ones earning below that figure. From this same survey, Paris takes the preferred choice as Aspirational destination. This desire to go to Europe is one of the important motivating factors that we could address through our offering of connection by Yellowjet. However, despite a more traveling oriented lifestyle, Filipinos still are very much budget conscious.

Table 10. Outbound Leisure Trips from the Philippines

Source: Choong and Hedrick-Wong, 2014

Outbound Leisure purpose trips only	2011	2012	2013e	2014e	2020f	2014-2020 CAGR
Outbound trips (mn)	3.0	3.2	3.5	3.8	6.2	8.7%
Households (mn)	18.4	19.1	19.5	19.8	21.9	1.7%
Total outbound trips as percentage of total households	16.1%	16.9%	17.9%	19.0%	28.3%	

In terms of preferred destinations, the only data available is from Travel Trends Report stating that Asian countries are still the most preferred travel destinations of Filipinos and a reason of that is the ease of travel between ASEAN partner countries which do not require travel visa in order to visit. Visa application and expensive airfare are some of the barriers that Filipinos towards flights in longer haul destinations.

From the said report, during peak seasons (summer) top cities visited are Singapore, Hong Kong, Los Angeles, London and Bangkok. In terms of countries preferred we can include also United Kingdom, Japan, UAE, Canada, and South Korea as part of the Top Outbound destinations. (Pinoy Adventurista, 2014) Majority of the reasons of their traveling remain connected with visiting the family, relatives or friends. While the peak travel period occurs from April to June or from October to December. Filipinos usually take advantage of the

long weekend during the Holy Week which is usually around April and the Christmas and New Year holidays in December.

However, there is a sizeable community of outbound Filipinos who leave the country in order to work abroad. According to the 2013 Country Migration Report, a total of 1.8 million workers left the country for 2012, growing 6.7% from the previous period. From the study, Middle East countries are the top destinations of overseas Filipino workers with Saudi Arabia as the top location. (Lozada, 2013) As this component is what Yellowjet will really like to focus on connecting and reaching out to where the Filipinos are all over the world, the overseas Filipino community is indeed an identified opportunity which we will be discussing further in the subsequent chapter.

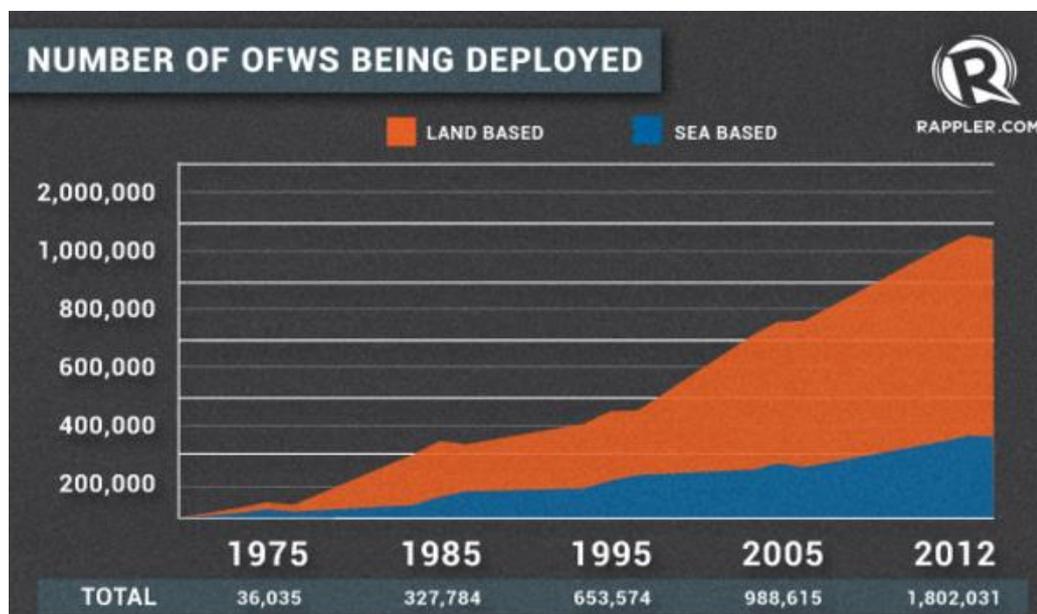


Figure 16. OFW Deployment in the Philippines

Source: Rappler.com from Lozada, 2015

6.3 ENVIRONMENT ANALYSIS

The environmental analysis will look at how the different forces in terms of the political-legal, economic, social, and natural environment are impacting the airline industry in both Europe and the Philippines.

6.3.1 Political - Legal Factors

Political and legal regulations very much dominate the airline industry as international flights and routings are very highly regulated and are results of inter-government negotiations. To enter a specific international market is a complicated process and is an integrated

effort by the country and the private sector. Government can also exert significant influence by law to the current airline companies and for those new entrants in order to protect the interests of the passengers.

- **Regional Liberalization in Southeast Asia**

Discussed earlier was the concept of the ASEAN Open Skies, a major aviation policy which increases competitiveness across the region by increasing connectivity regionally by allowing ASEAN member states to freely fly throughout the region via liberalization of the services creating unification in the market for air transportation. This will allow for higher traffic and increase in service quality with lowering ticket prices. Successful implementation of this policy will result towards no limits in frequency or capacity between the international airports of the member states of ASEAN. (ASEAN Briefing, 2015)

- **EU Ban lifting on Blacklisted airlines from the Philippines**

Through a joint cooperation between the Philippine government and the Civil Aviation Authority of the Philippines (CAAP), airlines from the Philippines were blacklisted from flying into Europe from 2010, as they have felt that the airlines are not able to meet international safety standards and aviation measures or that the authorities responsible for civil aviation are not sufficiently able to deliver rulings in terms of international safety and security regulations.

However, progress has been made in 2013 when it removed the ban from the Philippine carrier, Philippine Airlines allowing them to fly in the Eurozone. Then this June 2015, all airlines from the Philippines (including budget and smaller airlines) have been removed from the blacklist and are now allowed to operate and fly directly to the European airspace. This decision comes from the safety assessment inspections in April, lifting the ban to the entire aviation sector.

This has a positive impact for Yellowjet as it creates more opportunities for expanding its route network not only for Filipinos who are deciding for outbound tourism but also for boosting the number of European tourists to use low cost carriers to visit the Philippines.

- **Political Instability**

The government of the Philippines has been known for its negative perception due to high levels of corruption and improper utilization of the state funds which are unable to deliver the promise and deliver basic services and raise the standards of livings to Filipinos. 2016 is

an election year which is a risky one as it could signify a change in direction on how the country will be ruled and how the current growth prospects will be sustained.

Safety issues and militant groups in the southern island of Mindanao are cited as major issues that are barriers to tourists traveling inbound as a highly publicized hostage-taking event occurred in 2020 involving Hong Kong tourists which the government was not able to handle security-wise. This has caused China, US, UK and Australia to issue travel warnings to its tourists traveling to Philippines and has cited the threats from terrorists and insurgent activities in the Southern archipelago with high threat of kidnapping international travelers and violence from insurgency and terrorism. The National Capital Region is also not excluded due to the lack of strong safety figures or police enforcement which has allowed for the proliferation of petty crimes.

Lastly, the Philippines is also involved in the dispute over the islands in the West Philippine Sea, an area which are full of oil resources when harnessed. China has been active in the reclamation efforts which can threaten the state security if China will take an aggressive stance. This case has been raised under the UN Convention on the Law of the Sea, with the Philippines winning to bring the jurisdiction under modern international law rather than with China pushing for historical rights, giving UNCLOS the authority to resolve maritime disputes and to nullify China claims.

- **Active Inbound Tourism Promotion from Tourism Department**

The Philippines Department of Tourism (DOT) sees a large target of visitor attraction in the years to come. And paired this with a more intensified effort to promote tourism in the country. Great collaboration and direct relationship can be seen between the department and the air travel private sector.

The tourism campaign for 2015 is “Visit Philippines” Year, focusing on different offerings of the tourism from business meetings, history and culture, lifestyle and entertainment, music and arts, and sports and eco-tourism. This campaign is expected to gain US\$10 million for 2016 revenues from inbound tourism expenditures.

- **Weak Transportation and Limited Travel Infrastructure in Philippines**

Compared to neighboring countries with well-connected airports to city centers, and developed public transportation, the Philippines lags behind. Although current investments are being done to rehabilitate the main gateway airport, Ninoy Aquino International Airport and

there are already discussions on building a new airport to address capacity issues. However, current issues remain congestion of Manila airspace and growth of air passenger traffic which will affect the country in the short term.

- **Enforcement of Passenger Rights**

Higher quality service is expected of Yellowjet as it needs to abide by European Law and the Passenger rights, where the passengers have the right to be compensated once the flights get cancelled or get overbooked. As per these rights, Yellowjet has the liability to pay for delayed flights for as much as €600 per passenger which is dependent on the delay length from passengers who leave the EU.

6.3.2 Economic Factors

- **Lowering Oil Prices from 2014**

Oil prices constitute 10 to 14% of an airline's cost for operation. The recent downtrend in terms of the lower prices of oil due to the oversupply crude oil in the world market can surely not be understated as it affects the operations of airline companies and result to lower airfares. However, the benefits of lower oil prices are not yet trickling down so much as airlines usually hedge and purchase the fuels in advance as a way to protect themselves against fuel price fluctuations and variability from price increases. But lower oil prices help reduce airline costs which we can see as the airlines in the Philippines have returned to profitability in 2014.

- **Improving Economic Fundamentals in the Country**

Overall GDP for 2014 was US\$ 284.8 billion and represents a 6.1% real change from the previous period. The latest estimates for 2015 show that this value has grown by 5.8%. Growth rates are represented in the figure below and on average moving forward, the Philippines will be growing 6% annually up to 2018. This has resulted from strong fundamentals in economics brought by a workforce which is highly skillful which represents a strong and consistent growth rates in terms of GDP. This GDP is also fueled by strong domestic consumption, private investment, and net export but this is matched with weakness in terms of public spending.



Figure 17. Real GDP Annual Growth Rates – Philippines

Source: World Bank Data, 2016

In terms of GDP per capita, which translates to standards of living we can see that the Filipino has been getting better off with current GDP per capita at US\$2872.50. Improving standards of living increases the propensity and capability for spending for traveling and tourism.



Figure 18. Real GDP Annual Growth Rates – Philippines

Source: World Bank Data, 2016

- **Intensity of Low Cost Carrier competition**

Low Cost Carriers in Southeast Asia pose the highest growth sectors when it comes to the global aviation industry as expansion and booming occurs in the low-cost sector. In terms of capacity, this accounts for 50% to be delivered by the budget airlines in the largest domestic markets such as Indonesia, Malaysia, Philippines and Thailand. However, this penetration means that the market suffers from intense competition and are more likely to be offering price cuts and price wars in order to gain more demand which seems to be working well as

the affordability and price competition increased the available deals which can be considered as value for money by consumers.

- **Consumer Spending Continuously Increasing**

Euromonitor (2015) reports that consumer confidence and expenditures have grown for 2014 from the previous term with stronger domestic job markets, the proliferation of the business processes outsourcing and the remittances from overseas workers which fuels a majority of the domestic households. The falling global oil prices have also brought short term lower inflation and is expected to continuously increase consumer spending in 2015.

6.3.3 Social Factors

- **Traveling as a Reward**

Filipinos view traveling in a different light, it is more of a reward and achievement to reach dream destinations and visit places that they want to go. As most young professionals work hard in their job, booking to desired places and destinations is a form of escape that they surely will enjoy and be proud of. Moreover, it is a new part of the Filipino lifestyle, with an expected increase in booking and searching for top destinations for places around the world. (Pinoy Adventurista, 2014) But what is important to highlight is that going to Europe, United States, or other long haul destinations are aspirational in nature and that any form (even budget mode) that will allow Filipinos to visit will surely gain traction.

- **Preference for Budget Travel amongst Youngsters**

Among youngsters, they strongly value relationships with their friends and will choose places and destinations that will allow them to be emotionally connected and hence the choice of travel companions are important in motivating them to go on a trip. However, they would like to get value for money for the chosen destination and still prefer budget traveling. They do this by remaining updated with the latest seat promotions, booking first while making the planning later. They are also attentive to sales or seat deals from websites that offer the best travel packages. They are also aware of online travelling engines and aggregators such as Skyscanner, Wego, that usually offer the lowest fares from one place to another. They usually facilitate the flight search, across various formats that are pocket-friendly and conveniently accessible through the mobile phone. Lastly, these youngsters enjoy the freedom in building their own travel package and itinerary rather than opting for fixed tours and

destinations in which they have no control over. Traveling independently allows them to control and visit only the places and itineraries that they do actually enjoy and prefer.

- **Family Travels**

Older Filipinos are not excluded from the trend of traveling as they usually go with their partners and their children to trips together and still seem to enjoy traveling and would not let age be a hindrance to explore different cultures and beautiful places.

6.3.4 Technological Factors

- **Digital Passengers**

Consumers are now connected more digitally so we can expect that the future generation of passengers are very different and can be even labelled as “digital passengers”. Primarily, they turn to the Internet in making their travel plans, booking the flights and have high expectations that their airlines customer service are able to respond to them online. The Internet allows them to constantly make comparisons about flight prices and the digital passenger is used to check across various websites and travel agency aggregations before making a purchase that satisfies his needs. According to the Atmosphere Research Group, the traffic towards the airline websites will produce volumes of booking of up to 59% by 2017, growing from 35% in 2012.

However because of digital connection, airlines must live up to their promise of good quality and customer service because a negative feedback can be made easily widespread from the customer reviews towards services which are not up to par with their standards.

- **Mobile and Social Networking as a Medium**

Mobile devices are becoming more powerful and increasingly capable as consumers are clearly integrating their lives with mobile phones. Mobile services are expected to become mainstream and will be part of every step in the passenger journey – from planning and booking the flight, towards in-flight entertainment, and during the travel experience itself as he would probably rely on maps or consult some travel websites for places to visit or food to try. After-travel these apps can be used to track the mileage and points accrued. Travelers also rely on their mobile for capturing these travel moments in the form of photos.

But most importantly social networking is a method by which travelers can update their friends and family about their recent escapades. Social media has been very much a reflection of our daily lives and we surely would like to capture these important moments in real time.

In fact mobile is really combining with social, according to Terol (2013) who quotes a study by Dr. Madanmohan Rao which highlights the importance of mobile internet to facilitate the marriage of these two media. This convergence changed the tourism industry by changing how tourists gain, publish and share information and connection.

- **Travel Comparison Websites Disrupting Traditional Booking Agencies**

Travel comparison websites have caused for a boom. Skyscanner, which originated from Singapore has enjoyed 4 times growth and half of that traffic comes from mobile. This drive towards mobile checking of flights is due to the desire of the customer to be well-informed and constantly access 24/7 from their mobile devices.

- **Modernization of Aircraft**

As improvement of technology advances, the aircraft fleet of the different airlines are also expected to get better. They must always have the latest type of technology and fleet. In fact, the average fleet age of Yellowjet is 4.63 years, which is one of the youngest in the region. They are also expected to receive A321 Neo which is a modernized type of aircraft so passengers can expect that they are up-to-date with the latest aircraft technology.

6.3.5 Environmental Factors

- **Natural Calamities and Disasters in the Philippines**

The main concern for inbound travel to the Philippines would be how prone the Philippines is to natural calamities because it is located in a volcanic area known as Pacific Ring of Fire where there is a high tendency for natural disasters such as typhoons, floods, landslide, eruptions, earthquake and tsunami due to the imbalance between aggressive and Eurasian tectonic plate. Its people have also caused some own environmental degradation because of the population rates which are constantly booming and where agricultural lands and forest are converted to urban zones and areas. Irresponsible human action has also caused air and water pollution by discarding waste and abusing the coastal assets and overfishing.

6.4 PORTER'S FIVE FORCES ANALYSIS

In this analysis, we will look at the general business climate of the airline industry and how Yellowjet is interacting with its different stakeholders and competitors as it plans to enter the European market.

6.4.1 Bargaining Power of the Buyers

Buyers usually have moderate bargaining power to airlines because each buying group has different preferences and rarely do they collectively able to strongly influence the airlines. This moderation comes from the low switching cost to other airlines as every airline tries to bring in the lowest and most value for money offer. Despite the moderate influence, it can be noted that word of mouth usually spreads fast whenever a bad service is offered by the airline and a single customer complaint can become viral and destroy the reputation of a company. Such is the case that happened during the peak season of 2014 for Yellowjet. Shortcomings have happened and delays occurred which resulted to a lot of complaints which have reached the social media.

There is a moderation as the Internet has allowed for transparency and could easily compare the flight prices using travel comparison websites. Information is now easily available to consumers and can easily switch or change their mind about purchasing without any room for negotiation.

6.4.2 Bargaining Power of the Suppliers

The overall bargaining power of the suppliers are high because we can only identify two major suppliers of aircrafts – Airbus and Boeing. This seeming duopoly only makes Yellowjet to choose between these two suppliers who relatively have high control over the prices that they set. However regarding which type of aircraft they are choosing will be based on what kind of strategy the airline wants to play in. And for the low cost, long haul entry we can see that Yellowjet aims to utilize the widebody A330 from Airbus to support its operations. The A330 can be considered as a widely used widebody type of aircraft for longer destinations and could signal that the 6 widebody of Yellowjet and the pending orders for A321 Neo for 2017 an aircraft for the long haul although having a narrow body.

As per Yellowjet, majority of its airlines are under Airbus models and switching to Boeing models will be costly as they need to train its people on how to use Boeing aircraft. They also need to rely on Boeing engineers for maintenance. Yellowjet has very little influence to

either Airbus or Boeing because these manufacturers supply a wide airline customers from all over the world and thus Yellowjet's order will only represent a miniscule percentage compared to all the other orders.

Suppliers for other inputs such as fuel, merchandise and food are very dependent on the market conditions in the environment. As per fuel, as global supply is on the rise, there is a good deal that airlines can get from the prices of fuel but for other needs such as food supplied on-board, these are very dependent on the purchasing level or the consumer price indices in the country which will be affected by inflation.

6.4.3 Threat of Substitutes

For inbound and outbound tourism to the Philippines, the threat of substitutes are low as there seems to be low because flying seems to be the most convenient mode of traveling to reach the country. Customers also prefer convenience than to rather result into using alternative modes of traveling (cruise ships, and trains). These alternative modes are at best only usable for short distance travel as airlines seem to be the still the mainstream mode of transportation. A close substitute and competitor are the full service carriers that offer a type of service with in-flight entertainment, food on-board, and attended service from in-flight attendants. Those who will choose this prefer to spend and enjoy the perks of the ride, may have more leg room and amenities than choosing the lowest cost of travel through the budget airline. However, it should be noted that these two business models are targeting two different psychographic of consumers.

6.4.4 New Entrants

Because of the high barriers to entry brought by the high capital investment required in operating an airline – from securing permits to operation, to purchasing aircrafts and actually maintaining them, it is difficult for a new entrant to come into play. Therefore what we see as a more typical of the industry is for consolidations to occur, where smaller airline players are being bought out by larger airline operators.

New entries come also in terms of deregulation, when governments allow for operation or newcomers airlines to fly into the airspace and compete with the current market environment. In this industry, the challenges exist in the form of allowing to get new flight routes from the intended destination. A close relationship with the government must be maintained

to protect the domestic airlines and allow for settling and growth in the market. Hence, threat of new entrants can be said as moderate.

6.4.5 Competition Intensity

There is an intense rivalry among existing players in the Airline industry. From a regional aspect alone, there are 23 Low cost carriers ending 2015 with 610 aircraft. In terms of size, Yellowjet stands with 41 aircraft fleet, ranking in the fourth position. Lion Air from Indonesia leads in terms of fleet size, followed by Air Asia and Wings Air. Competition exists when certain airlines operate routes that Yellowjet does not cover. Also, there is a high amount of fixed costs from financing, and the cost for its flight staff (pilots and flight attendants). Leaving the industry will be quite challenging as there is a huge amount needed to be paid off in terms of loans, and refunding the cancellations of flights. It is also hard to conduct differentiation as there is a basic product offering which is transporting people from one place to another. The airlines can differentiate its product using augmented products and additional service offerings.

The same story can be seen in Europe as there is also a high competition in terms of the LCC such as Ryanair, Easyjet and competition depends on the route networks offered, the choice of destination airport (as it is common practice to choose the secondary airport to lower the costs), and the timing of the flight itself.

6.5 ANALYSIS OF OPPORTUNITIES AND THREATS

We will now summarize the market opportunity analysis section by looking at the different opportunities and threats across the trends, PESTLE analysis, and the industry sector. This information is summarized in the table below. Bear in mind that these are in context of its entry in the European airspace.

Table 11. Opportunities and Threats of Yellowjet in European Market Entry

Source: Own Analysis

Source		Opportunities	Threats
Market Trends		<ul style="list-style-type: none"> • Global decline of oil prices • Low cost long-haul trend an undeveloped business model • Industry consolidation • Growing inbound and outbound tourism to and from the Philippines 	<ul style="list-style-type: none"> • Entrance of other SEA LCC to Europe • Intensity of LCC Competition • Preference for FSC for long haul

PESTLE	<i>Political-Legal</i>	<ul style="list-style-type: none"> • EU ban lift on Yellowjet • Active tourism promotion from the government 	<ul style="list-style-type: none"> • Political instability • Increase in operations cost from higher customer service and passenger rights • Weak public transportation and infrastructure
	<i>Economic</i>	<ul style="list-style-type: none"> • Improving Economic fundamentals • Increased consumer spending 	
	<i>Social</i>	<ul style="list-style-type: none"> • Traveling as a reward • Budget traveling • Family travels 	
	<i>Technological</i>	<ul style="list-style-type: none"> • Digital passengers • Modernization of aircraft 	<ul style="list-style-type: none"> • Digital passengers • Disruption of travel comparison websites
	<i>Environmental</i>		<ul style="list-style-type: none"> • Philippines prone to natural calamities and disasters
Porter's Five Forces		<ul style="list-style-type: none"> • Differentiation by augmented products and customer service to satisfy discerning customers 	<ul style="list-style-type: none"> • Government regulations and policies

6.5.1 Opportunities

The major opportunities that rationalize the entry of Yellowjet into the European market are as follows:

- Because of the clearance of Yellowjet to fly in to the Euro airspace, Yellowjet needs to seize this opportunity to cater to both the Filipino diaspora and the growing attraction of inbound tourists from Europe who desire to fly low cost.
- This is matched with better management of profitability because oil prices are globally on decline due to higher capacity. Before it was a struggle to be profitable in long haul because of fuel prices and this drop signals now a potential to venture into longer haul services.
- This opportunity is match with the trend for low cost carriers to go for low cost and long haul which has an untapped yet growth potentials. Currently the penetration for this form is said to be 20% but can still scoped to be grown up to 50% and with an impact to grow the overall market.

- Inbound tourism is strong, primarily in the region as air travel to the Asian region continues to grow and this is fueled by the booming economy and opportunities in the region and increase in the number of inbound international travelers. The Philippine government is working hard on increasing and promoting the country with its campaign. Focusing on the European region in 2015, the whole travelers from Europe were 531,187, increasing 9% from 2014 with 485,846.
- Inbound tourism can also come from the huge working population out of the country or out of Asia.
- Outbound tourism is also very vibrant with Filipinos second fastest growing as a spender of travel expenditures thanks to the improving economic conditions and optimistic consumer spending attitude. An important portion of these people leaving the country are overseas workers flying to the Middle East.
- Traveling is also ingrained as an activity of the Filipino, viewing it as a reward to be taken especially during long holiday breaks as an escapade. They do it in approval of their family and friends as relationships and emotional bonds are a sociocultural aspect of the Filipinos. However, increasing popularity for budget travel is on the rise, preferring to spend more on the destination and a service which is not luxurious as the main goal of transportation is to move people.
- Digitally connected consumers can allow Yellowjet to communicate to its target audience. It has a very much active social media page where it gets to update its consumers of its sale. It is also through digital where they send newsletter and latest discounts and promotions through its direct email marketing strategy. Yellowjet also harnesses the social media trend to communicate its brand through these platforms.
- New aircraft are expected for Yellowjet to comply with increasing demands of guests for modernized travel and high safety standards.
- Lastly, as the product of air travel tends to get generic across airline industries, customers are very much expecting of a higher form of quality and reliable customer service to attend to their needs and differentiate in the form of additional or augmented services either through attractive website booking, mobile applications, customer service hotline, travel deals or discounts with local accommodation providers. They must also be able to properly handle customer complaints especially when there are delays or flight cancellations.

6.5.2 Threats

- Competition with other LCCs in Southeast Asian region can potential threat. However, Air Asia X, Jetstar and Scoot have removed the scope for Europe and postponed expansion to such and therefore Yellowjet can take first mover advantage as an Asian carrier while it is competing head on with first long haul flight from Cologne to Phuket was Eurowings, the budget arm of Lufthansa.
- LCC penetration at least for the region is very much intense as it is designed and fits the preference for short haul destinations. However, when it comes to long haul people tend to opt more for full service carriers in order to have more comfort given a longer time duration.
- In visiting the Philippines, tourists might opt for other Southeast locations because of the threats in the country especially the military unrest in the southern island. They might also get discouraged by the transportation infrastructure and airport congestion.
- Yellowjet must also make its compliance to increase its standards especially in improving its on-time performance as it must meet the European standards and passenger rights. Any negative perception of the airline can translate to a negative perception of the Philippines.
- It can be pointed out that digitalization of the consumers are both an opportunity and a threat. It is a threat when negative word of mouth has been spread from customer reviews with services and products not up to par to standards.
- Also, the popularity of travel comparison websites highlighting the cheapest fares are putting an indirect pressure on prices as the consumers are transparent and are knowledgeable about which combination of airlines to their destination will give them the lowest combination.
- However, the Philippines as a destination is at risk to tourist because of the prominence of natural calamities occurring such as typhoons and earthquakes due to its location.
- Government also plays an important role in the negotiations for the route slots and hence unstable governmental relations across countries will be a limiting factor to successfully mount or deliver flights.
- Lastly, at least for long haul destinations, budget travel has not yet taken off as it has been still mostly dominated by full service carriers to make the flight more bearable.

7 IDENTIFIED MARKET OPPORTUNITY

In this section, we will combine the internal and external analysis to look at what strategies Yellowjet must consider as it enters the European market. First, we will clarify which European market Yellowjet must enter into. Second, we will look at a SWOT analysis to figure out what Yellowjet's strategic options are. From these strategies, we will come up with an overall strategy in a page for the brand and follow up with marketing objectives in both short term and the long term.

7.1 Description of Opportunity

The entry of Yellowjet into Europe must be fulfilling an underserved route or demand in the market so that targeted customer needs will be matched and will be profitable financially. Majority of the entered long haul locations of Yellowjet were chosen because of the concentration of the Filipino community who already reside there. The reason behind this is that there is already a familiarity among these Filipinos about the brand of Yellowjet and will require less effort in getting a demand as these Filipinos will surely appreciate an airline that will bring them back home either to visit their relatives and their family. With this, we need to analyze where in Europe there is the highest concentration of Filipino workers as this is the primary market that we want to target, as we want to make their return back to the Philippines as affordable as possible with Yellowjet as the travel enabler.

The table below shows the statistics where the overseas Filipino emigrants are located based on the Stock Estimate of Overseas Filipinos (2013). The estimated total overseas Filipinos are 10,238,615 or approximately 10% of the overall population.

Table 12. Number of Overseas Filipinos in 2013 and their Destination

Source: Stock Estimate of Overseas Filipinos (2013)

<i>Country</i>	<i>Total Filipinos</i>	<i>Country Share</i>
<i>UNITED STATES</i>	3,535,676	35%
<i>SAUDI ARABIA</i>	1,028,802	10%
<i>UAE</i>	822,410	8%
<i>MALAYSIA</i>	793,580	8%
<i>CANADA</i>	721,578	7%
<i>AUSTRALIA</i>	397,982	4%
<i>ITALY</i>	271,946	3%
<i>UNITED KINGDOM</i>	218,126	2%
<i>QATAR</i>	204,550	2%
<i>SINGAPORE</i>	203,243	2%

From the table above we can see that 35% of overseas Filipinos are located in the United States which is followed by Saudi Arabia with 10%. From Yellowjet's long haul strategy United States has already been covered with Guam as its first destination launched for the year 2016. In Saudi Arabia, Yellowjet has already launched routes in this location last October 2014, with its seat share of 21.2% out of all non-stop flights between Manila and Riyadh. UAE has been the first destination of Yellowjet in terms of long haul though Dubai last October 2013 with a 22.4% seat share. As of the third quarter of 2015, passenger volume grew by 49.6% and drives the largest revenues with 87.5% SLF.

As Yellowjet, plans to expand in Europe, the largest population of Filipinos abroad in Europe are located in Italy with 271,946 and representing 3% of the overall overseas population. This is aligned with Yellowjet strategy to be present where the Filipinos are and the overseas Filipino markets. There is also a strong demand within the two regions as in Rome, Vatican seats the center and pillar of religious tourism considering that majority of the Filipinos are devout Catholics and there is opportunity for religious tourism and pilgrimage.

Thus, this paper will be focusing on the entry of Yellowjet in the Italian market. Its current carriers A330 have limited range but will be serving Italy first in the short term through an intermediate point with Dubai as connection. It will be offering a direct flight as it will have the same flight number but will necessitate a plane change in Dubai because of the limited range capacity of the A330 aircraft.

In terms of capacity, there are 14 entitlements given to the Philippine Airlines to fly to Italy but these are not being utilized and Yellowjet has been in pursuit of the request to allocate half of those entitlements. Yellowjet will be both targeting two major airports Rome Fiumicino, as it is the capital and Milan Malpensa, as an unserved market and Filipinos are also concentrated in these two cities. These airports can serve as jump off points from and to other European destinations.

Milan Malpensa is indeed a reasonable choice of entry destination in Italy, as it is the first unserved market from Manila according to an analysis of OAG Traffic Analyser (2015) with 37,630 one-way traffic from Manila, growing 27% in 2015. Which means that people are connecting indirectly to Milan and connecting through Muscat via Oman Air (24% transit percentage). The other connecting hubs aside from Muscat, Oman are through Doha, Qatar (16%) and Abu Dhabi (13%).

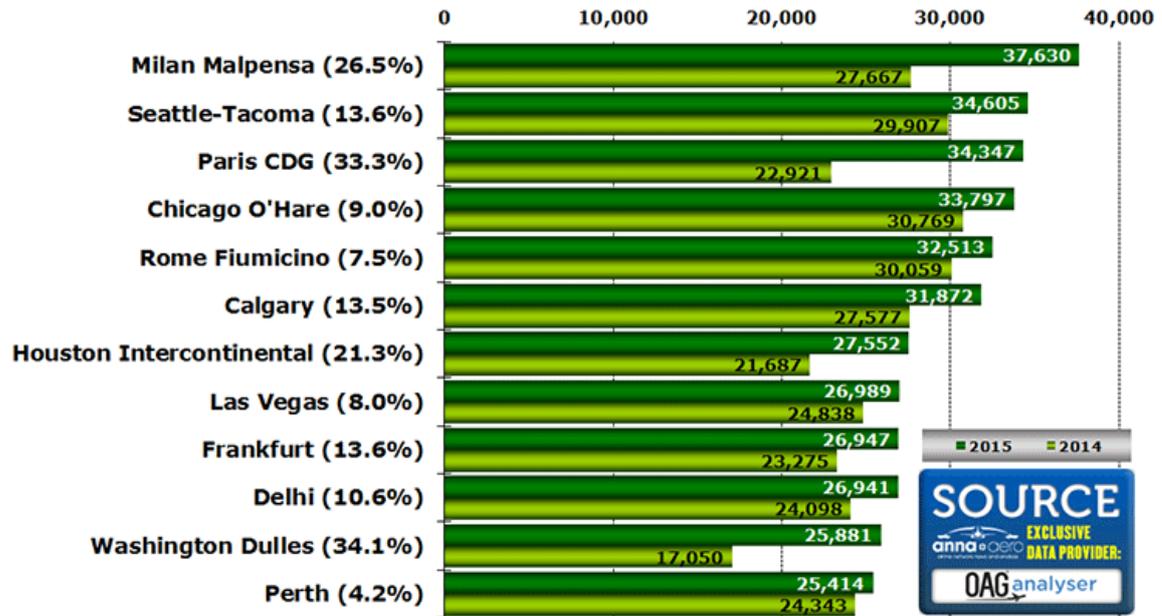


Figure 19. Unserved Routes from Manila in terms of Passenger Traffic for 2015
 Source: OAG Traffic Analyser Data 2015 and 2014 from Anna Aero, 2016

Rome Fiumicino also ranks fifth in terms of the traffic from Manila Airport with 32,513 one way passengers and growing at 7.5%. Combined, there is an outbound opportunity with a total of 70,143 passengers between Philippines to Italy for 2015.

However, not only the Filipinos in Italy can be targeted but also the Italians who have growing interest in traveling to the country. As per 2015, Italy was the 9th largest visit with a total of 21,620 tourists who have arrived and the growth rate is quite modest, growing 8.83% from the previous year.

Because Yellowjet has the rights to fly out of Dubai as competition is already intense if using an intermediary in UAE (with Etihad and Alitalia already connecting to Italy). From Dubai, the competitors are Oman Air flying to Milan. While flying to Roman will be served through Qatar Airways. Thus, we can see that Yellowjet will be competing with these two full service carriers for connection and they will have the first mover advantage for both the Filipino overseas to experience low cost prices and also to attract low cost Italian travelers to visit the Philippines.

7.2 SWOT Analysis

The following table will list the SWOT analysis for the company and its potential interactions and strategies.

Table 13. SWOT Analysis for Yellowjet

Source: Own analysis

	Strengths	Weaknesses
	<ul style="list-style-type: none"> • Noteworthy flying experience • Year-round lowest fares • Regular price promotions • Value for money offers • Buzz and positive word of mouth • Active in social media presence • Regular direct marketing campaigns • Warmth of cabin crew 	<ul style="list-style-type: none"> • Lack of brand image in Europe • Small fleet size compared to European carriers • Limited route network in Europe • Quality and standards of customer service • Limited legroom • Lowest on-time performance
<p>Opportunities</p> <ul style="list-style-type: none"> • Global decline of oil prices • Low-cost long haul trend • Industry consolidation • Growing inbound and outbound tourism and active promotion of the PH government • EU ban lift • Improving economy fundamentals • Increased consumer spending • Traveling as reward • Budget and family travel • Digital passengers • Modernization of aircraft 	<p>SO1. Low cost long-haul with the Yellowjet branded flight experience</p> <p>SO2. Offer direct marketing campaigns and buzz marketing to promote to inbound and outbound tourists</p> <p>SO3. Use social and mobile media to connect with digital passengers</p> <p>SO4. Offer price promotions that to first-time and budget travelers</p> <p>SO5. Offer value for money offers for family travel packages</p> <p>SO6. Highlight Filipino warmth of cabin crew to inbound tourists</p>	<p>WO1. Take advantage of low-cost long haul trend to expand network to Europe</p> <p>WO2. Use influence of digital passengers to strengthen brand image in Europe</p> <p>WO3. Modernize aircraft in order to provide better legroom</p>
<p>Threats</p> <ul style="list-style-type: none"> • Entry of other SEA LCC to Europe • Intensity of LCC Competition • Preference for FSC for long haul • Political instability • Increase in cost operations from higher customer service • Weak public transportation and infrastructure • Digital passengers • Disruption of Travel comparison websites • Philippines prone to natural calamities and disasters • Government regulations and policies 	<p>ST1. Differentiate the flying experience and Filipino warmth versus other European LCC</p> <p>ST2. Use direct marketing to attack travel comparison website</p> <p>ST3. Highlight value for money, all year round lowest fares and price promotion to travelers who prefer FSC over LCC</p> <p>ST4. Take advantage of social media to deliver higher customer service</p>	<p>WT1. Lobby with the government to prioritize air traffic to resolve low on time performance</p> <p>WT2. Deliver high quality customer service to lead inter LCC competition</p> <p>WT3. Higher efficiency from smaller fleet size to reduce cost operations</p>

Various combinations of different strategies can Yellowjet take as it enters to the Italian market and to identify which strategy must it take we will use IFE and EFE matrices and look what position must it enter based on the interactions of both.

Table 14. IFE Matrix for Yellowjet*Source: Own Analysis***Weight** is in the range of 0 to 1 with the summation equal to 1**Rating** is 1 (major weakness), 2 (minor weakness), 3 (minor strengths), 4 (major strengths)**Weighted score** is weight x rating

	<i>Internal Factors</i>	<i>Weight</i>	<i>Rating</i>	<i>Weighted Score</i>
STRENGTHS	Noteworthy flying experience	0.06	4	0.24
	Year round lowest fares	0.06	4	0.24
	Regular price promotions	0.04	4	0.18
	Value for money offer	0.04	3	0.13
	Leading in buzz and word of mouth	0.12	3	0.35
	Social media presence	0.07	4	0.29
	Membership program	0.06	3	0.18
	Regular direct marketing campaign offers	0.04	3	0.13
	Warmth of cabin crew	0.10	3	0.31
TOTAL		0.60		2.04
WEAKNESSES	Weakness in brand image in Europe	0.09	1	0.09
	Small fleet size compared to European carriers	0.09	2	0.18
	Quality of customer service	0.06	1	0.06
	Limited legroom in aircraft	0.09	2	0.18
	Lowest on-time performance	0.07	1	0.07
TOTAL		0.40		0.57
TOTAL WEIGHTED SCORE		1.0		2.62

From the internal factor analysis, we can see that Yellowjet's internal score is 2.62 which is greater than the medium value of 2.5 which means that its strengths dominate more than its

weaknesses and must pursue strategies where it can exploit and take advantage more of its strengths.

Table 15. EFE Matrix for Yellowjet

Source: Own Analysis

Total summation will be 1 while 1 is a major threat, 2 is a minor threat, 3 is a minor opportunity and 4 is a major opportunity.

	<i>External Factors</i>	<i>Weight</i>	<i>Rating</i>	<i>Weighted Score</i>
OPPORTUNITIES	Global decline of oil prices	0.08	4	0.33
	Low cost long haul trend	0.07	4	0.28
	Industry consolidation	0.02	3	0.07
	Growing inbound and outbound tourism	0.09	4	0.37
	EU lifts ban on Yellowjet	0.09	4	0.37
	Active tourism promotion of Philippine government	0.07	4	0.28
	Increasing economic fundamentals and consumer spending	0.05	3	0.14
	Social aspects of traveling: as a reward, budget and family	0.02	3	0.07
	Digitalized passengers	0.02	3	0.07
	Modernization of aircraft technology	0.01	3	0.03
	Necessity for a differentiated customer services and augmented offers	0.03	3	0.10
TOTAL		0.57		2.12
THREATS	Entrance of other LCCs from SE Asia	0.08	1	0.08
	Intensity of LCC Competition	0.06	1	0.06
	Preference for FSC in long haul	0.09	1	0.09
	Political instability	0.03	2	0.07

	Cost increase from customer service and passenger rights compensation	0.03	2	0.07
	Weak public transportation and infrastructure	0.03	2	0.07
	Digital passengers	0.02	2	0.05
	Disruption of travel comparison websites	0.07	1	0.07
TOTAL		0.43		0.56
TOTAL WEIGHTED SCORE		1.0		2.67

As the score for EFE is greater than 2.5 this shows that the opportunities for Yellowjet outweigh its threats. Looking at the interaction between the IFE and EFE matrices through the SPACE matrix, we see that both scores are above the mean of 2.5, and thus the interaction recommends us that the best strategies taken for Yellowjet are under Type II, aggressive strategies which refers to how the strengths are being used in order to take advantage of the opportunities once it enters the Italian airspace.

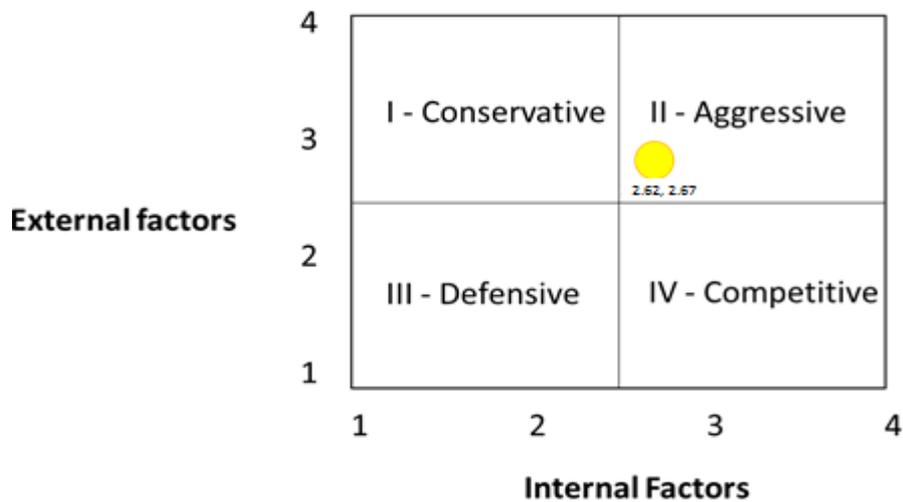


Figure 20. SPACE Matrix for Yellowjet

Source: Own Analysis

7.3 Yellowjet Strategic Prioritization

The six strategies listed under the SWOT analysis will need to be prioritized. However, we will not be elaborating so much in terms of the QSPM model but assess how they do relate with the different aspects in terms of strengths, weaknesses, opportunities and threats.

Table 16. Simplified QSPM Model for Yellowjet (Source: Own Analysis)

Legend: 1 – Not Attractive 2 – Somewhat Attractive 3 –Reasonably Attractive 4 –Highly Attractive

Strategy	S <i>0.61</i>	W <i>0.39</i>	O <i>0.57</i>	T <i>0.43</i>	Total Attractiveness Score	Rank
SO1. Low cost long-haul with the Yellowjet branded flight experience	1	2	4	4	7.22	1
SO2. Offer direct marketing campaigns and buzz marketing to promote to inbound and outbound tourists	3	1	4	1	4.93	5
SO3. Use social and mobile media to connect with digital passengers	3	2	4	2	5.75	3
SO4. Offer price promotions that to first-time and budget travelers	4	1	4	2	5.97	2
SO5. Offer value for money offers for family travel packages	3	1	2	1	3.79	6
SO6. Highlight Filipino warmth of cabin crew to inbound tourists	3	3	3	2	5.57	4

From this analysis, we can see that the priority strategy that Yellowjet must conduct is to conduct brand-building efforts as it is currently unknown in the Italian market. It must actively communicate that it aims to build a low cost long-haul flight between Manila and the Italy in both cities Milan and Rome. The main barrier is that although the primary market, the Filipino overseas in Italy know about Yellowjet, it also seems to be an opportunity to tap the Italians interested to make a trip to the Philippines. Also, seeking the long-haul will require discussions and regulation between the civil aviation between Philippines and Italy. Yellowjet must seek the seat entitlements to allow it to start mounting flights to Italy as it is currently granted to Philippine airlines to 14-a-week limit. These bilateral air talks will negotiate for the frequency among flights and the specific destinations to be covered. The agreement will then be reached to award the commercial flights to the airline.

As a secondary strategy in priority, it must continue its affordable pricing offers that the brand is known for. Yellowjet will have the first mover advantage being the first airline to offer a direct flight between Manila and Italy. Hence, this is of great service to the overseas Filipinos who have long aspired to go back to their country for vacation or holidays and become reunited with their relatives and family. This aggressive price can also be the push

needed to convince first-time travelers to Europe which will resonate well with the working population who views traveling to Europe as an aspiration. This can also attract first time budget Italian travelers who have always been curious to visit Asia but have always seen barriers in terms of high prices. This customer point of view will be discussed further in the subsequent chapter with the design of the value proposition. Pricing-wise, Yellowjet should aim to offer the lowest fare options versus competing non-direct flights and connections between the two countries.

The third priority strategy makes advantage of the social media to connect with passengers who always keep themselves online and up-to-date using social media. However, this reach should not only be limited in terms of communication of promotions, but it should facilitate and allow for booking, mobile commerce and payments, customer service, as the online presence of Yellowjet should keep in scope with the other components in the consumer value chain.

Fourth in terms of priority will be in terms of the type of service guests could expect while Flying to Yellowjet brand – they will be treated with the Filipino warmth, hospitality and atmosphere and through the fun flying experience in which Yellowjet is a pioneer of. Our flight attendants will serve as a brand ambassador to deliver the kind of service notable to the Filipinos and could encourage spreading the positive word of mouth. By also delivering quality service, this can build on loyalty as we can expect higher potential for return if they have enjoyed their flight with us.

Fifth in prioritization will be the actual method of communication through direct marketing offers, loyalty programs and buzz marketing campaigns. This strategy is less relevant because of data protection laws in the EU and because it does not specifically address the threats of competition or the weaknesses in terms of on-time performance and route networks in Europe. Buzz marketing on the other hand will be helpful to consider as part of the branding efforts and building the positive and fun image of Yellowjet while also promoting Philippines as a destination. They are in cooperation with the Philippine government to boost traction and drive into inbound tourism.

The last in prioritization is the creation of family or group offers that are packaged deals for those who prefer traveling as a group. The reason this is deprioritized is because the main target customer will remain to be individuals from Italy, as Yellowjet reaches out to where

the Filipinos are or to those overseas workers flying out from Manila to start their opportunities in Europe.

7.4 Yellowjet Marketing Objectives

7.4.1 General Objective

Yellowjet as the preferred airline of choice from travelers between Manila and Italy.

7.4.2 Specific Objectives

- Switch and attract full service carrier travelers to opt for lower cost travel by highlighting the benefits of non-stop direct connection between the two cities
- Strengthen brand image perspective to potential consumers who lack awareness of the brand through intensive brand promotion, proudly carrying the Filipino flag in its service
- Gain sustainable passengers from primary and secondary target markets to reach profitable levels and high seat load factor making the route sustainable
- Achieve and reach continuous sustainable growth rate for shares and market sales within the next three years upon launching at 2017 to even further fuel the growth
- Increase average yield per passenger

7.4.3 Metrics

Market Shares

Because Yellowjet will be the sole player offering direct flights between Manila and Italy, we expect 100% seat share for its market entry unless the Philippine Airlines begin to use up its seat entitlements and acts as a competitor.

Number of Passengers

Launching of the new route aims to increase the number of passengers flown by the company Yellowjet. Growing 8.9% in FY 2015, through this route aim is to grow at least 10% in the FY 2017 when it is assumed to have the maiden flight launched. It is also important to track down not only the number of passengers but also the retention rate. We want initial flyers in Yellowjet to continue going back and forth the Philippines using our brand and we will em-

ploy the appropriate direct marketing and email campaigns in order to encourage repurchasing. The main objective is to really let them be more loyal customers to fly back and forth the Philippines, most especially the overseas workers.

Volume Drivers

The launch in Italy will drive Yellowjet's Available Seat Kilometers (ASK) which represents the total flight passenger carrying capacity as the route network is now broadened. For FY 2015, Yellowjet has 24.9 B which has showed a growth of 21.5% YOY. The Italy route can boost the available kilometers and we expect a more positive growth of 25% through 2017.

Timing-wise, we assume a March 2017 launch of the routes to reach at least 58% average annual seat load factor which means that out of all the capacity seats for round trip flights between Manila to Italy, at least 58% of them are targeted to be booked as a full year average for 2017. The basis for this figure is that for full year 2014, the average of Yellowjet of its SLF across its long-haul destinations is 61%. We are quite optimistic about the relevance of this offer and through proper brand-building efforts Yellowjet will strive to stretch beyond the average during the latter part of the years.

However, take note that these are full year figures. A quick benchmark is to look at the first month SLF and compare it to that reached by the MNL-DXB route during its first month which was 36%. The target at least for the first month is to reach 40% growing 5% for the first four months and then stabilizing into the 65 to 70 percentage levels at the year end. The rationale behind the boost in the last months is that this is a peak factor for traveling amongst Filipinos as they prefer to return to the Philippines for the Christmas holidays.

Table 17. Estimates for SLF for Manila to Italy Route (Source: Own analysis)

Month	3	4	5	6	7	8	9	10	11	12
SLF	40	45	50	55	60	63	65	67	70	75

Financial Indicators

We expect that the Manila to Italy will reach break-even point within one year after its launching this is because it still needs time to iron out the initial launch and challenges in the Italian market and to get accustomed and used to European standards. Currently, average yield per passenger is US\$62 and we expect that launching the Italy route can at least increase the average yield to US\$70.

On-time Performance

Posted only 65% On-time performance for 3Q 2015, the flights from Manila to Italy must achieve higher standards as they are now competing in European scale. The targeted on-time performance for the flights are now 85%.

7.5 Yellowjet Entry Strategy on a Page

In summary, Yellowjet will be offering a low-cost and aggressive long haul direct flight proposition between Manila and the cities of Milan and Rome in Italy. This is done to target the Filipino overseas consumers and tourist as well as Italian travelers who are value-driven and budget conscious. This can also be appealing to first-time travelers from the Philippines who want to know the taste of Europe.

They will be launching the product with the promise of the lowest fares versus other non-direct flights and it will be the offer that will be most value for money for all the passengers. Travelers can also expect regular promotional fares that are very bargain and really sought after. They are expected to be always up to date on the latest promotions as seat availability on promotional fares are very limited.

Despite the affordability, Yellowjet offers quality, secure and reliable connection between Italy and Manila without any compromise. What it lacks in terms of the frills are compensated with warm and fun experience that will truly make the flying journey a unique one.

To formulate the strategy on a page, we need to answer certain questions that will form the components of the overall entry strategy to Italy.

7.5.1 What's the Big Idea behind entering Italy?

Yellowjet's reason behind entering Italy is its testament of its commitment of serving the Filipino people. During the start of its operations when it first launched international destinations, Yellowjet has always decided to fly where the Filipinos are. It puts the needs of the Filipinos first before the international or foreign tourists. And by going to Italy, which is ranked 7th location of overseas Filipinos, housing approximately 271,946 Filipinos, it does the Filipino a great service, offering low cost fares never seen before as the route has always been dominated by full service players such as Qatar Airways and Emirates. Communication to these segment will be empowering and aspirational as we allow these overseas workers to come home more often, to make the Philippines an accessible destination that will be truly

a value for money offer. This also benefits their relatives who can finally have a chance to visit them in Italy, enjoy some precious moments together through tours and exploring the European city. Yellowjet in this sense is a driver behind national development and is a pioneer in enabling this travel mode of lifestyle.

Also, Yellowjet has a strong perception among inbound and outbound Filipinos as well as expatriate Filipino sectors and there is a limited brand knowledge in foreign markets such as Italy and hence is a major pillar for the entry to focus on brand-building and getting awareness behind the brand.

The entrance to Italy will serve as a prototype and a model for how Yellowjet will enter other promising markets such as United Kingdom, France and Germany. It will use its learning from this launch to become truly global, expand its reach to more where the Filipinos can be found.

7.5.2 What is the Value Proposition and who are the Target Customers?

This will be discussed separately in the succeeding chapter as we will go into detail that although we will offer the lowest fare long haul flight service round-trip between Manila and Italy, there will be different methods of communication across primary and secondary target markets because of their different profiles.

7.5.3 What are the Key Success Factors?

Low Cost: The success of Yellow just must be achieved by efficiency in using its aircraft by maintaining low costs of operations. This is currently the strategy pursued by Yellowjet as a budget airline, not investing on In-flight entertainment or ordering food on-board and having these as augmented or additional products or services. Lower cost of inputs can also be taken advantage of and these are especially relevant nowadays with the low cost of fuel affecting positively the airline.

Low Fares: Once Yellowjet is efficient in managing its cost expenses, it is able to offer the lowest cost of travel which could attract a bigger market with more passengers flying leading to a higher consumption and greater market shares.

Bigger Market: The entry to Italy enlarges the scale of operations of Yellowjet allowing it to reach more flyers and consumers. When bigger market is targeted, more passengers could respond which could fuel growth in terms of revenues that expands and finances the flight frequencies to Italy.

More Flights: Clearly, having the capacity to launch more flights between Italy and Manila can equate to more passengers served. This benefits the air transportation industry as a whole because we are growing the overall market by increasing the connectivity between Asia and Europe.

Fixed Cost Spread over more units: Because there are more flights offered, fixed costs of airlines are spread over more units which drives the cost per passenger lower due to increasing economies of scale and cost-effective utilization of the limited assets and resources. Thus the objective of the airline is to increase the seat-load factor, having more passengers maxing out the capacity of the plane so that the cost will be spread more and more revenues can be recovered.

7.5.4 What Key Challenges must be overcome?

Appeal: One challenge that is key to success in the Italian market is to become appealing enough that even though there are strong exclusivity to a service mix that is focused on the Filipinos, the proposition must be appealing enough beyond the price advantage towards having a relevant value proposition that is more international and relevant to European market. This relevance to more markets will prepare the airline to become more truly global and allow it to become closer to its mission of being a successful low cost airline.

Low Cost: Yellowjet must also find ways to compensate the lack of frills while balancing this with the requirements to operate at low cost so that the services provided will not be that discouraging to close off potential passengers and guest who might feel that they are not getting enough value or worth from what they are paying. The offer must be meeting the basic or minimum needs of guests through lower overhead and production costs by offering a no-frills strategy that is still worth paying for compared to other competitors

Brand building and Distributions: As first mover, there are advantages to flying direct route and leading in the low cost long haul space but there are certain risks also involved which requires us to implement a more aggressive promotions in order to inform its customers of its offerings and to have a sustainable consumer base that will allow us to fill up the seats and make the route profitable. Certain improvements can also be made in terms of distribution (online booking) to make it more reliable and less with bugs especially when there are large promotions or seat sale discounts to reach a larger market. It will also be effective to have a translation version in Italian as well as social media pages although under

the same domain as Yellowjet but still has a specific content for the Italian market. The whole strategy in a page is summarized in the figure below.

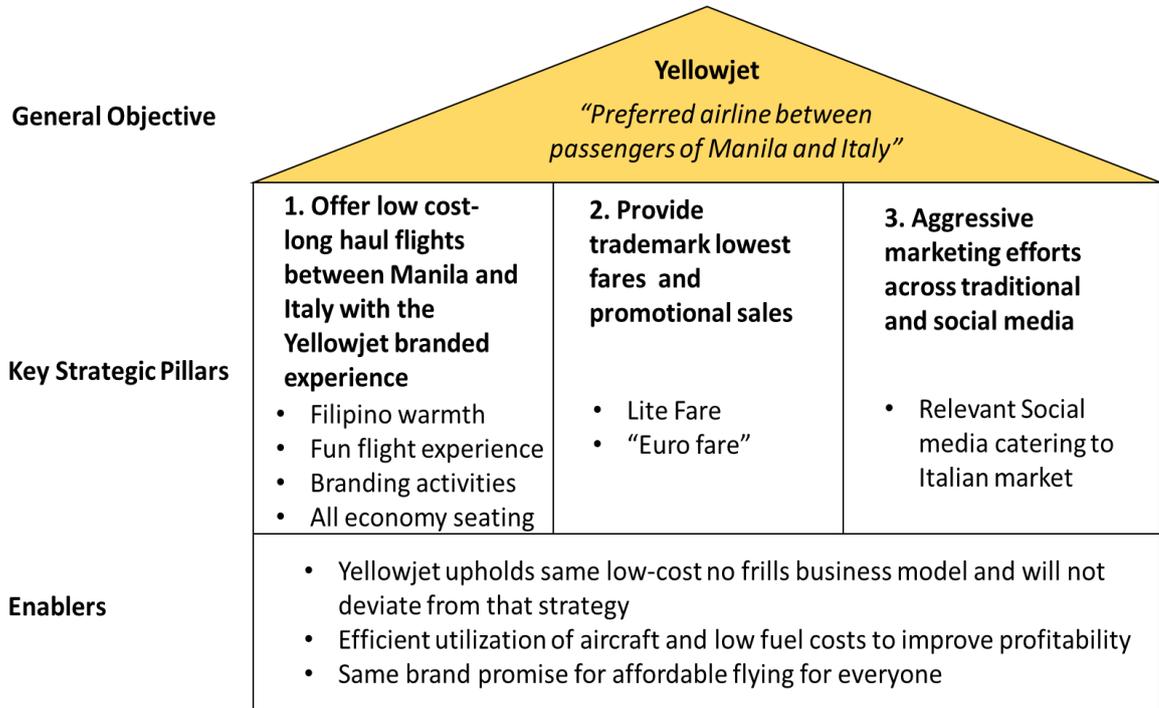


Figure 21. Yellowjet Entry Strategy in a Page

Source: Own Analysis

8 VALUE PROPOSITION DESIGN

In this section, we will discuss who the main consumer segments will be – what is their profile the jobs they must accomplish, their fears, and how the Yellowjet flight from Manila to Italy will be beneficial for them. The primary target market is the Filipino overseas workers while the secondary markets are the Italian tourists and the Outbound Filipino tourists. We will discuss the value proposition using the framework of Osterwalder in the Value Proposition Canvas.

8.1 Primary Target: Filipino Overseas Workers in Italy

8.1.1 Customer Jobs

In Italy, one of the main jobs that the Filipino overseas workers need is to get back more often to the Philippines. The freedom to travel more back and forth between the countries and see their relatives and family more often. Living as an overseas Filipino worker is hard because it requires them to be separated and far away from the families that they usually need to support living. Regularly visiting back to the country allows them to re-connect and gain the necessary strength needed for them to work further and persevere the conditions in Italy and being physically distant from their families – this might make them miss important occasions in the family or they can feel that they are being distant emotionally because of the lack of physical presence.

8.1.2 Customer Pains

However, a main barrier for these Filipinos is primarily the cost. Currently, full service carriers are the main airlines serving the route between Manila and Italy. The average price is usually over €1000 which is certainly not a bargain and requires a large out of pocket cost for them. Second, there is no direct flight between the two countries requiring them to take longer duration flights with transfers which can be tiring and exhausting as it might sometimes require some transit visa applications that certainly do cost additional charges.

8.1.3 Customer Gains

These overseas workers will surely appreciate a low cost but reliable service between the two countries that is surely value for money and they would prefer direct flights to avoid the hassles of moving their check in luggage or requiring additional paperwork.

8.1.4 Products and Services

Yellowjet is offering a low cost, no-frills affordable travel between Manila and Italy. There are no special benefits because the focus is on the low cost mode of travel and not the additional services on board. The low cost does not mean that they are offering a poor quality service but they are just made more efficient with an all-economy seating model and a no-frills service, with high turnaround times due to short maintenance brought by a young fleet, flexible operations, and productivity of personnel. Only one type of aircraft, the A330 is used for long haul to keep down the cost to train the pilots, or to purchase for spare parts and spend for maintenance.

8.1.5 Pain Relievers

Because of the low cost business model, the workers will not spend too much on their air transportation. Thus, those who have been for such a long time away from their families can finally go back home. This can also increase the frequency by which they will come as they can plan in advance when they can come back and avail of even lower year-round fares especially around occasions that are important for their family (reunions, holidays, graduation ceremonies) and then they will no longer miss these important moments.

8.1.6 Gain Creators

The overseas workers will feel not so physically distant because traveling is direct and they can directly hop on a non-stop flight and reach the destination at the fastest time over other full service carriers. They will no longer need to painfully wait long flight durations or avail of necessary transit visas from switching airports. Direct service is certainly a sign of having ease and convenience as departures and arrivals are directly in Manila minimizing the exhaustion they might have from constantly switching flights and needing to line up, have their check in luggage being security checked and wait for the succeeding connection.

In such cases, the need is focused on low prices and not much in the experience itself once the travelers aren't on vacations and their main goal is to head into the destination.

8.1.7 Fit

Yellowjet will fly where the overseas Filipinos are and that the promotional fares and all-year round low cost business model solve the needs of affordable traveling between the two cities and that a non-stop flight is seen as a value for money because it is point-to-point and

increase the frequency and convenience from waiting and queuing. What these consumers want is an airline which can provide a fast and cheap trip to the destination, Manila. The plan is to focus in getting the passengers as fast as possible, to ensure high rates of seat load factors so that the flight route will indeed be profitable. The airline needs overcome its issues in terms of delays and cancellations to ensure loyalty and constant patronage of these overseas travelers.

8.1.8 Value Proposition Statement

To overseas Filipino workers who have long been challenged to return to their home Philippines due to expensive full service non-direct flights, Yellowjet enables them to fly more but for a less cost with the ease and convenience of a direct non-stop flight.

8.2 Secondary Target: Italian Budget Travelers

This is the secondary target profile, these are usually Italian youngsters or working professionals who have a thirst and desire for adventure. They could be around 19-36 year olds who are open to explore new places, and seek for new experiences. They have a special relationship with traveling and are willing to do such alone or even with their group of friends. They seek for novelty as they go out of the way from touristy areas and want authenticity in terms of their experiences.

8.2.1 Customer Jobs

The Italian budget travelers seek for adventure but at a destination that offers value for money. They also would like to visit an area with interesting attractions, rich history and heritage and great swimming beaches.

8.2.2 Customer Pains

Price and comfort are needed to be in balance so that the Italian budget travelers can get a great experience. However, one of their fears is that they not know much yet or they have no familiarity with regards to the reliability and the quality of service that Yellowjet has to offer. Becoming an untested and untried brand gives fear with travelers and is something that the airline has to overcome.

Also, paying for a long-haul flight is not an off-the-counter product and usually needed to be carefully decided upon. Italian travelers need a validation that they are paying not for a

rip-off product but something that is really worth spending for. They need to have some evidences that the brand they choose can deliver on its promise.

8.2.3 Customer Gains

The required gain and basic expectation from Italian consumers is to reach the Philippines through a reliable, secure and safe form of travel. However, they expect comfortable and on-time performance. They desire to experience and get a taste of Filipino hospitality and warmth and hope to be surprised on-board that what they get are more than what they paid for. During their travels, they rely on extreme connectivity within the domestic network so that they can easily go to their travel destinations.

8.2.4 Products and Services

Yellowjet offers the low cost direct connection between Italy and Manila. Yellowjet is also the leading domestic airline providing them the connectivity needed within the islands of the Philippines. Everything can be accessed online using the Yellowjet online app and the increasing e-commerce trend for Italians is beneficial for payment. They will surely experience a different kind of fun flying experience through the games and activities on-board.

8.2.5 Pain Relievers

The low cost travel relieves the major barriers to purchase of Italians in going for adventure. Because we are offering never before seen fares that are majorly discounted over full service carriers, they are attracted by such quite of a deal. Those who are more budget-conscious can also stay tuned to some promotional pricing that will be even more made affordable. These surely targets the backpackers who do not need the full luggage because of the flexible pricing options and choices which allows them to customize what kind of fare they would like to choose.

8.2.6 Gain Creators

Yellowjet is the leading domestic carrier in the Philippines and hence there is great familiarity with the airline if deciding for booking inter-connections within the Philippines. The offering will be a real value-for-money deal because of time and effort savings as everything is accessible from the Yellowjet app allowing them to make the necessary planning to the places they would like to visit.

No other carrier offers a direct link between Europe and Manila and this provides a first-mover competitive advantage. Our offer creates positive social consequences because we can finally allow them to fulfill their travel dreams of going to Asia where they always have said that it is indeed a barrier or aspirations to go to the other side of the world.

8.2.7 Fit

There is a fit between offering a non-stop direct flight from Italy to Manila because it enables budget-conscious youngsters and Italian professionals to directly connect with the benefits of a non-stop flight to Manila. Yellowjet has a wide connection in Southeast Asia and their experience with the airline will allow them to easily connect to the network whether that may be China, Korea, Bali or any other destination in Asia. Also, the domestic superiority will allow easily booking of flights for them to reach the exotic beaches that they have aspired to go for. The fit also comes in because their plan is to enjoy as much destination as much as possible so stopovers are not what they want. Direct flights are the best options for this situation.

8.2.8 Value Proposition Statement

To Italian youngsters and travelholics who have Asia as their dream destination, Yellowjet enables them to be connected to Asia with the offering a direct low-cost flight between Italy and Manila which then allows them to connect with the widest Yellowjet network in both domestic and regional Asian network.

8.3 Secondary Target: Outbound Filipino Tourists

The profile of these outbound Filipino tourists are that they are very much value-driven and budget conscious. These are young professionals 20 to 35's, middle class who have always aspired for Europe as a dream destination in their bucket list. However, they would be rather keen on availing seat promotional sales or the lowest fares or they will choose to not fly at all. They are digitally and mobile-connected. Their lifestyles are on-the-go and they are still in the process of accumulating greater wealth and savings from their jobs.

8.3.1 Customer Jobs

These Filipino tourists are young professionals who want to reach Europe at a low cost and are on the hunt for bargain prices. Emotionally, they want to experience the European traveling. Socially, they want to share this experience with their friends or families as travel still

remains as a social activity for Filipinos. Emotionally they want to see the flight as a sign of accomplishment and not something that is cheap or low-value. They would rather spend in experiences in Europe rather than for a luxurious form or mode of travel.

8.3.2 Customer Pains

No low cost airline serves between the routes of Manila and Europe. The full service carriers are very expensive and are too much for the price.

8.3.3 Customer Gains

They desire to reach Europe safely and reliably with an airline that is secure. They expect fair service and affordable on-board meals and decent amount of comfort to compensate for the long duration. They expect that there will be uniqueness in the flying experience to at least have some fun activities on-board. They also want to be treated decently before, during and after the flight for them to be able to raise any pertinent concerns.

8.3.4 Products and Services

The offering remains the same a direct non-stop flight between Manila and Europe (through Italy).

8.3.5 Pain Relievers

Our offering relieves the pain of spending so much for air transportation to Europe.

8.3.6 Gain Creators

Because of the low cost travel, they can use more of their money for spending more in Europe and they are able to allocate more of their money for savings to enjoy the experience in Europe more. For those visiting their relatives in Europe, they can now fly more frequency between the cities because of the low prices.

8.3.7 Fit

There is a fit because now there is an offering that serves the barrier of high and expensive price. Truly this is an innovation since there has been no carrier that has offered a low cost connection between Manila and Europe before. Yellowjet is a proud Philippine carrier with a young fleet and wide aspirations stimulating the travel across regions all over the world. They will deliver their trademark low fares and direct non-stop service with the hopes of

reaching their dream destinations or visiting their loved ones more often. This is also aligned with the Yellowjet mission of truly being flying affordable and achievable by everyone.

8.3.8 Value Proposition Statement

To smart, value-driven Filipinos who need affordable and reliable mode of travel, Yellowjet is the fastest and most-affordable connection to Europe

9 PROJECT COMPONENTS FOR MARKET ENTRY

In this section, we will outline what components of the marketing mix will be included or revised as Yellowjet plans to enter the Italian market. In each component of the project, we will identify what is the objective of this modification or element in the mix and which strategic pillar for the entry strategy in a page does it support or link itself to.

9.1 Product

Objective: To have clarity and define the basic features of the flight between Manila and Italy and to provide other relevant products that will increase spend of customer in the Yellowjet and drive further loyalty and consumption.

The product supports strategic pillar 1 as it is the core offering of low cost long haul while the establishing augmented offers will increase the value of the basic product offered.

9.1.1 Basic Product Specification

The basic product offered will be the non-stop direct flight between Manila and Italy using the Airbus A330. The current Airbus A330 of Yellowjet has capacity of 436 seats and has maximum flying range of 6,350 nautical miles and it can clearly as a long-haul aircraft can serve the routes from Manila to Milan (5667 nmi) and to Rome (5612 nmi).

The route from Manila to Milan will be launched first with expected timing on March 2017 as more Filipinos are situated in Milan than in the capital of Rome. However, the Rome destination is slated for a late 2017 launch. The list of flights and their details are listed in the table below.

The route for Milan will have 3 flights per week frequency initially and can be increased gradually and at latter parts of the year depending on the route popularity.

Table 18. Flight Schedules between Manila and Italy by Yellowjet

	Manila to Milan	Milan to Manila	Manila to Rome	Rome to Manila
Flight Number	CEB 200	CEB 201	CEB 202	CEB 203
Frequency	3 times a week	3 times a week	2 times a week	2 times a week
Schedule	T, Th, Su	M, W, F	Sa, W	Su, Th
Departure	22:00 (PHT)	12:00 (CET)	10:00 (PHT)	12:00 (CET)
Arrival	6:30 (CET)	8:00 (PHT)	17:20 (CET)	19:20 (PHT)
Launch Date	March 2017	March 2017	November 2017	November 2017
Flight Duration	14.5 hours	14.5 hours	13.3 hours	13.3 hours

No further deviations in the seating style will be used and it will be entirely an all economy seating. It has a seat pitch of 30 inches distance between a points in one seat to the same point to that in front of it and has a width of 16.5 inches. Maintaining a similar configuration for the A330 will allow lesser cost of production as they will be standardized and have a homogenous fleet across all low cost flights that will not require necessary modification.

Since it is a low-cost flight it will uphold the principles of how a low cost carrier should operate. They will not offer in-flight entertainment nor free meals and drinks for free but at an additional price. Seat reservations are also an additional cost to guests. The seat pitch is less comfortable than at full service carriers with fewer galleries and toilets.

9.1.2 Ancillary or Supplementary Products

- **Language and Currency Options in Booking** – Modifications in terms of the Yellowjet website will be done to have the Italian language and the option to change the currency's value in Euros
- **Italian Speaking Customer Service** – Yellowjet will need to tap into a more proficient customer service who is able to speak Italian to address the consumers concerns.
- **Fun Live Entertainment** – Yellowjet might not offer high-tech entertainment facilities, it still delivers fun experience during the flight. It taps on Filipino simplicity, creativity and cheerfulness in providing fun activities which is unique to Yellowjet and provides a competitive advantage over other LCCs that focus only on cost-minimization.
 - **Bingo!** – This is an in-flight Bingo game that will be done where in the boarding pass guests have a small printed Bingo card with the letters Y E L L O W. Each guest needs to match the number with the letter and those who wins the said pattern can win an in-flight meal or Yellowjet branded merchandise.
 - **In-flight Karaoke** – During a certain period there will be an in-flight karaoke where passengers can volunteer to sing certain Filipino and international songs and showcase their talent.
 - **Philippines and Italy Trivia** – A quick contest about basic facts about Filipino and Italy in which the flight attendant will be quizzing or asking questions, the first one to raise their hand and answer correctly will receive a prize.

- **Ticketless Service** – Through the mobile application of Yellowjet guests will not need to physically print their tickets. More so, they can avail of the web check-in facility 72 hours before the flight.

9.1.3 Special Offers

Special products that are relevant to the intended target market are offered to solve the needs of consumers are perceived to be as a brand who innovates and takes care of its consumers. Specific customizations are done in order to match the consumer

- **For Italian Tourists: Yellow Pass**

Because of the vast network of Yellowjet in both domestic and international, a pass that can allow tourist to fly without the need to specifically book a schedule is very attractive. The Yellow pass is a pre-paid service that allows a guest to fly domestic or international routes within a period of 10 days. No booking is required but they will need to make a reservation through the mobile app and check for availability 12 hours before their intended flight. This Yellow Pass is ideal for spontaneous travelers who have the attitude of just booking for a flight and leaving to their next destination.

The Yellow Pass has two variant Yellow Pass D, which is focused only on flying the six flights within the domestic network and will cost €200. While the Yellow Pass + allows for four domestic routes and 2 regional international routes (not long haul) for €350.

- **For Returning Overseas Workers: Yellow Connect**

The Yellow Connect service offers a 50% one-time discount to the domestic fare to those returning overseas workers if they choose to fly using Yellowjet to their hometown province.

- **For Outbound Filipino Tourists: Yellow Sure and Yellow-Doc**

One of the concerns of outgoing Filipino tourists is having or feeling insured once they travel to international destinations. Yellowjet will partner with an insurance agency to ensure that traveling to Italy can be covered by insurance for any health, accident or any personal belonging related issue and offer the product called as Yellow Sure.

As Filipino tourists will need to show a travel ticket as part of the visa application. The Yellow-Doc product allows them to temporarily be booked in a flight reservation with Yellowjet without needing to pay the complete fare. Thus, this allows them to show a travel reservation that they are indeed flying the said route to show for the Schengen visa. The

Yellow-Doc reservation will cost €50, and this amount will be deducted from the whole cost of ticket once the Schengen visa has been issued and the travel documents are ready with the passenger completely able and sure to pay the flight ticket in full. What this eliminates is the trouble of tourists that they have already purchased a flight and paid in full and then after they will be rejected with their visa. If the visa is rejected or decides not to completely fly with Yellowjet, he must bear in mind that the €50 is non-refundable and will be foregone.

9.2 Pricing

In this section, we will discuss the different fare options, pricing promotions and bundles available to our targeted consumers.

Objective: To become the carrier offering the lowest price connection between Manila and Italy, and to offer promotional and flexible fares. This component supports the strategy–Pillar 2 as Yellowjet adheres to its low cost business model.

9.2.1 Trademark Year-Round Lite Fares

Yellowjet will aim to offer the lowest prices between Italy and Manila. The price that they are known for are called the “Lite Fares” which are low fares for no-frills type of flying. In this section, these lite fares are permanent all year round and are non-promotional. However, the pricing does not yet include certain booking surcharges and taxes.

To discuss the full-pricing strategies changes dependent on the date as to how many days were left before the flight schedule. A flight booked sooner to the flying date will surely be more expensive than a flight one to two weeks after the booking date. In this section we will be describing the following prices as a percentage of the Year-Round fare. One way year round fare for Manila to Milan will be at € 500 while Manila to Rome will be at € 444.

Table 19. Pricing Matrix for Yellowjet Manila to Italy Flights

(Source: Own calculations)

Flight Schedule Booking (Days before flight)	Ratio versus Year-Round Fare	MXP – MNL (and vice versa)	MNL – FCO (and vice versa)
0 to 3 days	+20 to 30%	€ 727	€ 700
4 to 14 days (<i>Year-Round fare</i>)	0	€ 500	€ 444
15 to 60 days	-20 to 30%	€ 416.16	€ 408.08
61 to 119 days	-40 to 60%	€ 277.77	€ 255.55
> 120 days (<i>Promo fare</i>)	60 to 80%	€ 222	€ 200

Another factor that will affect the pricing is the journey leg as round-trip flights will surely be cheaper than if only booking one-way. The date of flying is also affected as it is usually cheaper during weekdays than during weekends

Just to make a comparison on how value-pricing this is compared to full service carriers. An Emirates Full Service Carrier year round flight between Manila to Milan costs €710, thus on year-round fare average Yellowjet is 30% cheaper than full service carrier. However, if booked for above 120 days, a guest can save up to 70% over Emirates which is such a great deal through this promotional fare. Thus, if guests will be booking earlier in advance, they can avail of lower fares than

For the return flights, booked under the year-round fare, guests can expect up to 60% discount from the single leg year round fare. On average, we can see that there is 30% saving when flights are booked for round trip and this price is even 33% lower than compared to Full Service Carriers such as Emirates.

Table 20. Round-trip price comparisons versus competitors and separate bookings for Yellowjet (Source: Own calculations)

	Separate journey bookings	Round-trip booking	Percentage savings	Emirates Price Round-trip	Savings versus Emirates
MNL – MXP (roundtrip)	€ 1000	€ 700	30%	€ 1044	33%
MNL – FCO (roundtrip)	€ 888	€ 688	29%	€ 960	28%

9.2.2 Flexible Pricing Options

Yellowjet will also allow flexibility and allow price upgrade for purchasing additional amenities such as meals or luggage allowance with the following scheme in the table below. If these are booked in advance, guests can save more rather than paying for these services during check-in.

Table 21. Yellowjet Manila to Italy Flexible Pricing Options

	Fly	Fly + Small Bag	Fly + Large Bag (Free 1 meal)
Description	Allows only for cabin sized luggage during flight	Allows check-in of a 20 kg luggage and cabin sized luggage	Allows check-in of a 30 kg luggage and bringing a cabin sized one. For the Manila to Italy routes, guests can

			expect one free meal during the flight
Pricing	Basic Fare (Year-round promo)	Basic Fare + €50	Basic Fare + €75

9.2.3 Promotional Fares

The last component in terms of pricing will be the very much sales promotional fares that Yellowjet has been the pioneer of. It has been called “Piso fares” in the Philippines which is the currency promoting that through only one peso, guests can book flights to domestic destinations. Usually, these promo fares are promoted during special occasions and holidays associated to the Philippines.

However, entering Italy, these will be called “Euro fares” which will cost only a Euro for traveling back and forth from Manila. However, only limited seats will be available for each route and will usually be offered during non-peak periods.

9.2.4 Book Now, Pay Later

Usually the main barrier for consumers is their inability to pay on the spot despite having a pretty current good deal in terms of the pricing, Yellowjet will now allow guests to avail of a book now, pay later deal which allows them to “lock-in” the current price of the booking and pay on a set date either online, credit card or other bank transfer options. The book now, pay later is a paid service, and with rates depending on the duration by which payment can be expected. However, if not paid on the deadline, the rate at which the flight has been booked will be forfeited and the flight as well. Pay later (+7 days) will cost €15 on the spot, while paying after 14 days will cost €25.

9.3 Place

Objective: Increase achievability of the lowest fare offers between Italy and Manila to target market (Supported strategy: Pillar 3 – using mobile media as a booking gateway and to communicate promotion offers)

No specific changes in terms of how booking will be done in terms of Yellowjet. The major driver still remains to be the Yellowjet online booking site however it is expected to continue increasing the drive for the Yellowjet mobile app with these enhancements:

- **Mobile Notifications** – Notifications can choose to be opted in so that users will be immediately notified of the latest sales and discount promotions.
- **Payment via Mobile App** – This is to be improved in terms of the mobile app on how it connects to payment gateways given the preference of Italian market in mobile payments.

It will also increase the connection to ticketing offices and travel agencies within Italy. Travel agencies, travel agents and tour operators are among the most powerful third party travel intermediaries in Italy. We will then partner with the most trusted and most popular travel agencies to properly position the brand in Italy. This direct interface with the agencies benefit those who prefer to pay in cash and have limited access to credit cards or online payments.

9.4 Promotions

Objective: Tease the consumers about the entry of Yellowjet into Italy to target Filipino consumers and Italians which supports the Strategic Pillar 3 – aggressive marketing efforts

9.4.1 Out of Home (OOH) Advertising

A teaser out of home advertising combined with a QR code will be used during the winter period in Italy. This will be spray-painted in the concrete or other murals where painted art is allowed in the city. This is adapted or a peg from the Yellowjet campaign during the rainy season in Hong Kong. The spray paint is snow and rain activated which is water-resistant.

QR code redirects them to do pre-booking for the inaugural flight from Milan to Manila. Users will be redirected to the announcement that Yellowjet will be flying to Milan and the booking mechanism. Users who will book will enjoy free 20 kg luggage.



Figure 22. Sample OOH for Yellowjet in Italy

Yellowjet will also be using OOH billboards in locations such as highways that lead to the Milan or Rome airport. This is to target frequent travelers who might be interested in taking a low cost trip to the Philippines. They will also creatively dress-up or put some advertising in train stations as this is also usually a high traffic or convergence area for tourists. Lastly, they will creatively do out of home at bus stops partnering with JC Decaux at business centers as these professionals have the money and the budget to go for travel but would surely will not refuse an affordable and quality flying deal. The creative brief behind the OOH for bus stops will feature a Yellowjet-branded window which will be touch screen and in that window will be visible the different destinations in the Philippines.



Figure 23. Sample OOH for Yellowjet

In the Philippines, to target outbound tourists we will be placing billboards across major roads and thoroughfares to encourage them and communicate that Italy is our new destination. The main communication will be: **ITALY: I Trust And Love Yellowjet** and at its backdrop there will be the sights of Milan and Rome, food such as pizza, pasta

9.4.2 Print Advertising

In the Italian market, print advertising will be used majority in Italian newspapers such as Corriere della Serra as we are targeting mass audience who might be interested in Low cost travel to the Philippines. We will also put some ads to travel magazines to target those who have a traveling and adventurous kind of lifestyle. In the Philippines, we will also be using daily newspapers and also local magazines with high readership such as Yes, Star Magic and OK. However different messaging will be used for different target markets but will have the overarching concept of something finally been able to grasp, reach, or afford.

- Overseas Filipino Workers in Italy: *Finally, Home*. As Yellowjet will enable them to visit home after long wait because of expensive prices.
- Italian Travelers: *Finally, Exotic Taste*. Italian travelers could have always been fascinated with the exotic travel and pristine beaches but have always been refused to materialize because of expensive prices. Thus, Yellowjet enables them to finally go to the Philippines.
- Outbound Tourists from the Philippines: *Finally, Europe!* This fuels a travelers dream to be able to directly from Manila to Italy, this is our offering to them to reach destinations in Europe that were never covered by our route network before.

9.4.3 Direct Marketing

From Italy / Philippines with Love Online Postcards Campaign– The campaign will first build on the sending of online postcards by Yellowjet to their CebGo members but instead of traditional newsletters this will be in the form of touristic attractions in Italy or Philippines. But for overseas workers, they will be allowed to design and create their own Italian postcards to their relatives and this will be sponsored by Yellowjet.

Expanding CebGo Reach in Italy - Upon opt-in also, we will invite passengers to sign up to the loyalty / rewards membership program CebGo to keep them updated with promo, deals and new destinations and the marketing team will try to expand with Italian retailers.

9.4.4 Mobile Marketing

These will be minor tweaks with the current Yellowjet applications with its current features for booking check-in and boarding pass, route maps, online check-in, and customer service. The objective is to provide a smoother experience, and engage the users more to increase the loyalty and allow for cross-selling augmented products. The objective of this mobile application is to facility all the processes or interfaces by the customer with Yellowjet and have these streamlined end-to-end without the need to switch between devices. The Yellowjet app is therefore a one-stop shop for all things and concerns related to the airline.

Real-time Yellowjet flight information – Passengers can track and check the current status of flight even the actual location – this will be done using partnership with Flightradar. In such way, at their fingertips they know the flight details at the exact point in time.

Choose Your Seat – Up to 12 hours before the flight, choosing the seat is a paid feature. But within 12 hours, through the mobile app, this feature is free.

Travel Chat – Upon allowing sharing of personal data, passengers can chat with other passengers using the same app. They can ask for travel suggestions, plan for activities with other like travelers.

9.4.5 Social Media Advertising

Yellowjet will use its Facebook, Twitter and Instagram accounts to promote their new destination.

Viral Video Contest - However, in order to capture the Italian and Filipino backpackers, they will do a travel viral marketing contest. The mechanics will be for the Italian team (group of 3 people) to create a viral marketing video ad through Facebook on why they deserve a free round-trip flight to Manila. The same mechanics will apply to the group of friends of Filipinos.

9.4.6 Public Relations Events

Yellowjet will try to create a buzz through inviting bloggers and influential people on the launch of the maiden flight from Manila to Italy. The official hashtag #YellowFliestoItaly. The launch event will discuss when and the schedules the new routes will have, and the introductory and flexible fare pricing. This will be media covered and full press releases will be updated on the web and on the Facebook photos.

During the day of the actual flight, a celebration will also be held to share this festivity with the passengers. There will be a photo booth where passengers can take pictures with the backdrops of Yellowjet boarding pass and the sites of Milan – Milan Cathedral, Sforza Castle, Teatro alla Scala and others. A cake cutting ceremony will be held as part of Yellowjet tradition. Lastly, a group photo with the cabin crew and the passengers in the inside of flight will be taken and shared to the social media websites.

The same will go for the ceremonies in Milan. There will be a short ceremony and cake-cutting. The only difference is that the photobooth will feature locations of the Philippines such as Palawan, Boracay and Banaue Rice Terraces. We will also invite some passengers to share their stories on how excited they are of Yellowjet and how this became an opportunity for them to get reunited with their families. Some Yellowjet marketing managers can be there to discuss how important this move is in order to be of service to the overseas Filipino community.

9.5 People and Physical Evidence

Objective: To enhance the tangible and tactile aspects which consumers can avail while flying with Yellowjet. These support strategy Pillar 1 as these elements tie to brand personality.

People

Yellow Smiles Card Program - In terms of people, the image of flight attendants plays an important role in consumer's satisfaction since they are the main point of contacts with the consumers. Evident in the simple uniforms of Yellowjet flight attendants is the emphasis of not on the luxury of air travel but on fun brought by traveling itself. With such, flight attendants need not to be dressed elegantly to provide graceful and cheerful assistance seek by travelers.

Thus, Yellowjet would maintain the simplicity of its flight attendants and would rather focus on their trainings and incentive programs to motivate them to bring the best of Filipino hospitality.

To enable all the passengers evaluate the service of the crews, there would be a Yellow Smiles! card in each seat. Before the landing of the plane, the attendants would ask travelers to get and drop the Yellow Smiles card in a box if they are satisfied with the service of the attendants. In this card, they can also comment on the performance of the flight attendants in attending to their needs. The crew with the highest number of smiles would be given awards. This evaluation scheme would encourage the crew to truly bring fun smiles. This smiles program will also be brought and expanded to our customer service handlings.

Yellow Resolved! In the mobile application of Yellowjet, consumers can recommend and highlight if a concern resolved by the customer service was handled properly. Customer service staff and their teams will also be rewarded for good service as a motivation. These customer service staff will also need to have Italian speaking language capabilities to minimize the misunderstanding.

Physical Evidence

Regarding physical evidence, the main touchpoint will be the interior and the exterior of the aircraft itself. There will be no changes also into the livery of the aircraft as we want to have it standardized across all the fleet to minimize the costs, indeed this livery is revamped to

showcase the colors of the Philippines and to showcase the fun, adventurous and energetic personality of the airline.

9.6 Productivity and Processes

Objective: To enhance internal processes of Yellowjet to increase productivity and improve and adhere to European airline standards. Establishing this reliability improves Yellowjet's brand image and perception among consumers benefitting the establishment of strategic pillar 1. Productivity will be improved by increasing the focus on people, processes and investing in the appropriate technology.

Happy Employees Program – Yellowjet's employees are its major assets. To be labor productive, it needs to take care of its employees make sure that their schedules are very much agreeable and brings satisfaction. It can also be compensated well with competitive benefits so that the cabin crew will be motivated to serve no matter what and take care of the passengers. Pilots also need to be well rested in order to ensure that they are on full capacity to fly their hours. In short, it requires teamwork, personal investment and satisfaction to make the company productive.

Yellowjet Academy – Yellowjet needs to establish an academy and rigorous training program for its Cabin Crew as well as sponsor the re-training of its pilots so that their skills are up to date and on top caliber.

Operational Efficiency – By continuing the low cost but not low quality business model, they will shorten the turnaround time and maximize the utilization for aircrafts. They also need to improve on-time performance as European travelers could be time sensitive. Currently we also see that the young fleet of aircraft is existing and hence requires less maintenance is necessary and engines are more efficiently using the fuel. Having the same configurations for long haul aircrafts and by not offering first or business class gives them the flexibility in allocating seats.

10 RISK, COST, AND TIME ANALYSIS

10.1 Risks for the Yellowjet Market Entry to Italy

- **Economic and Financial Risks**

Entering the Italian Market is a huge economic risk to the airlines as huge capital investments must be made. First, in terms of sponsoring these negotiations between the airline and the different governments. Their legal teams must be funded and must invest heavily so that the contracts and agreements can be made in place. Also financially, we can see from the cost perspective that large investments are needed to sponsor the flight's fuel cost, the aircraft maintenance and the charges for using the airport. Other costs also involve hiring new employees, offering new services, airport taxes and many more variables.

Mitigation: Stimulate demand for the flights and deliver superior customer service to fuel loyalty and repeated purchases or flying experiences with Yellowjet to deliver sufficient word of mouth that can help promote and sustain the route. They must ensure that customers will choose to fly the specific route with them or they will end up with significant money loss.

- **Market / Commercial Risks**

Yellowjet enters a risk when there is low traction or low interest in the market for flying the route between Manila and Italy and will make the route unprofitable because of low seat load factors. This can be brought by a lack of consumer demand because of a lack of understanding or familiarity of the concept of long-haul under a no-frills type of service. It might be that despite their desire to fly cheap, they are not willing to sacrifice comfort over affordability.

Mitigation: Yellowjet must communicate its brand elements that stand out such as it offering a direct non-stop flight, the large amount of savings, the fun flying experience and that it is proud to represent the Philippines. It should always also be able to relevantly communicate its brand personality and its sales promotions to its target consumers. They need to be confident about this new brand to use its services as they will not choose to leave a brand that they have always been familiar with and they must communicate properly that the brand will be supported and huge investments will be made in order to promote and ensure reliability and quality.

- **Brand Reputation Risks**

The series of activities in the project will attempt to establish the reliability and the quality service offered by Yellowjet to the consumers however there could be some unfortunate events or brand associations from negative customer feedback that can tarnish the reputation of the brand especially in social media where customer complaints are always harmful and can be spread easily. Brand can also be destroyed if a security or safety issue has not been properly resolved and handled.

Mitigation: Customer service has to be proactive and resolve customer complaints instantly. Yellowjet must always track what are the perceptions and drive the conversations occurring behind the brand in a positive way. It must also have a risk management or crisis team to have a fail-proof plan on how the crisis will be managed.

- **Political and Government Risks**

The airline industry is usually regulated and is dependent among relationships between governments and the peace agreements and treaties for flying into airspaces into each other. Any tension between two governments can affect the flights from one destination to another. These governments have authorities to oversee which airlines to allow in the airspace, to the number of slots and frequency awarded to a specific airline, and to the requirements in terms of passenger rights, safety, security and environmental compliance. If these standards are violated, can influence the sustainability of the allocated slots. International flights are the most vulnerable when it comes to security as attacks are mostly done when flying from international countries.

Mitigation: Yellowjet must always deliver high level quality and maintenance in its aircraft to comply with EU aviation regulations. They must also seek to minimize harm to the environment from its emissions and invest in environmentally-friendly and cost efficient aircraft. They must be mindful of inter-government relationships that could hinder their performance and seek for compensation for those who will be affected negatively by such tensions.

- **Input Resource Price Changes**

Jet fuel is a major cost of a low cost carrier and volatility affects the productivity and operating results. Airlines usually buy in advance in derivative markets and can generate profits or losses depends on the fuel price situation. There are also risks in fluctuations from currency changes.

Mitigation: Apply matching strategies and purchasing receipts and payments in the respective currency for transactions to minimize the buying of currency obligations. Stock surplus of fuel during low pricing scenarios can be collected in order to have sufficient jet fuel and improve on operations.

10.2 Costs of Market Entry into Italy

In terms of the costs, we will be splitting it into three major groups: pre-launch, or the costs necessary before the flight occurs, the costs for marketing campaigns and the business as usual costs. The time span that will be covered by this thesis will be the costs during the full year 2017 but can also include some 2016 costs especially those that from the pre-launch. The units that will be used will be in Euros.

It can therefore be said that certainly this project will require a huge amount of investment – majority from the business operations cost namely the aviation fuel and the salary of its pilots and its flight deck. These estimations are taken from looking at the annual reports of Yellowjet and estimating as a percentage what are the incremental costs for the international routes.

10.2.1 Pre-Launch

The pre-launch costs covers the necessary government transactions needed to iron out before getting the approval of the route or agreement to flying to Italy. As well as the necessary training costs and preparation for both the staff and cabin crew. Total costs before the flight are estimated to be around €474,600.

Table 22. Pre-launch costs for Yellowjet flights to Italy (own estimates)

Type of Cost	Time	Name of Cost Item	Cost Estimate (EUR)
Legal	July 2016 – Dec 2016	Negotiation costs with the government	9,600
Operational	Dec 2016	Training for Cabin Crew	15,000
Marketing	Dec 2016	Internal PR Event launch of Manila to Milan Flights	75,000
Marketing	Dec 2016	Translation of Website to Italian render	25,000
Marketing	Dec 2016	Enhancement of mobile applications	10,000

Marketing	Dec 2016	Hiring of Italian-speaking customer service	20,000
Operational	Dec 2016	Installation or enhancement of basic flight entertainment	70,000
Marketing	Mar 2017	Launch event day for Manila to Milan (and vice-versa)	100,000
Marketing	Sep 2017	PR event launch of Manila to Rome flights	75,000
Marketing	Oct 2017	Launch event day for Manila to Rome (and vice versa)	75,000
TOTAL PRE-LAUNCH COSTS			474,600

10.2.2 Marketing Campaign Costs

The marketing campaign costs revolves around how Yellowjet plans to build interest in both the Philippines and in Italy, the different advertising campaigns as well as some loyalty programs and innovations introduced to increase the status of product offerings and deliver the fun Yellowjet branded experience. The marketing campaign costs are tied to most of the suggested projects found in Chapter 9.

Table 23. Project of Market Entry Costs for Yellowjet (own estimates)

Type of Cost	Time	Name of Cost Item	Cost Estimate (EUR)
Marketing	Dec 2016 to Feb 2017	OOH Advertising – Philippines	50,000
Marketing	Dec 2016	OOH Water Resistant Advertising – Italy	100,000
Marketing	Dec 2016 to Feb 2017	OOH JC Decaux Bus Stops Advertising	250,000
Marketing	FY 2017	Prizes for In-flight Games	2,500
Marketing	Jan 2017	First Cycle Print Ads – Philippines	55,000
Marketing	Jan 2017	Print Ads – Italy	150,000
Operational	Feb 2017	Tie-up costs with Italian payment gateway and CebGo rewards partnership with Italian retailers	200,000
Marketing	Feb 2017	Follow-up campaign Print Ads in Italian magazines	75,000
Marketing	Jan-Feb 2017	Yellowpass Online communication	5,000

Marketing	Mar 2017	Online Postcards campaign	15,000
Marketing	Jun 2017	Euro Fares Online communication / promotion	7,500
Marketing	Jul 2017	Yellow-sure and Yellow-doc launch	25,000
Marketing	Sept 2017	OOH Campaign Bus Stops - Rome	250,000
Marketing	Oct 2017	Follow-up Campaign in Print ads for Manila to Rome Flights	100,000
TOTAL MARKETING CAMPAIGN COSTS			1,285,000

10.2.3 Business as Usual Costs

Majority of the costs will come from the core product which are the flying operations between Italy and Manila. Bulk will still come from fuel expense, but also the expenses for the labor costs of flight deck and crew. The second largest will come from the payments to the airports by which it will operate. Costs for additional load for customer service will also be allocated and will be a major driver because of our desire to bring high class service to our target markets.

Table 24. BAU costs for Italy flights of Yellowjet (own estimates)

Type of Cost	Time	Name of Cost Item	Cost Estimate (EUR)
Operational	FY 2017	Flying operations (Manila to Italy) – aviation fuel expense, salary of flight deck and crew, and flight insurance	15,000,000
Operational	FY 2017	Airport and Traffic Servicing Cost – airport charges and ground handling	4,000,000
Operational	FY 2017	Repairs and maintenance of aircraft	220,000
Operational	FY 2017	Smile Magazine	75,000
Operational	FY 2017	Food on-board	190,000
Operational	FY 2017	Incremental customer service costs	300,000
Operational	FY 2017	Upgraded social media costs	50,000
Operational	FY 2017	Increased load or website capacity for web traffic	50,000
TOTAL BAU COSTS			19,885,000

10.3 Timeline Analysis

The timeline analysis will focus on two phases the necessary preparations that will enable us to bring the route of Manila and Italy to the market. While the second phase involves the actual implementation of the project through the different marketing campaigns. This table will list down the different activities and the necessary predecessors required before the activity can be implemented. The time frame assumes a start of planning from July 2016 (week 27) while the time or activity duration will be measured in days. The method of PERT (Program Evaluation and Review Technique)/ Critical Path Method (CPM) will be used to identify the critical path by stating the jobs which are critical, non-critical and the different time slacks and the total duration for the end-to-end campaign from preparation up to the evaluation component. The timelines will be split into the optimistic time, most likely and pessimistic.

Table 25. List of Activities for Yellowjet Market Entry (own analysis)

	Description	Predecessor	Duration (days)		
			Optimistic	Most likely	Pessimistic
A	Negotiation with the local government to allocate the slots to Italy	-	60	90	120
B	Discussion and agreement with Milan Malpensa and Fiumicino airport	A	30	42	50
C	Contract-signing and finalization for the airports and the Italian aviation authorities	A,B	5	7	9
D	Training of Cabin Crew and Pilots for Italy flight	C	25	30	35
E	Setting up and finalization of the flight schedules	C	25	30	35
F	Test flight from Manila to Milan	D	5	5	10
G	Test flight from Manila to Rome	D	5	5	10
H	Finalization of overall marketing strategy	E	1	3	5
I	Creation of new flight schedules in the system	E,F,G	10	12	14
J	Identification and booking of consumer touchpoints for OOH in Italy and Philippines	H	8	10	12
K	Identification of magazines for print advertising and booking for Italy and Philippines	H	8	10	12
L	Preparation for social media viral contest	H	10	12	14

M	Preparation for flight launch public relation event	I	20	25	30
N	Manila to Milan launch event	J,K,L,M	1	1	1
O	Go-live in the booking website	N	1	1	1
P	Activation of OOH in Philippines	O	90	90	100
Q	Activation of OOH in Italy	O	90	90	90
R	Non-operational booking period	O	30	60	60
S	Actual flight launch and flight PR event	R	1	1	1
T	Social media campaign for the viral video contest	O	30	30	30
U	Marketing campaign evaluation for Yellowjet market entry	P,Q,S,T	10	14	16
V	Synthesis of learnings for marketing campaigns and preparations for the similar campaign to the Rome launch	U	5	7	9
W	Preparations for Rome-Manila flight launch	V	20	30	40
X	Rome-Manila flight launch	W	1	1	1
Y	Activation and deployment of all marketing campaigns related to Rome-Manila flight	X	45	60	75
Z	Evaluation for Rome-Manila flight	Y	7	9	11

Through the PERT/CPM Analysis we have found out that the total duration of the project is most likely to be **425.50 days** with four potential critical paths listed below. Yellowjet can choose which one to implement while still upholding the 425.50 days duration. The graphical solution and the Gantt chart are listed in the appendices portion.

04-15-2016	Critical Path 1	Critical Path 2	Critical Path 3	Critical Path 4
1	A	A	A	A
2	B	B	C	C
3	C	C	D	D
4	D	D	F	G
5	F	G	I	I
6	I	I	M	M
7	M	M	N	N
8	N	N	O	O
9	O	O	P	P
10	P	P	U	U
11	U	U	V	V
12	V	V	W	W
13	W	W	X	X
14	X	X	Y	Y
15	Y	Y	Z	Z
16	Z	Z		
Completion Time	425.50	425.50	425.50	425.50
Std. Dev.	12.61	12.61	12.16	12.16

Figure 24. Critical Path Activities for Yellowjet (Source: Own analysis)

CONCLUSION

Yellowjet, in its vision to become the most successful low cost carrier in the world has finally set its sights on Europe after the European Union has lifted its ban on airlines from the Philippines flying into the European airspace. This presents a perfect opportunity matched with its current workings on a low-cost yet long haul strategies to become a travel enabler by mobilizing and transporting people. Hence, living its mission to let everyone be able to fly.

The first component of this thesis involves a literature review of what opportunity analysis means which requires an examination of both the micro and macro-environment of the economy. We also look at the guidelines on value proposition design and on how we should position or basic products and service to features and benefits that will fit the needs and solve the problems of the consumers. We also look lastly on theories of internationalization, especially in terms of the airline industry.

The second component digs down into an analysis of the company where we see Yellowjet as a powerful player in the domestic airspace market as a leader in terms of the market share. Despite being a familiar name in Asia and also operating the third largest airline in the ASEAN region when it comes to widebody aircraft signaling the capability for long-haul travel, one major barrier is the lack of familiarity amongst European consumers. However, the company is still banking on the association with the Philippines and that they are reaching out to an area with strong overseas Filipinos as it has always been the strategy when entering a destination to connect with the Filipinos and be present where the community is.

An examination also of various external factors and forces have been conducted and we see that Yellowjet is more in the position of capitalizing on the opportunities such as the trend for long haul travel at a low cost, of Europe as a destination due to the regulation lifting to airlines from the Philippines, for promoting the country as a destination with increasing popularity from tourists, and for serving underserved traffic or routes with a non-stop direct flight. From a strategic entry point of perspective, the method of Yellowjet entry is more of export-type, because the hub or main operations will still remain in the Philippines without any equity or foreign directed investment in the desired penetrated country.

The thesis proposes to enter Italy, with Milan and Rome as the first two destinations because this is still the concentration of where the overseas Filipino workers are. However, Italian tourist can also be targeted as they are the 9th value contributor with 21,620 tourists who

have visited and this number has grown by approximately 9% from the previous period signaling a growing interest of Italians to explore and have fun in the Philippines.

The strategy will revolve around Yellowjet as the preferred airline of choice servicing the routes between Manila and Italy and has three strategic pillars: offering the low cost long haul flights from the two countries, keeping the trademark of lowest fares and promotional sales and becoming aggressive in marketing effort in order to really increase awareness and interaction with the brand of Yellowjet.

Different propositions are communicated under the value proposition design. The main point of communication for the overseas Filipino workers will be in terms of the price or cost as it has been one of the major barriers for them to return home. Communicating with the Italian tourists will be more of a holistic package, to attract them of the fun and exotic experience they can when visiting the Philippines. To interact with them by carefully explaining the things that they can do and by giving them a taste of Filipino hospitality and lastly convincing them to act with prices which are irresistible and indeed a great deal.

The marketing campaigns for this export-oriented market strategy are aligned across the three strategic pillars. For instance the basic product offering of flights and the augmented offers such as the Yellow Pass, Yellow Sure and Yellow doc are under the strategic pillar 1 which outlines the entry into the low cost long haul format. The promotional pricing, the book now pay later scheme, and the trademark lowest fares support the strategic pillar 2 which relates to pricing. Distributions and promotions are related to pillar 3 which are focused on aggressive marketing efforts in both traditional OOH as well as social media. Enhancements to the Yellowjet app will expand payment capabilities and added functionalities which will help to build the branded type of experience.

The other elements of the service marketing mix such as people and the cabin crew bringing the Yellowjet fun experience, process through a customer complaint resolution effort, and productivity and process through happy employees and improving on-time performance will all help bring a positive image to Yellowjet that will then ensure its success in its export-type penetration strategy in the Italian market.

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LIST OF ABBREVIATIONS

ASEAN	Association of Southeast Asian Nation
ASK	Available Seat Kilometers
BAU	Business as usual
CAB	Civil Aeronautics Board
CAPA	Center for Asia Pacific Aviation
EFE	External Factor Evaluation
FSC	Full service carrier
FY	Full year
IFE	Internal factor evaluation
LCC	Low cost carrier
NMI	Nautical miles
OOH	Out of home
PATA	Pacific Asia Travel Associate
QR	Quadratic residue
QSPM	Quantitative Strategic Planning Matrix
SLF	Seat load factor
SWOT	Strengths, Weaknesses, Opportunities, Threats
YOY	Year on Year

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APPENDICES

Appendix I Yellowjet Destinations

Appendix II Value Proposition Canvas

Appendix III Graphical Solution for Time Analysis

Appendix IV Gantt Chart for Yellowjet

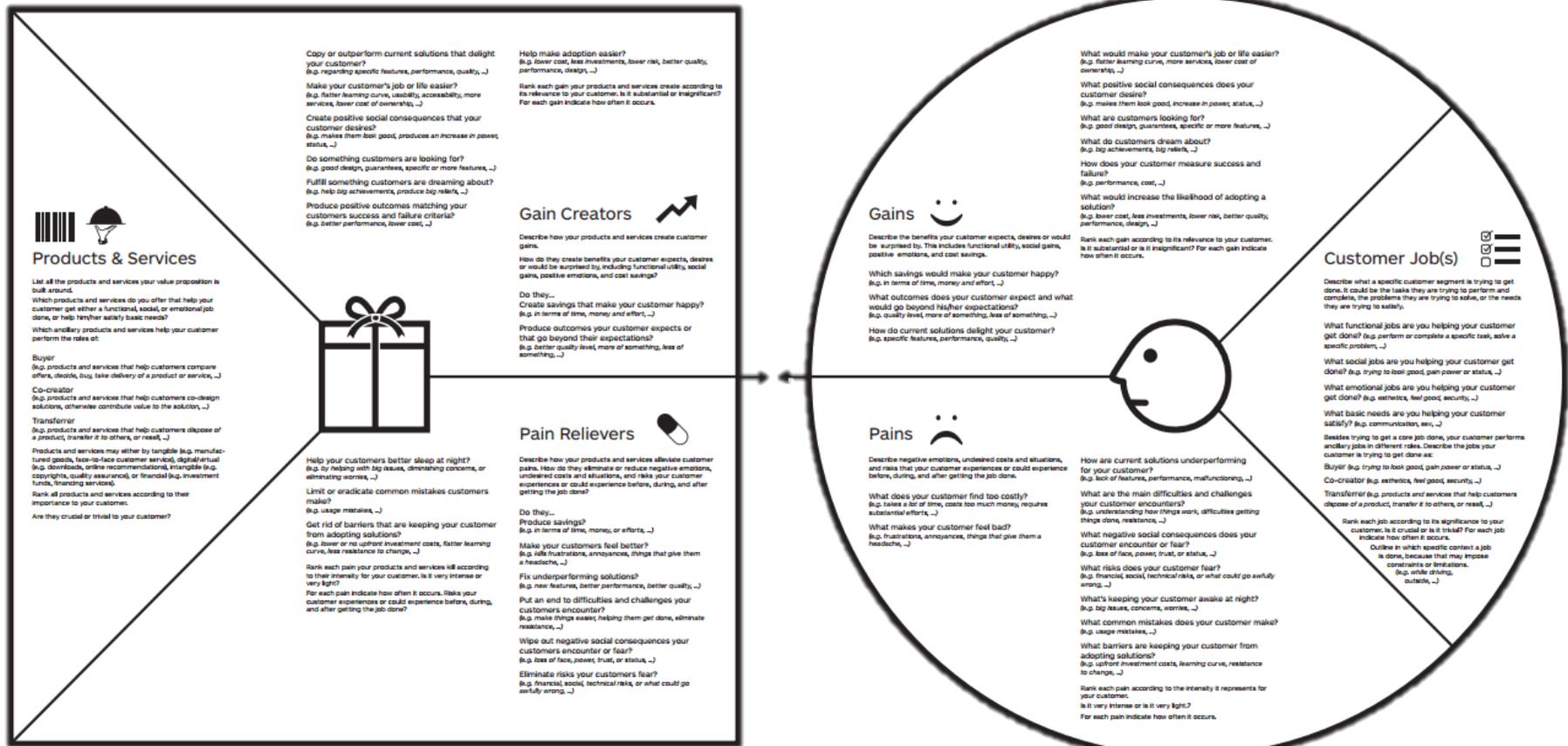
APPENDIX I: YELLOWJET DESTINATIONS

INTERNATIONAL DESTINATIONS Australia (Sydney), Brunei, Cambodia (Siem Reap), China (Beijing), China (Guangzhou), China (Shanghai), China (Xiamen), Hong Kong, Indonesia (Bali), Indonesia (Jakarta), Japan (Fukuoka), Japan (Nagoya), Japan (Narita), Japan (Osaka), Kingdom of Saudi Arabia (Riyadh), Korea (Busan), Korea (Incheon), Kuwait, Macau, Malaysia (Kota Kinabalu), Malaysia (Kuala Lumpur), Qatar (Doha), Singapore, Taiwan (Taipei), Thailand (Bangkok), Thailand (Phuket), United Arab Emirates (Dubai), US (Guam), Vietnam (Hanoi) and Vietnam (Ho Chi Minh).

DOMESTIC DESTINATIONS Bacolod, Boracay (Caticlan), Busuanga (Coron), Butuan, Cagayan de Oro, Camiguin, Cauayan (Isabela), Cebu, Clark, Cotabato, Davao, Dipolog, Dumaguete, General Santos, Iloilo, Kalibo, Legaspi, Laoag, Manila, Naga, Ozamiz, Pagadian, Puerto Princesa, Roxas, San Jose (Mindoro), Siargao, Surigao, Tacloban, Tagbilaran, Tandag, Tawi-Tawi, Tuguegarao, Virac and Zamboanga.

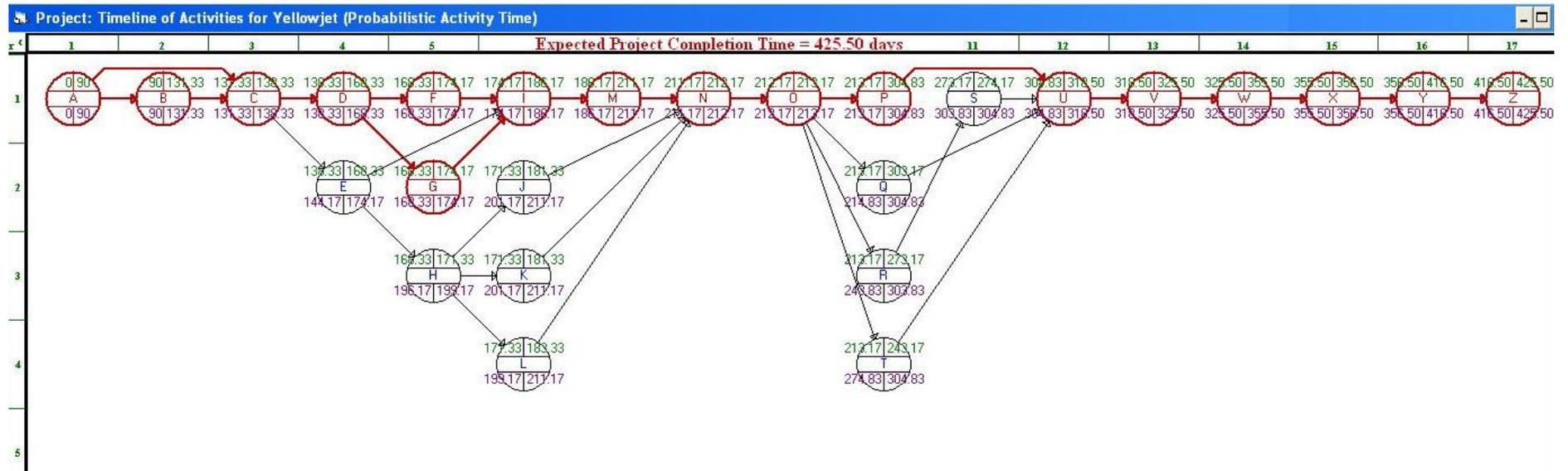
APPENDIX II: VALUE PROPOSITION CANVAS

Source: Osterwalder, 2014



APPENDIX III: GRAPHICAL SOLUTION FOR TIME ANALYSIS

Source: Own Analysis



APPENDIX IV: GANTT CHART FOR YELLOWJET

Source: Own analysis

