



# **JetBlue Airways: Expanding Deeper into Latin America**

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## **ABSTRACT**

JetBlue has established itself as one of the most trusted and beloved airlines in the United States. With low costs and high end services, JetBlue has truly differentiated itself in the American travel industry. However, with Latin America relatively untapped, JetBlue is presented with an opportunity to further expand. This opportunity comes with a challenge though, as most of Latin America is emerging economically and nowhere similar economically or culturally to the United States. JetBlue must find a way to win over consumers in the region with its services while offering a familiar culture at an economically affordable price.

## INTRODUCTION

As JetBlue continues to compete domestically with American-based airline juggernauts such as American Airlines, Delta Airlines, and Southwest Airlines, one possible alternative for the airline is to expand internationally, specifically to Latin America and the Caribbean. Latin America is host to a large population of the world, yet the region lacks major low-fare airlines. JetBlue could take advantage of this opportunity by expanding its operations throughout the region. Doing so would require a “lessening the gap”, as Latin America is not only distanced geographically, but distanced culturally and technologically.

## LATIN AND CARIBBEAN AIRLINE MARKET

Latin America is one of the world’s largest cultural regions with a population that appears to continue to grow. With the growing population and the new-age need to connect the world throughout everchanging technologies, Latin America provides ample opportunities for airlines looking to expand. In 2012, Chilean-based LAN Airlines merged with Brazil’s TAM Airlines, forming LATAM Airlines. This merger created the second largest airline carrier in the world regarding market value as well as one of the largest carriers in regards to passenger volume. LATAM is Latin America’s largest airline, with a heavy presence in Latin America’s largest market, Brazil.

LAN and TAM merged in hopes to expand profitability internationally, specifically in travels to and from the eastern United States and Asia. Despite passenger volume doubling in Brazil during the 2000’s, competition, currency losses, and increased costs create pressures for profit for LATAM. This pressure results in higher prices, which many passengers are unable to afford. The Brazilian market has since seen improvements, with domestic travel flat-lining, though capacity increases have resulted in increases in passenger revenues (Robles, Wiese, & Torres-Baumgarten, 2015).

One year after the merger, Mexican carrier VivaAerobus placed an order for fifty-two A320’s, Aerobus’s renowned medium-range plane. With only one international destination, this purchase was massive for VivaAerobus. The reason for the large purchase was to expand further into Latin America and take advantage of the lack of a true low-fare airline in the region. The airliner is a business venture of the European low-cost carrier Ryanair. The lack of a true low-cost airline company in Mexico and Latin America is so prevalent that VivaAerobus’s main competitor is in fact a division of one of its parent companies. This competitor is IAMSA, the largest bus operator in Mexico. Bus travel is popular amongst Latin culture and is a staple for both domestic and international travel. However, this mode of transportation has become outdated for long distance travel in this day of advancing technologies. These high expenses and length of travel have opened opportunities for discount flights in Latin America (Latin America: The Next Growth Market for Low-cost Air Carriers, 2013).

## OPPORTUNITY FOR JETBLUE

As an emerging market, Latin America is a great opportunity for a low-fare airliner such as JetBlue. The lack of a true low-cost airline would allow JetBlue to establish its presence, using its available resources and capabilities to provide cheap long distance travel both throughout Latin America as well as in and out of the region. Some of the struggles facing JetBlue, however, are figuring out ways to bridge the cultural and technological gap between the emerging market of Latin America with the established market of the United States. Per an article from the Journal of International Business Studies:

“MNEs [Multinational Enterprises] doing business across borders engage in two distinct institutional settings – namely, the home and host country institutions. The differences between these two sets of institutions have frequently been analyzed with the notion of “distance” that aims to capture the degree to which the institutional frameworks are different. The underlying assumption is that costs of doing business abroad are increasing with such distance, though the opportunities for arbitrage also rise with distance” (Meyer & Peng, 2016).

With technologies continuing to advance, communications throughout the world have become easier. Low-cost digital technology has allowed globalization to continue, cutting jobs for the middle-class in developed countries. These jobs have hence been sent overseas, creating a new middle-class in these emerging markets. With this new middle-class continuing to grow, new customers are becoming available to companies in developed countries looking to expand internationally (Pofeldt, 2014).

Emerging markets in Asia, Africa, and Latin America are growing rapidly with middle-class consumers. This growth is also enhanced due to the increasing trend of people in emerging markets receiving college degrees. Many companies attempt to bridge this theoretical distance by viewing these consumers as “late adopters” of products. Viewing these consumers in the same way as the middle-class consumers in already developed markets has not held up well. Different cultures often create a greater distance than the physical gap between these companies and their consumers.

In 2016, JetBlue began services in Quito, Ecuador with flights from Fort Lauderdale-Hollywood International Airport in Fort Lauderdale, Florida. Quito is one of the fastest growing cities in Latin America, providing a nice entry for JetBlue to begin tapping the Latin market. JetBlue’s newfound presence in Ecuador will allow for tourism both in Ecuador and the United States to expand. Although Quito is one of the fastest growing cities in the region, it is not nearly the global hub like those of other Latin cities such as Buenos Aires, Lima, and São Paulo. As urbanization in these major cities expands, middle-class consumers will be more able to travel throughout Latin America and to the United States. To further reach Latin Americans, JetBlue must expand beyond Quito.

## PROPOSAL FOR JETBLUE

As Latin America continues to develop, companies looking to expand in the region must be weary of the Latin culture and distance between the developed home country and emerging host countries. With new services in Quito, JetBlue can expand upon its new opening to reach a greater consumer audience. Quito is located geographically in the center of Latin America, providing a central hub for airline travel throughout the region. Although Ryanair's VivaAerobus is beginning to operate in Latin America as a low-fare airline, it lacks the resources, capabilities, and overall presence that JetBlue possesses.

JetBlue can attempt to grab a hold of the low-fare airline market in Latin America because of its newfound presence and the lack of a true air-fare airline in the region. One possibility JetBlue can focus on is building its reputation in Quito for a period of a year or two. By establishing itself in Quito, JetBlue can gain customer loyalty while simultaneously grasping a greater understanding of the Latin culture and what its consumers want. Although VivaAerobus offers low-fare services, the company lacks the in-flight services and luxuries that JetBlue offers on all flights. Many people traveling from Florida to Quito and vice versa will experience these luxuries, creating a more enjoyable flight experience for a slightly greater cost than JetBlue's main low-fare competitor in the market.

Once JetBlue can lessen this gap through its presence in Quito, JetBlue may look to begin expanding to more destinations across Latin America, especially in the southern half of the continent in cities such as Buenos Aires, Lima, and São Paulo. JetBlue can essentially use Quito as its Latin headquarters, using Quito as either a stopover destination from the United States, or a stopover destination between distanced Latin cities. Building up a familiarity and loyal customer base in Quito can reap benefits for the future. Ecuador is less developed than countries such as world powers Brazil and Argentina, making it a harder market to initially tap for the American airliner. However, once JetBlue can establish itself and familiarize itself with Latin culture, JetBlue may then begin to expand even further into other less developed Latin countries. These countries will be ample with opportunity, as globalization and urbanization in these emerging economies will demand greater travel, both for business and leisure.

Another possibility for JetBlue would be to begin expanding to more destinations in Mexico and Central America from other United States locations. Many southwestern American cities, such as San Diego, Phoenix, and San Antonio are full of Latin immigrants. These people may have family in Latin America, but may find the flight from Florida to Quito to be an inconvenience. By offering services to Latin countries from the West Coast, JetBlue can further connect North and South America. This possibility could be implemented along with the plan to expand to Brazil and Argentina, or even possibly before.

By following this blueprint, JetBlue may be able to connect not only the United States and Latin America, but also emerging Latin countries with developed Latin countries. By utilizing its current operations in Ecuador, JetBlue can multitask by establishing itself to the Latin people, gaining trust and loyalty while simultaneously gaining more knowledge of the culture. By connecting Latin America with cheap flights with high-end services, JetBlue can quickly become a preferred airline to many in the region. Following this plan

can help JetBlue emerge internationally around the same time that a middle-class in these emerging countries begins to boom.

Another opportunity for JetBlue is to offer jobs and careers to these middle-class people in emerging economies. Rather than having American pilots, attendants, and ground crews operating services throughout the region, helping the Latin economies grow by offering work to the middle-class may ultimately help the airliner. Latin workers would also help ease the cultural differences between customers and employees and help Latin economies by creating more work for the growing middle-class in these countries. With a growing middle-class, JetBlue can ultimately gain more customers and even loyalty, as employees may refer family and friends to the airline. JetBlue can even offer benefits and discounts to family of employees, building greater loyalty through the importance of family in Latin culture.

Financially, these plans may be initially very costly for the airliner, as opening operations and offering more destinations is surely expensive. However, these costs will be worth it for the airline, as JetBlue will be operating in a relatively untapped market. Once JetBlue establishes itself throughout Latin America, it can become the industry leader in the region and push itself to the status of the globally elite airliners. With increased revenues and profits over the past couple of years, JetBlue can use these to initialize operations and help acquaint the airliner with the region, its culture, and its people.

## CONCLUSION

Latin America provides a great opportunity for an American airliner looking to expand. With multiple emerging economies, Latin America is distanced from the United States. However, advancing technologies and globalization has allowed emerging economies to develop rapidly, with some in the industry believing Latin America to be the perfect opportunity for expansion in the next few years. The challenge for expanding companies is to initially make the jump and familiarize itself with the culture and theoretical (and literal) distance.

JetBlue has already positioned itself greatly by offering services to the Latin city of Quito in the beginning of 2016. By acquainting itself with a small step, JetBlue may be able to prime itself for a jump in the next year or two to greater markets in more developed countries. In doing so, JetBlue can connect the emerging and developed countries in Latin America, as well as Latin America to the United States. Although other airlines already offer these services, many are expensive and the few that are not offer no luxuries with little to no leg space or check in baggage.

JetBlue can differentiate itself in this market at a low cost by offering its services such as satellite television and roomy leg space with flights connecting the region. Although initially expensive, JetBlue can reap the benefits by jumping into this emerging economy with costs that the middle-class can afford and services that the upper-class search for. By doing this, JetBlue can truly establish itself as the premier low-cost airline of the Americas.

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