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**INTERNATIONALIZATION PROCESS OF SKYPRO SHOES TO THE
EAST COAST OF THE US**

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Contents

Abstract.....	2
Company Overview	2
Firm’s Description	2
Business Mission and Strategic Objectives	4
Resource Based View and VRIO.....	4
Value Chain.....	5
Industry Mapping	6
Product insights	8
Internationalization Plan	8
Criteria of country selection	8
US Airlines and Aviation Professionals from the East Coast.....	10
Porter’s 5 Forces of the East Coast of the US market.....	12
SWOT Analysis of Skypro in the East Coast of the US Market	14
TOWS Analysis.....	14
Internationalization Process	16
Mode of Entry	16
Implementation of the Internationalization Strategy - The four Ps – Marketing Mix	16
The Four M	19
Financial Projections.....	19
Conclusions and Recommendations.....	21
References.....	22

Abstract

This work project studies the internationalization potential of Abotoa SA, in particular to Skypro, its footwear brand targeted at aviation professionals, to the East Coast of the US. I firstly developed a company overview followed by a detailed analysis of country criteria based on population, country risk, the airline and footwear industries, consumer behavior and aviation professionals' profile. Based on company information, statistic and governmental data, as well as professional insights from clients and aviation professionals, I further developed the internationalization plan, focusing on the B2C market, concluding that it will bring benefits to the company.

Keywords: Skypro; airline industry; footwear; East Coast of the US.

Company Overview

Firm's Description

Abotoa is a Portuguese footwear small enterprise founded in 2004 and based in SANJOTEC – Centro Empresarial e Tecnológico de São João da Madeira, also strategically located in the same area as the CTCP – Centro Tecnológico de Calçado em Portugal. The firm has its warehouse in Carnaxide and an office in Oeiras, with an overall number of 10 employees.

It started as a franchisee of the Portuguese clothing brand Lanidor in 2003, and two years later, moved on to Investvar Group, who owned the shoe brand Aerosoles. Together they created the brand *Aerosoles/Pro* that targeted professionals' occupational footwear. This partnership allowed its breakthrough in 2008 when it became TAP's footwear supplier. However, later affected by downfall of the Investvar Group, Abotoa was forced to redeem its partnership with Aerosoles and distanced itself from Lanidor as well.

Notwithstanding, Abotoa took advantage of its detailed knowledge and experience in the industry and developed two different brands, Muffins and Skypro. Only the latter one proved

to be profitable and is now the company's core business on aviation professionals. The development of this brand was due to a valuable collaboration with CTCP, which allowed the company to focus on a differentiation strategy through the development of footwear with unique characteristics for the airline industry: anti-skid, anti-static, ambicork, alarm-free and innocuous leathers. Moreover, with a collaboration with ISEP – Instituto Superior de Engenharia do Porto, it has allowed them to further their studies in material resistance.

Aware that there was no more room to grow in the Portuguese market, the company began acquiring major clients abroad, such as Etihad Airways in 2015. Its main client focus has since been on cabin crew and ground handling, flight operations and airport customer service staff. Thus its core segment has been the B2B market, which accounts by selling its products directly to the airlines. As of the first semester of 2016, foreign B2B clients claimed 90,5% of Skypro's sales distribution. However, with the launch of its online store it broadened to the B2C market by targeting the aviation professionals as end consumers.

All of its production is outsourced to Portuguese factories and the brand has recently also expanded its product portfolio to uniforms thanks to its project with CITEVE – Centro Tecnológico das Indústrias Têxtil e do Vestuário de Portugal – that allowed a further research on textile materials. See **Exhibit 1** for a complete Skypro product portfolio.

Skypro's reputation is increasingly being recognized. It has been recently awarded the *Etihad supplier of the year* in the Uniforms/Leather category and winner of the *Onboard Hospitality Awards* in the wellbeing category, both in 2016. Furthermore, its men shoes are the World's First Certified Footwear for Aviation Professionals by the EN ISO 20347:2012 certificate. See **Exhibit 2** for the special features of this shoe.

Always set to broaden its horizons, in April 2016 Abotoa opened its first administrative office abroad, Skypro LLC, in Atlanta, Georgia, USA. Fully detained by the company, this office is

a result of the company's internationalization strategy to expand to the US to tap its huge market potential and grow in this large airline market industry.

Business Mission and Strategic Objectives

In 2015 the company rebranded its brand Skypro under the slogan "Feel the Ultimate Care", with a **mission** to develop product lines and services with comfort and quality as core guidelines. Skypro believes that by offering state of the art products featuring unique characteristics will contribute to the well-being of the aviation professionals which in turn will result a good professional performance.

Skypro's **Vision** is to gain worldwide awareness as a premium brand with the best product offering as well as to be the worldwide leader in this niche industry.

As for **Strategic Objectives** in the short term, the company aims to enter the American market upon the establishment of its new office in the US, Skypro LLC. Furthermore, the company also aims to broaden client portfolio into other latent industries such as rail, cruise, hotel chain professionals, among others.

Resource Based View and VRIO

Firms can adopt different strategies of value creation. With a premium offering, Skypro's strategy is clearly a differentiation strategy, by developing products with unique attributes that are highly valued by customers. (Daniels, Radebaugh and Sullivan, 2013, 381) According to the Resource Based View, this competitive strategy will depend on a bundle of tangible and intangible assets accumulated in its organizational resource platform. See **Exhibit 3** for Skypro's RBV. It mainly presents intangible assets as it relies on continuous R&D for innovation which results in its good reputation and trademarks and none of its materials (tangible assets) are exclusive to them.

For this strategy to result in a sustainable competitive one, it must comply with all the components of the VRIO framework. See **Exhibit 4** for Skypro's VRIO framework. As analyzed, Skypro's assets only present either competitive parity or a temporary competitive advantage. Its reputation, brand management and cross-cultural management prove to be valuable but not exclusive or rare when comparing to competitors. Its trademarks, industry know-how, R&D, quality management and strategic alliances are the core of the company and are also rare, but easily copied by competitors too. In particular to trademarks, they should be patented in order to become the company's intellectual property and impossible to imitate.

Value Chain

"A firm's value chain and the way it performs individual activities are a reflection of its history, its strategy, its approach to implementing its strategy and the underlying economics of the activities themselves". (Porter, 1998, 36) Therefore the total value of a company is computed by the sum of its activities and its margin, which is the remaining percentage between the total value and the sum of all activities' percentage weight on value creation, including its primary and the support activities. See **Exhibit 5** for Skypro's Value Chain.

As for primary activities, the inbound logistics include the stock management of the manufactured products by the factories and its warehousing. As the company outsources all of its production, operations only consist in costs of goods sold and consumed material, and the outbound logistics on product packaging and its dispatching. These three primary activities are ensured by the Logistic Clerk. The marketing and sales activity accounts for the highest contribution on the value chain, proving its importance on value creation. Marketing focuses on the promotion of its product portfolio through their social media as well international fairs by taking the advantage of its architecture of relationships. As for the sales activity, for the B2C segment the total average revenue (without taxes) is of 97,56€ for all countries and of

\$139,95 for the US, with an average cost per unit of 25,58€ and \$27,69, respectively. This results in a 73,78% margin for all countries and of 80,21% for the US. As for the B2B segment, women's shoes represent 80% of sales whereas men the remaining 20%, and both produce a total average revenue without taxes of 44,60€ and an average cost per unit of 27,64€, which results in a margin of 38,02%. The sales process is delivered by the Account Manager who is responsible for the customer relationship management and the after sales service, taking tasks from emails and chat responses on the online store, to providing support to clients' orders. See **Exhibit 6** for Skypro's primary activities.

As for secondary activities, procurement includes the travelling expenses related to the procurement practices of inputs. It is followed by the technology development, which will depend on the procurement to conduct the chemical experiments of product development and research. The HR management, as the name indicates, relates to all kind of expenses with personnel. The firm infrastructure consists in all the expenses concerning the management, accounting, rents and both the HQ and Oeiras' office general expenses. See **Exhibit 7** for Skypro's secondary activities.

Industry Mapping

Clients

Aviation professionals are Skypro's main focus, both on the B2B and B2C segment. These include cabin crew and ground handling, flight operations and airport customer service staff. Notwithstanding, the brand also targets other latent industries professionals from cruise, hotel, military and private security staff on the B2C segment.

Suppliers

Abotoa's production activities are entirely outsourced and rely on a make-to-order process. This results on a stronghold of an important network of suppliers, which have to respond to

clients' orders and specific needs. Depending on the volume of purchases, the company might acquire its own raw materials and then provide to the factories in order not to compromise delivery deadlines, specially to major clients. Raw materials include leather, lining and other components. However, when the factories choose their own raw materials, these have always to be approved by the newly appointed Quality Manager of the company. This manager's role is crucial to the manufacturing process itself as he is in charge of the quality control process, conducting all the tests of production series and making sure that the shoes correspond to Skypro's standards – in case they are not, the production activity has to go back to square one and restart. See **Exhibit 8** for a complete list of Skypro's suppliers.

Distributors

Air mail distribution is largely the main channel to deliver the products to both major clients such as big airline companies, as well as clients that purchase via online shop. DHL works as Skypro's biggest distributor: it provides distribution to its online shop, its B2B businesses and to Skypro's LLC in the future. Currently, the distribution in the US is supplied by the company Tiba and also UPS. TNT, Azcar and Garland also serve as distributors to the B2B orders placed by companies abroad.

Competitors

Skypro faces both direct and indirect competition on their footwear products. Despite being a brand of aviation professional shoes, its main competition comes from indirect competitors, which include popular brands known for their quality, comfort and design to general customers and thus provide as a reference brand specially to the professionals whose footwear is not provided to. In regards to direct competition, it includes brands that offer shoes targeted at aviation professionals. See **Exhibit 9** for a detailed list of Skypro's footwear competitors. As Skypro now also offers uniforms, they have gained other type of direct competitors, the uniform suppliers. See **Exhibit 10** for a detailed list of Skypro's uniform competitors.

Institutional players

These include with the already mentioned entities such as SANJOTEC, CTCP, ISEP and CITEVE, which have allowed the company to continuously innovate by developing its R&D to achieve its premium offering. Another important partners are APICCAPS - Associação Portuguesa dos Industriais do Calçado, Componentes, Artigos de Pele e seus Sucedâneos - which provides the company with industry reports on global footwear data and trends.

Product insights

To better understand the true offering of a product, talking to clients is the best way to get an honest and transparent feedback. As TAP is Skypro's oldest customer and has been using its products for many years, I believed that getting the professional's feedback was truly important to get a deeper insight on Skypro's offering. Thus, I conducted a questionnaire to 77 TAP flight attendants focusing on the awareness of the company, the product features, Skypro's offering and most importantly, the needs of professionals of this specific industry. The majority of the flight attendants mentioned the need of improvement in shoe comfort whereas they also distinguished the airport-friendly (alarm-free) a valuable feature. As for competitors' awareness, more than half responded that they were not aware of any other aviation footwear brands besides Skypro. Others mentioned many direct and indirect competitors' brands such as Piccadilly, Hush Puppies and Ecco. See **Exhibit 11** for a full analysis of the questionnaires.

Internationalization Plan

Criteria of country selection

In order to justify the market to expand to, an analysis of North America's countries was conducted according to the following criteria:

Population

The United States have a population of 321 419 thousand and are the third highest populous economy. They also have the second highest GDP based on the Purchase Power Parity worldwide with \$18 036 648 in millions of international dollars, well ahead of Canada and Mexico which rank 11th and 16th, respectively. (World Bank Data, 2016)

Country risk

As for the risk of doing business in the US, its country rating is of AA1, presenting AA level (the highest) on medium-term rating on country grade and level 1 (the lowest) on country risk in the short-term rating. Canada and Mexico present AA1 and BB1 country ratings, respectively. (Euler Hermes, 2016)

Footwear Industry

In 2015 the US was the number one country worldwide with the highest import of footwear of US\$28 308 million. It is also the second highest country in the world in consumption with 2 442 million pairs. The main material of footwear imports in the US was waterproof (39%), textile (29%), leather (23%) and other. (APICCAPS, 2015) Moreover, in the 2015-2020 period the industry is set to growth by 22%, as seen on **Exhibit 12**. (Euromonitor International, 2016)

Aviation Industry

In 2015 the US remained the world's largest air passenger market and with a growth of 1.7% in its domestic market, it resulted in additional 8 million domestic passenger journeys. (IATA Annual Review, 2016) Furthermore, the US airline industry presented an annual 2% increase in 2015 in value sales of US\$168 billion. (Euromonitor International, 2016)

When it comes to airlines, out of the top 5 largest airlines by passengers worldwide in 2015, only one airline is not from the US and **Delta Airlines** is the world's largest airline by passengers with 129 433 passengers carried, as seen on **Exhibit 13**. (The Economist, 2015)

Moreover, as of 2015, **Hartsfield-Jackson Atlanta** was the most travelled to airport in the world with over 100 million passengers carried in that year and no Canadian or Mexican airport made it to the top 20. (Airport Council International, 2016) See **Exhibit 14** for the preliminary results of the top 20 airports worldwide in passenger traffic.

By leading in all the criteria selected, the US was chosen as the country to internationalize to. However, due to the dimension and great potential of tapping into this country, the internationalization process will only focus on the East side of the US when dividing the country into two halves. See **Exhibit 15** for a PESTEL analysis of the US.

US Airlines and Aviation Professionals from the East Coast

The US airlines do not provide footwear to their professionals as a general rule. The flight attendants purchase their own initial uniforms, with the possibility of fund from the airlines for its replacements and upkeep. (Bureau of Labor Statistics, 2015) As for pilots, ground-handling staff and engineers I assumed the procedure would be the same. Thus the airline professionals in the US are considered as end consumers as they buy their own footwear, which makes this market primarily a B2C one. With regards to which states were the most important to target, I conducted an analysis according to the following criteria:

Airlines

Regarding the market value in the country, it is led by two major airlines, American Airlines and the other being an East Coast airline, Atlanta-based Delta Airlines, with a market share of 18.9%. Notwithstanding, low-cost carriers are also paving their way in the industry. With a market share of 3,3%, New York-based JetBlue airlines is the 5th highest airline in the US. (Euromonitor International, 2016) See **Exhibit 16** for a full table on US airlines market share.

Professionals

Airline pilots, copilots, and flight engineers have an annual median wage of \$117 290, compared to the total of \$36 200 for all occupations, as seen on **Exhibit 17**. As for flight attendants, they earn closer to the total mean, with \$44 860 of annual mean wage. (Bureau of Labor Statistics, 2016) In terms of geographic employment in the East Coast for both types of professionals, see **Exhibit 18** for the top employing states in the industry. As for the top paying states in the East Coast, see **Exhibit 19**.

Consumer behavior

The footwear industry in the US in 2015 increased by 7%, reaching \$76.2 billion. Despite the leading distribution channels remaining the traditional ones such as apparel and footwear specialist retailers, another channel is taking speed in the industry, the internet retailing, which presented a growth of 15%. (Euromonitor International, 2016)

With a 12% value share in 2015, the Internet is quickly setting its path as one of the preferred channels to shop. (Euromonitor International, 2016) Moreover, despite leading by 86,8% of market shares, retailers are also now adapting to the emerging shopping trends by setting their own online shopping websites. Footwear brands are not getting behind on the trends either, by marking their presence in popular third-party shoe websites such as Zappos and shoebuy.com. (Euromonitor International, 2016)

Professional insights

In spite of gathering all the information on the aviation professionals profile, it was interesting to understand the footwear shopping method of an aviation professional. I interviewed an American Airlines retired pilot with a long-term experience in the industry. The Captain confirmed that footwear was never provided to him and it was hard to find a good brand of shoes that suited his lifestyle, and settled with a generic shoe brand, SAS's (San Antonio Shoemakers). The Captain's most valuable features were width, sole comfort and expansion

capabilities. Moreover, impact absorber and airport friendly were important components in a shoe too. He also used to buy a pair of shoe per year and was willing to spend \$150-\$200 per pair. Upon the interview, I could conclude that Skypro's pricing is within the range of willing to spend and the desired features are also in line with Skypro's comfort focus. I also understood that two things were crucial to reach the American aviation professionals: to be present in a third-party shoes store to get awareness as well as in a physical store for customers who prefer to shop not online. See **Exhibit 20** for a full interview with the Captain.

Porter's 5 Forces of the East Coast of the US market

“Competitive strategy must grow out of a sophisticated understanding of the rules of competition that determine an industry's attractiveness”. (Porter, 1998, 4) In order to assess the potential of the success of the internationalization of Skypro to the US, I analyzed the competitive forces that influence the US footwear market.

Buyers' power: As the US aviation professionals market is a B2C one, its clients will be the aviation professionals as end users. Thus, the buying power solely relies on them. This results in a high bargaining buyers' power as they can choose not only among Skypro's direct competitors, the other aviation footwear companies, as well as among its indirect competitors, the general comfort footwear companies. As switching costs are low, it contributes to a higher power from the buyers. Furthermore, the lack of brand recognition due to the small or nonexistent awareness of aviation professionals of the Skypro brand is a huge barrier for the company to overcome. Regarding customers' price sensitivity, buyers can also opt for cheaper direct competitors' alternatives.

Suppliers' power: As the company has always outsourced its production and it aims to continue so, the bargaining power would remain the same. Despite the recent launch of its new administrative office, Skypro LLC, this office will only serve as an intermediate to the

selling to the US market. Moreover, as the company relies on a premium product differentiation, it is dependent on factories' delivery time as well as its procedures of quality management control to ensure the premium standards, which results in a medium bargaining power from suppliers.

Threat of new entrants: New entrants can include both their direct and indirect competitors. As for the threat of other aviation footwear companies, it is low as in the US market airlines do not provide footwear to their professionals. As for the general comfort footwear companies, its threat of entrance is quite moderated since a plethora of new comfort brands keep on emerging and entering market as they target all the customers that wish for comfortable shoes, being able to grasp the specific segment of aviation professionals. Thus the threat of new entrants is medium.

Threat of substitutes: As footwear is an ultimate necessary good that regardless of the supplier, it can never be substituted by any other product so far. Therefore, analyzing the substituting threat within the footwear industry, it must include the indirect substitution.

Comfort footwear brands can easily act as substitution to aviation footwear. Also due to the high bargaining power of customers, these can easily compare with their previous experience with comfort brands and the cost of targeted aviation shoes. Thus the threat of substitutes is high as it relies on the clients' power of choosing according to their preferences and not directly with the emergence of more indirect competitors.

Intensity of Rivalry: Rivalry also includes both the direct and indirect competitors. Regarding indirect competitors, these take advantage of their brand awareness. See **Exhibit 21** for Skypro's indirect competitors with the highest market share with a comfort offering. Thus, with such a broad scope of rival players, the degree of rivalry is considerably high.

To sum up, the forces that shape this industry pose a significant barrier to Skypro’s success in this market as they are mainly high and medium. See **Exhibit 22** for a graphic analysis on Porter’s 5 Forces.

SWOT Analysis of Skypro in the East Coast of the US Market

STRENGTHS	WEAKNESSES
S1 Industry know-how S2 Long-term experience in the market S3 Continuous R&D S4 Architecture of relationships S5 Low fixed costs (outsourced production) S6 Product differentiation S7 Product customization S8 Online store	W1 Low brand awareness W2 No patent on the differentiated shoes W3 Low economies of scale W4 Small company (short HR force) W5 Low control on deliveries (factory dependence) W6 Moderate bargaining power of suppliers

OPPORTUNITIES	THREATS
O1 Promotion through social media O2 Increase awareness by attending fairs and awards events O3 Grow a loyal customer base O4 Growth of the industry O5 Skypro LLC in Atlanta, Georgia O6 Aviation Professionals concentration on the East Coast O7 Purchase power of aviation professionals O8 Target other types of aviation professionals such as students, flight instructors, private pilots and rotorcraft pilots O9 E-commerce trends of the US market	T1 Indirect competitors T2 Political uncertainty T3 Aviation terrorism T4 Exchange risk T5 High bargaining power of B2C customers T6 Production imitation by Skypro’s direct competitors

TOWS Analysis

Maximize External Opportunities using Strengths

S1+S2|O6– Take the most advantage out of the company’s industry know-how and long-term experience in the market to target the concentration of aviation professionals in the East Coast. The estimate of active pilot certificates held in the East Coast is the biggest in the country (U.S. Civil Airmen Statistics, 2016) State wise, three eastern states are in majority in

the top 5 employment states for pilots, Illinois claiming the second place and Georgia ranking in fourth place. As for flight attendants, New York and Florida claim the third and fourth place in the rankings. (Bureau of Labor Statistics, 2016)

S1+S2+S6|O7 – Both pilots and flight attendants earn above the mean annual wage (Bureau of Labor Statistics, 2016), which is favorable considering the company's premium prices for its product differentiation offer. Thus the potential employees have a bigger disposable income to make choices considering the price/quality relationship.

S8|O5+O9 – The company could take advantage of its online store to explore the e-commerce trends in the US by promoting its online store in the social media to increase awareness and invest its presence in third party shoe websites. By also having a local presence in Atlanta, Georgia, an amount of stock is quickly dispatched to the end consumers.

S1+S2|O7+O8 – The company should also take advantage of the great number of other types of pilots in the US beyond airline pilots and the high concentration in the East Coast of students, private pilots, commercial pilots and flight instructors. (U.S. Civil Airmen Statistics, 2016)

Avoid Threats by means of Strengths

S3+S4+S6|T1+T5– Through the relationship with several entities (SANJOTEC and CITEVE) and its continuous R&D, the company can continuously innovate to deliver a unique product with an even greater set of features to distinguish itself from its indirect competitors and dwindle the buyers' bargaining power.

Reduce Weaknesses by embracing External Opportunities

O9|W1– One of the biggest hurdles to overcome when entering this market is the low brand awareness in the US. By investing in its presence in third party footwear websites Skypro would be more exposed and visible to the end consumers, which may even go beyond aviation professionals.

Reduce Internal Weaknesses and avoid External Threats

W2|T6– One of Skypro’s biggest weakness is that its unique set of features is in fact not exclusive and is in fact easily copied by any other competitor. Thus, the company should avoid this possible threat by investing in a patent.

Internationalization Process

Mode of Entry

With a company-owned foreign subsidiary, the company already owns the foreign intermediation operation in the US. Skypro LLC will then act not only as a sales representative and foreign distributor, but it will also be responsible for the online intermediary processes, which will be crucial to boost the e-commerce trend potential. The products will continue to be manufactured in Portugal and directly exported to the US to be stocked in Skypro LLC and quickly dispatched to consumers whenever an order is placed.

Implementation of the Internationalization Strategy - The four Ps – Marketing Mix

Product

The company currently only exports footwear to the US and plans to do so in the upcoming time. Should it prove to be successful, then the company could assess the possibility of including more product categories within its portfolio.

Price

The company currently sells its footwear to the US by an average of \$139,95 for women shoes and \$179,95 for men shoes and it should maintain its prices to avoid customers’ price sensitivity.

Place: Regarding the place, the company could explore two ways of placing its product:

1) E-commerce boost

“Cross-border e-commerce has opened up a new, more efficient way to connect producers and merchants directly to customers around the world, bridging the gap between demand and supply.” (International Trade Centre, 2016)

The US ranks as the second largest B2C e-commerce market over the past two years behind China, with \$648,6 billion generated so far in 2016. (Statista, 2016)

As for the online store is already available in English, there are no additional costs of translation. Furthermore, the company could also boost its e-commerce by investing in its presence in third party shoe websites, such as **Zappos.com**, **Shoebuy** and **DSW**, in which many of Skypro’s indirect competitors are present as seen on **Exhibit 23**. The products could easily fit in the offering of the women’s section of work, comfort, flats and heels, and as for men, they also fit in the work section and wide shoes, since the offering available is quite similar to Skypro’s shoe portfolio.

2) Aviation Products stores

In order to gain more awareness, the company should also be present in a physical store. As it does not possess enough financial capabilities to invest in its own brand store, the presence in an aviation product store would be the suggested place. As the company already has previous experience with **Crew Outfitters**, a company focused on products airline professionals with many stores across the US, the first thing to analyze was the location of these stores and their potential. With two stores in Atlanta, Georgia, this location proved many benefits to the company. Not only is it located in the same city as the company’s subsidiary, facilitating transportation and reducing its costs, as well as the many advantages its main airport presents. The **Hartfield-Jackson** airport is the world’s most efficient and the busiest airport and the largest employer in the state of Georgia. (ATL, 2016) Not to mention that this airport is also Delta Air Lines’ base. (Airlineupdate.com)

One of the stores is located at the airport in the Delta Sky Spa and the other outside the airport in front Delta's HQ building. (Crew Outfitters, 2016) As for the first one, the company could take advantage of the brand awareness some professionals might already have from Delta's online store for their employees, but the company would also be limiting its potential customers to only Delta professionals and would reach a stagnation phase at some point.

Therefore, it would be much more profitable to invest in the store outside the airport, in the area surrounded by hotels and restaurants. This way the company can capture a greater number of potential clients from airlines beyond Delta, by taking advantage of professionals that have to stay in the city during the stop-over flights as well as aviation professionals that reside in Atlanta as well.

Another target city to invest in would be Miami, Florida. Regarding both the pilots and flight attendants, it is one of the highest states in employment for pilots and is the top paying state in the East Coast for these occupations, adding to the fact that it has also one of the highest location quotient for flight attendants. (Bureau of Labor Statistics, 2016) At the Miami International Airport area, the company could place its presence in the Fields Shop (a Crew Outfitters owned-store) right outside the airport and across the Boeing Training Center. (Crew Outfitters, 2016)

Promotion

Regarding online advertising Skypro should invest in social media promotion as well as paid advertising on search engines, such as Google AdWords and Double Click. Moreover, the brand should also invest in promotion through airline magazines. By also investing in an IATA partnership, it could take advantage to get referrals and participate in their forums and conferences to achieve more awareness in the market.

The Four M

Minute and Money

In order to establish the time horizon and the money required to the investment prior to the project a plan was projected concerning the costs of the minimum projected quantity sold: footwear manufacturing, exporting the US and duty taxes. Concerning the online store, Skypro will need to hire a new commercial collaborator as well as to increase its budget on online advertising. In order to increase awareness, it will also invest in magazine advertising and on a partnership with IATA, which will provide them with industry reports and will also become a Skypro referral. See **Exhibit 24** for a detailed table.

Men

Skypro is also planning to hire a commercial collaborator to Skypro LLC in 2017, who will be responsible for contracts with the airport stores and the online store's boost.

Memo (4 years)

Skypro's main goals for the upcoming four years rely on to not only increase sales revenues by increasing its brand awareness in the US and its presence this market which will result in a broader client segment by expanding its B2C segment. In order to keep innovating it should continuously invest more in R&D and in a patent. See **Exhibit 25** for a complete table of the Memo.

Financial Projections

An implementation plan would not be complete without financial projections as these will determine the financial viability of this project. One of the most common methods to assess it is the NPV – Net Present Value, by setting the stream of cash flows of this potential project to its present value. (Berk, DeMarzo, 2014) Thus, final decision will depend on the project's NPV value. Should it be negative, then the company should reject this project proposal.

As my proposed implementation plan relies on three channels, the online store, third party shoe websites and airport stores, revenue sources are from three distinct channels. For simplification purposes, I assumed flight attendants were mostly women and pilots and engineers mostly men, in order to match each product price to the gender. The base number of men and women for all the three channels is based on the total number of pilots and flight attendants in the East Coast according to the 2015 employment data of airline pilots, copilots, flight engineers and flight attendants by state in May 2015 of the US Bureau of Labor Statistics. As mentioned by the professionals I interviewed, flight attendants get a pair of shoes twice a year, whereas pilots only once. Thus, the quantity sold to flight attendants was based on the double of the number of flight attendants. See **Exhibit 26** for the total number of shoe pairs per year according to the aviation professionals' categories.

In order to get a broad scope of results, I conducted two analyses with different starting points: an optimistic revenue projection and a pessimist revenue projection, which differ in percentage of target quantity sold to professionals. I also assumed for both scenarios that flight attendants would buy more in all the chosen channels as their job is much more physically demanding resulting in a need for more than the usual number of pairs per year as well as they might also go for two types of shoe height: flat and heeled shoes, which results in a higher number of purchases.

Therefore, for the pessimistic scenario I projected 16% of quantity sold to the target sum of professionals and as for the pessimistic scenario, 33% was projected. Regarding the commissions, these vary per channel: Skypro LLC charges a 2,5% commission on sales and as a usual rule, 15% is charged by third party websites on sales too. Concerning the airport stores, these apply a 23% of commission on Skypro's revenue margin which depends on the aviation professional shoe, as the final price for men's shoes is higher, then the margin is also higher than the women's shoes.

Regarding the costs, the ones similar in both scenarios include the costs already calculated in the Memo: the new collaborator, the IATA partnership and advertising. The costs that vary according to the scenario due to the different quantity sold are the Costs of Goods Sold, shipping costs from Portugal to the US, the duty taxes (10% on COGS), costs with online advertising and the management of Skypro's online store, to which was applied the growth rate of the online store over the years on each scenario, the shipping costs of both Skypro and the third-party ones, which according to the company is about \$12,5 per purchase.

As for Working Capital, I assumed that for the inventory costs, these would include at least a month of stocking before selling, for the account payables it would take Skypro 2 months to pay back to the selling channels and as for the account receivables it would take 1 month for the selling channels to pay back to Skypro. Lastly, after computing the Free Cash Flows of each year, I applied the discount rate of the shoe industry's cost of capital in the US, of 7%. (NYU, 2016) For the Pessimist scenario, an incremental NPV of US\$2 978 079,89 was achieved and as for the Optimistic scenario, Skypro would benefit of an NPV of US\$6 439 029,59. Therefore, I can conclude that Skypro should invest in this project as both scenarios produce positive NPVs. See **Exhibits 27** and **28** for more details on both scenarios.

Conclusions and Recommendations

After drawing a company overview, developing its potential in the US framework and assessing its financial potential, I can conclude that it is not only possible and viable for Skypro to enter the market as well as it will bring financial benefits to the company. Moreover, the company would also increase its client base from its core B2B to a B2C base in a huge market as the East Coast of the US. This would not only result in a higher number of B2C customers as well as a rise in Skypro's brand awareness and serve as a starting point to other B2C markets in the aviation industry.

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