Westjet's Three Strategies to keep Canadian Airspace Competitive

Description

By: Christine Conway

For a passenger, flying on a half-filled plane is fantastic. Especially if flying with kids! However, this formula doesn't work very well for the airline. Airlines like to fill their planes, and that's exactly what **Westjet** (TSX: WJA) is trying to do with Encore, a service that offers short trips at a price point that makes flying a viable alternative to an extended road trip. The strategy includes shorter trips to new locations, lower cost, and bundled options that keeps pricing flexible for the consumer. Let's take a look.

1) Affordable Short Trips

Back in June, Westjet Encore was rolled out. This new service focused on creating affordable quick trips. Current stops include Grande Prairie, Edmonton, Calgary, Nanaimo, Vancouver, Victoria, Regina & Saskatoon. It will launch new access to Terrace in November and has added three new cities: FortSt.   John, Nanaimo and Brandon to its existing roster. The goal is to open up short flights to locations it doesn't yet access across Canada over the next 2 years. By accessing new locations, it's providing an alternative in these areas, which is intended to drive down the cost to the customer.

2) Low Cost

While saving time by flying is appealing, the price tag that usually accompanies it is not.

Before Westjet moved into this space, it said a competitor's flight from Vancouver to Nanaimo would sell for over $300. When the price point is too high, potential customers won't use the service. The Encore solution will extend that flight from Nanaimo as far as Calgary at a price of just $189. A last minute flight to FortSt. Johns to Vancouver had been priced as high as $1,200 but Encore priced it as low as $400. While these prices are just examples, the strategy is clear: fares are being reduced so that people will choose air travel over taking the road.

3) Bundling

Even for an airline that is still determined not to charge extra for everything, there has to be some give and take. With low fares, Westjet realized that to remain both profitable and competitive, it would have to look at other ways drive revenue. Westjet created a three tier system to pass that part of that decision on the customer. They can choose features that are important to them, that they are willing to pay for.

As an example, the Plus zone – which is the most comprehensive option can add up to $45 to the cost of the flight. The priority seating at the front of the aircraft also includes complementary food and alcohol, plus the ability to change the itinerary, name changes, and a refund if plans are cancelled. The revenue stream from these upgrades is projected to be $20-30M in incremental revenue this year and up to $50-80M next year.

Final Thoughts

Westjet continues to look for ways to make the Canadian airspace competitive. The company has grown and prospered based on its willingness to pass savings down to the customer. Accessing new locations across Canada and increasing affordability is a step in the right direction. Its success will lie in its ability to communicate the strategy to potential customers, and offer large enough cost savings to create more customer who may have otherwise opted for an extended road trip.

Westjet has acted as a disruptive force in the Canadian air travel industry. For a look at 3 more disruptive companies that have completely turned their respective industries upside down, **click here now** and download our special **FREE** report "**3 U.S. Companies That Every Canadian Should Own**".

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