**CASE STUDY # 1**

**Should WestJet move all its operations from Hamilton airport to Pearson International airport?**

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1. **What is WestJet’s vision, goals and criteria (things that matter) for decision making?**

**Vision** – WestJet wants to be the number one affordable short trip airline across Canada. They want to provide the same kind of services as Southwest airlines but with a better service such as coffee and soft drinks on board and TV. They also want to decrease the waiting time between flights.

**Goals –** Extend their services across Canada and continue strong growth.

**Criteria –** Passenger traffic, turn-around times, aircraft availability, routes, schedules and cost of using airports (landing fees, terminal rental fees, general terminal fees and airport improvement).

1. **What is the historical situation?**

WestJet was a young, successful, low-fare airline patterned after Southwest Airlines. WestJet commenced operation out of Calgary in 1996. It originally focused on short-haul, point to point service in Western Canada. In 2000 WestJet entered the eastern Canadian market with a base of operations in Hamilton. By the end of 2003 it was flying 44 Boeing 737s approximately 1,600 flights per week between 24 Canadian domestic destinations and had captured 25 per cent of Canada domestic market.

1. **What is the current situation?**

WestJet has become a more prominent number two airline. It was in competition with Air Canada for the number one airline in Canada and Air Canada was in bankruptcy protection. This situation did open up a potential new market for WestJet.

1. **Why is this an issue?**
2. Pearson was more congested than Hamilton. Airplanes would take longer to unload, load and take off than at Hamilton. If average stage lengths remained the same, WestJet planes would spend less time flying and more time on the ground; impacting WestJet’s cost structure.
3. High cost of using Pearson airport, including the landing fee, terminal rental fee, airport improvement fee and general terminal fee.
4. A competitor might take over the freed gates at Hamilton airport.
5. **What are WestJet’s options moving to Pearson international airport?**
6. Pearson and Hamilton both adopted the Southwest Model.
7. Pearson adopted JetBlue model but Hamilton adopted the Southwest model
8. Pearson and Hamilton both adopted the JetBlue model
9. **Should they keep their point to point strategy?**

Keep point to point strategy for now, but at the same time WestJet also could test hub connection routes as JetBlue.

* This structure allowed WestJet to provide frequent service and dispense with many of the amenities usually provided on longer flights. (High airplane utilization, customer satisfaction)
* While 40 per cent of Canadians lived in one of the top five largest cities, the country’s eight largest airports accounted for 84 per cent of all traffic flown by Canadian carriers. By sector, these same airports accounted for 76 per cent pf the domestic. The characteristic of geography make point to point strategy more practical.

1. **What are the Implications of the strategy move to Toronto for the corporate strategy?**

By moving to Pearson WestJet would have a cost structure and presence that started to look more and more similar to its major competitor, Air Canada.

1. **Should WestJet move their operations into Pearson international airport?**

SWOT Analysis:

Strengths: WestJet’s attractiveness to customer. In 2003 24.7 million passengers used the airport with the 75 per cent starting or ending their journey at Pearson. This number was expected to reach 40 million by the year 2010, and 50 million by 2020.

Weaknesses: Operation and high cost, Pearson was more congested than Hamilton. All the fees associated with using the airport were substantially higher at Pearson than at Hamilton.

Opportunities: New terminal 1 and its continued renewal and capacity at Pearson International to meet WestJet’s need.

Threats: ZIP air, which operated in a similar way to WestJet. With Air Canada now in the process of being reorganized under bankruptcy court protection, there was the question of how Air Canada would emerge from this process.

**Conclusion:**

WestJet is the second largest airplane company in Canada. Its operating costs (excluding fuel and after equalization for stage length) were 40 per cent to 50 per cent lower than those of Air Canada. This difference put conventional carriers at a terrific disadvantage if they should choose to compete on price on any given route.

WestJet was inspired by the success of the JetBlue model in the US. They believed they could beat Air Canada at their own game.

In order for WestJet to stay at top of their game and continue growth, they should slowly move their operations into Pearson international airport.