

StraitAway Airways

"We make flying special again!"

StraitAway Airways is a small, privately owned seaplane company located in Nanaimo, BC, Canada. The company offers regular scheduled services between Nanaimo and Vancouver International Airport across the Georgia Strait, a 30km (18.5 mile) wide body of ocean between Vancouver Island the mainland. Recently, seaplane service between Nanaimo and downtown Vancouver was added and StraitAway is considering adding other new routes as well. The company faces a number of marketing challenges, including increased competition and a lack of understanding of what their current and potential customers really want. StraitAway Airways needs to develop a strategic marketing plan for the future.

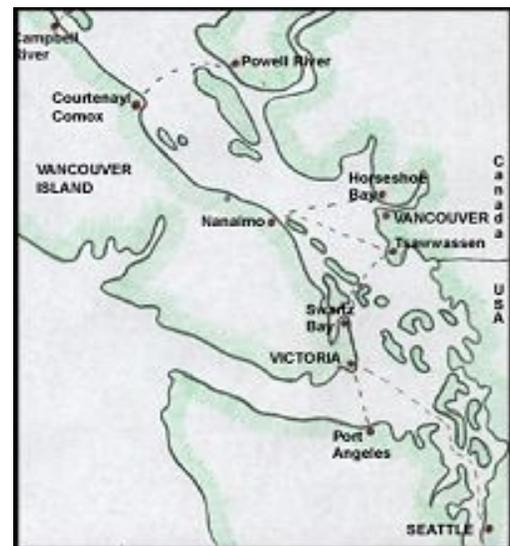


Background Information

Travel between Nanaimo and Vancouver is the second busiest cross-water route in BC, after the Vancouver to Victoria crossing. The route to Nanaimo serves not just the population of the city (90,000 people) but acts as the gateway to the rest of central and northern Vancouver Island, including the popular tourist destination of Tofino.

People wishing to travel between Vancouver and Nanaimo have many options:

- Combination car/passenger ferries between Vancouver and Nanaimo run by the BC government crown corporation, BC Ferries.
- Air Canada and WestJet, major Canadian airlines, fly small planes between Vancouver International Airport and the small Nanaimo airport, located 5 km south of the city.
- Helijet is a helicopter service between downtown Vancouver and central Nanaimo.



- Seaplane services, such as StraitAway Airways, flying between downtown Vancouver or Vancouver International Airport and downtown Nanaimo.
- Several airlines fly to Comox and/or Victoria on Vancouver Island. People can fly to and from these destinations and drive either north or south to Nanaimo. Comox is located 1-1/4 hours drive north of Nanaimo and Victoria is 1-1/2 hours drive south.
- Finally, people can travel between Washington State and Victoria by USA-based ferries and drive up to Nanaimo, again, taking 1-1/2 hours to get there.

BC Ferries

BC Ferries is by far the largest transporter of passengers and vehicles between Vancouver Island and the mainland. Approximately 90% of all human and vehicle traffic travels with BC Ferries annually. To get to Nanaimo from Vancouver using BC Ferries, vehicles



and passengers must first make their way to Horseshoe Bay in West Vancouver, a 30 minute drive or up to an hour bus ride from downtown Vancouver. The ferry lands in the central Nanaimo waterfront location called Departure Bay. An alternate route goes from Tsawwassen (south of Vancouver) to Duke Point, located 5 km south of Nanaimo. As with the Horseshoe Bay route, travelers from Vancouver or Vancouver Airport must travel some 30+ minutes by highway south to the ferry terminal if they wish to take the Tsawwassen to Duke Point route.

Running large ships with a variety of amenities, BC Ferries has become both more luxurious and more expensive in recent years. Passengers now have access to franchise food outlets, a well stocked tourist store, video games, comfortable and clean seating, an on-board naturalist in the summer, internet service, workstations with power plug-ins for laptops, and even a Nanaimo tourism booth during the peak summer tourist season. Prices and costs of running the ferries have risen dramatically for several reasons, including:

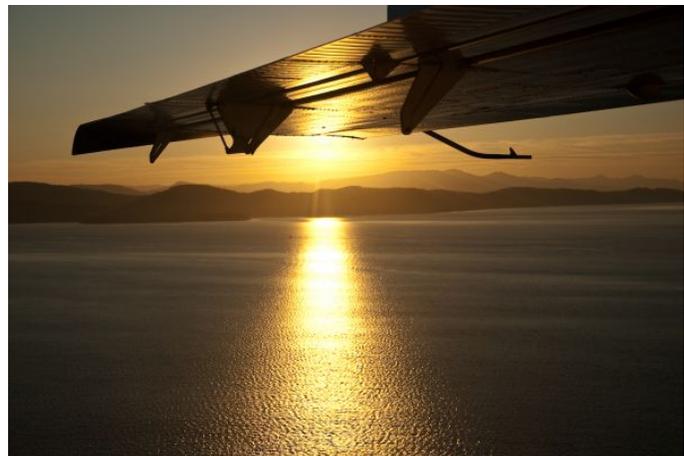
- upgrades, such as those mentioned above
- a shift from a pure crown corporation to semi-private organization that is expected to contribute "profits" to the government.

- the cost of new ferries that were built recently.
- increased labour costs
- increased fuel costs

Other Notes

A high speed passenger-only ferry serving downtown Nanaimo to downtown Vancouver traffic, called Harbour Lynx, ran for a couple of years, but went bankrupt due to lack of capital. Harbour Lynx was popular with tourists in the summer and some Nanaimo-Victoria commuters, but was not entirely reliable due to seasonality, the noted lack of capital, and weather issues. Where BC Ferries could run virtually all year in any weather due to the large size of their ferries, Harbour Lynx would be often nick-named the “barf boat” when the ocean waves were large and caused their smaller ferry to have a rough ride, causing sea sickness.

Seaplanes and the smaller Air Canada and WestJet planes suffer a similar problem as Harbour Lynx suffered - their smaller aircraft will bob around in the air when there are strong winds. However, the flight only takes 15 minutes in the air between Nanaimo and Vancouver/Vancouver Airport, so the effects of the rough flight are very short lived.



How people choose their mode of travel

Not a lot of research has been done into how people choose their mode of travel between Nanaimo and downtown Vancouver or Vancouver Airport. British Columbia is a wealthy and historically relaxed province to live in. Taking your own vehicle on BC Ferries has been the most popular method for most people. Though expensive and slow, the ferries are dependable, comfortable, and give passengers the convenience of their own vehicle while in Vancouver or on Vancouver Island.

In recent years BC Ferries has gotten a lot more expensive for passengers. Prices for vehicles and passengers have risen dramatically. With these increases, people are now choosing to be “walk on” passengers on BC Ferries' boats rather than bringing their vehicle. On either end, people link to the ferry terminals with public transport (buses), taxis, rides from friends/family, or simply walking there (in Nanaimo this is possible).

Seaplane flight prices have not risen as dramatically as BC Ferries' prices. Categorized by Transport Canada (the federal government agency that controls airlines) as a sort of "air taxi", seaplanes are becoming a popular choice for many passengers because of the convenience they offer and the ever-increasing costs of BC Ferries services.

Service Comparisons

The table below illustrates some of the variables people might use to help them decide on how they will travel between Nanaimo and Vancouver:

Passenger Service	Locations	Speed & Regularity	Cost (including taxes)	Capacity: Passengers
BC Ferries	Horseshoe Bay, Vancouver - Central Nanaimo waterfront Tsawwassen, Vancouver - Duke Point (Nanaimo industrial area)	1:35 + 30 minutes to downtown Vancouver. Runs every 2 hours from 6:30am - 9:30pm. 2:00 + 30 minutes to downtown Vancouver. Runs every 2 hours from 5:15am-10:45pm	Car: \$58 Driver and passengers: \$17 each, one way. Bus to Vancouver from Horseshoe Bay ferry depot: \$5	1000+ per trip
Airlines	Nanaimo airport (10 minutes south of Nanaimo) to Vancouver airport	Early morning to late night - 0:25 minutes to Vancouver airport	\$100 or more each way but sometimes cheaper if booked as part of a larger flight package	About 24 per plane
Seaplane	Nanaimo downtown harbour to Vancouver downtown harbour and airport	0:20 minutes flight time, 5+ daily flights weekdays No evening flights as seaplanes cannot land safely in the dark on water.	\$70 each way (lowest price). Usually \$80-\$100.	4-10 maximum per trip
Helijet (helicopter)	Downtown to downtown	0:20 minutes +. Not scheduled; Flexible timings	\$150+ each way	1-4 maximum per trip

StraitAway Airways

StraitAway started service in 2013 with the purchase of a single plane serving the Nanaimo - Vancouver airport route. Later, adding a larger, twin-engine plane, the company began striving to make inroads into the transportation market between the Nanaimo area and the mainland.



The marketing challenges facing the company are substantial:

1. The mid-island area, which includes Nanaimo and all areas within 1 hour driving distance of Nanaimo, has a mixed economy with few large employers. This means that there is a limited market for commercial (business) flight customers. However, due to the steadily growing economy and population of the Nanaimo area, the company does get some commercial business and demand is likely to grow in the future. Lacking major provincial government employment in the Nanaimo area, StraitAway Airways cannot directly access large numbers of government employees who travel for work reasons. Tourists, residents traveling for vacation or other reasons, and students make up the remaining numbers of customers. Given that the economy is not strongly based in well-paying industry or government activities, residents of Nanaimo have not historically been big users of more expensive travel services such as seaplane flights.
2. A large retiree population which has time to travel by more leisurely and comfortable modes could be a hard group to sell to. This group is in no rush and likes the spacious, and relaxed nature of a ferry ride.
3. Competition: There are 2 direct seaplane competitors to StraitAway Airways offering service to downtown Vancouver and now, to Vancouver Airport as well. These competitors are large, well established, and have many planes on many routes. They are virtually identical in terms of business model to StraitAway including the same pricing, planes, promotion, etc. on the routes StraitAway flies.
4. Regulation. As noted earlier, seaplane services are considered "air taxi" services by relevant regulators and as such, are generally below much of the bureaucratic and regulatory "radar" of the government. They are too small, in other words, to be worth the time to cause trouble for, especially since they perform valuable services for fast flight needs to various smaller locations in BC. Further, seaplanes have a historically valuable role of serving remote areas of BC that roads and trains do not service. But

this could all change if federal regulators chose to make regulation of seaplanes more difficult and expensive by increasing the safety and licensing requirements.

5. The biggest single marketing challenge facing StraitAway Airways is the lack of understanding of how people really make their transportation choices. While it seems like price and length of transport time were key factors in the past, now there seem to be many different reasons, making it hard to both target specific customer groups and to price effectively. What has become clear is that there are a lot of *emotional* and *belief* reasons involved in the decision making process, something the owners of StraitAway Airways have not considered before.

Understanding customer emotions and beliefs

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Glossary:

- Seaplane - a plane that takes off and lands on water. Seaplanes need a quiet harbour in which to take off, land, and pull up to a dock where they take on and leave passengers. In the context of this case, docks are conveniently located in downtown Nanaimo harbour, downtown Vancouver, and right at Vancouver International Airport, which is surrounded on 3 sides by the ocean.
- Tofino - a town on the west coast of Vancouver Island that attracts over a million tourists every year, the majority of whom travel by ferry to either Victoria or Nanaimo and then drive to Tofino.
- The Georgia Strait - the approximately 30km wide body of water located between the mainland of BC and Vancouver Island. Though protected from the open Pacific Ocean by the mountains of Vancouver Island, it is directly connected to the ocean on the north and south ends of Vancouver Island and is large enough to suffer from strong winds and waves. In recent years even BC Ferries has had to cancel a few trips due to extreme weather issues.

Questions:

1. Analyze StraitAway Airways' marketing situation and determine what types of emotional "products" they must deliver well. Be sure to consider the range of feelings expressed in this case and NOT your own feelings about transport choices so that you don't introduce your personal bias into the analysis.

From the emotional products you uncover, identify and fully describe the following for StraitAway Airways:

- some logical segments
- one or more logical target markets
- one or more positioned "products" StraitAway could offer
- Channel(s) for getting more customers.
- Advertising and promotion possibilities that are consistent with all your findings so far.

Be sure that all your ideas are consistent and integrated with each other.

2. Suggest ways in which StraitAway Airways could compete more effectively. Use what you found from your analysis in question 1 to help you suggest ideas for the company.

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