

Business Airport

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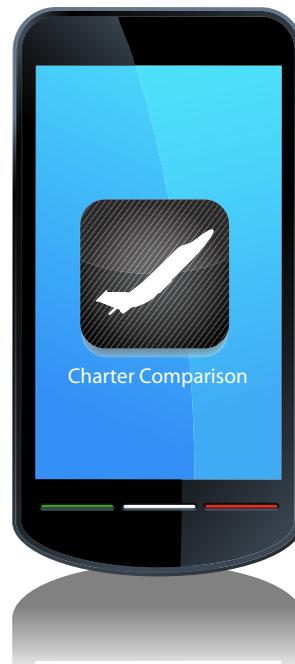
What impact is the rise in online charter comparison sites having on the broker market?

Words | **Matthew Stibbe**

 The US private jet industry was practically stagnant in 2012 while in Europe there was a decline of nearly 4%, according to aviation intelligence specialist WINGX Advance. Yet, thanks in part to the rise of online comparison sites, the charter industry has seen significant growth. So, what exactly are these sites, what makes them so popular, and what do they mean for the future of the charter industry?

Companies such as PrivateFly and Victor are private aviation's answer to price comparison sites in other sectors, such as Expedia.com or GoCompare. They tap into a large pool of providers so clients can get a number of competitive prices for a given flight.

The companies act as matchmakers, earning their money from subscription fees and commissions from bookings rather than owning, operating and renting out aircraft themselves. Unlike traditional brokering, which is built on relationships and personal service, these online services are all about technology. They aim to automate as much of the process as possible and in doing so they promise transparency, choice and efficiency.





Good for operators

“Some of the smaller private jet operators are very good [at aviation], but very bad at marketing,” says Carol Cork, co-founder of PrivateFly, and it’s here that sites like hers are most useful: they provide a low-cost marketing platform for operators. In other words, the sites bring customers to the operators. For example, Victor has 9,500 members looking for flights. “If you’re an operator and you’re not listed, you could be missing out,” argues Victor SVP Steffan Fries. “It’ll be like *not* being on Google.”

In the traditional private jet broker process, clients often have very little knowledge about the operators on offer. The introduction of the online marketplace model has brought in a new transparency, enabling users to make more informed travel choices, considering more than just price. For example, operators can showcase their fleets and highlight the extras that users may get for a premium price, while more cost-competitive companies can use the sites to benchmark pricing.

“What we like [about these sites] is the transparency. They are adding value,” says Alex Wilcox, CEO of operator JetSuite. This transparency means that operators are attracting customers who will really benefit from their specific services and clients.

Charter sites are not exactly causing disintermediation in the market, but they are offering a new kind of intermediary that makes the markets more efficient by matching buyers and sellers faster – and with little or no human interaction. Although this can put pressure on prices, this process has its benefits for operators: it reduces marketing costs; brings new customers into the market; levels the playing field for smaller operators; and reduces the overall cost charged to the customer by reducing the brokerage mark-up. More importantly, more business (even



PrivateFly

PrivateFly is the fastest growing private aviation company in Europe and works with a network of over 3,000 operators. After offering instant estimates online, the system aims to arrange charters within 90 minutes. Although available online and through apps, PrivateFly also offers a 24/7 offline VIP charter service.

- URL:** www.privatefly.com
- Launched:** 2007
- Members:** 20,667 members
- Operators:** 3,000
- Aircraft:** 9,000
- Platforms:** iPhone, iPad and Android

if it is less profitable on a per-flight basis) means fewer loss-making positioning flights and greater utilization overall.

Good for customers

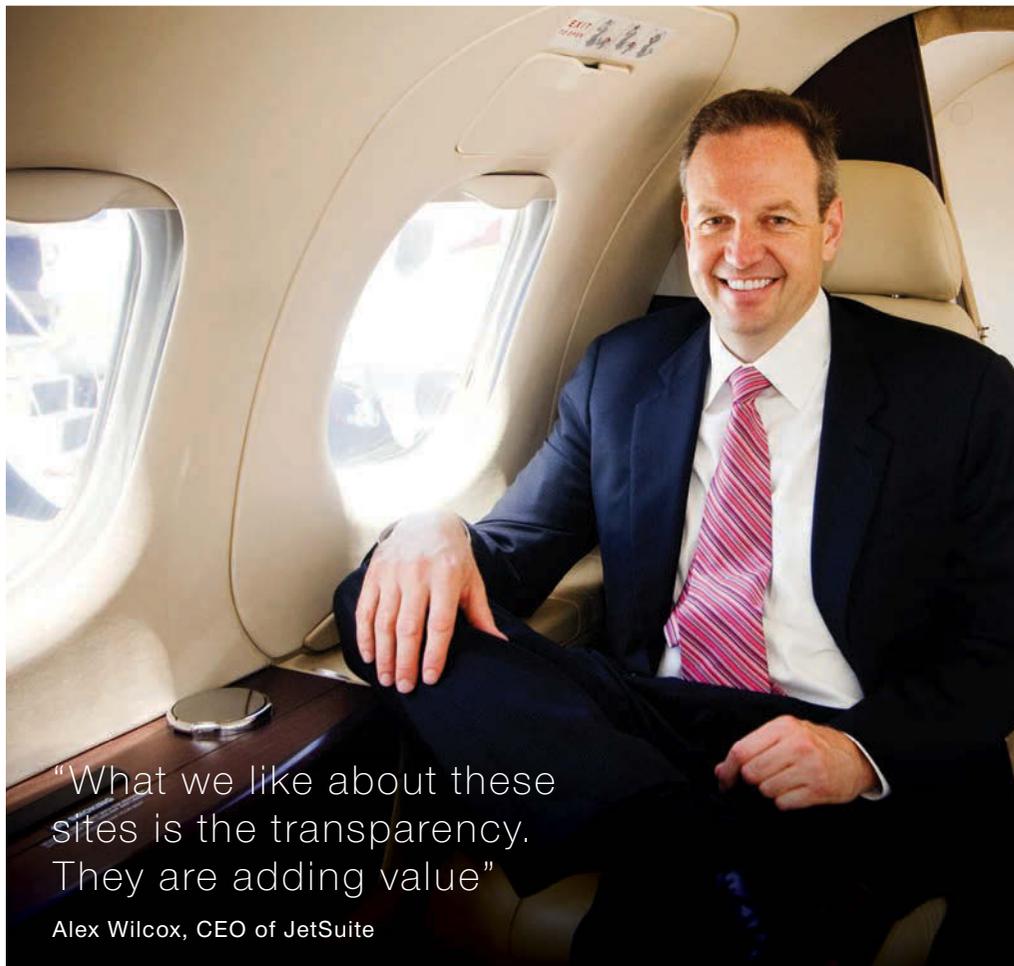
More transparent prices are clearly good for clients too, but there are other benefits.

Travelers today, especially the time-poor executives, celebrities and wealthy individuals who use private jets, expect quick answers to their questions. Similarly, they expect a seamless service on the ground and in the air – with passport checks on the airplane and limos pulling up to the aircraft stairs at some airports – and the booking process needs to be just as slick. It’s not so much about human interaction as efficiency. The online model cuts out many hurdles that make traditional brokering a sometimes lengthy process. Everything is instant or almost instant. For example, getting four quotes for a flight from Blackbushe to Maastricht took about an hour on one site and it’s possible to get instant indicative prices.

Many companies are introducing smartphone apps, and clients can get even more information in a more intimate and immediate way. For example, Boston-based operator Magellan Jets allows users to sign their contracts on their iPhone screen.

Above: **Carol Cork, co-founder of PrivateFly**
 Left: **Customers can compare aircraft and charter prices with PrivateFly’s platform**
 Below: **Magellan customers can now sign contracts on their iPhone**





Victor

For operators, Victor completely omits membership fees, instead opting for a 5% booking fee on transactions. Victor delivers three charter quotes to clients within 60 minutes of a request being generated and offers route combinations spanning 40,000 airports.

URL: www.flyvictor.com

Launched: 2011

Members: More than 9,500

Operators: 133

Aircraft: 820

Platforms: App currently in beta

Online charter sites also make a market in deadhead positioning (or empty leg) flights, offering flights at a substantial discount compared with a bespoke booking. Of course, passengers have no choice about the time or route, but with hundreds of flights listed, they may find exactly the flight they want at a very attractive price. This secondary market has the potential to create a virtuous circle as more operators post more positioning flights and more customers buy them.

Changing the industry

These sites promise a brighter future for the charter market as a whole. For PrivateFly's Cork, it's all about "breaking down barriers and making people unafraid to try private jet travel". She continues, "We are making the market more accessible. If it's going to grow, we need to let more people into it."

The market is already expanding. Websites democratize a process that was previously opaque and potentially off-putting for people who were not 'in the know'. Indeed, historically, charter brokers could take advantage of the lack of transparency to add very large mark-ups. This is no longer the case.

This increased accessibility is bringing in new corporate clients who can plan a trip online and see the cost-benefit immediately. For example, they can price up a trip to take an executive team to three sites across Europe in a single day without having to speak to anyone. Similarly, new types

of customers are also entering the market. For example, people who would not have traditionally thought of flying private are booking larger airplanes for special occasions or sports events.

Charter sites may be bringing more customers to the operators, but they are also giving passengers access to far more operators than the traditional charter model. The operator market in Europe is very fragmented; there are around 2,500 aircraft and around 700 operators. Although there are a few operators with large fleets, the majority has a handful of aircraft. Online services that focus on technology integration can connect with far more operators, regardless of their size.

Perpetual innovation

The next step appears to be instant booking, to bring the industry in line with other websites. Currently, online marketplaces either offer quotes, which need to be confirmed with the operator before booking, or require a short waiting period between requests and quotes while the company confirms the price. PrivateFly is currently creating direct links to operators that will enable it to offer real-time pricing.

This step is something that operators want to see from brokers. JetSuite, which already offers instant pricing to members on its website, shares this vision for the industry as a whole. For JetSuite's Wilcox, it is part of a process that will make the whole industry more accessible – "a more branded business" – in future.

The rise of the app also seems to be a big opportunity for operators. PrivateFly already has an app and more are coming. So innovation will come in the form of new functionality, with customers able to do more of the process and manage more of their experience on their phone.

Clear skies ahead?

So, what does this all mean for the traditional broker? There is still a role for them and they still make the majority of flight bookings. "With expansion, some operators might be happy with using traditional, relationship-driven brokers, and paying more, but just like city center travel agents, they'll have to change the business to compete with online," comments Cork. However, they are losing customers and market share to the online brokers – and that trend seems set to continue.

There are ways for traditional brokers to fight back. For example, Avinode develops software that lets brokers (and even operators) create their own online marketplace. Already, 80% of the global charter market uses their software, generating 200,000 requests a month.

At the same time, private aviation is still suffering, says Victor's Fries: "Today we have over-capacity, more metal on the ground, and prices are down." But he is optimistic that companies like his can change the climate: "If we make things slick enough to avoid brokerage, if you can do this all online, and make flying as easy as jumping on a train, then the market will grow." <