



To press the flesh you need to fly



Those who travel and meet on site get the contracts.

By Ian Becker
Founder, PoolAJet

In the last analysis it is the human contact that makes or breaks a business deal. Corporate aviation facilitates this more than any alternative.

Humans are forever inventing new concepts as solutions for daily problems. But nothing invented to date can replace an in-person, eyeball-to-eyeball meeting. The safest, easiest, and most comfortable way to get there is to fly. Aviation does not look like it is going to become obsolete anytime soon—but how we use aircraft and procure tickets to travel will change.

Just as the iPod and the iPhone changed the way we purchase music, we can expect the influence of social media and the Internet to transform the way we access air transport.

The newest generation of passenger jets is currently being harnessed into service. These composite, super aware, semiautomated, computerized vehicles will deliver levels of comfort, reliability and swiftness that will be the standard for at least the next 25 years.

To understand what will—and must—evolve, one must understand how the present travel business and reservation/booking systems came about.

Before commercial airlines, there were railroads, and even before them, transportation was offered over ocean, river and lake by ship. Booking a passage on a ship had become routine when the railroads adopted this system. The railroads introduced the concept of repetitive schedules by publishing their timetables in an effort to popularize and promote travel by rail.

Potential customers could now choose precisely on

which train they wanted to travel. Departure date and time, as well as arrival date and time were, in fact, guaranteed by the railroads. This development facilitated the selling of advance seats for travel on a particular train. Ships and stagecoaches could not compete with this reliability and plethora of options.

The concept of publishing schedules meant that the carrier—initially the railroads, later the airlines—had to invest in assets and commit to the published schedule. In order for these transportation companies to gain the trust of their customers, they had to adhere to these schedules.

To offer a scheduled route, the carrier needed to invest in resources. Aircraft or trains had to be set aside and dedicated to travel that route. Tickets, seats or a reservation for travel, were sold on each scheduled trip. This led to the concept of per-seat cost accounting and marketing.

These reservation systems are supply-centric. They are not focused on the travelers' demand proclivities. This inherited focus explains a little about the mindset of carriers in terms of how sensitive they are to their customers' needs, wants and desires.

The downside of publishing schedules was that even if only a handful of tickets were sold on a particular scheduled routing, the operator could not cancel the journey even though it would be conducted at a loss. This uncertainty and risk caused by empty seats necessitated the introduction of yield management techniques. Yield

management forced the carriers to examine all their schedules and adjust prices so that the popular times and routings were sold at higher prices than unpopular ones.

Airlines grew rapidly in the US after WWII. They adopted the concept of publishing their schedules and selling seats on these schedules in an effort to compete directly with the railroads.

Seat bookings for transportation could be bought via a few channels. Airlines sold seats to travel on their schedules at airports, from their downtown offices (located in most major cities the airlines served) and through third parties such as travel agents.

Commercial airlines and general aviation

As most of us know, while comparatively cash-cheap, commercial airline travel is exorbitantly expensive in terms of time when measured against GA or private charter travel. J D Power & Associates report that, if the most frequent of frequent fliers would travel GA instead of flying commercial, they would save more than a month of time annually. This is a huge amount of time.

Driving and parking time at the airport needs to be added to time spent navigating security hassles and the time-squandering boarding process. From pushback to arrival, commercial airline travel is mostly efficacious, and similar to GA in terms of elapsed time. Flight time differences between GA and commercial are small and irrelevant.

After landing, disembarkation can take 20 min or more, and waiting for luggage to appear at the carousel is often another 30 min. Then add on getting to and obtaining a rental car and driving to one's actual destination—it all consumes time.

Since actual flight time is often less than time spent navigating airports and changing planes, the shorter the distance flown, the more glaring this wastage of precious time. Axiomatically, the longer the elapsed flight time, the less the time waste ratio. Assuming the flight is under 2 hrs, the time-waste incorporated in legacy commercial is going to be more than 100%.

With GA, this time squandering is minimized because GA offers service between departures and destinations that are convenient and optimal in terms of time, as routings are set by the customers. The time spent at FBOs is about 10 min both for arrival and departure.

GA was once the exclusive preserve of the ultra rich and super powerful, until Richard Santulli marketed the fractional concept through NetJets. This opened GA to those who could not afford to own and operate their own aircraft. Rob Hersov brought about the next step in broadening the GA market by developing the jet card or block charter with the Marquis Jet Card. The entry fee to fly private jet was now, for the first time, below \$250,000—but still enormously more expensive than a 1st-class commercial ticket.

Operating in the background, below popular radar, was the pervasive ad hoc exclusive charter. Catering to those individuals who could afford to pay about 12 times more than what a comparable first-class commercial ticket costs, exclusive charter offers on-demand point-to-point routing to anybody who can pay for it. Charter



Waiting for luggage at the destination airport is only a portion of the total time wastage associated with commercial travel. Via private jet, your luggage is a grab away and your car awaits you.

requires no prior investment, and usually only a few hours of lead time. Except for the huge price, it's a perfect solution to anybody's transportation needs.

The benefit for these small group of travelers is incredibly efficient, secure, reliable and comfortable travel from anywhere to anywhere, at any time. In the US, GA accesses more than 5000 airports, whereas the airlines fly to and from only 400 airports.

With 10 times as many airport options to offer, GA provides routings that generally obviate long ground legs. This is why NBAA Pres Ed Bolen can claim, "3 meetings in 1 day instead of 3 days to accomplish 1 meeting."

The obstacle to opening GA to the legacy first-class traveler to is the huge price barrier between commercial and private charter. In the past few years some entrepreneurs, realizing the need of legacy first-class travelers for efficacious travel, have introduced various air taxi services to the market. All have ended in financial disaster.

I contend that the main reason for these economic failures is that all these endeavors tried to finesse the airline model. They were all, in effect, mini-airlines. All relied on the per-seat accounting system, with its inherent need for yield management in order to minimize empty-seat syndrome. When you have only 5 seats to sell, 1 empty seat is an evaporation of 20% of gross revenue. None of these endeavors tried to change the conventional paradigm, or bring something new and sustainable to the market.

We live in a world that offers commodities that, a few generations ago, would have been deemed outrageous luxuries, available only to monarchs and other elites.



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Every one of these ordinary everyday products came about because somebody changed the existing paradigm. Ford took the overhead slaughterhouse conveyor system, reversed it and grounded it. McDonald’s offered us fresh, hot food that we could get without leaving our cars. Gates used his Windows to replace expensive IBM mainframes with the now ubiquitous PC.

Airlines can’t match GA’s swiftness of travel. It takes time to embark dozens of passengers. And using only 400 airports nationwide almost guarantees that the final travel sector is going to be a time-consuming automobile drive.

To make GA’s time-saving attributes available to the legacy first-class passenger, the first task must be to reduce the cost of travel on GA to that of commercial. Moreover, this new paradigm has to offer new profits to all involved—only then will the endeavor be sustainable and burgeoning.

Introducing a new travel model

For travelers, it has be easy to book—and take—a flight. Therefore, they need to be educated as to how GA differs from commercial. This is not much different to what retailers had to do when they introduced self service with checkout lines. Suppliers of lift need to understand the dynamics, the new opportunities and huge profit potential, and be encouraged to participate.

Let’s examine a novel paradigm: Enable travelers to create their own routing and facilitate the sharing of a GA flight. Furthermore, all the costs of a flight are to be shared by each passenger equally.

This is very different to the supply-centric milieu where operators offer travelers flights by the seat on a repetitive schedule. In this new paradigm, it is the customer who asks for a trip or routing that they have defined or designated. The customer has in fact created a one-time-only schedule. This is a demand-centric business model.

In one fell swoop the per-seat system with its inherent problems have been supplanted. Let’s call it per-passenger pricing. It eliminates empty-seat syndrome and

yield management is now moot. The operator quotes a price for a designated routing. This bid includes all costs, fuel, taxes, staffing, etc—and most of all, it includes each operator’s desired margin. It does not matter to the operator if there is 1 passenger or the plane is full—the operator always receives the same fee (optimum margin is built-in) for the use of the jet! Another benefit accrues to the operator—greater fleet utilization.

Social media

The next step is the marketplace. Traditional reservation systems offer no solution, but Internet social media do. If you combined the broad appeal of (say) MySpace or Twitter with a peer-to-peer transactional site like e-Bay, the result would be a purpose-engineered website where travelers could create any routing they wanted to fly. This routing could be from any one of the 5000 airports in the US to any other. Instantly, it would show the total inclusive price to fly this mission via GA, the time required, plus the type of aircraft, its passenger capacity, and other relevant information.

Just as at social media sites, others may “friend” or join the ongoing thread or transaction, here other prospective travelers may join the proposed routing or create another. In other words, anybody can join any proposed routing. As more people join a routing the price per passenger decreases, stimulating demand and attracting more people to join a particular routing.

Example: Prospective traveler wants to fly from airport X to airport Y on a designated date and time. Hypothetically, the website returns an offer of a jet, with a travel time of 2 hrs 25 min, for \$10,000. As more people join this routing the price per passenger drops. When there are 3 prospective travelers the price is \$3333 each. When there are 8, the individual price is \$1250, and so on. If the demand for a routing is larger than the capacity of the proffered aircraft, a larger aircraft could be substituted.

This new paradigm is an inverse tournament. Tournaments typically start with many participants and



It takes time to embark dozens of passengers, and then more time to disembark. With private aircraft this down time is eliminated.

end with 1 winner who gets the prize. This model starts with 1 interested traveler and ends with many satisfied travelers who obtain the prize—private jet travel at airline price. This system may seem farfetched, but stock exchanges do something similar daily—they make a market and transact deals.

The entire system is designed to be demand-centric. It is sensitive to the consumers' needs

and consolidates or aggregates them in real time. The result? GA is finally able to offer on-demand point-to-point travel at approximately commercial airline price.

If you doubt this, create any routing, obtain the market price of a charter and divide this price by the passenger capacity of the aircraft. The quotient is the price per passenger. And the first-class walk-up ticket price on commercial will be similar. The value proposition for the traveler is the saving of time.

Remember that this market segment can't individually afford to charter the aircraft exclusively. Every day, they share airliner cabins with complete strangers. They do not seek privacy or exclusivity but seek GA for its time savings—the other trimmings are merely bonus benefits. Commercial airlines cannot deliver these time savings. They are invested in their scheduled routes, and so flexibility is an anathema.

From GA owners' and operators' perspective this new paradigm offers the ideal margin for every flight. It is built-in, so no flight arranged via this system can lose money. This removes financial risk and influences prices downward.

Opening GA to the legacy first-class market will boost bizjet fleet utilization from the average 400 hrs per year to well over 1000. Boosting overall utilization of the GA fleet to closer to that of the airlines—who get more than 2000 hrs per aircraft—will amortize operational expenses over a larger base, influencing GA travel prices down further.

This Internet-based sharing system opens a feasible and novel alternative to first class on the airlines, putting GA within the reach of the frequent flier.

Reshaping the face of airlines

In the near future, commercial airlines will evolve through consolidating and more code-sharing. Horizontal integration will reshape the face of airlines, where product differentiation by brand is already disappearing. Once a traveler has boarded there is little to distinguish one carrier from another. Once upon a time,



A passenger rests aboard a Hawker 700 during a transcontinental flight from Washington DC to the west coast. Commercial airline travel offers fewer possibilities for pre-meeting relaxation.

carriers were entirely vertically integrated. The carriers themselves owned everything—even the hotels where they booked their overnight passengers. Today, many carriers don't even own their aircraft.

It is not too far-fetched to surmise that it won't be long before all airline operational aspects are outsourced. Flight-crew and aircrew will be supplied by specialist vendors,

the aircraft themselves will be leased or chartered, and maintenance will be performed by MRO firms entirely freeing the carriers of this chore. Booking and reservations will be facilitated by alliances like OneWorld, Star and SkyTeam.

As commercial airlines become more like an old bus service, GA will assume the mantle that airlines used to offer to their first class passengers. GA may even form partnerships with carriers and offer hybrid routing solutions. GA could act as a feeder to longhaul flights, or carriers could offer their high-value customers portions of their itinerary on a bizjet, while other legs remain in the first-class section of their airliner. Indeed, there have already been some moves in this direction by European carriers.

This morphing will result in a 2-tier travel system. GA will be predicated on minimum time-waste and positioned as a productivity tool. The value proposition, again, is to save time. GA will become the de facto first-class segment of the overall air travel ecosystem, while legacy commercial carriers will be predicated on mass transport—cheap in terms of cash ticket price.

The perceived concept of luxury can be left to marketers and promoters of both segments in an effort to distinguish one brand from another. The traveler will ultimately benefit by having more options to choose from. And competition will drive evolving, ever easier methods to purchase and enjoy transportation. ✈



Ian Becker was born in South Africa and headed the domestic office of French conglomerate ATA/Framatome to build the 1st nuclear power station in sub-Saharan Africa. He moved to the US in 1980 and in 1985 founded HotelDocs, which assists travelers by arranging in-hotel-room doctor house calls. Becker lives in San Diego CA, where he has a consulting business.