



How we increased a heavy jet's revenue by 21%

More revenue despite a difficult market situation? That's exactly what we achieved with the "Premium Jet Businessjet-Charter Market Analysis" for the owner of a heavy jet, which was not operated by us at the time. Following the financial crisis, the business aviation market was completely saturated, with falling charter prices and poor capacity utilization as consequences. One heavy jet owner (whose plane was still run by another operator at the time) grew sick of this, and asked us whether we would be able to apply our expertise and help him out. And were we ever! With our knowledge of the jet's potential, and a thorough, comprehensive market analysis, we devised a functional marketing plan which yielded 21% extra revenue in the very first year.

Anyone who owns a private jet can significantly reduce the total operating costs by earning income from chartering. But this only works if the operator's plan is right.

This was exactly the stage the heavy jet's owner was at when he came seeking our help.

The economic environment at the time was extremely tough; the financial crisis had also severely damaged the charter market. Plagued by overcapacities and considerable declines in demand, some charter prices dropped to levels barely higher than the operating expenses!

This resulted in insufficient capacity utilization and an associated drop in charter revenue. Despite initiating countermeasures, the jet's operator at the time was unable to permanently improve the situation, prompting the owner to seek professional assistance from Premium Jet for a confidential, non-binding second opinion.

"Premium Jet Businessjet-Charter Market Analysis" instrument

Every consultation started with an analysis, in this case the "Premium Jet Businessjet-Charter Market Analysis", which we perform for all the jets in our fleet, and update regularly.

This saw us weigh up the general market situation, as well as the factors of importance for efficient, successful chartering, such as competition, demand, pricing and operating costs.

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The analysis serves as the basis for a forecast geared around the respective aircraft types, and lays the foundations for recommendations regarding positioning and pricing.

General market situation as the starting point

The general market situation in business aviation was difficult, and shaped by the financial crisis. Of some 15,000 registered private jets worldwide, around 20% were put up for sale virtually overnight. The decline in demand also sparked a drop in charter prices, with the price war often taking some bizarre turns.

For example, aircraft were offered for hourly prices barely covering operating expenses (e.g. Legacy 600 for EUR 2,700/hr or Learjet 60 for EUR 1,900/hr).

In view of the ever diminishing liquidity resulting from the financial crisis, demand clearly shifted to light jets (46% market share, +5% compared to before the financial crisis), followed by medium jets (37% market share; -1%) and heavy jets (17% market share; -6%).

As the figures show, the market segment of the heavy jet due to be analyzed was the hardest hit.

Thorough competition analysis

A thorough competition analysis is extremely important for ensuring market success. In this tense market situation with market shares constantly shrinking in the relevant segment, however, it was essential.

We analyzed the heavy jet's competitors within a 2,000-km radius of its home base, taking into account aircraft falling into the same category and which were no more than 15 years old. In doing so, we gained an overview of the available supply in the market segment relevant to the owner.

The most popular flight routes (demand) examined

We then analyzed demand.

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Based on the analysis of the charter requests for the heavy jet model (and other jets in the same category) made during the time period examined, we drew conclusions as to the most common flight routes and seasonal spread.

The most common destinations were thus found to be the airports of Paris, London, Moscow, Nice, Milan and Vienna. There were an above-average number of requests for Southern Europe during the summer months from June to September, but apart from that the requests were spread proportionately across the entire year.

Pricing in the market comparison

Analysis of the average sales prices of the aircraft in the same category available on the market showed that, while “our” heavy jet was being offered by the then-operator at market prices, no mechanism had been implemented to cater to the varying demands with a flexible price model.

A standard sales price per flight hour, regardless of whether the flight is one or six hours long, simply will not suffice. It’s obvious that the “all-inclusive” original costs decrease if more flight hours are “produced”, as the various fixed costs are spread over more flight hours.

Smart pricing as a success factor

Based on the “Premium Jet Businessjet-Charter Market Analysis” and the knowledge that, by definition, success in a saturated market can only be achieved through cutthroat competition, we recommended a package to the heavy jet’s owner to help position it successfully in this difficult environment.

The most important components of this package were the expansion of the aircraft operating range on the one hand, and the introduction of a multi-stage price model on the other.

We also suggested marketing the aircraft consistently in the expanded operating area, and permanently attracting the attention of even private customers (companies and individuals).

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An impressive result

Armed with this plan, the owner went to its then-operator and instructed it to charter out the jet exactly as per our proposal. Within a very short space of time, the jet's capacity utilization grew considerably – and with it so too the owner's satisfaction.

Our work was so impressive that the aircraft soon came under the management of Premium Jet.

We kept applying these measures with this customer, and were able to increase the aircraft's revenue by 21% in the very first year of our cooperation.

Trust as the top priority

As with all other services, the "Premium Jet Businessjet-Charter Market Analysis" revolves around the premise that mutual trust and discretion take top priority (apart from safe flight operations, of course). Not satisfied with your aircraft's capacity utilization or revenue and want a second opinion? Then you can be assured of absolute discretion!

Our mission is to highlight your jet's potential, and help it earn you greater revenue.

If you'd like to know whether you can increase your revenue, and what potential your private jet has on the market, simply request the "Premium Jet Businessjet-Charter Market Analysis". We look forward to hearing from you.

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