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SALES PROCESS OF PRIVATE AND BUSINESS AIRCRAFTS:
AN EXPLORATION OF MARKETING OPPORTUNITIES FOR AIRCRAFT BROKERS

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ABSTRACT

Private and business aircrafts are sold in complex transaction processes through professional brokers and dealers. Brokerage companies thereby face various opportunities to market an aircraft in order to acquire a buyer. These possibilities as well as the general sales process are assessed in the following study and a practical guide is set up. Using an extensive online search as well as in-depth interviews with industry experts, the 'on-market' and the 'off-market' way to market private aircrafts have been detected and the importance of a well-established network in combination with using online marketing channels and broker internal spaces was identified.

Keywords

Private Aircrafts, Sales Process, Marketing Opportunities, Lead Generation

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LIST OF ILLUSTRATIONS

LIST OF ABBREVIATIONS

BOS	Bill of Sale
CAGR	Compound Annual Growth Rate
FAA	Federal Aviation Administration
FBO	Fixed-base Operator
GDP	Gross Domestic Product
LOI	Letter of Intent
OEM	Original Equipment Manufacturer
MRO	Maintenance, Repair, Overhaul operation companies
NARA	National Aircraft Resale Association
(U)HNWI	(Ultra) High Net Worth Individual
US	United States
USD	US Dollar
VLJ	Very Light Jet

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1. Introduction

In the course of the digital age, online information exploded and the way private and business aircrafts are bought, sold and researched changed tremendously. While in past years, the knowledge on private aircrafts for sale was quite rare, nowadays end-users can readily gather information (Forbes, 2014, w/o page). Nevertheless, the vast majority of aircraft sales and purchases is still handled through professional brokers experienced with the transactions. This especially applies to pre-owned aircrafts, for which the National Aircraft Resale Association (NARA) estimates 86% of the transactions to be accompanied by brokerage companies (Anderson, 2015, w/o page) which in turn is attributed to the fact that selling and purchasing an aircraft is a very complex process that incorporates high investments and for which expert knowledge is essential.

During an internship in the industry, the author found that there is no scholastic paper discussing the marketing and sale of private and business aircrafts such that expertise is mainly concentrated on the knowledge of experienced brokers only. To cover this academic void, the paper at hand exposes the selling process from the point of view of aircraft brokers in form of a practical guide and analyzes the question of *how private and business aircrafts can successfully be marketed in order to reach potential buyers*. Besides traditional offline advertising methods, existing online channels are thereby studied.

To answer the underlying question and achieve the mentioned objectives, the work at hand is organized in two complementary parts. The first part examines the existing literature and information on private aircrafts and serves to provide a basic understanding of the industry. The second part, subsequent to displaying the methodology applied, sums up the research results acquired in regards to the sales process and existing advertising opportunities. As a final conclusion, limitations of the study and a future outlook are presented.

2. The Business and Private Aircraft Market

Before investigating how private aircrafts are marketed and sold, it is inevitable to initially have a basic understanding of the industry. To foster this, the following chapter firstly outlines what private and business aircrafts are and which amenities they provide and secondly assesses the market from different angles.

2.1. Highest-end Luxury and absolute Efficiency

Private and business aircrafts[1] describe fixed-wing aircrafts and helicopters that are used by businesses, private households (Ultra High Net Worth Individuals[2] (UHNWI)) or governments on a not-for-public, on-demand air traffic (Conrady et. al., 2013, p.5, 225). These aircrafts can be considered one of the most luxurious products, which is to be attributed to both the product itself and the merits a private aircraft provides in regards to travelling. Beside that, private aircrafts are saviors regarding efficiency and time.

Private aircrafts fulfill the classical definition of a luxury good according to Kapferer (2012) and Barnier, Falcy and Valette-Florence (2012). The aircrafts, as products, are characterized to be of very high quality, connected to the special know-how of the manufacturers. Personalization is further a key feature: especially the cabin interior can be highly customized according to the owners wishes and might accommodate any imaginable amenity, from lounges, bedrooms, even up to gyms (Lufthansatechnik, w/o year, w/o page; BBJ, w/o year, w/o page). Private aircrafts are further offered at immensely high prices and represent an ultimate social marker and high prestige to the owner. Even though this social distinction is often not strived for by businesses, due to corporate social responsibility and reputation purposes, a business aircraft still provides a sense of privilege and an immense luxury in travel comfort. This in turn is very much related to the private and comfortable atmosphere as well as the flexibility a private aircraft offers in regards to flying. Passengers are handled at separate

[1] Terms are used synonymously.
[2] Persons with investable assets greater than 30 million USD (Hay, 2013, p.45).

terminals (General Aviation Terminal) which makes long waiting times redundant (NBAA, 2014, p.7; Schmalholz, 2007, p.167). Moreover, the flight schedule of on-demand flights, meaning the destination itself as well as the departure times, is organized around the traveler's idea. This allows for direct connections to ones' destination, reducing or avoiding layovers and transfers (PWC, 2009, p.6). Further, more (smaller) airports can be accessed.[3] All these facets permit the traveler to reach multiple destinations within a day (NBAA, 2014, p.7). Combined with the fact that flights can be carried out at short notice, this represent an important benefit especially valued by corporations. An undisturbed atmosphere and advanced communication technology moreover allow passengers to work productively aboard or to held meetings in an office environment, which in turn fosters efficiency immensely (NBAA, 2014, p.7; Schmalholz, 2007, p.167). Additionally, and increasingly important, private aviation provides passengers with an increased feeling of safety, as all travelers as well as the crew are known (Gleich, 2012, p.15). Flying flexibly, according to ones' desires, in a private atmosphere consequently provides an immensely high efficiency, level of comfort and an outstanding luxury.

2.2. Categorization of Private Aircrafts

Private aircrafts can primarily be distinguished into fixed-wing aircrafts and helicopters [Appendix 1]. According to their form of propulsion, helicopters are further classified into piston- and turbine-powered, while fixed-wing aircrafts are further subdivided into pistons, turboprops and turbojets (NBAA, 2014, p.4). Turboprops are propeller-driven airplanes, typically flying around 600-1000 miles (NBAA a, w/o year, w/o page). Jet aircrafts, meaning gas-turbine powered airplanes, are further categorized based on their size into Very Light Jets (VLJ), Light Jets, Midsize Jets, Super Midsize Jets, Large Jets including Ultra Long Range Jets and Business Airliners (Jetcraft, w/o year, w/o page). Cabin size, possible passenger load and

[3] In the United States, business aviation serves 10 times more airports (>5,000) than served by commercial airlines (approx. 500) (NBAA, 2014, p.7).

flight range increase from VLJ to Business Airliners. VLJ and light jets are designed for short haul flights and to land on smaller airports. The aircrafts are capable of transporting up to six passengers and to fly around 1,000 to 1,500 miles, which corresponds to 2.5 to 3.5 flight hours. Midsize aircrafts are in turn able to accommodate up to ten passengers on transcontinental flights. Jets in this category fly approximately 3,000 miles non-stop. Super Midsize Jets in turn achieve a range of about 3,600 miles while combining greater speed and an increased luxury. Long haul flights or respectively intercontinental flights are typical routes for large business jets, that are purposely designed for business travel, or, for Business Airliners which are converted commercial airline aircrafts. Manufacturers of these "Bizliners" or "VIP Airliners" are in particular Boing Business Jets (BBJ) and Airbus Corporate Jets (ACJ) (Jetcraft, w/o year, w/o page; BBJ, w/o year, w/o page; ACJ, w/o year, w/o page).

2.3. Industry Overview

2.3.1. Industry Definition

For the purpose of this report, pistons, turboprops and jets as well as helicopters which are used for private, business or governmental travel purposes on an unscheduled air traffic are considered part of the private and business aircraft industry. Besides the full ownership of private aircrafts, planes used to provide business aviation services on a remuneration basis i.e. in form of jet membership, charter or air-taxi, form as well part of the market (ICAO, 2010, §§1.3., 1.5.; Gleich, 2012, p.7) [Appendix 2].[4]

2.3.2. Market Players and Customer Structure

Primary market participants are Original Equipment Manufacturers (OEM).[5] In regards to selling, dealers and brokers are important entities that in some cases handle the sale of new airplanes and that are particularly involved in the transaction of the majority of pre-owned

[4] For the assessment of the sales process from a broker's perspective (Chapter 4), only the full ownership of an aircraft is considered.

[5] The six largest manufacturers are Cessna (US), Bombardier (Canada), Embraer (Brazil), Gulfstream (US), Hawker Beechcraft Corporation (US) and Dassault (France).

aircrafts.[6] The demand side in turn involves individual households, companies with a flight department, operators providing private aviation services and other institution. Ascribed to reasons of discretion, there is no well-grounded information in regards to the structure of aircraft ownership, meaning the share of households, corporations and governments.[7] A study merely estimates that of the companies owning business aircrafts, about 70% has less than 1,000 employees (Harris Interactive Survey, 2009, p.7). Global players like IBM, Michelin, Ford, Shell, BMW, Volkswagen or SAP are as well known to operate flight departments (GBAA, w/o year, w/o page; Gleich, 2012, p.70). Additional downstream market players having a stake in the industry, are financing and leasing companies, insurance companies, fixed-base operators (FBO), which are organizations providing aeronautical services such as fueling and hangaring, as well as maintenance, repair and overhaul operation companies (MRO) [Appendix 3].

2.3.3. Market Drivers

The key drivers influencing the demand for both new and pre-owned private aircrafts can be divided into economic drivers and industry drivers. A major economic factor is thereby the creation of wealth. The global economy is expected to keep improving with a forecasted Gross Domestic Product (GDP) growth of 3% in 2017 (OECD, 2015, w/o page; Bombardier, 2016, p.20). An increasing GDP is an indicator for the wealth of companies and a sign for an increasing disposable income of households and consequently a rise in the (U)HNWI population and general wealth.[8] As stated, both businesses and UHWNIs are important customer groups. The increase in trade globalization, resulting in an augmented need for direct city-to-city connections, as well as the development in emerging markets[9] are further economic

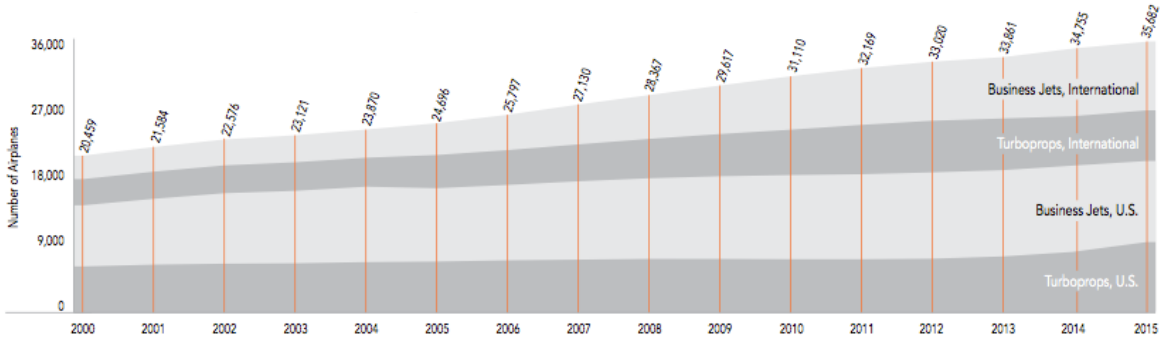
[6] Compare 1. Introduction.
[7] There might as well be an overlapping between businesses and households, as many UHNWIs own businesses.
[8] In 2014, the global HNWI population and wealth expanded at a rate of 6.7% and 7.2% respectively; the global UHNWI population and wealth grew at 6% to 211,275 individuals and at 7% to 30 trillion USD respectively (Capgemini / RBC Wealth Management (2015), p.5; Wealth X/ UBS (2015), p.9).
[9] The fleet size in these regions is predicted to grow further as the markets are not saturated yet (Bombardier, 2016, p.20).

drivers to mention. Industry drivers, in turn, are the replacement demand of private aircrafts as well as the accessibility to private aviation operators in the charter and fractional ownership market. With increased access, due to the international expansion of the mentioned business models, demand for private aircrafts will shift from private owners and companies with flight departments to commercial aviation operators and will result in a decline in demand for new aircrafts (Bombardier, 2016, p.20).

2.3.4. Market Size and Growth

For the last 15 years, the number of registered fixed-wing aircrafts (*Figure 1*) and helicopters [Appendix 4], meaning the **worldwide fleet**, has been constantly increasing which indicates that the amount of new deliveries exceeded the number of aircraft retirements each year (GAMA, 2015, p.35). The United States (US) are thereby the market with the greatest fleet size and largest regional importance. In 2015, roughly 60% of all jets and turboprops have been registered in the US (compare *Figure 1*). According to NEXA (2013), the second most important geographical region in the jet and turboprop category is Europe (13%), followed by Latin America (9%), Asia Pacific and the Middle East (8%) and lastly by Africa (4%) (own calculation according to NEXA, 2013, p.10) [Appendix 5].[10] In Europe, the majority of private aircrafts is registered in Germany, Great Britain and France (Gleich, 2012, p.57).

Figure 1: Worldwide Turbine Business Airplane Fleet (2000-2015)

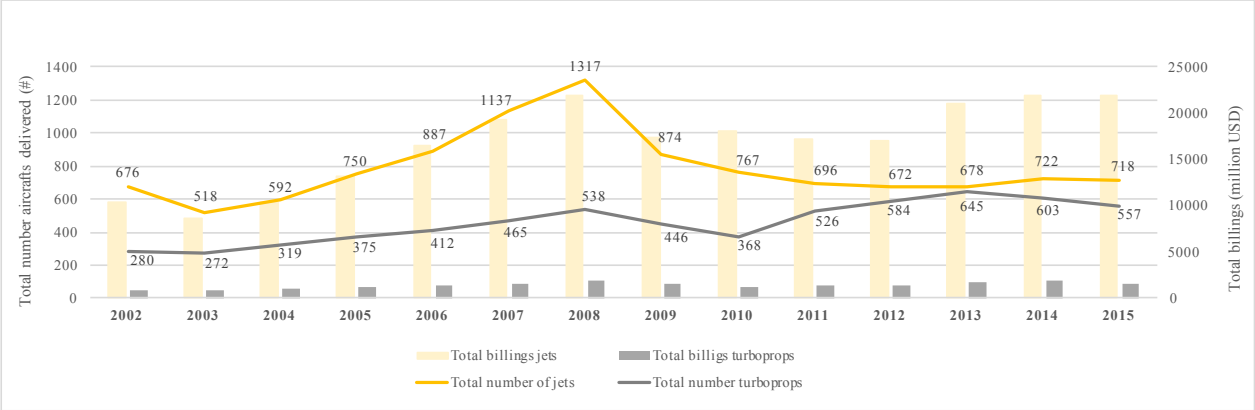


Source: GAMA, 2015, p.35

[10] In 2012, 66% of the private jets and turboprops were registered in the US (NEXA, 2013, p.10).
Note: More recent data concerning the regional distribution could not be obtained.

Even though the worldwide fleet constantly increased, **new aircraft deliveries** declined in the course of the global financial crisis in 2008, as OEMs adjusted their production to the lowered market demand. Today's number of new deliveries has not yet reached former levels.

Figure 2: New Jet and Turboprop Deliveries (2002-2015)



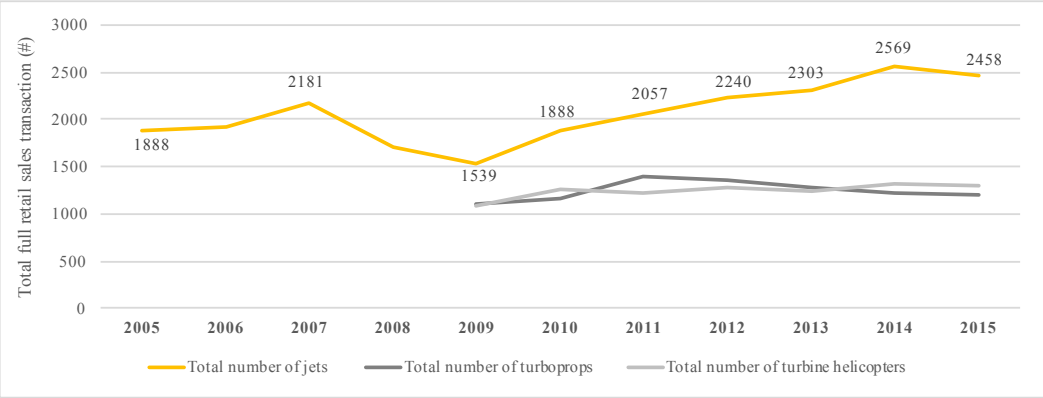
Source: Own Portrayal, according to GAMA, 2015, p.15ff.

In 2015, 557 new turboprops and 718 new jets have been shipped to customers (GAMA, 2015, p.15).[11] The year 2016 forecasts for new deliveries in the jet category vary between 540 (Bombardier, 2016, p.11) and approximately 680 units (AvBuyer, 2016, w/o page). Until 2025, 8,300[12] private jet deliveries worth around 250 billion USD are expected (Bombardier, 2016, p.4,15) [Appendix 6, 7]. In 2015, the global private jet and turboprop deliveries were worth 23,5 billion USD (compare *Figure 3*, 'total billings'). This represents a growth between 2002 and 2015 at a Compound Annual Growth Rate (CAGR) of 7.6%. During the past five years, so post crisis, a CAGR of 3.3% has been obtained (own calculation).

The **pre-owned** jet aircraft market shows a similar development. Full retail business jets sale transactions reached a trough in 2009 (1,539 units). Since then, the number constantly increased with the exception of 2015 (JETNET, 2015, p.3). The number of pre-owned turboprop and turbine helicopter transactions remained relatively steady.

[11] A comparable figure for helicopters could not be obtained.
[12] The forecast does not include VLJ and Business Airliners.

Figure 3: Pre-owned Full Retail Sale Transaction (2005-2015)



Source: Own Portrayal, according to JETNET (2011, 2013, 2014, 2015, 2016)

By the end of 2015, 11.5% of the registered business jets, 8.4% of the turboprops and 6.3% of the helicopters have been officially available for sale (JETNET, 2016, p.1). For the past ten years the amount of jets for sale has constantly exceeded 10%. While the number of pre-owned sales was lower in 2015 than in the previous year (by 4.3%), business jets took on average less time to sell and the average asking price increased (JETNET, 2016, p.1) [Appendix 8].

3. Research Objective and Methodology

While in the preceding chapter, the private and business aircraft industry was examined from a general viewpoint, the remaining parts of the work assess the specific industry aspect of aircraft sales through brokers. The goal is to gain insights on how brokerage companies market and sell aircrafts and which advertising opportunities are available to them to reach potential buyers.

The research methodology applied is influenced by the purpose of this study and the unavailability of secondary data in regards to sales and marketing of private and business aircrafts. During a profound secondary research, it was found that the specific topic is scientifically rather unexplored. As a result, a **fundamental online search** to detect marketing means and existing online channels was carried out. Further, primary research in form of a qualitative study became central. A **qualitative research** was preferred over a quantitative survey as it allows for the basic exploration and explanation of concepts and reveals thorough information while maintaining a high degree of content validity (Boeije, 2010, p.168ff.). The

qualitative research was conducted as expert interviews in guided conversations, meaning open, semi-standardized surveys.[13] To analyze the sales process and marketing opportunities in a differentiated manner, brokers from both the US and Europe have been approached. The interviewee selection turned out to be a challenging task as only few industry experts were willing to share knowledge due to discretion and competition issues. The interviewees further requested to remain anonymous in the evaluation [Appendix 10-14].

Figure 4: Interviewee Selection

	Position	Company
I1	Director Sales and Marketing	American brokerage company
I2	Manager Sales and Marketing	German brokerage company
I3	Sales Manager	American brokerage company
I4	General Manager	German brokerage company, off-market sales
I5	General Manager	German brokerage company, sales to corporates

4. Analysis of the Results

The following chapter summarizes the research results obtained.

4.1. Selling and Purchasing through a Broker or Dealer

Brokerage companies handle both the sale and purchase of aircrafts on behalf of sellers or respectively buyers. In case a broker is involved in selling an aircraft, he accompanies the aircraft owner during the complete process, from aircraft valuation until the sale closing. He is responsible for locating a buyer and aims at achieving the highest possible sales price for his customer. On the other hand, brokers as well provide acquisition services and handle the aircraft purchase on behalf of an interested buyer. Thereby the goal is to find an aircraft that best suits the customer's needs and wishes at the lowest possible price. Range, speed, weight, cabin space, number of passengers and budget are key determinants (I1). Brokers are to be distinguished from aircraft dealers. While a broker acts as an agent in a deal on behalf of a customer who

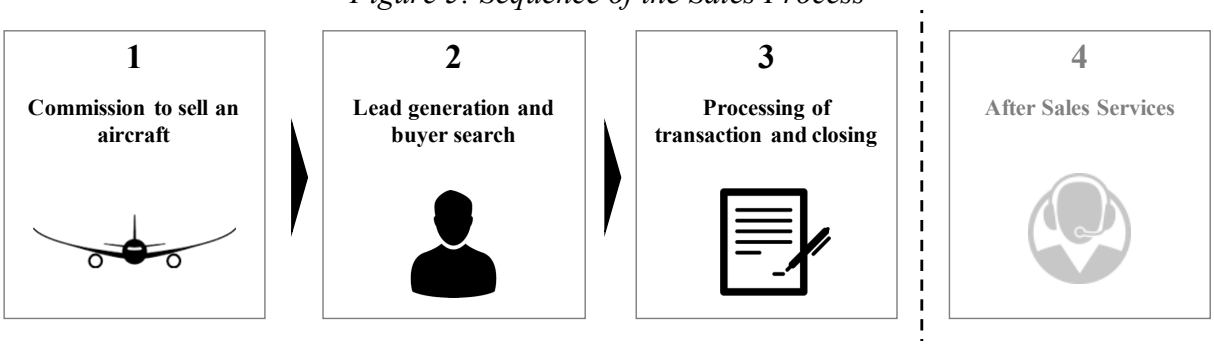
[13] 'Open' thereby refers to the possibility of the interviewees to state their view and prioritize content individually. 'Semi-standardized' relates to the form of the dialogue (Fisher, 2007, p.159). An interview guide [Appendix 9] was used to lead through the conversation.

retains the aircraft title until it is sold, dealers buy up aircrafts from a seller, physically own it, and search for a buyer on their own account. A broker handles the buying or selling for a customer on a commission basis while a dealer charges a markup on the resale of the aircraft. Brokers and dealers mainly handle the sale of pre-owned aircrafts. In some special cases, however, they are as well commissioned to sell new aircrafts on behalf of an OEM.

4.2. Structuring the Marketing and Sales Process

Considering the viewpoint of a broker, the sales process of a private or business aircraft can be subdivided into three main stages and one additional step. The sequence of the process is displayed and examined in the following.[14]

Figure 5: Sequence of the Sales Process



Source: Own Portrayal

4.2.1. Commission to sell an Aircraft

Primarily important in order to set a deal in motion, is that the broker **learns that an aircraft is to be sold**. This can occur passively or actively, meaning that either a seller, which might be an UHNWI, a business, a governmental institution or an OEM, approaches the broker and informs him about the upcoming sale of the aircraft, or the broker approaches owners that might be intending to sell by cold-calling (I3, I4). In both cases, a profound network and word of mouth are essential. Existing or former customers might want to sell or upgrade to a larger aircraft or they recommend the broker within their community (I1, I3). Beside aircraft owners, a broker's network ought to as well include FBOs and pilots, as these are the first parties that

[14] A detailed process description can be found in [Appendix 15].

learn that one of their customers or respectively their superior intends to sell their aircraft (I2, I4, I5). Another possibility is to take advantage of business aircraft market research providers, such as JETNET, which inform dealers and brokers of aircrafts that are to be sold. In case an aircraft is not yet contracted by a broker exclusively, any broker might approach the seller (I1). As a second step, in order to be commissioned with the sale, the broker typically performs a **market analysis** to determine the current value of the respective aircraft. Thereby, comparable aircrafts available on the market and past sales are evaluated and a price range is defined (I2, I4, I5). There are as well professional providers, such as VREF Publishing Inc., executing the investigation on behalf of the broker or the owner himself [Appendix 16].

In case the broker and the seller have a common understanding on the price, the broker aims at securing the exclusive right to market and sell the aircraft in return for a certain commission. This is done contractually through an **exclusive brokerage agreement** [Appendix 17] which ensures that no other broker is hired to perform the sale and which arranges a commission of typically between 0.5 and 5 % of the achieved sales price, depending on the size and the merchantability of the respective aircraft (I1, I2, I5). The commission is, however, only paid out in case of a successful sale. Consequently, the broker bears the risk of all advertisement expenditures and might work without any return (I5). The exclusive right to market an aircraft is generally granted to the broker for a period of 90 to 180 days (I1, I5).

Apart from the contractual part, the broker commissioned with the sale, requires access to all documentation and records of the aircraft. This includes information on the aircraft itself and the avionics[15], on technical upgrades and on their respective certification (I2, I4). It further includes documentation on maintenance checks performed, the accident history, if applicable, and information on the flights executed, like the total flight time and the number of cycles (I4, I5). From this information, the aircraft **specification sheet** ('Specs Sheet') [Appendix 18] is

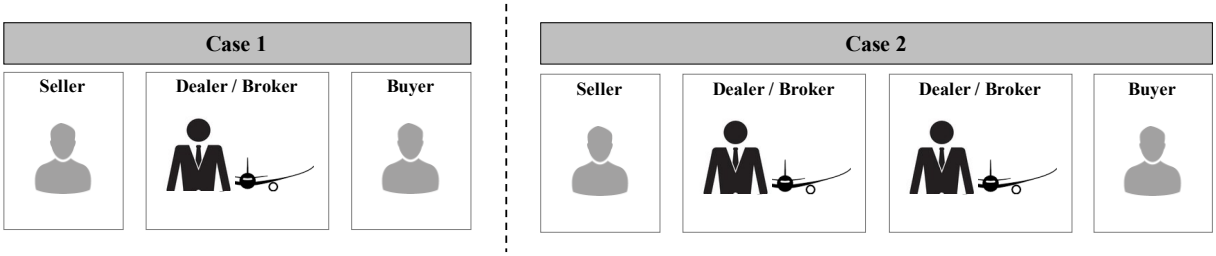
[15] Electrical equipment.

drawn up. This exposé includes all key facts decisive for a purchase, like the aircraft make and model, manufacturing year, location, condition, equipment and modifications, maximum passenger load, range, cruise speed, total time, number of landings and price. It further encloses photos of the aircraft (I2, I5). The specs sheet is used for information and advertising purposes as follows. The complete first step is estimated to take around one month (I5).

4.2.2. Lead Generation and Buyer Search

After the broker has been commissioned with the sale and has all relevant information at hand, he searches, in a second stage, for a qualified buyer. He can thereby either target end-buyers directly *(Figure 6/1)*, which are mainly UHNWIs or businesses, or approach other brokers who in turn handle the purchasing of an aircraft for their customer *(Figure 6/2)*. In case the aircraft to be sold is a small jet, it might be the future owner who handles the purchase himself *(Figure6/1)* (I1). In most cases, however, especially for midsize to larger aircraft, a broker representing the buying party is involved *(Figure 6/2)*, (I1).

Figure 6: Conceivable Compositions in Aircraft Sale

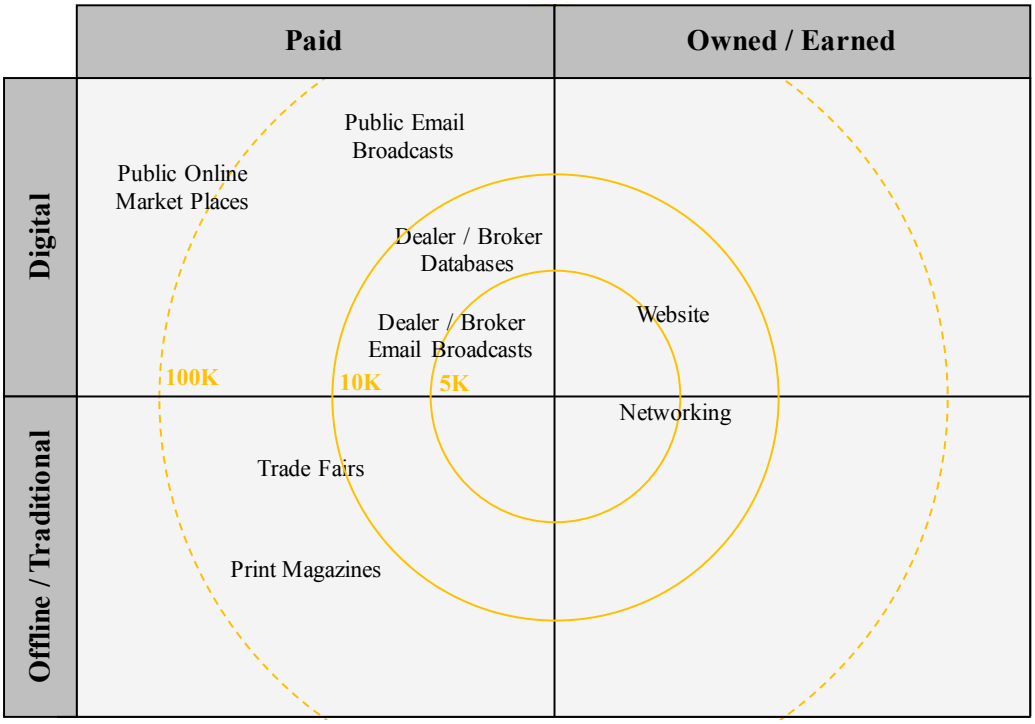


Source: Own Portrayal

If an aircraft is offered at a very attractive price, which is mainly the case if it ought to be sold in a short period of time (I1), brokers often function as dealers and buy up the aircraft in order to resell it with a markup. A dealer can thereby either directly resell the aircraft to an end-user *(Figure 6/1)*, search for a qualified buyer through a broker representing a buying party *(Figure 6/2)* or resell the aircraft to another dealer *(Figure 6/2)*.

To generate leads for the aircraft and to find a qualified prospect, the dealer or broker can take advantage of different **marketing channels** *(Figure 7)*.

Figure 7: Marketing Channels



Source: Own Portrayal

A very important and traditional channel to market an aircraft is the broker's own **network** of UHNWIs, businesses, charter operators, FBOs, pilots and other brokers and dealers (I1, I2, I4, I5). It provides the possibility to directly target prospects or representatives of promising prospects via emails or calls, before alternative marketing means are to be considered (I1, I2). Approaching interested buyers directly at no expenses is a significant advantage that is complemented by the fact that trust, which is a key determinant in high investment transactions like private aircraft sales, has already been established. Nevertheless, the reach of this marketing channel is limited to the size of the broker's network, which generally does not include more than 4,000 aviation contacts (I5).

The broker's **website**, as an owned media channel, is as well limited in its range. While advertising an aircraft for sale on a homepage does not guarantee results, especially in case the webpage has few visitors only, and as the recipients of the message are unknown which prevents a direct approach of prospects, a website is nevertheless a cost effective channel that is completely controlled by the broker himself. It ensures versatility in regards to the content

published and allows for immediate changes. Additionally, not only the advertisement of the aircraft itself can be published but also information about the brokerage company, its values, mission and vision, which can in turn be a first step towards building up trust.

As most aircrafts sold are generally marketed through online means (I5), paid digital marketing channels fulfil an important role in the market. They can be distinguished into broker and dealer internal sources and public advertisement spaces. **Dealer and broker databases** are accessible for professional aircraft traders only. JETNET and AMSTAT are thereby the leading providers. Both databases include profound information on all fixed-wing aircrafts and helicopters available for sale, information on historical aircraft transactions and trends, owner and operator data as well as 'aircrafts wanted to purchase' listings (JETNET, w/o year, w/o page; AMSTAT, w/o year, w/o page). Access is granted in return for a license which taken together adds up to around 10,000 USD a year for both platforms (I5). Another provider to mention is aircraftsalesdata.com. Compared to a broker's network and his homepage, dealer and broker databases provide a larger range of visibility towards brokers commissioned with the purchase of an aircraft. The respective buying broker does not need to scan various broker websites or has to wait until he will be approached by a selling broker, but he can directly access the accumulated information and thereby compare the respective aircrafts offered. Consequently, the dealer and broker databases add value to both parties involved in a deal. Communicating an aircraft in this 'closed' market place further ensures that the aircraft is not widely available and advertised to end-buyers, which in turn guarantees that the broker, commissioned with the sale, deals with another brokerage company, facilitating a professional transaction (I1). On the other hand, however, the content published is subjected to JETNETs' and AMSTATs' requirements which in turn is accompanied with a loss of control for the broker. Furthermore, brokerage companies that do not have purchased a license as well as end-buyers who are not represented by a brokerage company, are not reached through this channel.

Public online market places counter this drawback and represent an alternative to reach a larger audience. Comparable to the broker databases, these public advertising platforms consolidate listings from many sellers and aim at connecting both sellers and buyers. Thereby not only aircraft dealers and brokers can view the listings but also interested individuals, families, businesses or any other party. In order to be able to list an aircraft and to leverage the channel, fees are charged by the provider of the respective page. The main benefit of an online market place is the large audience towards which the seller can advertise the aircraft. Compared to the homepage of a single broker or the broker internal databases, an online advertising platform thereby reaches far more potential buyers. The channel can furthermore be used on demand and immediately, so only if needed and when needed. While these pages often allow to track the number of views, visitors remain unknown until they actively seek contact with the selling party. Moreover, interested parties have to proactively check the platform in order to receive the advertising message. A major drawback for the broker is further the pre-specified requirement in regards to the advertisement itself. Among others, the number of pictures and characters are limited. An expansion, if possible, involves a higher fee. The following public aircraft online market places are currently available at the market [Appendix 19].

- Aeromarkt
- AeroController
- AeroTrader
- Aircraftbargains
- Aircraftdealer
- Aircraft Dealer Network
- Aircraft Sales Book
- Aircraft Shopper Online
- Aircraft 24
- AvBuyer
- Aviation Classifieds
- Controller
- Flight Planet
- Global Air
- Global Plane Search
- JETNET Global
- Planemover
- Trade-a-Plane

Commonly used are *Controller.com*, *ASO.com*, *AvBuyer.com*, *Globalair.com* and *Trade-a-Plane.com* (I1, I2, I3, I5). *Controller.com* represents the market place with most page views (I5). Apart from these market places, which are offering private and business aircrafts to all kind of interested parties, the **luxury market places** *James Edition* and *Jetset Magazine* emphasize the luxury aspect of the category and mainly target (U)HNWIs. Besides aircrafts

and helicopters, other luxury product categories, such as automobiles, real estate, yachts, watches and jewelry are featured in the market spaces [Appendix 20].

In contrast to the so far described paid media channels, **email broadcasts** represent a possibility to have the advertising message directly delivered to the desired recipients (I1, I5). Email blasts are prohibited in Europe, so that the respective providers are based in the US (I5). Depending on the media owner, the range of visibility and the target audience vary. *Aircraft Sender* for instance reaches worldwide around 60,000 aviation contacts (I5), such as owners, corporate flight departments, (U)HNWIs, FBOs, MROs, charter services, dealers and brokers. The same broad audience is targeted by the broadcast services of *Aircraft Dealer Network*, *Aviation Broadcast*, *Planemail* and *Planemover*. In contrast, *BrokerNet* and *Planefax* represent a dealer and broker internal communication channel and achieve a reach of approximately 3,000 and 4,000 contacts respectively. Through email blasts, both aircrafts for sale and aircrafts wanted are communicated. Apart from the direct approach, the marketing channel provides the advantage that it can be used on an on-demand basis, so only if needed. Through deciding on the broadcast provider, the broker can further influence to whom he targets the advertisement. A dealer and broker internal announcement allows for a higher discretion while a broker external email broadcast may reach an interested end-buyer directly. The scope of flexibility in regards to the design is quite high, so that the advertisement page can mainly be created according to the broker's idea [Appendix 21]. Besides key facts and pictures, often videos, downloads and links can be included. The broker can either design the advertisement on his own or opt to have the ad suggested by the respective agency. The costs for leveraging this channel range between 100 and 200 USD per email placement [Appendix 22].

While most advertisement nowadays is done online, two offline channels are often leveraged as well in order to market an aircraft. **Print magazines** focused on the advertisement of aircrafts are offered by providers of online market places, such as *Aeromarkt*, *AvBuyer* or *Controller*.

Depending on the media kit chosen, the aircraft is not only advertised online but as well listed in a print edition [Appendix 23]. While the focus hereby is to simply advertise aircrafts that are for sale, journals such as *EBAN Magazine*, *Altitudes* [Appendix 24] or *Jetset Magazine* enhance through aviation or luxury and lifestyle content. Even though print channels are loosing importance (I1), (glossy) magazines focusing on content rather than sole advertisement, still provide value to their readers and should therefore be considered by brokers. These journals target (U)HNWIs and are often displayed at FBOs, private aircraft trade fairs, boat shows, automotive fairs or offices of luxury realtors (I2, I5). The advantage of print magazines is the tangibility, while they loose out on flexibility and adaptability.

Lastly, **trade fairs** are not only a further channel to present aircrafts that are for sale (I4) but also a great possibility for a broker to extent his network. At these fairs a broker can exhibit aircrafts, so that prospects and other visitors have the opportunity to directly have a closer look. The main industry trade shows are the *NBAA-BACE*[16], *EBACE*[17], *ABACE*[18] and *MEBAA*[19]. Attendee numbers range from 9,000 visitors at MEBAA to 27,000 at NBAA-BACE (NBAA b, w/o year, w/o page; MEBAA, w/o year, w/o page).

The marketing of aircrafts for sale is done **internationally** and **multi channel**, meaning that various marketing channels are used simultaneously by brokers and dealers in order to reach potential buyers for a certain aircraft. Over all marketing channels, and depending on the popularity of the aircraft advertised as well as the price at which it is offered, generally around 50 inquiries are received by the broker as a response (I2, I3).

4.2.2.1. ‘On-market’ and ‘Off-market’ Lead Generation

While often the goal is to reach as many potential buyers as possible in order to increase the probability of finding a buyer fast, in some cases it is not desired that an aircraft for sale is

[16] National Business Aviation Association Business Aviation Convention & Exhibition
[17] European Business Aviation Convention & Exhibition
[18] Asian Business Aviation Conference & Exhibition
[19] Middle East Business Aviation Association show

widely communicated. This is especially the case if the seller is famous, a well-known personality from the industry or politics, or a descendant from a royal house (I1, I4, I5). Corporate flight departments from large industrial groups at times as well wish to sell their aircraft without their employees to gain knowledge (I1, I5). In cases, in which confidentiality plays a major role, 'off-market' transactions are favored over 'on-market' sales. 'Off-market' can thereby be defined as the discrete marketing and sale of an aircraft without it being widely offered and advertised through channels available to the general public and to thereby ensure confidentiality during the transaction (I1, I4, I5). While for most aircrafts, advertisement is done 'on-market', meaning through publicly available online channels, print media or trade shows, between 5% to 25% are estimated to be sold 'off-market' (I1, I2, I3, I4, I5).

In an 'off-market' sale it is, at first, only the seller himself and the broker of his confidence who know that a certain aircraft is planned to be sold. In order to find a buyer, the broker verifies with his own network of end-buyers whether one of his customers is looking for an aircraft with the respective characteristics. Starting with the end-buyer from whom he expects the largest probability of a purchase, the broker approaches several UHNWIs and corporates directly. In addition, he as well takes advantage of his network of other brokers and dealers. Using only the basic information of the aircraft, like make, model, manufacturing year and total flight time, it is verified whether one of the brokers of his network knows an end-buyer that might be interested in a purchase (I1, I2, I3, I4, I5). In case no potential buyer could be gathered, email broadcasts directed to dealers and brokers only (*Planefax*, *Brokernet*) are further considered (I1, I5). During the complete communication, the serial and registration number of the aircraft is kept confidential, as this information would identify the seller. Moreover, brokerage contracts and non-disclosure agreements prevent the spread of information and foster discretion (I4).

Marketing an aircraft 'off-market' in contrast to 'on-market' bears several advantages and disadvantages to all involved parties, as illustrated in *Figure 8* [Appendix 25].

Figure 8: Advantages and Disadvantages in an 'off-market' Lead Generation

	Advantages	Disadvantages
Seller	▪ High degree of discretion ▪ Less hustle as less prospects (e.g. photos, aircraft showings) ▪ Aircraft not 'flogged to dead' on the market	▪ Less leads are generated, probability to find a buyer might be lower ▪ Intransparency in regards to price; seller does not receive offers to compare
Buyer	▪ Access to an aircraft that might not be offered 'on-market' and that the buyer cannot find himself ▪ No bidding situation as no competition	▪ Intransparency in regards to price; buyer can hardly evaluate how good the offer is
Broker	▪ Little to no advertisement expenses as network is source to generate leads ▪ Demonstrates he has knowledge that other brokers do not have; effect on reputation	▪ Limited possibilities to reach potential buyers

Source: Own Portrayal

As marketing costs are very low or at zero, aircrafts whose sellers do not mind public advertisement are often as well kept 'off-market' for the first two to four weeks, during which the broker tries to find a buyer through his own network. If the broker does not acquire a suitable buyer, the aircraft will then be brought 'on-market' and broadly advertised (I1). As a result, private and business aircrafts are either marketed completely 'on-market', completely 'off-market' and consequently "never see the daylight" (I1) or at first 'off-' and then 'on-market'. The success of selling, whether 'off-market' or 'on-market' strongly depends on how demanded the aircraft make and model currently is. For aircrafts high in demand, a broker can easily find an interested buyer 'off-market' without the necessity to broadly advertise the aircraft for sale (I1). For these aircrafts generally a high price can be achieved (I4). Finding a buyer 'off-market' for aircrafts that are not very popular in turn is rather difficult as comparably less potential buyers can be approached. Prices achieved 'on-' and 'off-market' do not deviate too much, as even if an aircraft is sold or purchased 'off-market', an initial market analysis determining the current aircraft value is performed by the respective brokers so that unrealistic offers will consequently be rejected. It might however be that an 'off-market' aircraft seems more appealing to an end-buyer, as it is not (yet) on the market, he cannot find it himself and only he knows that it is for sale (I1). This lets the offer seem very attractive and and the buyer might be willing to pay a higher price than what he would want to pay if the aircraft was 'on-market'.

The time period necessary to find a potential buyer, both 'on-' and 'off-market', depends primarily on the popularity of the aircraft type and the price at which the aircraft is offered (I1, I3). As mentioned above, for a popular aircraft priced low, an interested buyer is found relatively fast. These offers are often dealt in wholesale transactions and the respective aircraft might be sold before it is brought 'on-market'. For aircrafts offered at an unrealistic price, it takes longer to find a prospect. No buyer might be interested until the asking price is lowered. This accounts for both 'on-' and 'off-market' aircrafts. In general, it takes between two and twelve months to locate the final buyer. Aircrafts that need more than six months to be sold are generally low in popularity, the initial asking price was set too high or the aircraft might have an accident history (I2, I3, I4, I5).

4.2.3. Processing of Transaction and Closing

To process the sales transaction, at first, a **letter of intent (LOI)**, which is a document declaring a prospect's buying intention, is set up and signed by the interested buyer [Appendix 26]. The document generally includes the contact details of the seller and the prospect, the aircraft specifications, the purchase price, as well as a defined time frame (I5). To emphasize the buying intention, a refundable **deposit** is transferred to an escrow[20] account (I1, I2, I5). The amount of the deposit depends on the aircraft value. If an aircraft is worth less than 10 million USD, generally a deposit of 100,000 USD or lower is practice. For aircrafts worth more, around 250,000 USD are deposited (I1). From that point in time, the aircraft is reserved for the respective prospect until a **pre-purchase inspection** is conducted on the buyers cost and expense (I1, I4, I5). During the inspection, the aircraft itself is examined, the documentation reviewed and a test flight carried out (I2, I5). Subsequently, the buyer decides whether he accepts the aircraft or not. In case of an acceptance, the initial deposit becomes non-refundable

[20] An escrow agent is a trustee (fiduciary) that accompanies the aircraft transaction as an independent third party. The escrow agent manages and controls all payments in regards to the purchase price, collects all original documents of the aircraft and distributes both during the closing process.

and is converted into a down payment (I5). In the meantime, the **sale and purchasing contract** is set up by the seller's and buyer's legal advisors, stating the exact conditions of the sale in regards to purchasing price, taxation, date and place of delivery, importation, maintenance, as well as repairs to be done until the delivery (I5). After the airworthiness is ensured, the purchasing contract signed and the aircraft deregistered, the actual **closing** takes place, which is coordinated by the escrow agent. Thereby, the purchasing price, which is at that point completely on the escrow account, is unblocked by the buyer. In turn, the seller releases the original documents of the aircraft, the title and the **Bill of Sale (BOS)** which is the official Federal Aviation Administration (FAA) ownership document [Appendix 27]. The trustee then distributes the assets respectively and the liability is transferred to the aircraft buyer who is now the aircraft owner.

4.2.4. After Sales Services

After the closure, when the sale is completed and the ownership transferred, the broker may support the seller in post sale issues like the deregistration at the air traffic control and at the airport or the cancellation of hangar contracts, pilot contracts, FBO contracts or insurances (I5).

5. Limitations

In spite of the valuable results obtained, some limitations to the study conducted occur and are to be addressed. Firstly, the sample size of the qualitative research is relatively small. Only five experts were willing to participate in an interview, which is attributed to time constraints, discretion issues and competition concerns. With regards to the experience and expertise of the persons interviewed as well as a theoretical saturation that is likely to occur at a certain point, as only little additional knowledge could be obtained by performing an additional interview (Strauss, 1998, p.136,143), the sample size of five industry experts is assumed to still be sufficient to derive reliable results. Studies with a small sample size are not unusual; in fact, even single-subject research exists (Dukes, 1965). "Some highly insightful studies have been

based on very small samples (especially in phenomenological research)" (Daymon/ Holloway, 2002, p.163) as they allow to reflect "generic processes operating in a microcosm" (Tsoukas, 2009, p.294). Even though these studies might not be representative, they nevertheless expose larger phenomena and support to cover theoretical voids through exploring epistemologies (Tsoukas, 2009, p.285,294) as in the given case. Secondly, the interviewees' statements underlie a certain degree of subjectivity that has to be taken into consideration in the evaluation. To counter this bias, it was strived to interview brokers from different backgrounds, meaning from different geographical markets and with a different end-customer structure. Lastly, the work at hand does not provide a complete picture of the private and business aircraft industry. The sales process and marketing channels defined, portray the broker point of view only. OEMs selling directly to end-buyers have not been taken into consideration during the evaluation neither have been other models than the full-ownership of private or business aircrafts.

6. Conclusion and future Outlook

As mentioned in the beginning of the work at hand, online means significantly changed how private and business aircrafts are marketed, sold, researched and bought. Digital marketing through websites, email broadcasts and especially online market places thereby complement traditional channels like above all the broker's own network which is still of very high importance. Online marketing opportunities thereby do not only provide the broker with the chance to reach a larger audience but also equips buyers with an increased inflow of information and empowerment. In regards to the expected future development, the author of the work at hand projects a further digitalization and that mobile marketing in form of smartphone applications for online market places gains relevance. This channel would add value if interested buyers, either end-customers directly or brokers, enter their search criteria and receive in turn a news update on their smartphone, in case an aircraft with the respective

characteristics is listed for sale. This would additionally circumvent the drawback of online platforms and databases that interested parties need to actively seek for information.

In order for a broker to *market an aircraft to successfully reach potential buyers*, it has to at first be determined whether finding a prospect 'off-market' is aspired or if the communication can be directed towards the public. In the former case, a strong network is crucial for success. Thereby all kind of customer and aviation contacts are of importance. Besides loyalty and retention, an enlargement of the network should be strived for by the broker. Additional contacts might be gathered on trade shows or other industry or luxury related events. In case the public can be approached in the communication and the goal is to reach as many potential buyers as possible, multi channel marketing is best practice. Thereby the broker's website can be used as a base to provide detailed information on the aircraft and to introduce the brokerage company in order to initiate the establishment of trust. A listing on broker databases and online market places is to be considered because of the broad reach of the channels. Email broadcasts can be contemplated as an additional tool to have the message delivered directly to the desired recipients. It is recommendable that the communication, which in case of paid channels is limited to predetermined requirements, guides the interested buyer to the broker's website, where thorough information about the respective aircraft and the broker himself is available. Besides the multi channel approach, it is further important to conduct the communication in a target oriented manner. This means that for private aircrafts which are equipped for luxury travels rather than for productive business trips, channels to target especially UHNWIs such as luxury magazines or dedicated events are of importance. Beside that, as aircrafts are highly mobile goods and markets rather global than local, marketing activities should always be directed towards an international audience in order to reach as many potentially interested buyers as possible and to successfully market the aircraft.

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