

## To use your Fractional Hours or Not To use your Fractional Hours ... When is the Question?

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So you've already got a fractional or are thinking about getting a fractional but don't have any idea that fractional hours don't always give you the best value ... please read on.

Private fliers travel in very different ways in very different patterns for very different reasons. That's why the life of the private traveler is great – options, options, options. Some fliers strictly fly private for same day in and out business trips. Some fliers like to take large parties with them to exotic destinations. Some fliers travel for very extended time periods, and others just a few days. To make things simple for the purpose of this whitepaper, we will group these fliers into 3 convenient categories:

- Business – The efficient private flier likes to get in and get out quickly (same day or one nighters).
- Weekender – The weekender likes to get in and get out after a few days.
- Vacationer – The vacationer likes to get in and spend time at the destination (maybe a week or two or longer).

There are an unlimited number of combinations and variations of above – especially when you add the number of travelers in the party, specific destinations, amenities and type of plane, but for the purposes of simplicity – let's go with these 3 categories.

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For additional simplified purposes, there are 5 different types of private jet services available to the private jet flier.

- Owner – The owner of the jet flies whenever they like – they own the jet.
- Fractional Owner – The fractional owner has hours which can be applied towards jets in any location.
- Jet Card – The Jet Card holder has a dollar amount which is “on account” and is applied towards any flights (Debit card based and Hourly based). Some have a “Round Trip Discount” which is moderately interesting.
- Charter Company Direct – This is where the private flier calls a charter company directly and books a flight on an ad-hoc basis and is limited to the planes and locations which the charter company services or chooses to find.
- Jet Charter Brokers – This is where the private flier calls a jet charter broker at any time to get a flight from anywhere to anywhere on any specific type of plane with any type of amenity.

Owners are owners so they can come and go and do what they want when they want – they own the plane. While this comes at significant buy-in cost plus the overwhelming cost of annual maintenance, they own it – they take the good and the bad. The rest of this paper is for everyone else who flies private but isn't the actual owner of the plane.

There is also another category which we must classify – Value. Value has 2 primary components – Service and Cost. Service is the relatively intangible value

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which combines convenience, satisfaction, appreciation, tailoring and overall feeling. To best describe services and costs, we will utilize 3 simple measures: High, Medium Low. Now that we have categorized the types of travelers, the types of private jet charter options and the various types of value, let's try to match them up from the sole perspective of value from best to worst.

To best show this, I present the following value chart:

	Fractional Owner		Jet Card		Charter Company		Jet Charter Broker	
	<i>Service</i>	<i>Cost</i>	<i>Service</i>	<i>Cost</i>	<i>Service</i>	<i>Cost</i>	<i>Service</i>	<i>Cost</i>
<b>Business</b>	Medium	High	High	High	Low	Low	High	Low
<b>Weekender</b>	Medium	Medium	High	High	Low	Medium	High	Medium
<b>Vacationer</b>	Medium	Low	High	*Medium	Low	High	High	High

In the chart, I have eliminated any elements with low service and consistently high cost and highlighted the areas of focus for best overall value proposition.

*\*Some Jet Cards offer round trip percentage discounts. If the jet card provider is truly honest, then there may be some marginal savings here. Usually what happens is they offer a 10% round trip jet card discount – but then overinflate the total price making this a net negative for the flier. Theoretically this could be good, but given my experience with the industry – this “discount” is just a marketing ploy which never translates to real value for the flier.*

### The Wildcard

What is not included in any of the analyses above are the lost interest on funds (fractional ownerships have your money long before you fly) and any significant maintenance costs. Once you throw these factors into the equation, only vacationer travelers will ever realize the true value of a fractional ownership program.

	Fractional Owner (Including Maintenance & Lost Interest)		Jet Card (Including Lost Interest)		Charter Company		Jet Charter Broker	
	<i>Service</i>	<i>Cost</i>	<i>Service</i>	<i>Cost</i>	<i>Service</i>	<i>Cost</i>	<i>Service</i>	<i>Cost</i>
<b>Business</b>	Medium	High	High	High	Low	Low	High	Low
<b>Weekender</b>	Medium	High	High	High	Low	Medium	High	Medium
<b>Vacationer</b>	Medium	Medium	High	High	Low	High	High	High

These charts are extremely powerful in that they demonstrate significant cost value opportunity by taking advantage of multiple types of programs to maximize the lowest cost highest value proposition. In short, all private fliers can fly in the lowest cost model regardless of whether they already own fractional programs or not AND private fliers that primarily utilize jet charter brokerage services could get a lowest cost value proposition by utilizing fractional ownership programs.

Here is a simple use case to demonstrate this fact. We recently accommodated a customer who indicated to us that they already had an hourly jet card. They proposed a trip from Teterboro, NJ to Peoria, IL on a light jet. Using the card, he

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indicated that his trip with 2 overnights would be roughly \$27,000 (roughly 4.5 hours of flight time). We as a jet charter broker were able to find the same type of plane with same amenities and quote the customer a total price of \$20,500 including all taxes and fees. This represents a significantly greater value proposition for that particular individual business trip. This scenario showed the value of an air charter broker over an hourly jet card in the scenario of a business traveler. If that same scenario was for a vacationer who wanted to stay in that location for a week, the numbers would have worked out significantly different. The hourly jet card holder would still pay \$27,000 however the jet charter broker would have charged somewhere along the line of \$34,000 to \$36,000 as the traveler would have had to pay for two round trips to handle plane repositioning.

“If you fly for business, weekends and vacations – sign yourself up for the fractional program and get a relationship with a couple of brokers”. In my experience in this industry, I have always found that the smartest fliers have both a fractional ownership program and fully utilize jet charter brokers. These are the fliers that are always looking at the total cost of the trip they are taking regardless of whether they already have “hours” somewhere. These are also fliers which fly in different capacities and are fully utilizing the appropriate programs at the appropriate times to take advantage of each type of program’s strengths. To close out this whitepaper, we have found that more and more private fliers – especially fractional owners and those with jet cards are aligning themselves with jet charter

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brokers in some form or fashion – the reason is very clear - the value proposition speaks for itself.

### **Quick Summary For Best Value**

- If you are strictly a business flier and never fly for vacations or long durations – use a jet charter broker.
- If you are strictly a long vacation flier and never fly for short durations – sign yourself up for the fractional program.
- If you fly for business, weekends and long vacations – sign yourself up for the fractional program and get a relationship with a couple of brokers – price out every trip. Let the value decide the winner.
- If you already have fractional ownership and you aren't flying for just vacations,  
*Hi – My name is Rick Klev – and I'm a jet charter broker – I can save you a lot of money.*