

# Aviation International News.

September 24, 2007

## **Marquis Jet's founder didn't know a thing about aviation, but he had possibly the world's best tutor.**

When Kenny Dichter and a buddy from college first had the idea for Marquis Jet, the travel card program that sells time aboard NetJets business jets in 25-hour increments, "We had a vision that this business could be a very big one," he said.

But the pair didn't exactly have aviation flowing in their veins, as they say, making Marquis Jet's overnight success story all the more intriguing.

Dichter got his entrepreneurial start while attending the University of Wisconsin-Madison, launching an on-campus retail store that sold U of W shirts, jackets and hats. While still in college, he dreamed up a way to increase ticket sales for the school's basketball program by creating an event called Late Night with the Badgers with sports personality Dick Vitale as host. After college and before getting into the aviation business with Marquis Jet, Dichter and friend Jesse Itzler founded Alphabet City, a sports-compilation CD company that they sold to SFX Entertainment in 1998.

The vision that became Marquis Jet could never have happened without fractional provider NetJets. Dichter and Itzler began discussions with NetJets and its founder Richard Santulli about their concept in mid-2000 after being introduced to the fractional-ownership pioneer by NetJets vice chairman Jim Jacobs. They'd met Jacobs while helping plan a social event for his daughter. In a whirlwind of activity, by February 2001 Dichter and Itzler had sealed the deal and Marquis Jet was born. It sold its first "jet card" on June 1, 2001, and exploded from there. "Richard saw that our group had great energy, great ideas and great marketing and advertising abilities," Dichter recalled of those early days.

During the time between coming up with the idea and actually launching the Marquis Jet service, he said, Santulli "took us under [his] wing and showed us the ropes, not just with fractional ownership, but he also gave us an overall lesson in aviation. He gave us aviation 101, 102 and all the way up to the graduate-level courses. Richard was a math professor in his last life and he put on his professor hat for us." [As part of an educational fellowship, Santulli was once an instructor at Brooklyn Polytechnic Institute in New York.—Ed.]

For Dichter and Itzler, an eye-opening learning experience was the intricate infrastructure that Santulli and company had created with NetJets. "Richard was a pioneer," Dichter said, "as much of a pioneer as Orville and Wilbur Wright, in that he built this amazing infrastructure that could handle hundreds of airplanes and thousands of owners. It took us a good year to a year and a half to understand the system at its fullest. And once we understood exactly what NetJets had to offer and what differentiated NetJets from the rest of the market, that was the beginning of the explosive growth of our business."

Not having an aviation background was not a hindrance in the least, according to Dichter. "The fact that we didn't come from the aviation space gave us a tremendous advantage," he said, "because we never looked at the Marquis Jet offering as an aviation offering, we looked at it as a lifestyle offering. So on one side we could advertise lifestyle and efficiency and safety and all of the conveniences of private flying, and never did we have to worry about the back end because

we had NetJets behind us. We knew that we had the best back end, so it enabled us to be nimble marketers as it related to the private aviation space.”

Despite launching an aviation business only a few months before the September 11 terrorist attacks, Marquis Jet grew quickly right from the beginning. “What happened on that day as it related to our business was,” said Dichter, “what was once viewed as a luxury was viewed in many ways by business people and folks that could afford to travel privately as a necessity. I just [thought] the way that the world viewed private aviation would change forever.”

What Dichter and Itzler did in creating Marquis Jet was tap into a new reservoir of travelers, a growing group of people who were willing to pay a premium to avoid traveling on the airlines and who also could afford to pay for charter-type flying but hadn’t done so previously.

The beauty of the jet card concept is that it makes flying on business jets a simple matter; the concept is easy to grasp and there are no ownership hassles, just a simple transaction. Marquis Jet cards range in price from \$119,900 to \$399,900, depending on the type of airplane, and that price includes guaranteed availability. The difference between fractional share ownership in the NetJets program and Marquis Jet is that all Marquis flights are flown under Part 135, plus there are 20 peak days in the Marquis program versus 10 with NetJets. Availability is still guaranteed, but customers have to be willing to give more notice and accept longer lead times for flights on peak days. Marquis Jet card owners can fly anywhere in the world, the same as NetJets customers, or fly commercially to Europe and then fly with NetJets Europe.

Much of Marquis’ early growth was driven by what Dichter calls “concept fliers, which meant they didn’t have a private aviation solution before they ran into us. Eight out of 10 of our customers or prospects were concept fliers who had never flown with or had a relationship with a private aviation firm before.” Marquis Jet provides a lower-cost entry point for business aircraft travelers, when compared with even the least expensive fractional share. (However, the per-flying-hour rates of jet cards exceed that of fractional ownership.) “People don’t have to worry about the long-term commitment [or] about residual value of assets,” he explained. “We tell our owners: we have NetJets operating the assets, all you have to do is walk up the stairs and turn right and buckle your seatbelt and don’t worry about anything else.”

NetJets benefits from the relationship, too, because 10 to 15 percent of Marquis Jet card owners move into a NetJets fractional share every year, according to Dichter. Most jet card owners, he added, use their 25 hours in nine to 10 months, and 85 to 90 percent buy another card. “Once you get into the private aviation space,” he said, “it’s very difficult to go back to [the airlines at] La Guardia, Newark or Kennedy. Nor would I recommend it.”

The concept has spawned a number of imitators, mainly competing fractional-ownership providers and larger charter operators, all of whom have been successful but perhaps not to the same degree. Privately held Marquis Jet now takes in revenues of about \$700 million per year with 3,500 active card owners. “We’re growing in a healthy way at 15 to 20 percent a year,” said Dichter, who majored not in business at the University of Wisconsin but rather in sociology. “We think inside of three years, by 2010, it could be a billion-dollar business.”