CZECH TECHNICAL UNIVERSITY IN PRAGUE

Faculty of Transport

Department of Air Transport

Bc. Martin Meloun

Global marketing strategies for business aviation products

Diploma Thesis

2018

ČESKÉ VYSOKÉ UČENÍ TECHNICKÉ V PRAZE
Fakulta dopravní
děkan
Konviktská 20, 110 00 Praha 1

K621..Ústav letecké dopravy

ZADÁNÍ DIPLOMOVÉ PRÁCE
(PROJEKTU, UMĚLECKÉHO DÍLA, UMĚLECKÉHO VÝKONU)

Jméno a příjmení studenta (včetně titulů):

Bc. Martin Meloun

Kód studijního programu a studijní obor studenta:

N 3710 – PL – Provoz a řízení letecké dopravy

Název tématu (česky): **Celosvětové marketingové strategie pro produkty business aviation**

Název tématu (anglicky): Global Marketing Strategies for Business Aviation Products

Zásady pro vypracování

Při zpracování diplomové práce se řiďte osnovou uvedenou v následujících bodech:

- Pro produkty prodej letů, handling, údržba a operační podpora nalézt vhodné trhy z pohledu konkrétního poskytovatele
- Analyzovat vybrané trhy
- Analyzovat pozici poskytovatele (pozici jeho produktů) na vybraných trzích
- Identifikovat silné a slabé stránky poskytovatele na vybraných trzích
- Nalézt vhodnou marketingovou strategii pro propagaci poskytovatele a jeho produktů

Rozsah grafických prací: dle pokynů vedoucího diplomové práce

Rozsah průvodní zprávy: minimálně 55 stran textu (včetně obrázků, grafů a tabulek, které jsou součástí průvodní zprávy)

Seznam odborné literatury: Marketing management; Philip Kotler

Positioning; Al Ries, Jack Trout

Business aircraft acquisitions and sales; Martin Meloun

Vedoucí diplomové práce: **Ing. Jan Králík**

Ing. Anna Polánecká, Ph.D., MBA

Datum zadání diplomové práce: **30. června 2016**
(datum prvního zadání této práce, které musí být nejpozději 10 měsíců před datem prvního předpokládaného odevzdání této práce vyplývajícího ze standardní doby studia)

Datum odevzdání diplomové práce: **29. května 2018**
a) datum prvního předpokládaného odevzdání práce vyplývající ze standardní doby studia a z doporučeného časového plánu studia
b) v případě odkladu odevzdání práce následující datum odevzdání práce vyplývající z doporučeného časového plánu studia

ČESKÉ VYSOKÉ UČENÍ TECHNICKÉ V PRAZE Fakulta dopravní -3-

L. S.

Kraus

Ing. Jakub Kraus, Ph.D.
vedoucí
Ústavu letecké dopravy

prof. Dr. Ing. Miroslav Svítek, dr. h. c.
děkan fakulty

Potvrzuji převzetí zadání diplomové práce.

Bc. Martin Meloun
jméno a podpis studenta

V Praze dne .... 4. prosince 2017

Acknowledgement

It is my pleasant duty to express gratitude to everyone who helped me writing this thesis. Especially to Ing. Anna Plánecká, PhD., MBA, for her invaluable support and patience. Thereafter to the Executive Director of ABS Jets, Ing. Jan Králík for his help and advice. My gratitude also goes to the Ground operation Director at ABS Jets, Mr. Michal Pazourek and the number of people without whom this thesis would not have been written.

Declaration

I hereby declare that I wrote this thesis myself using the referenced sources only. I also agree with the lending and publishing of this thesis.

Martin Meloun

Prague, May 25, 2018 Martin Meloun

Abstrakt

Jméno:	Martin
Příjmení:	Meloun
Název:	Globální marketingové strategie pro produkty business aviation
Počet stran:	61
Škola:	ČVUT v Praze
	Fakulta dopravní
	Ústav letecké dopravy
Vedoucí práce:	Ing. Anna Polánecká, PhD., MBA
	Ing. Jan Králík
Datum:	25. 5. 2018

Trh business aviation se vlivem psychologických faktorů nechová racionálně a běžné marketingové strategie na něj lze aplikovat jen obtížně. Účelem této práce je popsat specifika světových trhů ve vztahu k business aviation a umožnit jejich aplikace pro vývoj marketingových strategií komplexních operátorů soukromých letadel.

Je přirozené, že se společnosti snaží nacházet vhodné trhy pro své produkty v oblastech, které jim jsou dobře známé. Marketingové aktivity vnímají jako nabídku svých služeb těmi správnými kanály svým potenciálním klientům. V mnohých případech však může být jednodušší I efektivnější vstoupit na trhy, nacházející se na vzdálených kontinentech a marketingové aktivity firmy rozšířit do všech jejích oddělení, byť se prodejem přímo nezabývají. Implementace business developmentu pak dokáže zajistit nejen prodej správných produktů na správných místech, ale i jejich smysluplný rozvoj s ohledem na budoucí kapacity a priority společnosti, to na základě reálných dat.

Výsledek práce vede k optimalizaci marketingových strategií a navrhuje jiný pohled na význam marketingu v rámci firemního rozvoje.

Klíčová slova

Business aviation, marketing, business development, světové trhy, business jet

Abstract

Name:	Martin
Surname:	Meloun
Title:	Global marketing strategies for business aviation products
Pages:	61
University:	Czech Technical University in Prague
	Faculty of Transportation Sciences
	Department of Air Transport
Supervisor:	Ing. Anna Polánecká, PhD., MBA
	Ing. Jan Králík
Date:	25. 5. 2018

The market of business aviation is not rational due to various psychological factors and therefore, traditional marketing strategies are there only hardly applicable. The aim of this thesis is to describe specifics of global markets in relation to the business aviation and allow their application to marketing strategies development of complex private jet operators.

It is common, that corporations are looking for new markets for their products in the areas they know well. They perceive marketing activities as offering of their service through the right channels to their potential clients. However, in many cases, it might be more effective and simpler to enter markets located on completely different continents and at the same time, to implement marketing to every single department of the company. Business development implementation then assures not only selling of the right products on the right places, but also their sensible development with regards to future capacities and priorities of the company.

The result of the thesis leads to optimization of marketing strategies and provides different view on the meaning of marketing as part of the business structure.

Key words

Business aviation, marketing, business development, global markets, business jet

Contents

List of Abbreviations

ACL	average customer life
AOG	aircraft on ground
B2B	business to business
B2C	business to customer
BBJ	Boeing Business Jet
Busav	business aviation
Bizjet	business jet
Bizliner	business airliner
CAMO	Continuing Airworthiness Management Organization
CEO	chief executive officer
CIS	Commonwealth of Independent States
CLV	customer lifetime value
CPA	cost per acquisition
CPL	cost per lead
CRR	customer retention rate
CSR	customer social responsibility
EU	European Union
FBO	fixed-base operator
IT	information technology
MRO	maintenance, repair and overhaul
KPI	key performance indicator
NPM	net profit margin
NPS	net promoter score
OCC	operations control center
OEM	original equipment manufacturer
PA	personal assistant

PR	public relations
ROI	return on investment
UHNWI	ultra high net worth individual
ULR	ultra long range
UK	United Kingdom
US	United States
USD	United States dollar
VLJ	very light jet

1.0. Preface

The aerospace industry is a complex world which was developed from zero to the present stage in only a little bit more than 100 years. It is working with world class technology from several fields of human knowledge including IT, engineering and even economy, medicine and psychology. There are also places which we could call aerospace centres of the world. Most of them are located in the USA and Europe, however, we should not also neglect Far East countries, which are emerging extremely fast and are financially strong.

The world of aviation is also inevitably complex from the sales perspective. Being the airliners´ manufacturer it will certainly require a different approach than in the case of an air-ticket agency or an airline. There is also a relatively small part of the aerospace industry which is operating relatively few aircraft but the full range of them – from small propeller-driven machines to airliners. This field deals with the world´s richest people, the Ultra High Net Worth Individuals and certainly, with their assistants and employees, helping them to travel around the world much quicker and more comfortably than would be possible in any other way. This field is called business aviation.

Business aircraft acquisitions are more than anything else affected by psychological factors, such as image, prestige and ego. The business jet operators have to deal with many different mentalities all around the world. They are not only working with the owners but also with pilots, dispatchers, handling agents and technicians, and all of these people can be anywhere around the world while being employed for a company with completely different procedures and standards.

In such a complex environment, there is strong pressure on professional knowledge of the field. The professionals then lead the operators, deal with the customers and sell the products. As a result, there are only tiny investments in the marketing departments which are viewed as almost redundant. Therefore, while the world of marketing is relatively advanced in the other fields, it is lagging behind in the case of many business jet operators.
What if we implemented modern marketing theories in the field of business aviation? Would it be possible to pursue development of the services as do, for example, IT corporations? If not, on which stage of marketing would it be possible to advance and what would be the benefits? Recently, a field known as business development has emerged, which is being implemented to corporate structures. What is it, how does it work and how can business development be connected with marketing? What issues can these departments solve together?

There is a strong possibility, that forming marketing strategies, analyzing new potential markets and monitoring the actual performance would be strongly beneficial for the corporations. How this should be done is, however, an unknown factor to a large number of them.

2.0. Introduction

No matter if done right or wrong, marketing aims to give people a good reason to do something. It may be buying your product, visiting your event or voting for you in an election. As the world is getting faster and faster, there are many business opportunities not only in your local vicinity but globally, depending on your (or the company´s) wealth, power, and size. Hand in hand with that, people are developing ways to achieve these goals - from company -centred marketing, consisting of promotion of its or its product´s strengths to the very advanced marketing of these days, the aim of which is to create values and desires.

Business aviation is a very specific field where some things work a little bit differently. Providing the company is a complex operator, which means it is delivering the full range of services (e.g. aircraft management, ground handling, aircraft maintenance, flight support, charter sales etc.), it has quite a lot of groups of very different clients. Some of them are the richest, the most influential people in the world; some others are ordinary employees, although experts in the field at the same time. Some are living literally next-door, many of them are living on different continents. They think and behave differently and have dissimilar values, often contradicting each other.

However, we are still not finished; there are the internal plans of the company. That is where business development goes on stage. What are the possible opportunities? Does it make sense to promote one product, the most profitable one, if there is not much chance to broaden our capacities? What if we promote another one, which is not the most profitable at the moment, but will cost just a little to promote and may acquire many new long-term clients? The answers to these and other questions are not apparent, by far, but the implementation of business development should help. It is the key to optimisation. Currently, many companies offer a lot of services; every one of them is profitable and all of them can be further developed. Shall the company focus on all of them at the same time, and if not, which one should be favoured? Tough questions, which business development managers should be able to answer, to be able to provide an advantage to the company in the long-term.

Further on in the thesis, I will be using examples from the perspective of a complex business aviation operator, which is based in the Czech Republic.

3.1. Marketing – evolution and implementation

From ancient times, people needed to exchange things they had, for those that they wanted. For all of them, the easiest way was to gather at one place to have the highest concentration of sellers as well as buyers. The very first marketplace can be traced back to several thousand years BC. However, at that time we could not talk about marketing as we know it today. About 350 years ago in the 17thcentury, the first newspaper advertising was seen, but again, nothing we could call marketing. This word did not exist for more than another 200 years.

3.2. Marketing 1.0

It all changed at the beginning of the 20th century. With the new technology after the industrial revolution came new possibilities, the world became faster, people richer and the middle class, the most important for marketing, was growing. Probably the most well-known example of a company (or product) which used marketing, as we know it today, was the Ford Motor Company with its Model T.

The underlying philosophy was purely product-centric – make a great product and it will sell itself. The price was considered as the primary factor driving sales, as the law says, the higher the price, the lower the sales and vice versa. With more than 15 000 000 cars sold, we may say that it truly worked at that time.

That was the beginning of Marketing 1.0. (Kotler, 1999), which primary goal is selling and in which the centre of the communication is a product. Developing any long-term relationship with the customer would most probably be a waste of time and money, or at least, it was considered that way. Was that correct? Most probably yes. Word of mouth did not have such significant influence as it does today because the connectivity was incomparably lower. People were not connected to so many others and could not really influence them either positively or negatively.

Product-centric marketing is most probably the most used concept even today, because of its simplicity. Practically everybody knows what they do. They might not know why they do it (except for making money) or even exactly how it is exceptional, but they certainly know what it is. All you need to do for Marketing 1.0 is to describe it and get it to as many people as possible, mostly via traditional marketing ways, like newspaper advertisements and so on.

3.3. Marketing 2.0

The marketing evolution continued. As soon as simple but widely usable information technology arrived, Marketing 2.0 (Kotler, 1999) was born. The marketers of these days did not have in their minds just selling a product, but also satisfying the customer. It started to be clear that the more satisfied customers the company had, the easier it would be to sell them some more products in the future. What is more, not only customers were more likely to buy more products from the same company in the future, but also to recommend them to their relatives and friends. Companies implementing Marketing 2.0 started to have a significant advantage in comparison to others still sticking to Marketing 1.0.

To be successful in Marketing 2.0, it was necessary to develop a close one to one relationship with the customer. Only then, it was possible to see what the problem was that the customer wanted to solve by purchasing the product or service. Otherwise, the company lived in some kind of self-centric bubble. The management was sure that what it was doing was perfect, just as it was in Marketing 1.0. However, if they asked the client, he would most probably tell them what they actually did not want to hear deep in their minds – which the product was OK, but far from being perfect. Companies who wanted to and could accept their clients´ opinions were able to step out of this bubble, look at their products from a different perspective and were finally able to improve themselves. If they manage to improve what they offer, and therefore might be better than the others, it would be a great idea to say it and say it loud; to describe how different are we and how the clients can benefit from it. This process is called differentiation, one of the leading aspects of Marketing 2.0.

Companies which have successfully implemented Marketing 2.0 know what they are doing, in which areas they are better than the competition and who their customers are and what they need.

At this point, we can start to see a more in-depth relationship between the client and the company. People are not only buying the products because they feel the physical need but because they like the way the company operates. For example, let´s imagine a bakery practising Marketing 1.0. It bakes bread,and its only goal is to sell more of it. It also knows that people have been buying bread for centuries, and are unlikely to stop in the following decades. Taking into consideration only the first level of marketing, the bakery would try to make it the cheapest possible way and sell it in as many shops as possible. Definitely, it would work, at least somehow if not well. Upgrading to Marketing 2.0 the company would ask customers if there was some way in which they could improve their bread. For example, make it bigger because it was too small for a standard family? Alternatively, make it smaller as the regular customer could not eat it before it got mouldy? Or add nutritious seeds as the people would like to eat healthier than before even if it was more expensive? While the bakery could form a deeper relationship with its customers by listening to their desires and needs, it is almost a necessity for businesses which are selling more expensive goods.

Imagine for example a car manufacturer, who is focused merely on the price, ultimately neglecting what the competition does and how customers perceive it. Selling cars in just one colour and completely lacking features that clients love because they are perceived as expensive and complicated to implement. This kind of car would probably be a little bit cheaper, but almost certainly not cheap enough to gain a significant market share and achieve profitability.

Marketing evolution in specific market spheres is essential not just recommended if the company wants to avoid bankruptcy, especially in spheres like information technology, electronics and so on. I believe that it can, however, be beneficial for everybody.

3.4. Marketing 3.0

Marketing 2.0 was dominant during the 90s. However, evolution never ends and what was important at that time is not sufficient today. While computers were inefficient, internet connection not quite so widespread and slow, world wide web just starting and practically nobody had ever dreamed that mobile phones could be connected 24 hours a day to anybody in the world for so little money it could be considered negligible. That became a reality at the beginning of the new millennium. Worldwide communication is accessible to anyone, sharing information is easier than ever before, information flow much faster than life itself. The arrival of the new wave technology meant a significant step forward for marketing strategies, and it was not the only factor. Many people started to care more about the environment they are living in and about the impactof their own behaviour. They started to care how the products they are buying were made and more often which values companies held . While the price, of course, was as vital as it was before and will be in the future, in comparison with other factors driving customer behaviour it had lower and lower priority . However, until that time it was almost irrelevant if the company followed anything other than its own profit goals; all the customers wanted was a good product for a fair price – not anymore, and especially not for progressive market leaders. There was something else that started to become important; deep meaning and values, not perceived by logical sense, but by human spirit.

Companies like Apple would not be so successful if they just produced computers or mobile phones. They actually do something much more, not only great devices, which are better than anything else, they are entirely compatible with people who want to change the world, people who "think differently". Because of that they can set prices at levels which are insane to some people. A lot of them will never buy any Apple product, but a lot of others, usually wealthier ones, will never buy a similar product from any other company.

This was the start of a new trend, characteristic of Marketing 3.0. (Kotler, 1999) People started to be interested in the values held by companies. Protection of the environment rose in importance and environmental scandals caused by companies began to play a much more important role than ever before. Therefore, we could see, for example, McDonald's changing its traditional colours- red and yellow, to green and yellow, which implies nature and is not so aggressive. Some supermarkets swapped their plastic bags for paper ones or at least started to use recyclable ones. These companies which cared not only for themselves but also for the environment or simply for others gained a competitive advantage. For sure, caring does not have to be related to the environment, it just became popular, most probably influenced by the global warming "campaigns". It was just a much more important role of coordinated corporate social responsibility. The word "coordinated" has huge importance here . Many companies, usually working with marketing 1.0 or 2.0 invested some money in Corporate social responsibility (CSR) because they know they should do that. They chose CSR areas more or less randomly, investing in this and that because it seemed to be good, although finally not causing any change at all. Social responsibility should be done with a clear goal in a specific field. For example, Avon, the worldwide cosmetics giant, knew that its customers, mostly women, are concerned about breast cancer. Hence they invested tens of millions of dollars in scientific research and prevention, actually causing a change. Investing this massive sum of money purely in advertising would guarantee the company much higher visibility, however, as they would return to Marketing 1.0 or 2.0, they would lose a lot in efficiency.

The more the world is connected, the stronger the advantage companies with Marketing 3.0 have. It is much more difficult to deal with negative publicity. On social networks, when someone shares a negative experience about a company, not only do his friends or acquaintances see that, but also hundreds of thousands of other people, almost instantly.

3.4.1. Employees as a neglected asset

In the previous paragraphs, I talked mostly about marketing as a relationship between a company and its clients. It is actually considered the most important part of marketing and some may say that it is the only important part. However, I believe, that is a disastrously narrow view.

Too many companies are so focused on the development of their new products and acquisition of new clients, ignoring the work experience of their own people that they are starting to lose their most important asset – their employees. (Goler, Gale, Harrington, & Grant, 2018)

3.4.1.1. Employee appraisal

The most common excuse of employers – we cannot appraise our employees more because we would be facing a significant decrease in profits or even possible bankruptcy in the longer term. They might be right in their point of view, motivating employees only financially can truly be a very much expensive part of the business and therefore is very sensitive in the eyes of the management. In any case, it is possible to attain employees' short-term happiness providing the rise is significant. Should the rise be too little, rather symbolic, it might even worsen the situation. In some cases, the employees might feel like objects of ridicule, especially if the competition is raising salaries significantly in comparison..What is more, it is almost impossible to achieve 100% employee satisfaction only by financial remuneration in the long-term and not only that; it is also possible to lower their overall productivity.

3.4.1.2. Salary vs productivity ratio

Should employees be paid below the market level, they won´t feel the need to be productive; these will not be fair conditions from their point of view, hence, why should they be productive? As their wage increases to the market standard, they became more and more productive to the point where they feel they are paid well enough already. From that point, they begin to value their free time more than the money they could possibly make by spending more time at work or being possibly more exhausted.   From that time, the salary tends to be secondary as seen in the Figure 1.

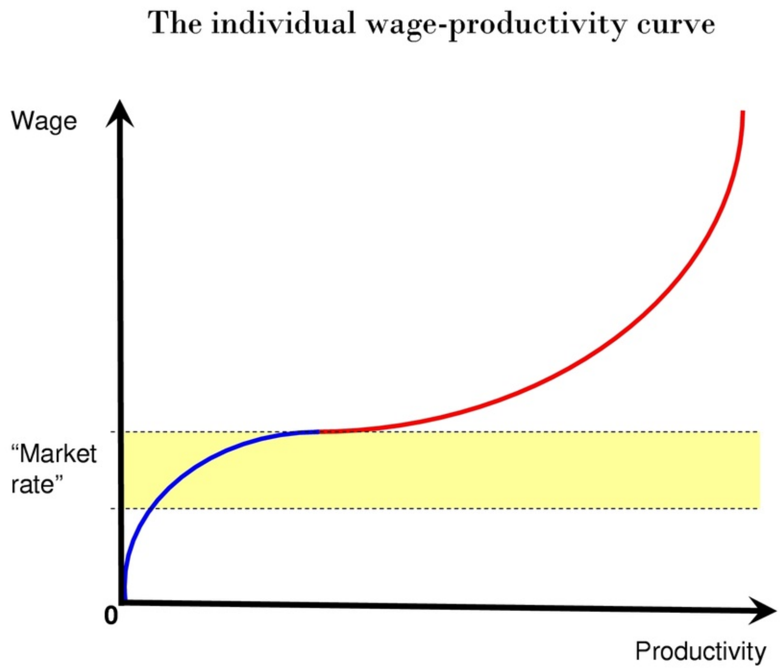

Fig. 1 Productivity and wage relationship

(A simple way to see productivity from the employee perspective, 2012)

That is, unfortunately, not the only negative effect of driving the happiness of employees by salary. Another one is, that every salary rise, and the satisfaction connected with it, is very short-term, mostly lasting just a few months. Hence, if your employees are upset and the reason for that is not purely financial, they will be upset again sooner or later, but it will cost the company more money than before.

The reason I am mentioning this seemingly irrelevant topic is that employee/internal marketing is one of the most important and, at the same time, most neglected areas. If done well, employees can be excellent ambassadors for the brand. If they love what they do, they will share it with others, and if necessary, they will protect the brand´s reputation.

However, unsatisfied and disloyal employees can be disastrous for a company. As "negative" ambassadors, their opinions will still be trusted not only by their acquaintances but also by "friends of friends" and so on. Rumours spread by them can be incredibly fast and can significantly damage the reputation of the company. They can also increase fluctuation and erode work ethics within the company.

An unbelievably huge number of companies are not aware of the costs of fluctuation. Let´s take an example (regarding taxes which is an example of the Czech legal system, however, this is similar to most of the mid and Western European countries). The company hires a new employee in a very basic position. His or her net wage will be, let´s say, USD 1,000 per month. After adding insurance, tax and all the other legal expenses, the total costs for the company will be almost double his/her net wage, which gives us circa USD 2,000 per month. It is necessary to give the newcomer training by a more experienced supervisor/trainer. It can last days, weeks or even many months (e.g. in the case of dispatchers) and very often requires full-time deployment of the trainer as well as the trainee. Now, consider, that the trainer´s net wage is USD 2,000, which means that the trainee will now cost the company circa USD 4,000 after adding taxes. Let´s consider that this particular training will last two months, costing the company USD 12,000 purely on the wages of the trainee and the trainer, generating no imminent profit. Then, the probation period is 3 months and at the end of it the new employee leaves, as he gets a better offer somewhere else, or, the company is forced to dismiss him, as he does not comply with its standards. Certainly they should see it before, but very often new employees get more and more "last" chances to avoid the necessity of launching the selection process again. Finally, the total costs for the company because of this "mishap" are USD 14,000 without generating any significant profit.

Fortunately, there is another way to motivate employees and it can be much more effective if done well. In this case, I do not mean employment benefits like sport or cultural contributions, longer vacations and so on. I mean the vision and mission of the company, comprehensible to the employees, strong enough to form a great goal and an even better way, paved by values, to reach it. The management is there not only to tell people what they should do (because often they very much know that anyway) but to show them the way, where all the work leads and what it will entail in a few months and/or years' time. People should also know that the leaders are there to listen to and to empower the employees, to be the symbol of integrity which really does what it says and if they make a mistake, they are not afraid to acknowledge it. For sure, these attributes are not easy to implement. However, I strongly believe that if companies were able to do it, it would reduce fluctuating levels of workers by a high percentage. With that, we are not far from building the company people will love, although we have to add few more things to it. Certainly, that should include a reasonable salary and benefits, but especially Marketing 3.0 or higher. The company has to care about the environment and the people it is working for, but also about these it is working with and about society in general. We will get back to motivation and emotions in the next chapter.

Before we get to Marketing 4.0, it might be useful to summarize its 1.0 to 3.0 versions. While in Marketing 1.0 there was only one goal – to sell the product, Marketing 2.0 also has the goal of retaining the customer by satisfying his needs. Marketing 3.0 went even further, its goal was, apart from all the other attributes, to make the world a better place. It is not possible to jump any single one of the steps; a company which is struggling in Marketing 1.0 will hardly succeed in Marketing 2.0 or higher. On the other hand, it is no shame by any means to stay in Marketing 1.0 and develop a great product. It is definitely better than trying to work with the values and spirit of customers and developing a corporate social responsibility program while losing clients because of the poor quality of products which remains unsolved or even unnoticed. The differences between Marketing 1.0 to 3.0 is displayed in the Figure 2.

MARKETING 1.0 vs MARKETING 2.0 vs MARKETING 3.0

	MARKETING 1.0 Product-centric Marketing	MARKETING 2.0 Customer-oriented Marketing	MARKETING 3.0 Value-driven Marketing
Objective	Sell products	Satisfy and retain the consumers	Make the world a better place
Enabling Forces	Industrial Revolution	Information Technology	New Wave Technology
How companies see the market	Mass Buyers with Physical Needs	Smarter Consumer with Mind and Heart	Whole Human with Mind, Heart, and Spirit
Key marketing concept	Product development	Differentiation	Values
Company marketing guidelines	Product specification	Corporate and Product Positioning	Corporate , Vision, Values
Value propositions	Functional	Functional and Emotional	Functional, Emotional, and Spiritual
Interaction with consumers	One-to-Many Transaction	One-to-One Relationship	Many-to-Many Collaboration

Fig. 2 Marketing 1.0 to 3.0

(Kotler, 1999)

3.5. Marketing 4.0

While Marketing 3.0 was basically a direct "evolution" of Marketing 2.0 and both are very well connected it is not the case with Marketing 4.0. (Kotler, Kartajaya, & Setiawan, 2017) Technological advancement was so fast during previous years that it strongly influenced people´s lives and especially young generations, which form the greatest part of the early adopters. Connectivity now drives the modern world; people have become used to having information right here and right now. If people see a new product, they can immediately find information about it on their smartphones or tablets, wherever they are. They do not have to go to the store; they do not even have to wait to get home to purchase the product, they can do it anywhere. However, as they have more data sources from where they can get the information, they do not trust companies or brands as before, but they get reviews from their friends and families. Companies are even less able than before to influence buying behaviour by making better advertisements or by higher visibility. They have to work with their customers, build large, loyal networks, listen to their feedback and adapt their services, almost in real time. While the majority of brand to customer communication is held online, people tend to seek a new "offline" experience as well. Brands which build their customer centres in the most user-friendly form will again experience a huge advantage. For example, I will describe a situation in the Czech market, but most probably, it will be pretty similar all around the world. The Czech post, for sure, has a great deal of progress during recent years, but some attributes still remain stuck in the past. Every counter is equipped with special "everything-proof" glass to separate the customer from the post office clerk. They also have shades so that you can see only part of the person you are speaking to if necessary. Everything has its purpose; hence, on the glass, you can see the full range of various lottery coupons, which you are offered after picking up a parcel after several days of waiting. Honestly, I cannot recall any other purpose for this glass, as the clerks work with the same or lower amounts of money than shop assistants, so even the safety features are debatable. On the other hand, some banks are introducing a new concept of "open-branches" where there are no traditional counters any more. There are just tables, where you sit with the clerk next to you having a computer in front of your eyes if necessary, to solve the problem. Some of these banks also offer complimentary coffee, which is prepared just for you in a nice porcelain cup. What is more, it does not matter if you are a student with just a few dollars in your account or a working man with larger financial sums. It is not so long ago that the Post Office and the banks were at the same starting point. The user experience is at a completely different level now.

As mentioned before, Marketing 4.0 is, rather than the direct successor of Marketing 3.0, more the lifestyle of young generations. However, more and more people are becoming affected, mostly from the middle and higher classes. These people are striving for higher goals; they travel a lot, are not afraid to go anywhere in the world, anytime. They also love to socialize and share new experiences with their friends. Their values are a little bit different – see the Figure 3.

Also, it is not only about the finest user experience at the store, office or maybe in an aircraft. More than ever before, it is necessary to tell a story and let the customer be part of the story. People have always loved great stories; that is why they love great movies or great books possibly. They have always wanted to be part of these stories as well. Now, in the age of Marketing 4.0, we have a chance to include them in our stories, to let them write the stories with us. It is all possible due to social networks, large amounts of data collection and immediate connectivity. Let´s take Red Bull as an example. It invests an enormous sum of money to build stories and to help people achieve things normally unrealistic. A great example of building your own stories with Red Bull is its "Can You Make It?" race. Anyone can form a team with his or her friends, the only thing they get at the beginning are Red Bull cans, which they have to trade for anything just to get to the race destination across Europe, without using money or any personal belongings but "skill". To be able to win the prize, they have to film a movie about the race. Not only is Red Bull getting piles of promotional video materials from the competitors, but it is also helping them to make their own unforgettable stories which they will share between their contact networks and most probably, stay loyal to the brand.

It might be seemingly irrelevant to attract these people as a high-end business jet operator. One would say that our products are too expensive to be accessible to younger people. Fortunately, that is not the case. High-net-worth individuals and aeroplane owners are influenced by their assistants and subordinate managers – exactly the kind of people we are talking about. In the case of some services, for example, flight support, travel management and so on, these people are our direct customers. On the other hand, if we compare business aviation with the consumer electronics market, it is trailing behind pretty slowly. However, does that mean a further competitive advantage for a company which succeeds in implementing Marketing 4.0 sooner than others? Definitely yes!

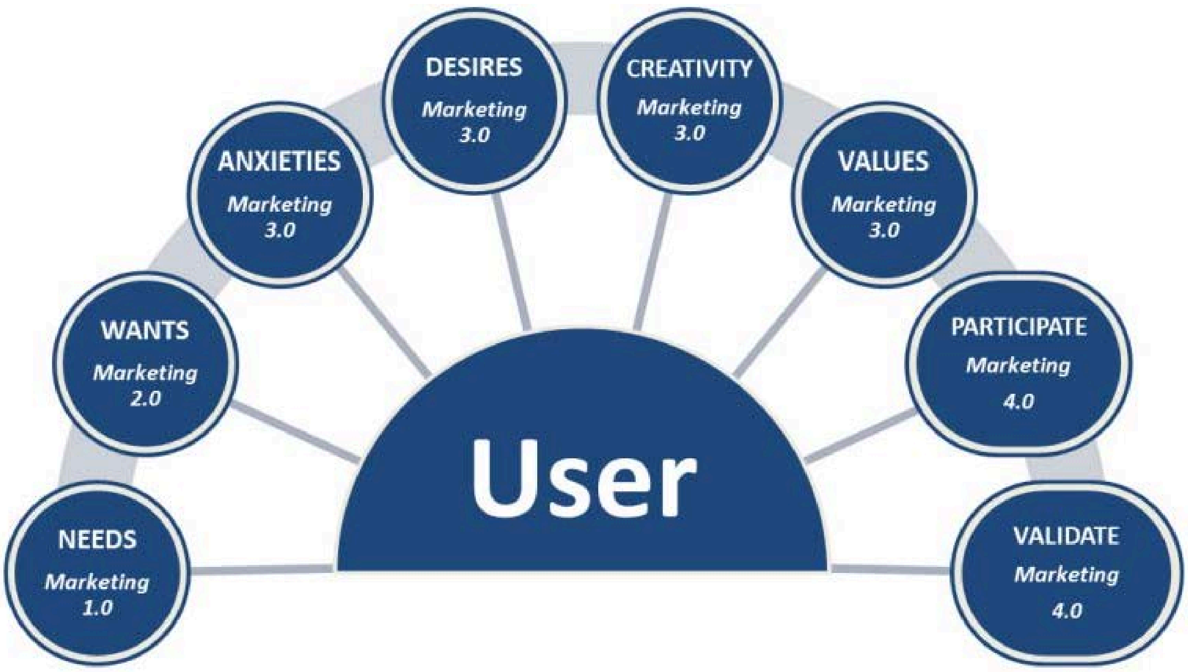

Fig. 3 User requirements in different stages of marketing

(Jara, Parra, & Skarmeta, 2012)

3.5.1. Role of values and emotions

I think I am correct in saying that there is something more that drives human behaviour other than only facts which people read and hear. Actually, some people and companies are also able to achieve much higher goals than others, without having any better conditions at all. Why is that possible? By changing how they think and how they communicate.

Mr Simon Sinek described this as a golden circle rule displayed in the Figure 4. (Sinek, 2009)

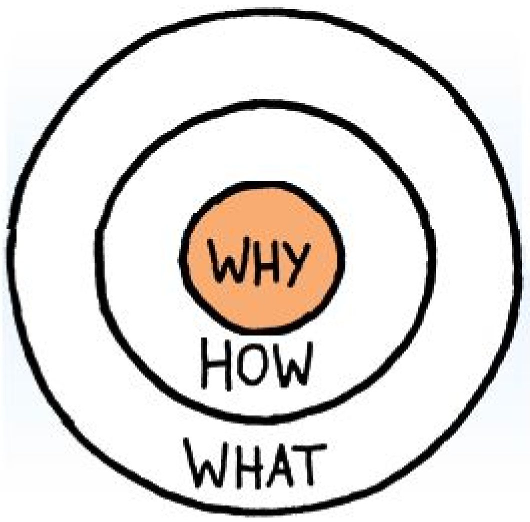

Fig. 4 Golden circle rule

(Motwani, 2016)

The most traditional way is to do things outside-in. Everybody knows what he does. Some people also know how they do it, but only very few know why they do it (except for making money). For example, if you are a computer company, you describe it like that: “We are a company that makes great computers. Our computers are beautifully designed, simple to use and user-friendly.” That´s it. Nobody says why he or she does it or why he or she is on the market, they are just describing their product. We make great cars; they are fuel efficient. We are a great business jet operator, the biggest in the region and we operator the biggest business jets in the world. The very few exceptional companies who lead the world, do it the other way – inside out. Firstly they say, why do they do what they do, then they explain how they do it, and finally, what it is. Let´s get back to your example. “By everything we do, we are changing the world and challenging the status quo by thinking differently. Our products are user-friendly, and beautifully designed. What we do are great computers, all of them, one by one.”

People do not buy what you do, but why you do it. The buying decision is not led by facts (what you do) but by emotions (why and how you do it) and thereafter justified by facts. It will be much more difficult to sell by facts alone rather than by emotions. There is biology behind that theory. If you look at our brain cross-section from above, in the middle, you will find the very first part of our brain – the limbic brain. Around it, there is part of the brain which was developed much later, the neocortex. Our limbic brain is responsible for our very basic instincts and emotions. The neocortex (and only the neocortex) is responsible for logic and language. Hence, sometimes, people know that something is perfect regarding factual attributes, but still they do not buy, because it does not “feel right”. The same is true for employees. They can have a great salary, amazing benefits, but still, they do not give 100% in their jobs. That is because they do not feel that they really follow the philosophy of the company, or worse they do not know what it is or the worst, the company does not have any philosophy to follow. People will work for you not because of what you do, but how you do it. Should you stop paying your employees completely, they will leave immediately if they do the job only for the money. However, if they love the company, if they love why it exists and how it does things, whatever they are, your people will stay even without their salary if that is only a little bit possible.

It is the same with your customers. If they love your philosophy, they will be willing to pay a much higher price for your products; a price, which would be insane according to logic only. Take the Apple Computer for example. Their products are great, that's correct, but would all Apple customers pay USD 1000 for the mobile phone if Samsung or Huawei offered a pretty much comparable phone for a considerably lower price? That is at least doubtful. However, they love Apple´s philosophy, its willingness to go for revolutionary things nobody ever tried before; they love its "think different" approach. What is more, they see themselves in that philosophy. In other words, they do not do it for the company; they do it for themselves. For sure, not everybody will work like that, independently on the company philosophy. There are only about 2,5% of innovators in society. These people try new things and love to work on their development as well. Then there are early adopters. These people are waiting in a queue for six hours during the night just to be the very first people who get the new iPhone model. They also have the power to influence the first major group of potential buyers. This is called the Early majority, which is formed by the people who easily adapt to new technology, but they are waiting for the first 15% to "test" the device/service before buying. Then comes the late majority – all the people who start to use the new technology as soon as the majority of others do so. Finally, the laggards, these will never use any new technology until they no longer have the possibility to use the old one. The distribution is displayed below in the Figure 5.

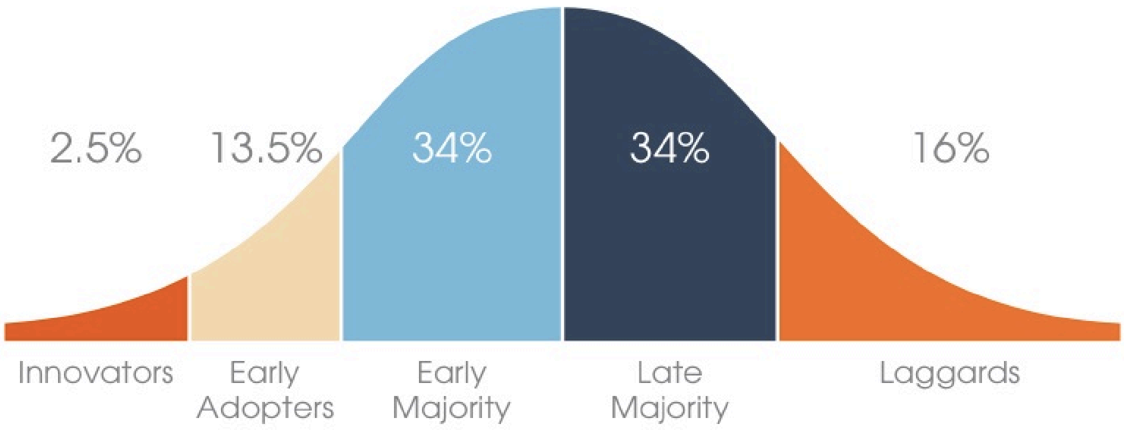

Fig. 5 Rogers' diffusion of innovations curve

(Kurbalija, 2016)

The point is that a new service or a product cannot be successful overall if it does not close the gap between early adopters and the early majority. Hence, should the company have 10% market coverage with its product, only two scenarios can happen. The first and worse one is that early adopters change to any new subsequent technology and stop using the previous one, which becomes obsolete pretty soon, definitely before enough early majority members recognize it. The other, much better, is the scenario where the company manages to get a higher market share, around 15% and the early majority starts to react. It is considerably easier to raise market coverage from 50 to 60% then from 10 to 20% even if the rise in customer numbers is the same. The more on the left side of the curve we are, the stronger the effect of the why-how-what philosophy there is. The innovators and early adaptors simply want to be the first; that is why they buy a new product. The more on the left side we are, the higher the proportion of the most loyal customers we find.

In the world of business aviation, the Honda jet could be a great example of a new technology diffusion. It basically has no customer base, no history and for many, it is an extremely ugly aeroplane. However, it has great parameters. In comparison with other jets of its size, it is fast, spacious, easy to use and quiet. However, until at least some people, the early adaptors, buy the plane, the majority will never react. It must become some kind of standard so that Honda can sell more of these planes. Business aviation is an extremely tough market in this case, as only 15% of customers is not a very high number in most of the world´s markets. What is more, only very few of them are rich enough to be able to buy more than one aeroplane. Hence, they will be choosing between brand new types of typical manufacturers, and some new Honda competitors, like Cirrus Vision Jet and so on.

In business aviation then, even more than anywhere else, it is crucial to successfully communicate the values and philosophy of the company to be able to get and retain customers.

4.0. Business development

Business development has recently become a very frequently mentioned area of the corporate structure. A lot of senior managers see in business development some kind of recipe for the company´s future success. Well, there is nothing to be surprised about. The word “development” itself sounds pretty important so that it is hard not to want it. However, only very few people know what it really is about, why it should be implemented and how it should look. Business development should form an information base for corporate strategy formation. On its basis, leaders should know in which direction the company should head, which area is and will be profitable, which should be further developed and on the other hand, which should be played down. The leader´s vision should be within the boundaries of business development analysis and vice versa; business development should be primarily concerned about areas which are important in the company´s vision. I would strongly recommend implementation of the top-down strategy. As mentioned in the chapter about the role of values and emotion, the vision and purpose of the company should be stated clearly and known across all departments and by all employees. Business development should not direct the company in the way “why it is on the market”. It, however, may affect the “how” and “what” parts of the golden circle rule, e.g. what it is doing and what it looks like. In other words, business development is there not to choose the correct port where the ship is going, but to say what kind of load it shall carry and which way would be the fastest or the most efficient.

4.1. Business development formation and interconnection with marketing

How close is business development to marketing? Simply said - very close. There are areas where marketing does not know what to do. Marketing can tell us how the product should look, which market is the most relevant or profitable, how much the product should cost to be adequately positioned on the market and last but not least, how it should be promoted. Certainly, marketing can also tell us many more things related to the development of the company. However, it does not solve the overall profitability of each service (considering that we are talking about a complex business jet operator), costs and the possibility of their future development and being honest, usually not even the clear vision of the owner/CEO. Hence, marketing can tell us, that for example, country XY can be a great new market for our maintenance department. It does not have any closely located maintenance centres for the type we can commercially serve, it is growing at a great pace, we have some good contacts around already, and clients are willing to fly to Prague. Marketing can tell us also how we should promote our services, what price policies we should set there and how we should adapt our services to fit customer needs for this market. However, marketing does not know if we will have enough capacity to accept all these aircraft without endangering service centre reliability and flexibility. Are we able to enlarge our capacities, hire more technicians, build new maintenance hangars or refurbish the current one to increase their capacity? What is more, would that be profitable? Maybe it is not sensible for us to accept these customers as investments in our infrastructure would be so high, that the return on investment would be low or even negative.

Also, the company usually has limited financial and personal limitations. Hence it cannot enter an unlimited number of new markets or launch several marketing campaigns in order to increase its activity on the current markets. There might also be “opportunity costs”, which have to be taken into consideration. Each business opportunity the company decides to use does not only cost the most obvious direct investment, but also the costs of opportunity. What if the company chooses to use its resources differently, will it generate as much profit as in the case of its current decision? Does it make a compromise and not choose the most profitable option? Or, does it manage to use the best opportunity which is also consistent with the company vision and strategy? There might, but does not have to be costs of opportunity the managers should take into consideration:

Opportunity Cost = Return of Most Lucrative Option - Return of Chosen Option

The growth of the company must also be controlled in order to be able to train new employees to an adequate level to avoid service quality jeopardy. Marketing is not able to answer questions about these issues.

On the other hand, business development does not know to which markets we shall expand, how to promote our services there, which price would be appropriate on the local market and certainly, how to adapt our products to fit the local customer needs. Marketing without business development and business development without marketing will never work properly.

4.2. Implementation of KPIs and their influence on decision making

To be able to set up a business development plan correctly or to control current activities properly, we need data. For data collection and processing it is almost essential to have a CRM system, in which we gather all the information about our clients and financial data like profits, revenues, expenses and so on.   Data would be inefficient, however, without setting up the right processes, what we do, when “something happens”. By the word “something” I mean data trends or reaching certain limits.To monitor the correct information, there are so-called Key Performance Indicators (KPI). We have to choose the right ones and set their values, which would be somehow limiting. Before taking a look at some of the most important ones, it is necessary to say which type of indicators we have. We can divide them between

a) Number of KPIs (such as revenue, profit, cost per acquisition etc.)
b) Ratio of KPIs (such as customer retention rate, conversion rate and so on)

For our purposes, we will talk further on mostly about external business KPIs and mostly omit internal KPIs. External KPIs indicate the situation directly affecting our business as a result of our actions. Internal KPIs are mostly short-term, used, e.g. in marketing campaigns, whose adverse situation may, but does not have to have, any effect on our market situation. A good example could be the bounce rate on our website. An external KPI, on the other hand, is for example, the return on the investment (ROI). (Sharma, 2018)
Now, let´s take a look at some of the most important ones.

4.2.1. Gross profit

Gross profit = Sales revenue – Direct costs

Gross profit is definitely one of the most basic KPIs. However, many times a department starts to work on a newly updated service, which simply does not work financially. The most relevant example is increasing quality in order to meet clients´ requirements which in turn also help to increase revenues. Just the fact that we manage to increase revenues does not mean that we also increase profits. Sometimes the new costs are much higher, and it would not be a rare situation when gross profit goes to zero or even negative value.

4.2.2. Net profit

Net Profit = Sales Revenue – Total cost (this includes any direct and indirect cost + interest + taxes)

If gross profit can be used to quickly asses profitability of a certain service (or product), net profit is what really matters. It is, however, much more difficult to compute. Not only does it contain direct costs, but it is also made from indirect costs, interests and taxes. For example, in a decision-making process, when we have the possibility to acquire more maintenance clients, it may look perfectly profitable in terms of gross profit. However, if we also include the necessity to enlarge the facilities (not only increase the staff) or refurbish the present ones and get new supporting staff, it may turn the profit into red numbers pretty quickly, especially after taxation, possible interests and so on.

4.2.3. Net profit margin

*Net Profit Margin = (Net Profit/ Revenue) * 100*

It is just Net Profit Margin, which can be a great tool when we want to compare our services with each other. In fact, it tells us the percentage we get from every dollar we earn in revenues. It does not tell us information about the total profitability of the product, and of course, it gives us no information about the real potential of it. However, it may be a good lead, which tells us more about relative profitability and therefore, about the possible hidden potential of the product. For example, if we get from maintenance services, e.g. 20 million dollars annually in revenues, of which 1 million is in net profits, it gives us only 5% net profit margin. Whereas, e.g. flight support may generate only 500,000 dollars in revenues annually, but profit can be USD 250 000, that is 50% net profit margin. In other words, OCC gives us 4 times lower net profits, but 10 times higher net profit margin. It does not have to necessarily, but it can be a hot candidate for further development of the product or at least for business development analysis.

4.2.4. Return on Investment (ROI)

ROI= (Gain from investment – the cost of investment)/cost of investment

Return on investment is directly related to the sample case I have mentioned in the previous paragraph. Let´s imagine we decide to boost development of the chosen product (or department in our case). Again, we will take as an example maintenance and flight support divisions. We know that the first of them generates higher net profit, but the second one works with higher margins (in other words, it has significantly lower costs). If we decided to boost maintenance division, it would cost us in the region of USD 5 million to enlarge our facilities and train new technicians. Because of that, we would be able to accept 10 more aircraft annually for complex maintenance. This would get us USD 10 million in gross profits, which is USD 0,5 mill. in net profits considering NPM of 5%. However, at this point, it is necessary to say, that we have to take into consideration the time frame. We are not enlarging our facilities for one year only; the investment will last in reality for about 15 years before further complex refurbishment is needed. Hence we may divide the investment by 15 (considering the 15-year frame), or multiply net profit by 15, the result is the same. In any case, the ROI in the 15 year time frame will be 50%. This means that it will pay for itself in 10 years´ time and generate 2,5 million profit in the next 5 years, still considering that it will not need further refurbishment after 10 years. On the other hand, if we invested in OCC, it would require an investment of circa USD 300,000 to double the facilities (offices). Then it would be able to accept 50 new clients generating USD 150,000 in net profits annually, which is actually lowering its NPR due to the necessity of having a larger support staff (non-revenue generating aspects) and other indirect costs. Hence in 10 years, it will generate 400% of its original costs, repaying itself in 2 years. Comparing the ROI of both investments, we can see that OCC investment is a more profitable way than the one in MRO. However, in both cases, we will be at the limit of possible profits (due to the ability to get clients and fill the capacity of the departments). Whereas MRO will generate USD 2,5 mil. in 15 years due to our investment, OCC will be at 1,2 million dollars in a 10-year window. Recomputed to the 15-year frame as well, it will generate USD 1,8 million in net profits, still being on only 72% of MRO profits during the same (15yr) time frame.

Now it is important to say, that this computation is not the only one on which should we base our investment decision as it does not consider some significant negative effects. Firstly, they both consider that we are starting to have higher revenues just as soon as we put down the investment. In reality, we would have to wait at least months, or even years in some cases, before the facilities were operating at full scale while not temporarily lowering our original capacity. Not only we are relying on the instant capacity increase, but we are also taking into consideration the instant client increase. However, the fact, that we will be at full capacity instantly (10, resp. 50 more clients), is quite debatable. Then it does not consider the financial aspect, in the case of OCC the investment is relatively low. However in the case of MRO, we will definitely have to account for interest from the invested money.

Above, we talked about 4 KPIs which may affect business development decisions. They are, however, of little use when assessing the market or even clients. As mentioned above, marketing can make market profitability predictions, but it does not know which market is the most profitable in terms of real time revenues and/or client loyalty (or retention rate). According to the market rating, we can update our strategy or focus our priorities on different areas.

Let´s take a look at some other KPIs related to the paragraph above.

4.2.5. Customer lifetime value

CLV = (Average order value) X (Number of Repeat Transactions) X (Average customer lifespan in months/years)

Not only is this indicator useful during customer assessment, but it is also quite useful when comparing markets with each other. It may be an interesting tool when deciding in which market (or even customer category) we shall invest more time and/or money. There are two approaches to it.

Firstly, we may invest more energy in the customers, which currently have higher CLV as they are more valuable for the company. The more satisfied they are, the better for us as the retention rate will be higher.

Secondly, we may invest more resources in the customers with lower CLV with the aim of increasing it and therefore building a broader base of high CLV customers.

Neither of these approaches is good or bad. However both of them have their pros and cons. During the first approach, we will make sure that our high CLV clients will remain loyal (or more precisely, we will increase the probability of that). However, as we invest higher volumes of our resources (time and money) in these customers, we will further decrease resources invested in lower CLV clients. This may lead to a decrease in their retention rate and therefore we may very often lose a significant number of our low CLV customers (who are not as important as their high CLV "colleagues" but can form a huge part of our total revenues due to their normally higher number). One of the most powerful ways, of increasing CLV is increasing customer satisfaction. This is why the second approach can be more successful. In other words, it might be better to try to close the "scissors" of different CLV values in our portfolio – try to make CLV similar for most of our customers. The question is – is that actually possible? Some clients will use our services more often, pay a higher price and remain more loyal than others, that´s the way it is and how it will be. The point is to try to make it as even as possible. For example, the company acquired a new client for the flight support department. He was using a different provider, who was relatively cheap but its services, especially during long-haul and difficult flights, were poor. The customer did not actually solve this problem as he was flying basically the same routes within Europe all the time, long haul only very few times a year. When he was acquired by the company, there was an agreement, that he would use our services for only long-haul flights with which he was unsatisfied. What was his customer lifetime value at that time? Fairly poor, actually. His average order value was at the mid-range, not low, but also not the highest, the number of repeated transactions was very low and average customer life could be relatively high but hard to predict due to the very low level of repeated transactions. However, by increasing customer satisfaction it all changed rapidly. The customer was satisfied with the services, the company offered him a better price for his regular operations, and hence he started to use the company for all his flights. This fact leads to a slight decrease in the average order value, a dramatic increase in the number of repeated transactions and the same or longer customer life.

Certainly, not every customer can make this huge jump in CLV. However, dividing them not into two but three categories can solve this problem. The first one will remain the same, customers with high CLV, so will the second category, customers with low CLV with none or very little potential. Finally, the third category can be customers with low CLV, but with high potential to increase that. Resources should then be divided between all of these categories while the third group with high increase potential should receive most of the attention; the second priority will be the group with high CLV, in order to increase their loyalty. Finally, the last one will be the group with low CLV and low potential – nevertheless, I have mentioned that they should receive the lowest attention, but that does not mean that they should be neglected. Even these customers can drastically increase our Net promoter score and generate new high-potential leads.

The customer lifetime value indicator is also a good crosscheck for market segmentation and targeting. Sometimes, it may seem that we have discovered a goldmine – a market with plenty of potential customers who match our attributes and what is more, they are also willing to listen. We may spend several months or even years on these markets, with marginal success, usually struggling to meet expected revenues. That might be due to low CLV, as the customers are simply willing to use our services, but only relatively rarely with low average order values. Sometimes, we can see this trend, e.g. in the US. Operators based there operate mostly national flights, which they can plan very well and therefore do not need any assistance. It is almost the same during their longer flights to Mexico or Canada. The only case in which they are willing to use our services is on flights to CIS, our Eastern European countries. However, most of them only travel there a few times a year and are also in regular contact with our competitors. Therefore, they have relatively high average order value, but a negligible number of repeat transactions and also a relatively low customer lifespan. Most probably, it will be too difficult to make a significant profit on the (largest) US market for the East European operator, especially when we compare the US and, e.g. the Brazilian market.

4.2.6. Customer retention rate

*Customer Retention Rate = [1- (Customers lost in a given time period/total number of customers acquired in the same time period)] * 100*

I have mentioned another indicator called Customer retention rate in the previous paragraph. In our case, it is not as crucial as the other, but it is useful to know it and at least briefly monitor its trend. The decrease in the CRR may indicate any problem with our services; that customers do not like some part of it and therefore often leave and are acquired by the competition. In a new market, where some ice breaking is still needed and where customers do not know our product very well, it is normal that CRR will be slightly lower. On the other hand, in well-established markets, where we know our customer and they know us, our CRR should be kept at pretty high levels. Of course, it is our goal to get as close as possible to a 100% retention rate, but anything above circa 90% in established markets could be considered good. In a new market we could get as low as circa 65% as seen in the Figure 6. However, the trend should improve within months, otherwise, costs per lead would be too high and Customer lifetime value too low. This example is referenced to the OCC example. Values should be higher in highly personalized services like MRO; they could also be a little bit lower in the case of Charter sales or other less personalized services. The natural CRR is presented in the graph below, mostly, the longer the client is with the company, the higher the retention rate he has. A just recently acquired client will evaluate his experience soon after the purchase and if there is some chance that he is not satisfied he will leave the company. The client who has enjoyed the company´s services for (e.g.) 3 years already knows what he gets and therefore is more reliable.

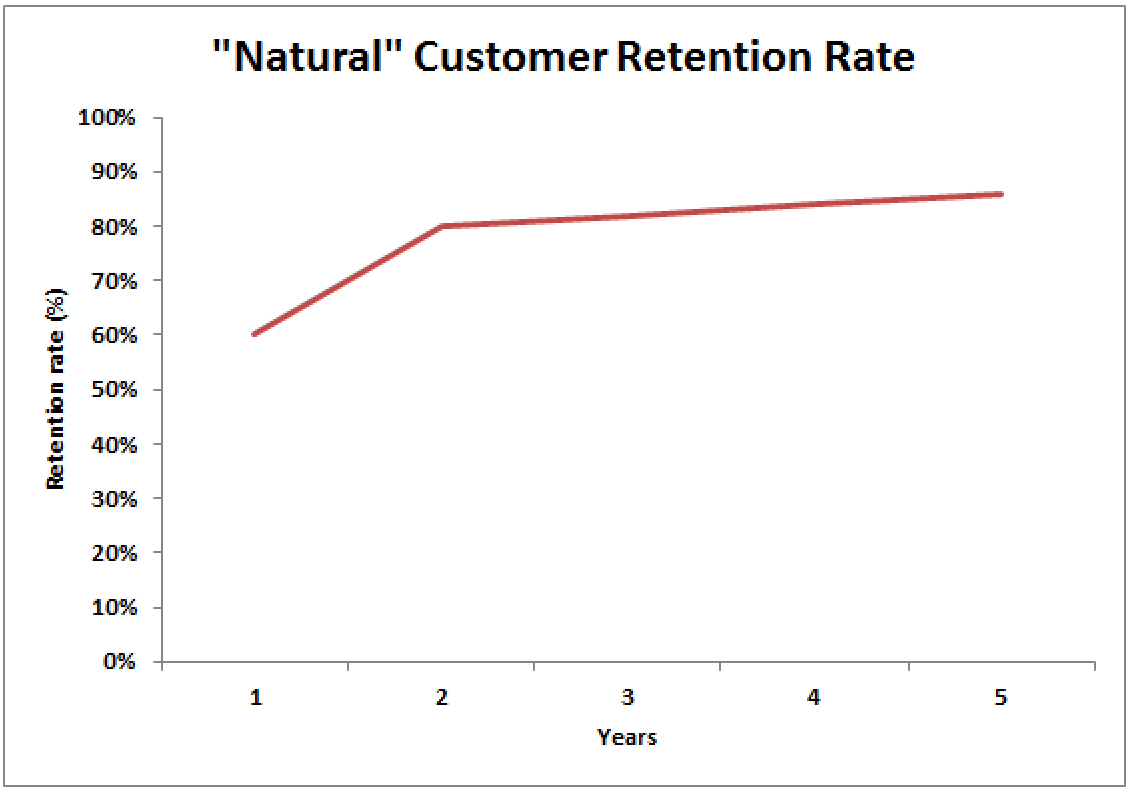

Fig. 6 Natural Customer Retention Rate

(Fripp, 2016)

Closely related to CRR is the previously-mentioned Customer lifetime value. Depending on the field, increasing CRR by a few percent increases CLV by a much higher number. It is not rare that a CRR increase of 5% will increase CLV by 25-30%.

Also, the higher the average lifetime, the higher the Customer lifetime value – and the effect of this is huge. One client whose lifetime is 7 years is as worthy as 7 clients whose lifetime is just one year. It is possible to say that increasing CRR and average customer lifetime is a recipe for success. See the graph below in the Figure 7, representing customer contribution and customer retention rate during a 10-year period (with ACL of 5 years in this case).

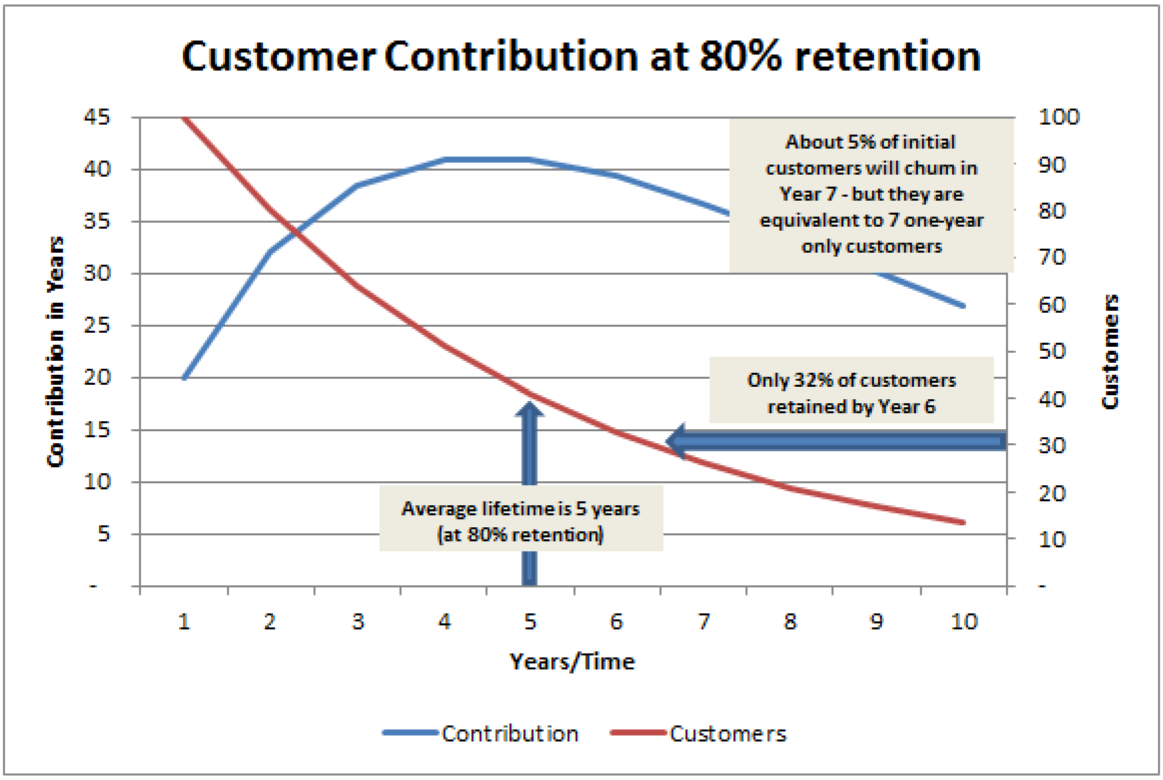

Fig. 7 Customer Contribution at 80% retention

(Fripp, 2016)

4.2.7. Cost per lead

Cost per lead = Total costs/ total leads

Cost per lead is one of the most basic indicators, easy to calculate, simple to evaluate and at the same time, very often badly neglected. Very often I have seen the quandary of managers; whether an exhibition or conference was really worth the money. Almost all bigger business aviation events cost at least thousands, but more often tens of thousands of dollars considering that your company presentation is rather modest. They all do it because it really is possible to meet new leads in there, but how much are these leads worth? Is it really sensible to go to these events and pay so much money, or shall we invest these funds in another way for promotion? These are only a few questions which the executives ask themselves and are usually unable to answer. Cost per lead indicator can help. A relatively simple way to evaluate events is counting the leads and dividing them, based on your previous experience, into three groups (or another number which makes sense in your case). The first group, let´s call it the A group, are the most valuable leads, which are very likely to become your clients in the near future. The second one, the B group, are those leads, where a chance of changing them into clients is lower, around 50/50. Finally, the C group; these are basically the contacts you get, but you do not suppose they will become your clients in the following months (and mostly not even in the following years). To each group, we should assign a percentage, which corresponds with a probability of turning lead into client. A good percentage for the A group would be 90%, 50% for the B group and 5% for the C group, respectively. Then you take the total amount of leads in the A group, multiply it by 0,9, the B group by 0,5 a 0,05 for the C group. As soon as you have it, you take the total cost of the event (do not forget to account for costs of your employees as well) and divide them by the sum of all the multiplied numbers. What you get is a “Calibrated” Cost per lead. I would not recommend using an uncalibrated CPL, as your entire C group leads, which are more or less worthless but most frequent, would make the event look pretty awesome but the results would be missing.

Certainly, CPL is not used only for events. However, as events are costly and also it is easy to count the number of leads you have physically met, they are a great example of CPL indicator usage.

4.2.8. Cost per acquisition

Cost per acquisition = Total costs/Total acquisitions

The Cost per acquisition indicator sounds almost the same as the Cost per lead indicator mentioned earlier. True, they are closely related, but their usages are different. Cost per lead itself helps e.g. event evaluation, but does not say anything about your clients – you have already paid for your leads, but still do not have any profitable client. In some cases, turning a good lead into a client can be the matter of one e-mail. In other cases, it may take months, a huge number of costly international business trips and hours of negotiation. Again, this will be completely different in the case of MRO clients (who are in the second group) and in the case of OCC clients for example (they might be in the first – e-mail only group). I am almost sure I do not have to explain how to compute CPA further. You just take costs per lead (which already include all the initial costs), add all the other costs (time, business trips, etc.) and divide it by the total number of successful acquisitions. The final result is useful for customer lifetime value calibration when you exclude from CLV the cost per acquisition and retention to get more precise results. However, what I wanted to say was, you can use the CPA indicator when evaluating markets. Very often, people working in similar positions in a similar or even the same market, have a rather similar mentality and expect a similar business approach. For example, your German OCC clients will expect one particular type of care (mostly not excessive), which will also be relatively cheap as they are just a few hundred kilometres away. On the other hand, your Chinese OCC clients will require (with some exceptions) a completely different approach. Their CLV might, however, be the same, so when you take Cost per acquisition of each type of client, compare it with their CLV, you may see, that acquiring Chinese clients might almost be nonsense. This is, of course, an incomplete example; I did not take into consideration the fact that Germany is a highly competitive market which is itself lowering CLV (by a naturally lower retention rate and lower average order value). Hence, in some cases, Chinese clients can be quite a good choice, but not if all the other values in our example remain unchanged.

Hence, CPA can be used very well in market comparison. It is barely useful during the single event evaluation process. However, it can be used when comparing different events in different markets.

4.2.9. Net promoter score

Net promoter score = % of promoters - % of detractors

A net promoter score is an advanced indicator which I would like to mention especially in reference to Marketing 3.0 but even more to Marketing 4.0. In today´s strategies, the goal is to find a way to cooperate with your clients on building your brand together – not to write the story for you, not even for them, but with them - for you all. Customers will not be willing to be included in these strategies if they are not satisfied with your services. They might still use them, but they will not feel like a part of your brand. The goal of marketers is to change that. The net promoter score is an indicator which helps people to see the current situation in that field. There is one crucial question we can ask the customers, to get the score.
How likely is it that you would recommend [the brand] to a friend or colleague?
The answers should be on a scale from 1 to 10, and should be evaluated according to the following Figure 8.

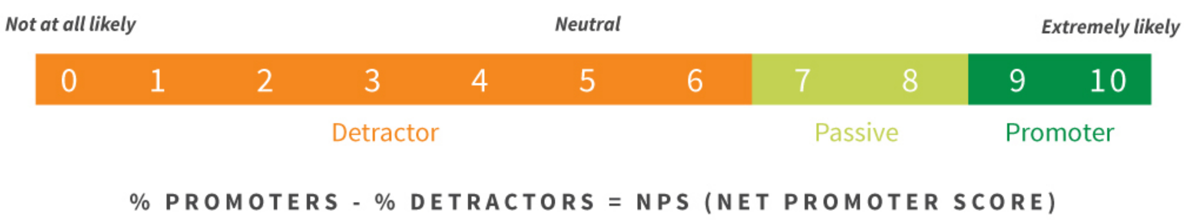

Fig. 8 Net promoter score

(Nice Satmetrix, 2017)

As you can see, it is not easy to get new promoters; the business must be relatively good. However, every active promoter is also your satisfied customer and at the same time, your “unpaid” sales representative, able to get a significant number of customers. In other words, who is a better sales representative than a satisfied customer? On the other hand, the NPS can also tell you how likely your present customers can become detractors. These are even more active, and surely quite dangerous. They have the power to impede your growth on the market and damage your brand through negative word-of-mouth. Passive customers are somewhere in between, they are kind of satisfied with your services, but not enough to be your promoters. They are also prone to be attracted by your competition. Most probably, this will also be the largest group of your clients.

4.3. KPI usage conclusion

The attribute of much of the Key Performance Indicator is, that there are no absolute values for every industry which could be considered good or bad. Only the Net Promoter Score could be called absolute, all the others are relative, including the Customer Retention Rate.
The point is the ability to monitor trends. Behind the trend there is an action or situation. Knowing which situations influence the behavior of performance indicators and which action can influence trends is essential for decision-making. Some indicators should be used and monitored for internal analysis, for example Net Profit, Net Profit Margin and Return on Investment. It is also important to know that Gross profit is used the most easily, but is also the most misleading and therefore should be used with caution if at all. Net Profit and Net Profit Margins are useful in comparing two functioning departments, together with the ROI they should be used in strategic planning. Certainly, it is more sensible to develop departments with higher NP as well as NPM. Very often, however, it happens, that for one department there is higher NP and for the other NPM. The ROI is then an important indicator when deciding into which service we should invest, supported by the vision and long-term strategy of the company.

Not only is the ROI indicator useful internally, it can be used externally as well, especially when deciding on market investment. For external market analysis, there are certainly more indicators which should be taken into consideration. It is the Customer lifetime value indicator and what influences it directly, the Customer retention rate. The CLV is more important for market evaluation, but the CRR can be improved more easily by increasing customer satisfaction. It is also very often the key to increasing CLV by significant number. We should monitor both of them and cross check their values between the markets served. The aim is to keep them on a similar level. Should the CRR/CLV be significantly different in different markets and the same service, this is a problem we should find and solve or at least find a reason for it. The Customer retention rate is also well connected to the Net promoter score. The NPS is relatively easily evaluated and discussed with customers. Should we manage to increase that, the CRR will rise almost instantly just as will the CLV.

The last two basic but very useful indicators are Cost per lead and Cost per acquisition. Both of them should be used especially when evaluating exhibitions and events where we can meet customers. We should count not only direct fees for the organizers, but also possible air tickets and costs connected with our attending staff. On the other hand, we should evaluate leads by the probability of turning them into clients with assigned CLV. With these indicators we may evaluate the event in terms of predictable profitability and also implement ROI should it be relevant.

Working with the indicators, marketing and strategic plans of the corporation are certainly basic levels of business development. However, even at these levels we can make our business much more efficient than by evaluating all the parameters by common sense only.

5.0. Global factors influencing business aviation environment

Having a complex business aviation operator, we have to upgrade our marketing strategy to relatively difficult and complex stage. By the word ‘complex’ we mean a company whose core part is usually aircraft management, which is complemented by other services like aircraft maintenance, CAMO services, flight planning (sometimes also called flight support or OCC – operations control centre), handling, chartering and brokerage or travel management. Unfortunately, most of them do not share customers from other services.

Let´s imagine a sample business aviation company. Your maintenance service centre can be, for example, an approved Embraer facility and specialize mostly in aeroplanes of that manufacturer. Hence most (not all) of your clients will be Embraer operators. You know, that your typical client is the decision maker´s “right hand,” usually not an aviation professional but not a layman Let´s say, that in your case he also comes from the CIS countries. Then there is flight planning; you are experienced in 24/7 worldwide operations, able to plan special missions and remote airport operations. You find your best clients in South America as it is a relatively big and difficult market, whose operations just a few companies can handle. Your typical client is a professional dispatcher or a chief pilot, knowing exactly what he wants and what it should look like. Then there is a charter and brokerage department, whose clients are mainly nationals, typically personal assistants with very limited knowledge of the field (if any). These are just three different services and three completely different target groups. Then you have to add more of these, like the core service – aircraft management, then CAMO or travel management. As one can see, having a single marketing strategy for the company as one subject would not be very efficient. There are more ways to solve that issue, most of them containing diversifications. However, how should it be applied? Shall we build marketing strategies for each product? As mentioned, every product has its specific target group and having marketing targeted on it might work quite well. You know what they need, more or less, what your potential clients already know, how they communicate and so on, although there might be some difficulties as well. Each service has its primary market, but also a group of secondary markets. As your main market might be e.g. 50% of your business, you should not neglect the remaining half which is formed of all the other markets. These usually consist of similar people, but different geographical locations. In the case of flight planning half of your total customer base might be located in Brazil, but a third in Europe, 10% in Russia and the remaining 10% anywhere else around the world. While Europe is your homeland, where you know common business manners and where most of your services have at least few clients, your maintenance services might be quite familiar with the Russian market. Reaching all of them in their homelands might be quite a challenging job for a marketer who has diversified the product portfolio by individual services. So, what if we used the second approach; market segmentation by geographical locations and not by services? Local knowledge might be essential to make it successful. Your communication will probably be totally different when speaking to a customer from Latin America than it will when speaking to one from Russia or China. I Local media usability and knowledge will also be much higher when promoting a bigger group of services.

In every way, at this stage we are communicating completely different services at the same markets the same way – that is not a recipe for success. So shall we use full diversification by communicating all services as differently as the target group is different and modify that depending on the geographical location? That will most probably work the best but will be the most expensive and most time-consuming option. Finally, it might be excluded in the first place as it is simply not realizable.

Hence, should the company´s marketing be diversified for product or place?

Both and neither, simultaneously. Sometimes the optimal solution might be a compromise. We know, that absolute diversification covering both services and markets is not realistic due to the huge personal and financial demands. We also know, that no or very little diversification will be the cause of great inefficiency, lower revenues and, in fact, higher relative costs. The solution might be merging services in markets, where the client base can be shared between them. For example, it would not be sensible to offer aircraft maintenance to a flight planning client who is based in Brazil even though he has an aircraft which the company´s maintenance centre can manage very well. The reason is the great distance from your base. While you can offer flight planning to any client all around the globe without having ever to see him, maintenance services have to have clients in a relatively close vicinity of a few thousand miles. The longer the distance a client is required to fly for an inspection, the higher the costs and the less competitive the service can be. At some point, even a great offer cannot compete with a substandard offer from local competition. However, for the Russian maintenance clients, flight planning might be a relevant offer. You can merge marketing for handling and flight planning in the North American market as well (while it is not relevant in the Brazilian market because of a low volume of traffic between South America and Central Europe).

I believe that it is not necessary to mention that knowledge of the local market is essential before entering it. Let´s take a closer look at the most important ones from the point of view of the Central Europe based aircraft operator. Below, there is a graph in the Figure 9 showing UHNWIs distribution around the world. We will talk about this along with the description of each market.

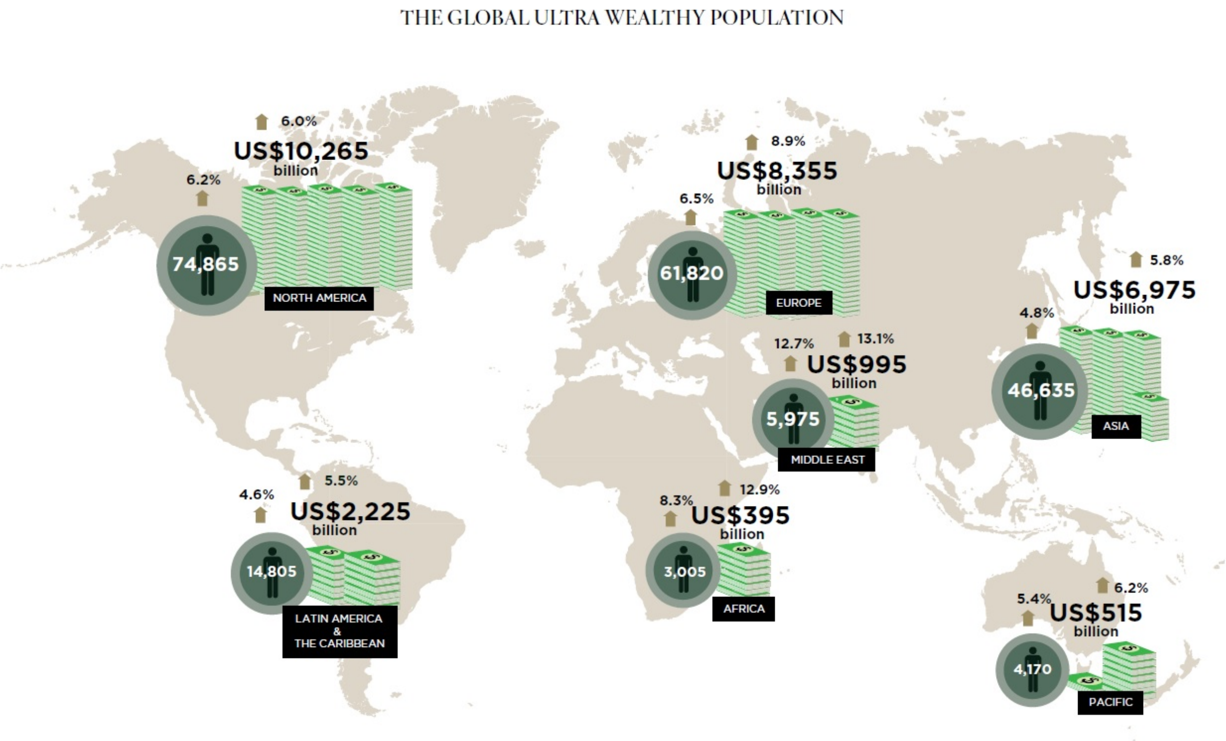

Fig. 9 The Global UHNWI Population

(Business Tech, 2014)

5.1. Segmentation and global markets´ specifics

5.1.1. North America

North America is by far the biggest business aviation market. According to Corporate jet investor, there were more than 12 000 registered business aircraft, almost 20 times more in comparison with the second largest country by the number of bizjets; Mexico being in 3rd place and Canada in 4th, which together were the largest contributors to first place in the region. From the business point of view, we may say that the US and Mexico might be close to each other by location, but certainly not by mentality, spoken languages or legal base. Therefore it might be odd to want to enter the North American market at once. This is, however, the case of many other regions as well.

The United States is not only the biggest market; it is also most advanced one. This is particularly true in terms of infrastructure, wealth, and mentality. These all lead to widespread use of business aircraft and vice versa; the widespread usage of business aircraft leads to infrastructure development, the evolution of a mentality favourable to this trend and so on. Due to these facts, a company entering this market will be challenged by numerous, advanced and well-established competitors. Unlike in other countries, the majority of aircraft owners are pilots at the same time, mostly operating very light and small jets. However, even medium and large jet operators are active mostly on the national level, not leaving the country during most of their flights.

As already mentioned, there are basically only two services we can offer to this market. It is flight planning and handling. The maintenance center would be too far for the vast majority of owners and unable to compete with local well-established companies or also OEMs, for CAMO it is quite difficult to get the US ("N" registration license), Charter sales do not make any sense due to this very principle and Aircraft management basically combines all the barriers I have mentioned before. Hence, let´s talk only about OCC and handling in the case of this market.

Difficulties in the promotion of flight support services will be very high skills of pilot/owners, where most of them are doing the flight planning themselves usually via various software applications. The bigger operators often use the services of huge companies, like Universal Weather, which have the indisputable advantage of both local and global market knowledge. However, in some cases, it is possible to acquire some local clients, especially those, flying at least sometimes to Europe or CIS countries as well as those having business in South America. Handling might be quite an interesting service for them as well. Not because they would be flying to Prague as a final destination (there are almost none of these), but because it could be a useful fuel stop when flying to the Middle East – especially to states like Israel and even more in the case of the United Arab Emirates, Qatar and so on. It is only fuel-stops which make it possible to earn quite a lot of money for just a few hours of relatively easy work.

Mexico is even more interesting for the Flight planning department. It is completely different from the United States and has more things in common with e.g. Brazil. The operators are less experienced; there are fewer of those owning small aircraft and relatively more of those who could be our ideal target group – operators of one, up to a maximum of, 4 larger jets. There is an interesting favourable factor for us. Mexican customers (and not only them) are very "privacy" sensitive. Hence they are sometimes happy to get Flight support from a company based on the other side of the world instead of the local one. The idea is that substantial information leakage is probably less in that case. On the other hand, as they are already reasonably adept at covering their operations, it is very hard to trace them in order to be able to initiate cooperation. Also, their willingness to recommend your services to other companies is not very high – again, due to obsessive privacy control.

The Canadian market is different in comparison with Mexico, relatively similar to the US one. Maybe a little bit less competitive but also much smaller, less active and more conservative, which makes it even less interesting than the US market.

5.1.2. Europe

The European market is the second largest following the North American one. However, before we start to describe that as a whole, we should ask ourselves a question, does it really make sense? Well, if you are an American company and you would like to go abroad, you may think about Europe as an option. Nevertheless, to take Europe as one market and come up with a diversification and targeting strategy for it, would be a terrible mistake. Imagine that you take the European part of Russia with a Russian conservative and authoritative mentality and treat it the same way as the completely different Italian or Spanish relaxed attitude and then treat German or British people the same way. . The result would be approximately the same as creating one strategy for the US, Brazilian and Japanese market. They are all so different that further diversification of Europe is simply necessary. Taking each single country at a time, would, however, be too complicated. To begin with, it would be all right to divide it into Western Europe, consisting mainly of the UK, Benelux countries, Germany, France and Switzerland. Then there would be Southern Europe, whose main parts are Spain and Italy, together with Portugal, Greece, Cyprus and Mediterranean countries in general. Then we go to central and Eastern Europe with Poland, the Czech Republic, Austria, Slovakia, Hungary and possibly also states like Ukraine, Bulgaria, Romania, and so no – needless to say, that the difference between states which are very close to Western Europe such as Austria and the Czech Republic will be huge in comparison with countries like Moldavia, Bulgaria and Romania. Finally, there are European CIS countries – Belarus and Ukraine. The other northern states, basically all of them from Norway to Latvia could be taken as part of Western or Central European regions for the sake of simplicity.

Now, what can you expect while entering these regions?

Western Europe is relatively coherent. It is not difficult to do business with these states providing that you are “part of them”. All of them are very advanced in the field of business aviation; it would be possible to compare them with a kind of “small USA” with all the attributes we have mentioned about the United States. However, as you may guess, only very few of them fly on national routes only. On the other hand, the most frequent routes are between the major cities in Western Europe (most frequently the city pairs such as London – Paris etc.). Basically all of these states are relatively rich and used to paying a higher price for the services they need. Certainly, they expect high-level quality and almost flawless

English (which is surprisingly still a huge barrier in the Eastern but also in Central Europe). For the Central/Eastern European operator, it is not always easy to do business with them due to a strong "Easter bloc dilemma". This is true especially in the case of maintenance and aircraft management services, which are almost hopelessly lost. From this point of view, OCC and CAMO have a higher chance of success while still fighting against this barrier. The other huge barrier is the high level and even higher volume of competition located there. Due to these reasons, Western Europe is a tempting but very complicated market in our sample case.

Eastern Europe is almost the complete opposite. In comparison, these states are more price sensitive, less advanced, and also less active in business aviation but also much easier to access by the Central European operator. As they might hide excellent opportunities in some cases, due to very small markets it is not usually sensible to enter them.

Current CIS states are somewhere in between Western and Eastern European states, combining their pros but also having some other cons. There is almost no or a very narrow group owning small jets (which is the opposite of the US market for example). However, there is a considerable number of UHNWI able to buy large or midsize jets (e.g. Embraer Legacy). They are willing to do business with western countries as they are willing to use western business aviation support services for their jets. This is the case especially of MRO, as there is no base maintenance centre located in Russia, which would be able to take care of their aircraft – the closest facility for them is in Prague, making negotiations much easier. CIS countries are also a significant market for CAMO services, which usually goes hand in hand with maintenance. The negatives of this region are forming a barrier for other services. If not essential, it is really useful to be able to speak Russian. That is a relatively easy task in the case of MRO or CAMO services, where there are only one or very few contact persons. In the case of dispatchers, working on shifts, there would have to be a significantly higher number of people able to communicate fluently in Russian. Again, I am not saying it is essential, but it forms a significant competitive disadvantage in comparison with local providers. Probably the last disadvantage might be a reputational threat. Simply said, it is sometimes better not to know, what the real business of your customers is and it is impractical to mention references e.g. on your website.

Southern European states can be a great opportunity if you know how to "play their game". Firstly, it is sensible to choose only those states which have a large enough business aviation fleet – which means basically Portugal, Spain, Italy and maybe Greece and Serbia. Cyprus and Malta have relatively many aircraft registered as well, but their owners operate them mostly from another base. Even more than in CIS countries, it is essential to speak the local language – that´s true mostly for Spain. If this can be overcome, they can be an interesting option especially for OCC and in some cases (Italy) for handling. The competition on the MRO/CAMO market is tougher with more-closely located service centres.

5.1.3. Asia

Asia is a huge region, with many emerging countries, where some of them are well known, and some of them can be called hidden gold mines. There are also many inactive markets in the field of business aviation.

Greater China is, of course, the biggest market of the region. (Davies, 2014)It was the market where 10 years ago customers were buying Boeings B747 BBJ and other similar aircraft for short haul private use. It all stopped when China introduced austerity measures, almost preventing the opportunity to register (and operate) business aircraft. However, these measures were abolished in 2016 and China and Hong King are definitely the region leaders'. In comparison with the pre-2016 era, when customers were buying large jets mostly for personal use covered by corporate operations, now it seems to be different. Large, state-owned enterprises are expanding abroad, investing large sums in Europe or the US and therefore need long-range jets. As it was before, China is a huge market mostly for Boeing and Airbus business jets, as well as for Gulfstreams and Bombardiers long range flagships. For small central European operator, it is a terribly difficult market to enter. Chinese customers are used to holding negotiations for months or even years before they conduct final business. This requires frequent business trips of the highest-level executives connected with high financial and time investments. Also, native speakers can make negotiations much easier. All of these facts make China a region where it almost does not make sense to conduct a small size business without having local branches in the country. On the other hand, a large business can be well over the capacity limitations of the company.

India as the second largest country of the region (Davies, 2014) in terms of business aviation fleets is another quite interesting market. It is not emerging like China hence there are not so many new opportunities coming up, literally, every day. However, there is also no language barrier, as the official business language of India is English. The real barrier, a significant one for many, might be the completely different mentality. In the eyes of a European or US businessman, negotiations with Indians will be unclear and lengthy; the time frame will be vague, usually changing at the very last minute with many delays. (UK India Business Council, 2018) If the company is able to overcome these barriers, India can be a good market to enter.

Other markets such as Indonesia, the Philippines, Singapore and Malaysia are now experiencing a slight decrease in the field of business aviation. (Chuanren, 2018) They were, however, strong markets just a few years ago and there is a relatively high probability that they will be coming up again soon. Their operations are, unfortunately, mostly local (contained within South East Asia), which makes them a difficult market even for the OCC department and irrelevant for handling and other services.

Australia is, after Greater China, the leader of the region, although being too far away and basically irrelevant for all of our services I will not describe it in depth.

5.1.4. Africa

Africa could in the future (and some its countries even now) be another hidden gem for business aviation markets. True, it is most probably the poorest continent on the planet, and millions of people there are struggling to get potable water. However, the gap between poor and rich is as wide as possible, and at the same time, there are people who are incredibly rich. In this case, I am not talking about South Africa, which is quite a modern state with a large business jet fleet – however, it is too far for most of our services. It could be interesting for OCC, but there seem to be too few customers in our target group. Yet there are other interesting countries there, such as Nigeria, which has more business jets registered than in Japan, Netherlands or Finland. (Davies, 2014) This market has the potential to be interesting for OCC, CAMO and also for Maintenance. It is relatively far, but the concentration of other service centres in this area is really low.

Other countries interesting in terms of business aviation are on the first sight Morocco and Egypt, however both of which may be also too small considering how high the entry barriers there are – by which I mean distance and mentality.

Most probably, it is only a matter of time until some other African market emerges enough to be interesting. It is highly likely, in comparison with Asia, this will take some time.

5.1.5. South America

Although South America is one of the most distant markets in the world for us as a Central Europe based business jet operator, it is not uninteresting. Brazil is the second largest business aviation market in the world, which really must be taken into consideration, especially with Venezuela still in the top 10 and Argentina closely following. The rest of the countries are weaker in that matter – only Chile and Colombia made it into the top 50 countries (data from 2014) having, however, ten times less aircraft than Argentina. (Davies, 2014)

However, strong negative aspect of South America is that the environment and mentality of the people are not so favourable to the business aviation environment (only a relatively small percentage of them are rich enough to own any kind of aircraft). Hence there are not so many business aviation operators offering their services to the third parties. Also, the professional level of employees is not on such a level as we know it from e.g. the US and Western Europe. This all makes the market quite an interesting opportunity. Certainly, I would not be right if I said that there are not any barriers. There are, and some of them are relatively tough. The first one, which is fairly obvious, is distance. A flight to Brasilia, the capital of Brazil, is longer than a flight to Hong Kong or Beijing and almost as long as a flight to Singapore. The second significant barrier is language. Brazilian operators usually respect the English language as the official language of aviation. However, they love to communicate in Portuguese at least during initial contact. If it is possible to overcome these barriers, Brazil is a great market to enter.

Another interesting market in South America is Venezuela, having more business aircraft registered than countries such as Switzerland or France. (Davies, 2014). Its fleet and operations composition is also favourable, distance and language (Spanish) barriers are almost the same as in the case of Brazil. There is one more risk – the reputational one. Venezuela is well known for drug smuggling for which business aircraft are widely used, with many documented stories. (Reuters, 2014)I am not saying that every Venezuelan operator is active in the drug business and that his aircraft is used for that purpose, that´s definitely not correct. However as it is not possible to clearly define which client has and which one has not "clear" business, the risk would be too high. What is more, only the fact that a company does business within Venezuela sometimes raises too many questions and too much speculation, which could negatively affect the reputation of the company on the domestic market.

The last market in South America I would like to speak about is Argentina. It has basically all the pros, and all the barriers of Brazil (except for a bit more distance). With a little bit less of an interesting format of operations and fleet composition, it is still quite an interesting market to enter. The only issue is that it is 4 times smaller hence the company has to know whether it is in its capabilities to enter another market while not being saturated in another more lucrative one (Brazil in this case).

6.0. Marketing strategies for complex operations

Business aviation is a very specific, some would say even strange, environment for marketing managers. What is more, it would be totally “crazy” if we talked about business jet acquisitions themselves. In ideal cases, very rich people called Ultra High Net Worth Individuals (UHNWI) buy business aircraft because they really need them and airline transport does not fulfil their needs. Furthermore, , they fly so often that it is financially and flexibility-wise more reasonable to buy their own aircraft. Therefore they acquire a jet or even a propeller aircraft which is just big enough for them and their companions with just the right range. Certainly, r there are almost never situations during which an aircraft that can carry 12 people flies only one passenger on routes such as Paris – London just at the time when there is a regular connection with a top class airline. Yes, you guessed it – these situations almost never happen. Mostly, business aircraft are not acquired because of real physical need and economic benefits. They are bought because of ego, image and prestige, because of the fact that, with his first business jet UHNWI enters into an elite group of people who have a completely different standard of living. . These people use their aircraft for business travel - that is correct, but even more often, they use them for leisure. Only with a business jet, during your free day, can you get up at 9am, be skiing on Alpine glaciers around half past 11, in the afternoon enjoy a beach on the French Riviera and in the evening go for a dinner with your darling in Paris, while going to sleep back in Prague before midnight.

Because of the fact that people use their jets not only for business but largely also for private purposes (Fox, 2015) and because they do not need to have the plane, but they want it, it is not just a product; it is something they really like. The majority of business jets are highly personalized, being like flying luxurious homes, bespoke indeed. Hence they do not buy a plane they need; they buy an aircraft they want regardless of its original purpose. That is the reason why you could see private Jumbo jets in China with 10 passengers on board (+10 crew members) flying just one hour from Beijing to Shanghai and almost never leaving the continent. In smaller measures, it is seen in Europe or the US as well - people fly aircraft which they want and not which they need.

Because it is almost impossible to take care of your jet and all your flights just on your own, there are companies providing all the necessary support. Luckily, operations are not so highly influenced by psychological factors, as are acquisitions. Hence, except for aircraft management, marketing can be more natural as we know from other industries. Sometimes it is not quite easy to say whether it is cooperation on a B2B or B2C basis.

Fig. 10 B2B and B2C

(Bhattacharya, 2014)

Mostly, your business partner is a company ordering services for its CEO (or executive), who can directly influence the process. We may put each of our services on a scale where all of them have a different portion of B2C as well as B2B attributes (displayed in the Figure 10). The most “typical” B2C service is most probably aircraft management. The customer is usually represented by his company, but it is just him saying what shall be done and how (regarding the aeroplane choice, configuration and base). Then there is aircraft maintenance, an expensive and essential part of the process. The owner himself usually does not care so much, so he delegates this task to someone he trusts – mostly his personal assistant or a highly-placed employee. This cooperation is still not B2B, but it is slowly losing its B2C attributes as well. Then there are Travel management and Charter sales – the second of which he may or may not use, e.g. in the case that his aircraft is AOG and the owners need an immediate substitute. In this case, he usually uses personal assistants or secretaries, in other words, these are persons in whom he trusts but they are also not so important hierarchically as are “maintenance PAs”. In this case, only rarely can they contact the person directly to influence the final decision. Therefore it is more B2B cooperation. Finally, there is Flight support. In some cases, this can be B2C cooperation, but usually, OCC communicates with the Chief Pilot or Dispatcher – an employee who is also able to make the final decision. Owners mostly delegate this competence to them as they do not care at all and also financial amounts are not too substantial as they were in the case of maintenance.

Considering “the substance of the matter”, mass marketing is not the best option for business aviation. For example, in the Czech Republic, there are around 5 million economically active people, from which are circa 25,000 dollar millionaires. (ČTK, 2017) These might be, at least hypothetically, potential business aviation customers. Of course, only a minority of them feels the need to travel and even fewer of them are willing to use business aviation. We may only guess how many of them it would be; let´s say 10%, which gives us 2,400 people. These might be rich enough to fly business jets on shorter routes – which means they might be potential customers for the Charter sales department. However, to own a business jet or to be able to fly long-haul flights with private aircraft, being a dollar millionaire is usually not enough. A real potential client could be considered only UHNWIs owning around 30 million dollars or more. The exact number of these is, of course, unknown, but regarding research, there might be around 200-250 people in the Czech Republic (Gallistl, 2015). Even if there were double that number, it is only around 500 potential clients. Theoretically, it would be possible to know them all personally. In other words, this market situation does not go hand in hand with mass marketing. Other markets outside the Czech Republic might indeed be bigger. However, the principle is the same. In the Czech Republic using mass marketing to target business aviation customers, would mean that only 1 of 20,000 people would be a potential client. In other markets, this ratio is not significantly different.

What really works in the field of business aviation is word-of-mouth. The community of "busav" clients is relatively small, connected via their leisure activities – especially golf, horse racing, tennis and also arts. Like everyone, even very rich people live in their own social bubble and share the same ideas and meet at the same events. Some may say that what connects them is lack of time. It would be, however, only seemingly correct. They have almost as much free time as everyone else, but they spend it differently. Therefore it is difficult to address them for example via TV advertisements, massive ads on public transport and so on. For a marketer, it can take some time to be able to enter the world of the rich. It definitely requires a changing from the regular mindset. When it happens, it can be, however, quite an interesting job.

It is important to remember that business aviation, from the perspective of the end user, is driven by ego and prestige, not by supply and demand, nor even by money. Certainly, money matters, it always will, and it is , however, only rarely that busav customers do not buy the services because they cannot afford it; they possibly do not buy the thing because the 'value for money' would be too low for them. Hence, the point is not to make the product necessarily better or cheaper (although this helps indeed), but more attractive in their minds. How to do that? By feeding their greed and their need to be exceptional.

Being exceptional is truly relative; somebody has to know what average looks like first then he/she can think about exceptionality. Seeing what average is almost impossible without social interaction and monitoring the “competition”. Therefore, there must be some channels, which UHNWI visit and these are exactly the great opportunity needed to address them.

Unlike everyone, very rich people have the privilege of using private bankers. These people take care of their (UHNWIs´) wealth, find investment opportunities for their excess funds and also work as personal assistants - anytime where there is a need for money.
It is incomparably easier to address relatively “normal” people such as private bankers than to address UHNWIs directly. What bankers pursue will reach the final target group–the UHNWIs, relatively easily. The power of private bankers to influence the decision-making process of ultra-high net worth individuals is substantial.

Working with private bankers can also be a win-win opportunity for both. It is not appropriate to pay them directly; however, their banks often organize events for their clients. They also offer commercial space for promotion to selected companies (it is not so difficult to be selected as a business aviation operator). It is not cheap, but it could be effective in getting some new leads. What is more, that is the way to be seen in the right places.

Certainly, this is relevant especially in the case of aircraft management and charter sales, whose services dominate the national market. Similar activities are also interesting in the case of maintenance. It is, however, much more difficult to get in close contact with UHNWIs abroad than in the local market.

For the services which are mainly B2B, there are important different strategies. Presenting for example Flight support directly to the aeroplane owners would be terribly inefficient because they simply do not care; also their personal bankers are mostly out of these highly technical issues. The decision makers are different in this case. They are not directly owners or their personal assistants, but rather chief pilots or chief dispatchers, people like us who very often love what they do. In the world of business aviation, there are quite a lot of expert magazines, which are said to be frequently read by the right people. Although, what we realized after investing quite a lot of money into ads and articles in these magazines was, that the results simply were not there. Actually, there are so many of the magazines, each and every one of them with so many advertisements, that their readers just skim through without remembering, or even noticing, which products were presented.
Let me make a small diversion from our topic.

6.1. Habituation

Tony Fadell in his lecture had a great example of habituation. (Fadell, 2015)There was a scene in the movie The Blues Brothers (1980) when John Belushi goes to visit Dan Aykroyd in his apartment in Chicago for the first time. It is a tiny room just 2m wide and not more than 5m long, just a few meters from the railroad track. Just at the time John sits on the bed, the train goes rushing by, rattling everything in the room. John asks how often the train goes on these tracks. Dan responds: “So often you won´t even notice it,” and a picture falls off the wall.

That´s a great example of habituation – it is one of the most important attributes of learning. People start to ignore things which they become used to. Without that ability, the learning process would not be possible at all. For example, when you are learning to drive a car, you are distracted by so many things; the clutch, brake, throttle, steering, shifting, signs, other cars, pedestrians and navigation itself. It´s just too overwhelming for some time. However, soon shifting gears, braking and accelerating while reading all the signs become natural; a driver does that without really thinking about it. Later on, even navigation on known routes becomes “robotic”. It does not take long until you are able to chat with a friend, set the radio or simply watch possible threats on the road, which would have been invisible or hidden before. This is definitely a positive effect of habituation; with it, man can learn so many new things which would not be possible if habituation did not exist.

There are not just positive things due to which learning is possible as it was in our car driving example. Negative inputs can also be habituated – as was described in the Blues Brothers scene. As marketers or product designers, we really have to care.

There is one example from my own experience. After about 6 years since the last website was launched, there was a decision to make a new company website, so there was a lengthy selection process for a new provider, also marketing analysis to decide what the website should really be about, which services should be promoted more, which less, who would write the texts, where we would get the pictures, how the design would look and so on. It was quite a complex project which took months to prepare and realize. The executive managers certainly knew about it, they were informed about how it was going, but they were not directly part of the design process. I should also mention that there was a strict deadline, which was also a day of a huge international exhibition, where the new company design would be introduced. There was, however, a gap of several months to get the website looking good in advance. Somewhere in the middle of the projects, managers were shown a static design concept of a few pages and were literally amazed – it all looked simply great. Hence, their expectations were fairly high. As the project continued, the project manager was more and more stressed, because the deadline was approaching and everything took much longer than expected. The manager started to order changes of the changes, all the minor improvements of improvements so that the final design was a bit different. Finally, several weeks before the deadline, there was the first online beta version which was also presented to the managers. The executive director described his first impression like this: “I opened it, and I said, wow, that is so terribly, terribly ugly!” and he was not the only one. Actually, most of the people had the same impression. From that time on, all the changes were regularly discussed and finally, just a few days before the deadline, we had a website. All the managers and providers were quite happy with the result; everybody was patting everyone on the back saying what great work they did. However, the first impression actually remained the same; almost everybody who saw the website for the first time after it was launched said: “Oh that is a really ugly piece of website!”

That is exactly what a marketer should be aware of. He is usually working on a final result for some time after which he cannot see all the flaws and not even the good bits his product has. It is always necessary to have feedback, sometimes the more negative it is, the better for us as we can improve the product. Very often people say that something is great and I agree it is great to hear that. However when someone comes and says: “Yeah, it is great, but this part could be even better, I do not like this bit.” Only one opinion is usually not enough to implement significant changes, but if the same feedback comes again and again, the change is most probably needed. It is always good to look at the bigger picture, to see the whole thing in a complex environment. It is also good to look closer, to see even the smallest details. Most importantly, there are flaws which are seen, but there are also those which are not seen at first sight and even these should be targeted.

By presenting the effect of habituation, I wanted to say that not every magazine advertisement, which uses basically everybody, is the best option. Sometimes, it is better to take a wider view.

How simple it may sound, we realized, that in basically every country, there are aviation enthusiasts and for them there are aviation magazines. Usually, they do not read the commercial international press, as it tries to target every continent and therefore it is not truly interesting for many people. What they do read are local magazines, describing international news in one place but local flying topics at the same time. These magazines are mostly unknown to anyone from abroad hence it is not common practice to use them for marketing purposes by companies having their base on the other side of the planet. What we did, was to chat with our OCC customers – pilots and dispatchers from Brazil. They were amazed that someone was interested which magazines they read and what they would love to read about flight planning. From all the answers we got a reasonably good idea which journals are the most-read in the country. It was not so difficult to start cooperation with publishing houses, but not purely onadvertisements as you might guess; we offered them a series of articles about the most difficult situations in flight planning. These articles were not PR texts; they really were covering interesting topics, mentioning the company only for context. Of course, we paid for that; the sum was, however, quite reasonable and almost 10 times lower in comparison with huge magazines. We also got a bonus space for online advertising and some more "features". Finally – it worked! This kind of presentation was so much closer to the local people that they really started to react. Also, others, who did not contact us independently, knew about us.

Now I am getting to another point. In the case of most services (be it aircraft management, maintenance and of course OCC), you do not do the real business by advertisement, phone calls or anything like that, you do it personally at a meeting with the client who already knows about you and is interested in your business. The advertising is a means of ice-breaking not to promote direct sales, and in the case of these services, is one of the most important aspects. . It is so much easier to communicate with someone who already knows and respect you.

Marketers should play the role of icebreakers and build general awareness of the company in relevant places. These activities should, however, remain controllable. Hence it is good to keep them only where they should be.

6.2. Market analysis and strategy

Market analysis will be significantly easier in our business jet operator case, than if we were, for example, a global chain of retail stores. The reason for this is that in the vast majority of cases there are only relatively tiny entry costs and easily-overcome barriers. Most of our services, we are able to do remotely (e.g. flight support, travel management) or they can be done in our home base without unacceptable discomfort for the client (e.g. maintenance up to a distance of ca 5000km). Building an FBO on non-home-base airports is usually sensible only if the company itself keeps one or more of its planes there or at least visit the destination on a regular and almost everyday basis.

However, even if basic, at least some market analysis should be undertaken. It would be unusual that market entry, even with a relatively simple and remotely provided service like flight support, would not be possible. The reason for this might be huge entry barriers (e.g. China), a small and vastly conservative market (e.g. Japan), safety or reputational risks (e.g. middle African countries) or a huge number of highly experienced competitors (e.g. USA).

During market analysis, we have to assess not only potential barriers but also their size in value and volume. Besides that, we should get to know the customers, their needs, possible fears and experience. We should also neglect present competition. (The Business Plan Shop, 2018)While it might be easy to compete with local companies in one market, in another there may not be any relevant competitors at all (especially if introducing a new type of service) or on the other hand, there might be a market with strong competition serving the majority of clients who are not willing to change the provider of services at all.

In the chapter about segmentation, we have already mentioned which markets are relevant to the company and its relevant services. Also, the types of clients we are dealing with are relatively consistent throughout the world. A chief pilot from Germany will be, for our OCC department much the same type of client from the perspective of psychology as a chief pilot from Brazil or Russia. Surely, all of them will have only slightly different needs.
After segmentation and exclusion of the markets whose entry barriers are too obvious, we should asses the size of the market – in volume and in value.
As we have to use a slightly different methodology for each service, let´s split this section into categories.

6.2.1. Flight support / dispatching

For each analysis we need data. Sometimes, it can be tough to get to the right and most valuable source, but mostly, data availability is not as tough an issue as the selection of data from the whole package, which is really valuable for our purpose. The more experience we have, the more precise we can be with the selection. In the case of Flight support services, this is even more important. The reason for that is simple; technically speaking, your client can be almost anybody, from an owner-pilot flying a small turbo-prop in Australia, to a small business aviation company operating two aircraft in Brazil, up to the whole fleet of one of the major aircraft manufacturers. These are altogether tens or maybe hundreds of thousands of potential clients all over the world. However, as you might already presume, chances of closing business with most of them will be low. Hence, we need to find parameters, in order to select the right ones. There is no any computational method on how to set them, however, logic and experience can certainly help.

It will be a pretty difficult task to get as a client, a huge aircraft operator. To most of them, it is more profitable to set up their own flight support department as soon as they reach a number of circa 5 aircraft (depending on the type of operation). The bigger the company is, and the longer the routes it operates, the more experienced their OCC (operations control centre) will be and the worse the situation for us. However, the fact that the company already has its OCC is not a definite yes or no in our potential client “tick box”. Some smaller operators operate mid-size (or even large) jets on a few and relatively simple routes, though time after time they need to fly long-haul/remote airports/special mission flights, with which they have no experience – that’s where our role come in. These clients are not the most profitable ones as they use our services only rarely, however, they can be relatively profitable in terms of effort/profit ratio. Very often, these are also very loyal customers as you help them frequently to remove weight from their shoulders. It is not rare that they can also be brand ambassadors in the local market and a source of very valuable information. The same is true for even smaller operators, who fly with only 1-2 aircraft. A group of these clients is actually your most profitable one. Mostly, it is not profitable for them to have their own OCC, so they outsource all or most of the flight. Our client is usually a chief pilot and decision maker in one person. He knows exactly what he needs and is willing to talk about it. There are rarely any difficulties in getting relevant feedback; hence if there is anything wrong, we have a chance to adopt necessary changes soon enough. On the other hand, when communicating with the OCC department of the larger company (as in the previous case), the regular dispatcher is almost never the decision maker and only rarely shares any feedback. It can be relatively common, that the first feedback we receive after several months, is covering long-term complaints from the pilots (which would be easily manageable), interpreted by the OCC manager or even nothing at all but the contract termination.

Regarding the determination of market size, we would consider, in this case, how many operators of our preferred size are present on the market. This can sometimes be rather like detective work, which includes a lot of “googling”, aircraft monitoring and subsequently finding its operator. It is useful to build some kind of “market map”, adding new operators to it, their aircraft and operating routes. The most interesting ones will be those which are flying from time to time international long-hauls as they usually “don´t know how to do it” or are at least a little bit afraid of that. Once again, it is crucial to segment the market properly. An operator with all these attributes based in the US or Western Europe will be far less lucrative, than one based in South America, Russia or Asia. That is because he will most probably have his needs already covered by a very experienced company and also, we would have to fight our “East European dilemma”, which means that entering the market will mean overcoming pretty high competition barriers. On the other hand, if we found this kind of operator in one of our preferred countries, it might be an important sign that there might be even more of them. Should we find at least 5 in the area (meaning group of countries) we already know and 10 or more in the area which are new for us, it might already be a reason to further explore the market.

6.2.1.1. Market value determination

To be honest, market value determination is not as crucial in our case as it is in other businesses, mostly it is done by rule of thumb. However, it is possible to compute it as well. Also, under normal circumstances, we would compute the full market size – considering all the present business aircraft, then we would apply our targeting, and after all that, we would use market need analysis. Having computed the relevant market potential, we would include competition and compute our expected profit. In this case, it will be easier, however, to reverse some parts of the process. As we already know our target group and can determine its needs, we will consider that in the computation since the beginning. It will make the result more accurate.

We will start with the (target group) fleet size. Basically, we will take the number of operators and multiply it by the number of aircraft they operate on average, as we usually do not know the exact size of the target group fleet. By monitoring some of their activity, we also know, at least roughly, which routes they operate and therefore average revenue per potentially supported flight.

Hence:

Market value = fleet size x average number of flights per acft x average revenue per flight

For example, the fleet size of our chosen market is 100 aircraft. However, only 30 are in our target group. Hence we use 30 aircraft in our computation, they fly on average 120 flights per year, and the average revenue for the flight will be USD 150. The market size will be 30 x 120 x 150 = USD 540,000. It is important to take into consideration that this is already modified to account for our limited target group in a segmented market. The overall market value considering all the aircraft would be many-times higher. However, then it would be much more difficult to assess possible revenue from the market as we would not be able to acquire most of the clients, but, on the other hand, also some undefined percentage of our high potential clients would be included. If we use only reduced figures from the very beginning we know that reaching the resultant number might be possible (under some conditions).

As we have that, the only thing left to complete the marketing analysis is competition analysis and entry barriers determination.

I do not have to say that it is always better when the market is free of relevant competition. In fact, it is not as idyllic as it might sound. Very often, operators use online services not adapted to their individual needs and sometimes also very costly. Competing with these is relatively easy. The second type of competition is formed by companies not directly present in the market, but serving their clients individually – it other words, offering pretty much the same product as we do. Last, but definitely not least, there might be companies directly present in the market, equipped with all the local knowledge and with international experience. These companies are honestly forming huge entry barriers, as it is almost impossible to compete with them. Acquiring their clients is basically possible only if they make a critical mistake which directly results in the loss of clients (needless to say they do not make many of these).

When assessing the competition, it is useful to assess their:

- **Revenues/Size**. The bigger the company is, the stronger it will be in terms of promotion, market knowledge and certainly customer base. It will be relatively easy for it to get new customers, as word of mouth already has already done its business and the initial "ice-breaking" part is finished. In the case that it does its job well, it will be fairly difficult to compete with it. However, should it make regular mistakes, they will be relatively easy to uncover and target. These companies are usually struggling with flexibility and an individual approach to the customer.
- **Price**. This depends on our positioning. The cheaper we are, the easier it will be to fight with the competition and vice versa. Usually, the flight support market is relatively price-sensitive; hence, it is wise not to set prices too high.
- **Quality**. Mostly, the competition works on low quality / low price levels. So setting high-quality levels helps differentiation. However, it is not always easy to explain a higher price only by higher quality (it is relatively elusive in this case). Certainly, setting a high quality and low price would be the best option from the customer acquisition perspective. However, to make the service profitable, a higher quality for the same price (and lower profit margins) usually works well. It might be better to raise the price subsequently after the customer really sees the value.

Finally, we should assess possible entry barriers. As already mentioned before, in this paragraph I will describe only those barriers which are not clearly visible before market analysis itself. It happens relatively often that we find a new market, big enough with an advantageous operations structure. The competition might be low or almost none-existent and the environment might be relatively close to another one which we know. However, there might be significant reputational risks. To be honest, business aircraft are relatively easily exploitable for illegal activities, as security procedures are usually weaker than in civil transportation. Also the airport pairs can be chosen freely to account for lower security procedures if required. Therefore, business aircraft are relatively easily usable for drug transportation. This can be especially true in the case of South American countries like Venezuela. Some other aeroplanes are used in legal operations but paid for by various illegal activities, for example in central African countries or former Soviet bloc states. It would damage the company´s reputation terribly if it was found that it was somehow involved in illegal activities (even if it provided only flight support without ever knowing the background).

There are not only reputation barriers which could be “secretly” hidden in the market. Some markets are very demanding in terms of personal contact and together with that, relatively slow with negotiations. That could be the case of China for example. It is a relatively large and rich market which requires a huge amount of attention. It may happen that a company would not have enough (personal) capacities and know-how to be able to enter it. Often, there can also be language barriers. Even though the international language of aviation is English, many operators prefer to use their native language at least in communication within the company or with their business partners. That would mean hiring, e.g. Spanish, Chinese or Russian speaking employees and increasing operating costs or possibly rostering complications.

6.2.2. Maintenance

Maintenance, repair and overhaul (MRO) organizations can be part of complex business aviation operations. However, they are also more commonly independent corporations living an independent life. In our case, we consider ourselves to be part of complex operations and work most importantly for our own fleet (as it was in the case of the OCC department). MROs are, in comparison with OCC, quite complex. Not only do they need large office space as does OCC, but they also have to have fully equipped hangar space and a full list of workshops and storage. Huge entry barriers are also licenses for every single aircraft type and country of registration. Sometimes, it is also impossible to get these as OEMs are often operating their own licensed workshops and by issuing licenses to the competition (although skilled), they would go against themselves.

Logistics support, planning departments, purchasing administration, the aforementioned storekeeping and, of course, technicians, are also parts of MRO. Aside part from organizational complexity and huge financial investments, there are also capacity limitations, the MRO of about 50 people can take care only about 2 aircraft on base maintenance at the time. Some inspections may take up to 6 weeks. What is more, the organization has the limited market area, above certain air distance, it is not economical to visit your particular MRO and clients tend to visit even lower quality or more expensive centres, if only they are closer. This distance depends on aircraft types, you are qualified for. In the case of the mid-range jet, e.g. Embraer Legacy 600, it can be around 7000km.

Due to all these facts, MRO certification costs and spare parts expenses, aircraft inspections are extremely costly part of business jet operations. While flight support services may cost up to USD 30,000 per year all-inclusive, aircraft maintenance can go even higher than USD 1,000,000 for a mid-range jet. I do not have to say, that a typical MRO client will be a bit different and much more difficult to get.

Mostly, we do not have a chance to communicate with the owner directly, as he usually delegates his duties to his “right hand”. These people are usually somebody like “super-assistants”, the owner trusts them and what they say the owner usually does not question. In most cases, right hands are usually not experienced in the topic, but they can understand things quickly. Usually, they crosscheck all the details before they build enough trust in the company´s executive. In the most cases, the client acquisition process takes months of negotiations and contains numerous visits on both sides. As one experienced executive said, “Clients are mostly acquired on dinners with vodka, not with a coffee in an office.”

For a Central European MRO, it is relatively easy to acquire clients from the CIS states, as the Czech Republic is literally on the west from their perspective, which they admire as a quality benchmark. On the other hand, it is really tough to get clients from western European countries, e.g. from Germany, France and so on. Firstly, these countries usually have access to another MRO located closer to them and secondly, they still see the Czech Republic, Poland and other “eastern” states as part of the former Soviet bloc and they are struggling in building trust with these. How we can compete with western countries is definitely the price, but also the same or even higher quality of the services. A very good way to get a client is to show him the premises and the equipment; mostly it makes a good impression as he does not expect anything of the western standard. All the efforts combined to get a western client cannot usually compete with the amount of effort which must be made to get a CIS client even if he has the same type of aeroplane and is at least as wealthy as the western one. Needless to say, the Russian language is almost always a must to be successful.

Market analysis usually does not have to include any problematic computations. It is worth getting every single client for complex maintenance and the vast majority of clients for single larger scale inspection. All the travel costs are usually minor when compared to the profit from maintenance actions. However, at least minor analysis should be undertaken every time as it helps to get more information about the market. A competitive advantage gained from the analysis might be significant.

In some markets it is usually only a matter of negotiations; these are Russia, Belarus, Kazakhstan and, for example, Ukraine. There are no entry barriers such as strong competition, legislative burdens, too large an air distance or language problems (providing that you are able to speak Russian). Then there are countries with the Eastern dilemma issue – basically Western Europe and possibly the USA. There are, however, some more countries, which may hide potential MRO clients. For example, the United Arab Emirates, Qatar, Saudi Arabia and other oil superpowers. Unfortunately for us, they get high-quality services at their home base and forcing them to fly 6000 kilometres to the Czech Republic is almost impossible.

Due to all these facts, there is a probability that our market is starting to become more or less saturated and expanding the Prague base would be irrelevant. The way to solve this issue would be building a base in Western Europe (and entering the highly competitive market) or opening another base further to the East. Costs for that solution would be, however, substantial.

6.2.3. Ground handling

Ground or what is sometimes called Executive handling provides full support for an aircraft prior to departure and/or after arrival. This includes helping the client through airport security; fueling; car service; food and more. It is also capable of arranging Travel Management for crews and clients through a network of contacts. The primary aim of the service is to provide a fast and comfortable experience for the client; starting with arrival at the airport and ending with departure.

Ground handling providers are mostly single-purpose organizations, focused solely on aircraft handling. Most of them work only at one particular airport, but bigger companies also have representatives all around the world. Chains have one significant advantage; they offer the same quality services everywhere on all of their bases. A lot of clients use them because of that attribute. It is clear that the quality of service is not the highest, but there are no surprises in terms of terrible handling experiences with a new provider. Other businesses,

e.g. restaurant chains, work on the same principle; you simply know what you get.
As a single airport complex operator we do not have this advantage, and therefore, client acquisition is a little bit more problematic. The prospective customer is for us almost anybody who is flying to Prague with his aircraft or who is making a fuel stop there.

Selecting markets in which we should promote our services is then relatively easy. There will be those who fly to Prague most often. The more often they fly there, the higher priority they will have. The second group of customers includes everybody who does not fly to Prague now, but overflies it frequently while needing a fuel stop somewhere in the middle of Europe. These routes usually go from the North American continent to the Middle East. Therefore prospective customers can be found on both sides.

The fact that the handling services are provided by a complex operator very often helps. As you are experienced from your own operations, there is a high probability that you will be providing high-quality services.

What seemed to be a successful move was connecting handling to the OCC promotion in relevant markets, mostly in Europe and the US. The tightly connected marketing of these two services helped with save costs and efficiency (by the image of complexity and experience).
In general, there is just a little you can do while promoting handling services on only one base. If the client does not have any business in Prague, he will not fly there. Also if his fuel stop does not match his planned route, it is not sensible for him to land in Prague. Therefore, ground handling marketing was more or less focused on acquiring clients who were already flying to Prague but using services from our direct competition. As a small plus, it was connected with OCC marketing as a supplementary service.

6.2.4. Charter sales

As in the case of every aircraft, every time it is on the ground, it costs money. Even for very rich people, funds spent on their business jet are substantial. There are three groups of people.

The first group, the richest of the rich, wants to own and use their aeroplane only for friends and family purposes. They simply do not want anyone else to sit in their seats or use their toilet. What is more, they want to have their jet ready any time even when they do not plan any trips at the time. Being part of that group is certainly the most expensive form of owning a jet.

The second group of people owns their private jet as well but is willing to cut the costs by renting it to third parties when they do not need it. Mostly, this is the case of small jet owners, but on the market, there are also large jets available for charter operations.
Finally the third group of people – these are not rich enough to buy a jet, or for any reasons, they do not want to own a jet, but they can and want to use the benefits of business travel.

What a charter sales department does, is sell the available capacity of jets owned by the second group mostly to the third group members. However, the first group members also need to use charter services from time to time, especially when their jet is undergoing one of the major long-term inspections.

The most expensive part of this process is the positioning of available aeroplanes to the point of departure and back. This makes offers from non-local operators almost uncompetitive and therefore charter sales are mostly limited to the area where most of the operated jets are based. In our case, it is the Czech Republic.

Market analysis can be done almost the same way as it was in the case of OCC and therefore, I will not describe the whole process again, but I should mention certain specifics.
We know that the market size in the Czech Republic is about 25,000 people – as described in the chapter about strategies for business aviation, these are dollar billionaires and could be our clients. This is already a significant number, for which we may be able to use more traditional forms of marketing – for example, targeted Google campaigns, and articles about business aviation in selected magazines while not omitting social networks, which are an interesting way to target personal assistants. As mentioned before, private bankers could also be important influencers in this area.

Competition analysis can also be done the same way as it was in the case of OCC. Luckily it is much easier with the domestic market. Competition activities are relatively easily traceable (be it operations or activities in local media), fleet size is publicly known as well as the number of employees and using simple mystery shopping makes it possible to get an idea about the quality of their services and, of course, about price. Positioning is then dependent purely on management wishes, be it expensive and high-quality operator or “low cost” business jet provider.

There is one more possible form of the business model in this field. It is called brokerage and is used by operators, who do not have any (or not enough) business jets available for charter, but they still want to be active in charter sales. Mostly to add one more service to their portfolio and to be able to get substitute aeroplanes for their long-term clients should they need it. It is, however, possible to do it solely for profit – in this case, it will mostly be a supplementary part of the business portfolio. Charter brokerage works on the principle that a client calls the broker with a flight inquiry; the broker then gets price offers from the highest number of operators and offers his client the most suitable one. The department can also work as a “supervisor“or a quality benchmark. This service costs from circa 2 to 15% depending on the flight and can be paid solely by the client, or also by the operator as a brokerage fee. In terms of marketing, charterer and broker can look almost the same for the client. Most of the brokers try to look like standard, high quality and highly experienced operators just to justify the increased price.

6.2.5. Aircraft management

Last but not least, the grandest of them all and the least important service for advertisement is aircraft management. Mostly, it includes all of the services mentioned above but primarily, it consists of all the legal and operational steps needed for aircraft operations. Between them are, for example, communication with the Civil Aviation Authority in order to make the aeroplane legally airworthy, then the crew service, which includes the crew selection process and training and many more.

In the segment of large jets, aircraft management is almost unaffected by advertising as most of the clients are acquired by word-of-mouth. Aircraft management clients are literally from another world, not only do these people have their personal assistants, but they also have personal chefs, drivers and bodyguards. They stay in their own society and the everyday world, as we know it, is somewhere far behind them. As we already mentioned, large business jet acquisition is a highly personal topic hence they are very often directly involved, accompanied by their army of personal assistants, lawyers and so on. It will not happen that you, as a business jet operator, will be contacted because they have seen your nice website or interesting ad in a magazine. They will contact you because their friend from the same social level as they are recommended your services to them or because they know you are serving someone they respect. What follows is a business meeting, although very often the business is done already and you, as an executive, can only rarely influence the final decision as to whether they will or will not use your services – especially if they are a close friend of your present clients.

It may seem that marketing plays no role in aircraft management. This may be highly misleading - it is right, that advertisement would be a little bit odd, but not the service design and appearance of the company. Every single touch your client sees matters. For example, the car in which you arrive at the meeting - it cannot be too expensive because it would look like you are wasting your clients´ money. However, it cannot be too cheap either; because it would seem that the company is not doing well and is financially struggling (therefore saving money even on safety related issues). They are also expecting nothing less than that they will be dealing with the executive director or possibly department directors. Everything they get from the company, such as a quotation, executive summary or promotional materials will have to be on a very high level. Also, the matter of a spotless reputation is true in the case of this service even more than in the case of other services. If there is anything known which goes against your company, they will know it, and it may ruin the business.

Aircraft management is a high-level service, for which basically no market analysis is done as there are just a few clients who might be able to use it. The role of marketing is purely a matter of user experience. One of the most important indicators in this case is the Net promoter score. The promoter from the group formed by the highest level UHNWI is the most valuable asset any company can have.

7.0. Conclusion

Marketing and business aviation are two fields which follow completely different principles other than common sense. How radical it may sound that the primary aim of marketing is not only selling and the main decision-making reason for business aircraft acquisition is not fast and flexible transportation.

The industry follows rules, which might be out of standard marketing principles. To get exact results of the thesis in spite of that fact, I have used internal data of one of the largest Central European business jet operator, together with statistical reports provided by Rolland Vincent, founder of the JETNET iQ and data provided by the National Business Aviation Administration and the General Aviation Manufacturers Association. The data were also consulted with executives of major Czech and Western European operators.

It might be well-known but it is still crucial to mention that business aviation is a world run by image, ego and prestige, which are mostly not compatible with reasonable decisions. Business jet owners hold different values and have different desires than the majority of the population. However, their decision making process is highly influenced by psychological factors, not by facts, as it is in the case of the majority of human beings. Hence, they do not choose their airplane because it fits their factual needs, but because they simply like how it looks, how they feel in it or they are simply fans of the brand. Factual justification comes no sooner than the basic selection is made. Only very rarely can marketing managers of business jet operators influence this process. What they can do, however, is upgrade user experience to completely different levels and turn customers into promoters. In any case, dealing with Ultra High Net worth Individuals requires different methods than in the case of common "mass" services. What is more, complex business aviation operations are not dealing solely with domestic UHNWIs. Their job is to work with dispatchers, chief pilots or UHNWIs´ personal assistants all around the world, providing flight support, ground handling, maintenance, and charter sales services. This requires working with people from South America, as well as from Russia, the United States or Asia, providing them with personalized services which fit their various needs and expectations. Having only one marketing strategy covering the most important service and region would mean struggling in developing all the other services, as their marketing strategies should be very different.

Taking into consideration all the facts discussed in the chapter 3, a company should strive to implement modern forms of marketing. While originally, the very first stage of marketing, Marketing 1.0, was trying the increase sales in the first place, its successor, Marketing 2.0, did its best to retain customers and fulfill their needs. However, still it was not enough and

Marketing 3.0 came on stage, providing not only great products, but changing the behavior of corporations. Its goal was not only customer retention, but also caring about the world we are living in. Not only did it improve products, it also created values and desires, which are so important in the world of business aviation. Due to Marketing 3.0, we became part of the stories which we admired. Finally, Marketing 4.0 was there, driven by unprecedented connectivity and the desire for speed; it made the world more socialized. Advertising as we knew it was no longer so efficient and it was replaced by recommendation and word of mouth. The world started to care more and companies, which could keep pace with modern society, started to play a more and more important role. Unfortunately, most of the companies in the industry are working only with Marketing 1.0. However, the point is not to jump directly to Marketing 4.0, but to try to get as high as possible step by step, mastering every single stage.

In mentioned case studies we have seen that there are also parts of business that marketing cannot manage. These are for example managing expected profit, potential and limitations of company services. This is where business development comes in. Its role is to analyze the internal processes of the company and together with marketing set up strategies which will not only be effective in sales in selected markets, but also sustainable and efficient from the company´s perspective. It should prevent the investment of large sums to services, which (present) profitability is the greatest, but development potential is strictly limited by enormous investments to broaden the capacities. Business development also measures performance of the regions and services selected by marketing. Due to this, we can evaluate which clients give us the greatest lifetime value and which strategies provide the best return on investments. Measuring selected key performance indicators we can evaluate and develop our business model much better than ever before and as it was shown, also save significant financial amounts.

Marketing in combination with business development is able to pinpoint global markets, which are hidden at first sight, but can be great business opportunities. We can also identify markets whose profitability would not be questioned, but their real performance is only average or even poor. We may see that for the Prague base operator, it might be more beneficial to get Flight support clients in South America than in Western Europe, where the company has to face the Eastern Bloc bias. Services, such as aircraft maintenance, which are most profitable today, can have very limited capacity, both in terms of market size and company limitations, due to which it might be irrelevant to invest in their further development.

Based on the results, I believe that maximum marketing and business development formation in business jet operators can significantly improve their performance in comparison with competition worldwide.

Bibliography

A simple way to see productivity from the employee perspective. (2012, 05 08). Retrieved from AdvanTeach: http://www.advanteach.com/articles/status-update-productivity-its-complicated

Bhattacharya, M. (2014). *What are the most important differences between B2C eCommerce and B2B eCommerce?* Retrieved from Quora: https://www.quora.com/What-are-the-most-important-differences-between-B2C-eCommerce-and-B2B-eCommerce

Business Tech. (2014). *How rich is South Africa?* Retrieved from Business Tech: https://businesstech.co.za/news/general/74304/how-rich-is-south-africa/

ČTK. (2017, 10 10). *Počet dolarových milionářů v ČR stoupl o desetinu na 25.400 lidí*. Retrieved from České noviny: http://www.ceskenoviny.cz/zpravy/pocet-dolarovych-milionaru-v-cr-stoupl-o-desetinu-na-25-400-lidi/1536615

Davies, A. (2014). *Top 50 countries by number of business jets registered*. Retrieved from Corporate Jet Investor: https://corporatejetinvestor.com/articles/top-50-countries-number-business-jets-registered-343/

Fadell, T. (2015). *The first secret of great design*. Retrieved from TED Talks: https://www.ted.com/talks/tony_fadell_the_first_secret_of_design_is_noticing

Fox, E. J. (2015). *Here's where people are flying private jets*. Načteno z CNN Money: http://money.cnn.com/2015/03/04/luxury/top-ten-private-jet-routes/index.html

Fripp, G. (2016). *Customer lifetime value – does the average lifetime period make sense?* Retrieved from CLV Calculator: http://www.clv-calculator.com/customer-lifetime-value-does-the-average-lifetime-period-make-sense/

Fripp, G. (2016). *Customer retention rate should increase over time*. Retrieved from CLV Calculator: http://www.clv-calculator.com/customer-retention-rate-should-increase-over-time/

Gallistl, V. (2015, 09 29). *V České republice je přes 200 ultraboháčů*. Retrieved from E15: http://zpravy.e15.cz/byznys/finance-a-bankovnictvi/v-ceske-republice-je-pres-200-ultrabohacu-1231288

General Aviation Manufacturers Association. (2016). *2016 General Aviation Statistical Databook & 2017 Industry Outlook.* Retrieved from GAMA: https://gama.aero/wp-content/uploads/2016-GAMA-Databook_forWeb.pdf

Goler, L., Gale, J., Harrington, B., & Grant, A. (2018). *Why People Really Quit Their Jobs*. Načteno z Harvard Business Review: https://hbr.org/2018/01/why-people-really-quit-their-jobs

Chuanren, C. (2018). *Asia Welcomes Growing Number of Business Aircraft*. Načteno z AIN Online: https://www.ainonline.com/aviation-news/business-aviation/2018-04-16/asia-welcomes-growing-number-business-aircraft

Jara, A. J., Parra, M. C., & Skarmeta, A. F. (2012). Marketing 4.0: A New Value Added to the Marketing through the Internet of Things.

Kotler, P. (1999). *Principles of Marketing.* New Jersey, USA: Prentice Hall Inc.

Kotler, P., Kartajaya, H., & Setiawan, I. (2017). *Marketing 4.0: Moving from Traditional to Digital.* Hoboken, New Jersey, USA: John Wiley and Sons, Inc.

Kurbalija, J. (2016). *Digital Diplomacy in Three Graphs*. Načteno z Diplomacy.edu: https://www.diplomacy.edu/blog/digital-diplomacy-three-graphs

Meloun, M. (2015). *Business Aircraft Acquisitions and Sales.* Prague.

Motwani, J. (2016, 12 28). *Find your why: Applying Sinek's Golden Circle to your career*. Retrieved from Medium: https://medium.com/@JyotiMotwani/find-your-why-applying-sineks-golden-circle-to-your-career-2a4328437f2a

Nice Satmetrix. (2017). *What is Net Promoter?* Retrieved from Net Promoter: https://www.netpromoter.com/know/

Pazourek, M. (2011). *Business Aviation in Europe.* Retrieved from http://pernerscontacts.upce.cz/24_2011/Pazourek.pdf

Reuters. (2014). *Venezuela suspends some private jet flights in security operation*. Načteno z Reuters:

https://www.reuters.com/article/us-venezuela-flights/venezuela-suspends-some-private-jet-flights-in-security-operation-idUSKCN0JB1OF20141127

Sharma, H. (2018). *Key Performance indicators with Examples*. Retrieved from Optimize Smart: https://www.optimizesmart.com/understanding-key-performance-indicators-kpis-just-like-that/

Sinek, S. (2009). *How great leaders inspire action*. Retrieved from TED Talks: https://www.ted.com/talks/simon_sinek_how_great_leaders_inspire_action

The Business Plan Shop. (2018). *How to do a market analysis for a business plan*. Retrieved 2018, from The Business Plan Shop: https://www.thebusinessplanshop.com/blog/en/entry/market_analysis_for_business_plan

Trout, J., & Ries, A. (2001). *Positioning.* New York: McGraw-Hill.

UK India Business Council. (2018). *BUSINESS CULTURE IN INDIA*. Retrieved from UK India Business Council: https://www.ukibc.com/india-guide/how-india/business-culture/

Vincent, R. (2017). *Business Aviation Market Overview - October 2017*. Retrieved from AVBuyer: https://www.avbuyer.com/articles/market-insight/business-aviation-market-overview-october-2017-111985