

A former investment banker finds plenty of challenges in providing private-charter air trips

# Getting airborne



PHOTOS BY CHARLES ECKERT

The company's latest campaign is a seaplane that flies from the East River to the Hamptons or other vacation spots.

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Andrew Zarrow has always been the one to help other companies get off the ground.

Now, it's his turn.

After 12 years as an investment banker and venture capitalist, helping more than 100 executives to build their businesses, Zarrow decided to try his hand at being the small business owner.

But there's nothing small about the industry he chose: the world of private charter jets.

"It's a different level when it's your baby and your company," said Zarrow, 35. "There's a lot more emotion attached to it. It's higher highs and lower lows."

Zarrow and his partner, Scott Ziegler, started a Manhattan company called V1 Jets, which connects customers who want to fly via private jet to the plane owners themselves through online auctions. The reverse auction allows jet owners to bid on a customer's proposed flight, in a cross between Priceline and eBay, but in a far more luxurious, high-priced and selective setting.

It is a world far different from what the average traveler knows — with catered meals, plenty of space to stretch out and no security gate lines or runway waits. Oh, and then there's the cost — anywhere from \$2,000 to more than \$10,000 an hour.

But Zarrow and Ziegler are dealing with the same worries of most other small business owners: They're trying to add customers while pleasing old ones, maintain a careful eye over their employees while learning to delegate, and, of course, make enough money to pay the bills.

V1 Jets' challenges don't stop there. It's joining an industry where even the largest players are facing huge financial hurdles, and everyone is dealing with fuel cost increases and other economic ups and downs. The \$2 billion private aviation sector still is young — and doesn't



V1 Jets co-founder Andrew Zarrow, left, and chief executive Christian Withseidelin at pier where their seaplane takes off.

have all the kinks worked out yet.

"It's really just a fancy hobby, its not really an industry yet," said Adam Webster of Montreal who runs a private aviation directory called RSVPair and an aviation marketing company called AirWebster. "It's still in its infancy."

The private aviation industry also is incredibly fragmented, with a slew of players vying for a fairly thin slice of pie.

"It's hard in a given moment to articulate why we're different and not come across as just another jet company," Zarrow said. Zarrow and Ziegler started V1 Jets two years ago, but only began really publicizing it recently.

Their newest marketing gimmick: a seaplane that's transporting the well-to-do to the Hamptons, or other vacation spots, from an East River pier off 23rd Street. Take the plane, avoid the traffic, and get some goodies with V1's logo — and a pitch to use a new charter jet company.

But there's still plenty of competition.

"There are a million guys doing this and they're doing it on everything from index cards to fairly sophisticated automation platforms," said Robert Mann, a Port Washington aviation consultant.

Some, such as the well-known Netjets, owned by Warren Buffett's Berkshire Hathaway, offer fractional ownership in a jet, where clients buy shares that give them flying time. Others offer a card that gives holders flight hours.

Then there are charter brokers, such as V1 Jets.

"It's just like any other marketplace; you still have to build the business one customer at a time," said Nate McKelvey, the president and chief executive of CharterAuction, which offers an auction model with guaranteed maximum rates. "It's not like the customers just magically come in and you become a millionaire. It doesn't happen that way."

For now, V1 Jets is hoping to be one of a customer's options, said chief executive and president Christian Withseidelin, who joined V1 Jets in May. Executives said they then hope to deliver great service, so customers who try their business will come back.

But that's particularly challenging as the company — like any small business — starts to grow, Zarrow noted.

"We were very hands-on," at the start, Zarrow said. "Now, you have to let go. You have to train people the right way."

The company makes money off of 3 percent to 5 percent commissions on each flight. Profits also come from using a jet in the middle of a booked trip, for example, if a customer flies to Miami for 10 days, and the jet is used for a different customer in the interim.

While there seems to be room for everyone now, industry analysts expect consolidation. That's particularly true among charter brokers — the middlemen like V1 Jets and CharterAuction — because many clients might choose to compare quotes and book directly themselves. Said Mann: "All these folks who sit in the middle as brokers, arrangers

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# Getting a business airborne

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and fixers are not going to have a home."

That's especially true in an industry like aviation, where costs are high. Fuel is even more expensive for private jets than it is for commercial planes — as much as \$4 a gallon now.

But Zarrow said that won't stop his customers. "If it's \$25,000 or \$35,000 [per flight], they'll still fly," he said.

V1 Jets customers said they'll pay to have someone arrange the right plane at the right time.

"They jump through hoops to find me planes," said Los Angeles resident Shawn Hughes, business manager for real estate developer Diamante Del Mar.

Hughes must arrange flights for executives, clients, professional ath-



PHOTO BY CHARLES ECKERT

**Capt. Glen Siwarski prepares to land a V1 Jets seaplane in the East River.**

letes and, once, even hockey's Stanley Cup. Using a company such as V1 Jets, she said, makes the process easier and, often, less expensive.

It's a big contrast, she noted, with the commercial flights she takes for personal trips, such as one to Turkey this month.

"We were stuck on the runway for two hours and they lost my luggage on the way there," Hughes said. "Whenever you're on the [private] jets, there's food catered, there's music and you can dance around the plane a little bit. You get treated like a princess."

There's talk of trying to broaden private aviation to accommodate more passengers. Jets that now fly as few as 150 hours per year would have to fly a lot more to make the flights cheaper, Mann said.

V1 Jets executives say they're focusing on their niche customer, not a broader market. They plan to expand by managing and operating aircraft.

"Everything is building," Withseidelin said. "It's business all day and all night. It's a blast."

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