

QUESTIONS FROM THE GALLERY



During the last few weeks I have received several phone calls from buyers and sellers of aircraft. They have asked a range of questions I thought I would incorporate into this month's article. In this fast changing market environ-

ment, it always seems that everyone moves more cautiously and with greater forethought. The direction of the questions points to that "caution in the wind."

"How do aircraft professionals track comparables?"

Unlike the real estate business which is one of the most comparable businesses to ours, there is no real recordation repository to place the information of sales transaction. The FAA is not obligated to collect transaction amounts. They only track change in ownership and then record current registrations. This really leaves a gap in the information highway.

Sellers often say they received more money, buyers often say they paid less. I must say this is very confusing. For someone just approaching this market as a seller, without an aircraft sales professional at their side, the only information that is readily available are asking prices. This can be very misleading. A closer look at available aircraft will show that some have been on the market for two years or more.

So how do you come into a market and define your own space? Most of us in the business track through our own long standing relationships with the dealer/broker community the actual comings and goings of the sales prices. If you are in the market actively communicating within the segments, it does not take long to build a very clear picture of the market values. The traditional valuation guides often lag behind in what the real picture of the market is. As I have mentioned in earlier articles, given the weakness of today's market, many additional equipment modifications do not

enhance the bottom line. One must carefully build a value add comparable chart.

"What is the difference between a Dealer and a Broker?"

In the strictest sense a dealer is one that stocks inventory, rather than just representing an aircraft for sale or a buyer in the marketplace. It gets a little cloudier when you see some aircraft dealers doing both. The main goal of the dealer is to develop relationships with owners and be there when the owner decides to sell. The dealer's profits come from the purchase of the aircraft at some number behind retail and then again in the remarketing process to an end user for a price higher than what the dealer paid for the aircraft. Not such a simple task in this market. I am not really sure there is a defined retail and wholesale today. The focus of the dealer is knowing how well to calculate in buying.

The broker has a very different sale to make in part. It is much more of a conceptual sale. The broker has to convince the seller of his or her unique services as well as the successful ability to go into the market and create attention and interest to the listed aircraft.

Ultimately the sale of the aircraft is the goal, but the broker has another sale to make and that is to the seller for the listing. In the case of the broker representing the buyer, there are also two sales to make. The broker must first sell the buyer on the idea that his or her market intelligence is worth being hired on an exclusive basis.

Both types of professionals are effective and provide great value to the industry. Usually the seller makes a choice about the type of professional based on the need or motivation to move (more or less quickly) out of the current aircraft. The dealer can act immediately to purchase albeit at a lower number than the broker who will market the aircraft at a higher number and then be compensated with a fee.

"Is there an industry norm for a broker's fee?"

The quick answer is no. Fees vary and are based on many factors. If you are shopping for a broker, obviously the cost

is an important factor. Be very careful that this is not the only question you ask when you poll the community. There are many more important questions. A broker for one type of transaction may not be the best for another type.

I think the most important questions should center around the broker's skill factors in the area the clients are selling into. The recent activity that the broker has had in that area, the ability for the broker to get the word out quickly and correctly are critical features to consider. Look at the web page of the broker, look at the ads they are running, and ask about the full scope of the representation.

Will the broker manage the project from his or her desk, or will they be onsite for demonstrations? Will there be representation for your aircraft at the pre-buy? These are the most important questions to ask. This is a complicated landscape today in the aircraft market. One must make careful choices based on many factors and not just price.

"Should I expect the broker to contribute financially to the corrective action needed on my plane to close the sale?"

This is a question that I hear often. The answer is no. The aircraft professional should be counted on for many things in the sale of the aircraft. They should advertise, communicate and send out photos and information packages. They should be on-site for demos. They should have a representative at the pre-buy, but they are not the ones who should contribute their commission to make a deal happen. In this weak environment when sellers are getting far less than they had hoped for in the sale of their aircraft, it often seems the straw that breaks the camel's back is a bill for corrective action. It is for things the seller could not imagine would be wrong with his or her perfect plane. It is unfortunate, but this is a part of selling that is the seller's responsibility.

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