



INTERNATIONAL BUSINESS

Private-Jet Airline Bets on a Thrifty Streak in the Rich

By NICOLA CLARK FEB. 26, 2014

PARIS — Alexandre Azoulay would like to tell you something about the rich today: They aren't so different from you and me.

The wealthy clients ferried around Europe on Mr. Azoulay's private-jet airline, Wijet, are more likely to request a Starbucks on board than a glass of Dom Pérignon. They dress in Zara rather than Dior. And they arrive at the airport in a car reserved through Uber instead of a chauffeured limousine.

"The codes have changed since the crisis," when private jets became a symbol of excess, said Mr. Azoulay, president and co-founder of Wijet. "We're in a phase I call 'Luxury 2.0,' where people look at value and pleasure as a joint proposition."

It's all relative, of course. Wijet, a small start-up that began in 2009, charges per hour what most people would find expensive for a round-trip trans-Atlantic fare. But just as budget carriers like Ryanair and EasyJet made Spanish beach holidays and weekends in Prague affordable to Europe's working class by slashing operating costs, Wijet has set out to democratize air travel at the high end.

By offering private flights for a fixed hourly price of 2,200 euros, or roughly \$3,000 — far less than the €4,000 or more that competitors charge — Wijet is betting that what it gives up in exclusivity it can eventually make up with higher traffic volume.

"It's about opening up the industry to more people," Mr. Azoulay said.

While one-percenters in much of the world have continued to spend freely through the global downturn, in Europe recession and austerity have eaten into the fattest wallets. Luxury spending in the region grew at just 2 percent in 2013, according to an estimate by Bain & Company, half the pace seen in the Americas and China, and far behind the double-digit growth in emerging markets like Southeast Asia.

The trend has left many European companies that have relied on an affluent clientele struggling to adjust their offerings to respond to these new pragmatic mores. But where many of its rivals — including Air Partner of Britain and VistaJet of Switzerland — might see an existential crisis, Wijet, based in Paris, sees opportunity in catering to a more cost-conscious jet set.

Wijet, which has charged budget-luxury fares since it started, has only five planes, with plans to grow to eight by the end of this year. It has flown more than 12,000 passengers on 4,000 flights. By comparison, VistaJet has 40 jets in its fleet and it carried 27,000 passengers on 11,000 flights in 2013 alone.

They and dozens of rivals are fighting for what remains an exclusive slice of European air transport. Private aviation makes up just over 7 percent of overall departures. And the sector is still trying to regain its footing.

The industry suffered after the global financial crisis that began in 2008 and was compounded in Europe by the sovereign debt crisis and recession. Private jet traffic, which fell by 15 percent in 2009, has been recovering slowly but has yet to return to precrisis levels. Hourly flight rates have also begun to creep higher, though they remain well below those of the boom years of the mid-2000s. Stubbornly high oil prices, airport fees and carbon taxes raised operating costs, squeezed profit margins and forced many private-jet companies into bankruptcy.

When Wijet carried its first passengers in 2009, it hardly seemed like the best moment to start a cut-price private-jet airline. But the misfortune of others allowed Mr. Azoulay to buy planes on the cheap. And he was eager to exploit what he saw as an unnecessarily complex and opaque sector burdened by layers of intermediaries and hidden extra charges.

“The private jet market is such a black box,” Mr. Azoulay, 41, said in a recent interview in Wijet’s offices near the Champs-Élysées. “I know of no other

luxury business where you have so much inefficiency. It's not normal."

He compares the experience of booking a private jet to shopping in a high-end clothing store. "There are no price tags, there is no standard size and the sales guy is already looking to take a 50 percent commission," he said. "It's bad."

With M.B.A.s from Harvard and the prestigious French business school HEC, Mr. Azoulay is a peripatetic entrepreneur whose ventures have spanned three continents and include manufacturing, solar energy and dry cleaning. The idea for Wijet, he said, came from years of spending countless hours flying commercial to reach meetings in remote corners of Europe.

"I was wondering why in especially Europe, which is so dense, there was no affordable, transparent offer for point-to-point private aviation," he said.

He began sounding out investors in 2008. After several years of losses, the airline broke even in 2013 on annual revenues of around €5 million, he said. Wijet expects to turn a healthy profit this year, helped by a new partnership with Air France-KLM that will soon offer on-demand connections for the French-Dutch carrier's first-class passengers.

Wijet's proposition differs from most private-jet charter companies in that its fixed hourly rate is all-inclusive, covering fuel charges, management fees, catering and airport taxes, which otherwise can range from €30 to €1,000 per flight, depending on the airport. Wijet flights are also reserved online, bypassing brokers who can negotiate rates on behalf of passengers and charge hefty commissions based on the final price.

It also avoids the risks associated with so-called fractional ownership, which obliges travelers to buy a fixed number of flight hours each year, whether or not they use them. The cheapest prepaid "card" at NetJets Europe, a unit of the American company owned by Berkshire Hathaway, for example, is around €140,000 for 25 hours of flying — or €5,600 per hour before fuel, airport and other fees.

Following the playbooks of commercial low-cost carriers, Mr. Azoulay has sought to strip out as much cost as possible from Wijet's operations while still providing a high level of safety and comfort to clients that include leading European executives, soccer stars, families and small groups on a once-in-a-lifetime splurge.

“We didn’t set our price looking at the competition,” Mr. Azoulay said. “We looked at our costs, and we chose to go to the bottom directly.”

The savings begin with Wijet’s fleet — five Cessna Citation Mustang 510 jets — bought during the financial crisis for about 30 percent off their \$3.3 million list price each. With just four seats, fuel-sipping Mustangs are more snug than the Learjets, Gulfstreams and Falcons typically offered by larger competitors.

Most private flights in Europe involve fewer than four passengers, however, and Wijet’s main base at Le Bourget, outside Paris, is within a three-hour direct flight from 90 percent of the Continent.

“A lot of private clients are hiring more plane than they really need,” Mr. Azoulay said.

Sticking with a single jet type, he added, makes costs like fuel consumption, landing fees and maintenance easier to predict.

Mr. Azoulay also zeroed in on ways to save labor — a high cost for any airline, but especially so in France, where businesses can face charges of more than 50 percent on top of their payrolls to help finance the country’s social welfare system.

Wijet employs just 22 people — 13 of them pilots — and its back office is entirely digital. Passengers book online or through a mobile app. Software, developed by Wijet’s chief executive, Corentin Denoëud, uses Wijet’s booking data to allocate crews, budget fuel and schedule maintenance.

“Our airline is basically managed by an algorithm,” Mr. Azoulay said, as he scrolled through a flight schedule on his iPhone.

The only area where Mr. Azoulay said Wijet had declined to scrimp was safety and passenger comfort. “Everything that is low-cost is behind the curtain,” he said.

Wijet’s lounges are sparse but elegant, and its flights are not lavishly catered. The galleys are well stocked with an assortment of delicacies like Belgian chocolates, fresh French macarons and Starbucks coffees, and extras like satellite phones and iPads are included in the fixed hourly fare. A bottle of chilled Champagne is included, although it is served by the co-pilot.

With revenue growth of more than 40 percent last year, and a roster of more than 500 corporate clients, Wijet’s decision to position itself at the low

end of the market appears to be paying off.

Alexandre de Juniac, Air France-KLM's chief executive, was impressed enough to seek an exclusive revenue-sharing partnership with Wijet that he hoped would lure premium passengers from Lufthansa, which offers a similar European charter service with NetJets.

Mr. Azoulay said Wijet was well suited to today's austere economic times.

"People are not going to be willing to pay a premium to fly private anymore," he said. "I think that's done. There's no way back."

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