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**business**

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## A Stitch In Time Leasing Luxury

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There is something slightly unnerving about going from a standstill to 60 miles an hour in just a blink over four seconds, but that's precisely what happens as soon as your foot pushes down on the accelerator of the Ferrari 360 F1 Modena, a muscular, bright red, \$175,000 vehicle that virtually roars as you are pushed to the back of the supple tan leather by the force of gravity and the muscle of a 400 horsepower V8 engine. This car is outfitted with an automatic transmission and a manual transmission for those wanting to stay more in touch with the driving experience, so the troublesome need to pay attention to shifting is taken care of for you. In fact, the entire experience is quite effortless in this case, since the car—buffed, shining, spotless, and with a full tank—has been delivered to your doorstep for you to use for a day, a weekend, or longer: all the comfort and exhilaration of exotic car ownership with none of the expense and concern.



How so? This car is part of a fleet of The Otto Club, a relatively new Massachusetts concern whose business it is to fulfill the driving fantasies of a discerning clientele with a longing for the finest automobiles but without the desire to actually own them. For members of The Otto Club, using—not owning—is the operative concept, something they have coined the “exotic car-share.”

In fact, the idea of leasing luxury goods has grown more popular as those who might otherwise have the financial wherewithal to purchase top items outright opt instead to merely lease these things, choosing to have the benefit of use without the full financial commitment and responsibility that, say, buying a Ferrari, a second home in Aspen, a Louis Vuitton handbag, or a private jet can entail. Also driving this trend is a cultural pattern which Gilles Lipovetsky, in his recent book *Hypermodern Times*, (Polity Press, 2005), called “hyperconsumption,” the change in the behavior of affluent consumers as they make luxury purchases, not as a way to publicly trumpet their wealth (the concept of Thorsten Veblen’s “conspicuous consumption”), but for feel-good effect that such purchases bring to a buyer as a personal, self-indulgent experience. These little lifestyle “rewards” range from the over-the-top experience to some slightly more grounded in reality. At the extreme end of

the leasing option is that offered by Barton & Gray Mariners Club, a Boston-based firm whose clients enjoy fractional ownership of an envy-inspiring fleet of fully-crewed 36-, 44-, and 55-foot boats, for use between six and twenty days annually (for a membership fee of between \$15,000 and \$60,000), with all maintenance, insurance, and normal ownership headaches skillfully taken care of. A more restrained - although slightly delicious - indulgence is offered by the online operation of Bag Borrow or Steal, a Seattle-based company that allows members, for as little as ten dollars monthly, to borrow designer handbags (Fendi, Gucci, Jimmy Choo, and Prada among them) and have them delivered by mail to users' doors.

In the case of leasing luxury automobiles, as with other expensive, high-end items, it's not only the experience; it's also a matter of practicality. "While typical exotic car owners put less than 2,000 miles on their cars annually," says John Caron, president and founder of The Otto Club in Andover, Massachusetts, "they are still responsible for taxes, maintenance, garaging, insurance, depreciation, and a significant initial cash outlay. The Otto Club provides its members (currently 15) with access, thereby avoiding the hassles of traditional ownership. They simply enjoy the driving experience." One thing that the affluent prize is convenience; the other thing they seek is ways of indulging themselves while leaving the planning and details to others. Leasing helps do just that.

Caron has marketed the club quietly, building enough of a customer base to pay for the costs of owning, and maintaining, a fleet of the world's most luxurious cars, and balancing that demand with enough vehicles to insure that one is available whenever a member decides to take off for a weekend drive to, say, Cape Cod or the Hamptons. He also subtly introduced The Otto Club concept into communities where likely prospects for the three club membership levels (\$9,500, \$18,000, or \$28,000, respectively, depending on hours of driving) would live, including the firm's recent involvement with Weston resident Susan Strachan, founder of the MS Fund Cure. The Otto Club was a corporate sponsor of the MS Cure Classic, held at the Oyster Harbors Club in Osterville to benefit the charity.



A ride in a Maserati for the weekend is one memorable getaway; for those wishing to go further—to Aspen for skiing, to South Beach for sun, or to Vegas for sin—a car isn't the logical choice. Businesspeople, celebrities, athletes, and high rollers are finding an alternative when they have to fly, instead of drive, to their destination, and want to avoid the lines, security checks, unreliability, and crowds on commercial flights. The solution for them has been jet leasing, an industry that has seen explosive growth as a number of financial packages have been crafted to provide seamless, cost-efficient, and

enjoyable ways of having luxurious private jets as your disposal.

Marquis Jet, for example, a company whose founder and current marketing chief attended Babson College in Wellesley, has pioneered and simplified the jet leasing concept with their innovative Marquis Jet Card, a private jet "debit card" offering cardholders 25 hours of flight time, with no monthly fees, insurance, storage costs, or pilot salaries. The cost of the 25-

hour increments ranges from \$109,900 for a seven-passenger private jet, to \$299,900 for a sleek 13-passenger Gulfstream.

Wellesley resident and Marquis Jet executive Jeff Dziama pointed out the prepaid card model for leasing luxury private aircraft has increasingly made sense to individuals who look for “a range of first-class aircraft, ease-of-use and accessibility to a modern fleet, and no hassles, inconveniences, or delays that one expects from commercial air travel, especially since 9/11 and increasing security concerns.” Dziama has also crafted some interesting co-branding partnerships with Marquis and such retailers as Zegna, resorts and real estate companies such as Sea Island in Georgia, and even ResidenSea, the world’s only private-residential community at sea, that is a cruise ship with cabins owned by individual investors (Marquis Jet Card holders are offered a complimentary three-night stay in a two-bedroom unit as a fringe benefit of membership).

That Marquis and other jet-leasing companies are making strategic alliances with high-end real estate properties is no surprise, given the natural affinity of both to the affluent seeking easy access to destinations and plush surroundings once they arrive. The real estate version of leasing, what has come to be called “destination clubs,” provides the same flexibility, practicality, and choice of high-end product as the private jet and luxury auto memberships, and for the same reasons.

“A twist on the classic time-share model,” wrote Milton Pedraza and Eric Bonabeau in a Harvard Business Review article on luxury consumer behavior, “destination clubs . . . acquire luxury properties using the pooled contributions of their members and let members live in them for up to 60 days a year.”

Still, say Pedraza and Bonabeau, “the economics make sense on both sides. Members avoid the hassles of ownership, but most important, they gain variety—and the opportunity to own a home in Paris and London and Rio—freeing them up to spend summers in a different spot each year.”

One leader in the “residence club” or “destination club” space is Exclusive Resorts, with a portfolio of 300 vacation residences in 35 destinations available to its 2000 members, valued in excess of \$750 million. Once you’ve ponied up a partially-refundable membership fee ranging from \$195,000 to \$395,000, depending on the number of vacation days chosen—and agreed to pay annual dues (from \$9,500-\$25,000)—you literally have a world of choices of where to stay on your next vacation: Exclusive Resort’s members have to make the difficult choice of staying at Anguilla, Maui, St-Tropez, Turks and Caicos, Vail and Beaver Creek, Canouan Island in The Grenadines, Florence, Tuscany, and others.



The financial appeal of the residence club is similar to that for the individual deciding about private jet or luxury automobile use. Often likened to joining a country club (with its entry fee and annual dues), the residence club has the added advantage of offering “clubhouses” around the world. Outright ownership of a \$3 million vacation property (which is about the average value of an Exclusive Resort home) is of course what most people would choose. But with it come the troublesome details that full ownership of any valuable asset—house, plane, or car—can bring: no shared maintenance and upkeep; the impracticality of total ownership for what can end up being just a few days of annual use; the lack of variety that comes from buying one thing and not therefore being able to experience others; and, most importantly, the reality that while many can’t afford to purchase a private jet, exotic car, or high-end second home themselves, there is a definite attraction and value

proposition in being able to use them as your own, at entry costs significantly lower than outright purchases would require.

The fact that Marquis Jet is one of several strategic partners of Exclusive Resorts—offering members complimentary stays and other value-added benefits—shows that folks who want the pleasure of access to these toys and amenities, and who have done the math, have come to the same satisfying conclusion: it may well be, as the bumper sticker maxim exclaimed, that “he who dies with the most toys, wins,” but if you can get to play with them along the way, even if you didn’t own them, it doesn’t really matter in the final analysis.

## **The Vital Stats**

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