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PROFITS AT 30,000 FEET

Kenny Dichter pilots the crew at Marquis Jet

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HOWIE SONNENSCHIN

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Kenny Dichter was born an entrepreneur: He sold newspapers as a kid, started an on-campus retail specialty store as a college student, and created a sports-themed CD business when he was in his twenties. When he was 33, he came up with the novel idea of creating a “jet card” to sell flight time on private jets. The end result: Marquis Jets, a company that started with a \$6 million investment and is now generating in excess of \$300 million in revenues. His recipe for success: creative thinking, developing fantastic business connections, and that old won’t-take-no-for-an-answer pluckiness.

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A man in a dark suit, light blue shirt, and dark tie stands with his arms crossed in front of a white private jet. The jet has several oval windows and a large engine nacelle. The background is a hangar.

KENNY AND THE JETS

With his idea of selling flight time on private planes, Kenny Dichter and his team zoomed up, up and away — and in four short years became a small business mega-success story. Here's how he did it.

Photos by Howie Sonnenschein



Ever since his first paper route, 37-year-old Kenny Dichter has considered himself an entrepreneur. Back at the University of Wisconsin at Madison, Dichter owned an on-campus retail specialty store called Bucky's and co-created Late Night With the Badgers, a pep rally show hosted by sports personality Dick Vitale. In 1995, Dichter and his partner, Jesse Itzler, founded Alphabet City, a company that produced and distributed CD compilations of sports-related music. SFX Entertainment, a huge concert promoter and venue operator, bought Alphabet City in 1998, bringing Dichter and Itzler in to work with Bob Sillerman, SFX's CEO. It was while working with Sillerman — an early mentor who taught them the concept of “thinking big” — and traveling on private jets for company events that they came up with the idea for Marquis Jets. The idea was to sell customers flight time on private jets in 25-hour increments, which could be cashed in on personal “jet cards” for up to a year. By partnering with NetJets (a company owned by Warren Buffett's Berkshire Hathaway) after forming Marquis, Dichter and Itzler were able to turn a \$6 million investment into a company generating \$300 million worth of sales in less than five years. Recently, Dichter talked with *Report* editor Robert Levin about his company's steep and wonderful climb into the wild blue yonder.

THE ABC'S OF BEING AN ENTREPRENEUR

RL: What does it take to be a great entrepreneur?

DICHTER: I think being an entrepreneur is about getting off the mat more times than you get dropped on the mat. You've got to stay focused and deal with rejection, and then when you have a good bet, press it. We've had a lot of things that have worked and a lot of ideas that haven't, and we pressed the ones that worked.

Partnering is a big part of it, too. At Marquis, we're partnered up in a very arm-in-arm way with NetJets, which is a Warren Buffett/Berkshire Hathaway Company. Before that we were lucky enough to find Bob Sillerman, who bought our last company, who's a tremendous entrepreneur who got us involved in his new venture called SFX Entertainment.

So we have Warren Buffett now and Rich Santulli, who operates the NetJets brand, behind us, so it's great. If you can get the right people supporting you and behind you on the good ones, really,

the sky's the limit. We hope that this venture will be a billion-dollar company one day.

GETTING MARQUIS OFF THE RUNWAY

RL: How did owning Alphabet City lead you to start Marquis?

DICHTER: Actually, my current partner, Jesse Itzler, and I formed Alphabet City in 1995. I was working in the apparel business and he was in the music business and we put the two together and it became a sports music and marketing firm that we really began officially in '96. Two years later Sillerman heard about what we were working on, and after three or four meetings, he decided Jesse and I were the kind of guys that he wanted in his organization, SFX Entertainment. So we sold him the business, and his business eventually sold for \$4.4 billion to Clear Channel. The money that we got from the SFX-Alphabet City deal was the seed capital for Marquis. In addition, we now had the credibility that that we needed to get it going.

RL: How did you make the connection with NetJets?

DICHTER: Well, we had met Jim Jacobs, the vice chair of NetJets, when we were working at SFX, so we were able to set up a meeting with him and Rich Santulli, the chairman. And then the battle to convince them began. Finally, in February 2001, after a series of five or six meetings over six months — it was always “no, no, no, no, no” to this Marquis concept — Santulli and Jacobs gave us the opportunity. Santulli later told us that our aggressive, not-taking-no-for-an-answer attitude reminded him of himself when he was starting out. We all shook hands and they said, if you guys raise some dough and you put some of your own money in, then we would support this business and we'll help you guys get it going. Jesse and I put in a million bucks from some of the SFX deal, and we raised an additional 5 million on top of that. A hedge fund guy for 250, a banker for 100. Out of their personal money. We didn't go to venture funds.

RL: So 6 million...

DICHTER: Six million was all it took, and on a \$6 million base, we built this business. So there you go.

RL: Where did the idea come from?

DICHTER: When we were at SFX between 1998 and 2000 we got exposed to private aviation through guys like sports agent David Falk and Michael Jordan, who were zipping around on private jet planes. Jesse and I would tag along on these flights, and after about five or six of these cross-country private flights I looked at Jesse and I said, “I think we're in the wrong business.” He goes, “What are you talking about?” I said, “This is the right business. This is the drug.”

Part of the appeal in the idea was the business efficiencies that we saw in private jet travel. The no hassle, no airport — all the things that you have to do when you travel commercially are taken out of the equation, and I just thought, if there was a way that we could bring this equation to a larger customer base, with the backing of NetJets, the best private aviation firm in the world, then we would have a home run.

And then all the stars lined up. It was in the summer of 2000 when we conceived it. February '01 we get the OK from NetJets to begin looking at this thing in a serious way and in June '01 we were set up and put the first check in. So it was really quick.

It's also a very expensive game to get into because you have to

have infrastructure and airplanes and all this other stuff. We figured if we got in with NetJets, it would be very tough for two guys in a garage with a good idea to compete with us since we had the biggest guy in the business on our team.

RL: Did you have to get NetJets to make this work?

DICHTER: We wouldn't have done this business if we didn't get NetJets to do it with us. There were a lot of... I call it charter operators or, you know, sort of fly-by-night stuff around. I think if we didn't get NetJets we would not have gone into this business.

RL: Other than flying back and forth on these flights with SFX, did you have any experience in the business?

DICHTER: In aviation? No, just as a passenger.

ONE GREAT BUSINESS BEGETS ANOTHER

RL: How did you wind up convincing NetJets?

DICHTER: The reason that NetJets signed up with us was because they felt we could get to the young, high-net-worth folks, starting with sports and entertainment, that everybody in the world knew, who were beginning to experiment with private aviation. The important part of our pitch to them was that we could go knock down the young high flyers, and we did.

RL: To what extent is NetJets a competitor?

DICHTER: They're not at all. Our trade really begins for people who want to purchase between 25 and 50 hours of flying time. Their fractional ownership begins when someone wants to use 50 hours or more. (Editor's note: Fractional ownership means

that someone actually buys a percentage of the plane, as opposed to just purchasing air time with the Marquis Jet card; NetJets is the leading fractional ownership enterprise.) We're surely a great way for people to test the waters with NetJets. A lot of individuals making 2 million-plus a year who may not be able to afford the fractional trade could afford a Marquis Jet Card.

NetJets has the best and the safest and the most established service, and the more I learn — and I learn every day about aviation — the happier I am that we're partnered with them. We could sleep at night because we're with NetJets.

And our 2,000 owners could sleep at night. You know, this is like choosing a doctor. You want to make sure that you choose the right provider here because there is no margin for error.

SIZING UP THE OPPORTUNITY

RL: Did you do any type of research to gauge what the demand was?

DICHTER: Yep. A lot of it was just kind of asking around. And then we did a study on how big the market was and what we thought we could do. As an entrepreneur, you can't just go all gut, you have to do some research and really know what you're talking about in the space, and we definitely covered that base before we got into discussions with the NetJets about partnering with us.

FINDING THE RIGHT EMPLOYEES

DICHTER: We made a very good decision early in our devel-

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opment when we realized that we had the yes from NetJets. We realized we had to make an investment in executive talent.

We hired three or four people that were definitely ahead of where we were in business. We asked a couple of investors to come in full-time. Bill Allard, who's our chairman, was an executive that we met at SFX that was Harvard Business School-polished. We hired Ken Austin, from Seagram's, as our chief of marketing, and Carl Thorsberg, our CFO, followed.

So we had a seasoned executive team around a very entrepreneurial-spirited group, and I think when you put those two kinds of groups together, you can get amazing results.

MARKETING MAGIC

RL: How do you market Marquis?

DICHTER: We do a lot of traditional advertising, targeting high-net-worth clientele through *The Wall Street Journal*. We also partnered with companies like Exclusive Resorts, Avis, Merrill Lynch. I think the mere fact that these established, tried-and-true big companies would partner with upstart Marquis Jets gave us tremendous, tremendous market credibility. I give a lot of credit to Kenny Austin for making those deals happen — he did some amazing stuff.

Now Jesse and I, we have our special magic coming from sports and entertainment. We were able to get on "The Apprentice" on the first season. The task on the show was for the team to create an advertisement for Marquis Jets. We were able to give the card to this year's winner of "American Idol," Carrie Underwood — with 30 million people watching. In addition we've done a tremendous job getting the logo out there on the hats and the sweatshirts and the things that you need to do, you know, so the stuff shows up on "Entertainment Tonight" and shows up on the people that are the influencers.

So it has been a combination of traditional advertising, marketing partnerships, product placement in television and movies. I think all you need is a few hits like that and all of a sudden people don't even remember where they saw you, but they know they've heard of you. The other thing is we have a tremendous word-of-mouth business because our service levels are the best in the business. And I know when our sales reps are invited to clients' birthday parties and bar mitzvahs and confirmations and all this other stuff, that they're doing a good job.

RL: Regarding the partnerships with companies like Ermenegildo Zegna and The Ritz-Carlton, are those trade deals where they're marketing you and you're marketing them?



LESSONS LEARNED

Power In Partnerships. By partnering with NetJets, the best in the business, they created huge barriers to competition.

Make a Mentor Your Magnifying Glass. Find mentors who are bigger than you. Watch, look and listen.

Do Your Homework. Their gut told them that the idea was a great business concept, but before approaching NetJets, Dichter and Itzler hired a research firm to get as much information as possible on the demand for private air travel.

Make Your Employees Feel Like Superstars. Many of Marquis's clients are entertainers and professional athletes. Marquis treats its staff like rock stars so they in turn will treat clients the same way.

private jet travel, there's a billion-dollar-a-year business. It's one of the things we stay focused on: continuing to drive and drive and drive the business.

FLYING HIGH

DICHTER: Culturally, we're also a really good place to work. We make our staff feel like rock stars, because if they feel like rock stars, they're going to perform like rock stars. We have programs and events that make these guys feel great, from our annual sales retreat in Anguilla to special sales events. We have different speakers come in and speak to the office. And we just went out and purchased a place in upstate New York called the Marquis Estate, just for support people to use on the weekends. We order lunch in a couple of times a week. Manicures and pedicures every couple of weeks.

It takes more work to keep the people that work here happy than it does to make the owners happy. You've got to think about the world through how they see it. I always say to Jesse, I never forget what it's like to live paycheck to paycheck.

DICHTER: Yes. In those deals I think they seek out Marquis Jet because we're the number one player in the space and I think it gives them a tremendous amount of credibility with their clients that they're going to partner with us. Zegna, for example, gives every one of our new owners a \$1,500 credit for a new suit. They want Marquis owners in their store.

RL: I would imagine all sorts of companies are trying to get things placed into the planes.

DICHTER: We're very careful — we get bombarded.

We really set the plane up for the owner as they want it. If they're a Coca-Cola drinker, it's Coca-Cola on the plane. If they want Pepsi, we'll make sure there is only Pepsi available. So we don't put a lot of placement into the plane.

EXPANDING

RL: Where's the growth going to come from? Adding more cardholders, or related services?

DICHTER: More cardholders. The latest Merrill Lynch survey reported that the number of high-net-worth individuals in North America grew by almost 10% last year. That's a starting point for us. If we have 2,000 owners and those people are out there, there's a lot more room to grow. Our immediate goal is to go from 2,000 owners or 2,500 owners to double that to 5,000. If each owner is spending \$175,000 to \$200,000 a year on

THINKING BIG

RL: Do you have an exit strategy?

DICHTER: Nope. It's funny. In every other business that we've ever been in, you know, the day you started you're trying to figure out, OK, what do you do with this thing. Do you sell it? Can you partner? Can you raise more money? Can you recapitalize it? This business is not like that. We're reinvesting in the business. We love the business and I guess it's like a good marriage, you know? If you're in a good marriage you don't want to exit it. And I think we're in a great marriage with NetJets. Our employees are having a blast, and I couldn't imagine myself going to work anywhere else.

RL: What are the keys to thinking big?

DICHTER: In order to think big you have to have the details covered. You can't think big and not have all those little pieces in place or you'll end up falling through thin ice. We also had big-picture influence: When Bob Sillerman at SFX bought our company, he knew what big was. We were in our late 20s, running around in the SFX business and these guys were big thinkers.

And then all of a sudden we come across a Jim Jacobs and a Rich Santulli from NetJets, and then we got to meet Warren Buffett. So, you know, being around big guys — it's like when you're playing basketball in the park, there's usually four courts' worth of guys. There's always the A guys on one court, there's the B's, the C's and the D's. If you play on the A court, you'll eventually, hopefully, develop an A game.

So, you know, we're in a very fortunate position to do that and we've had incredible mentors.

I would say find mentors who are big and can teach you to think big. So now when we look at opportunities we just look through a bigger lens than we used to.

RL: Have your friends asked you to borrow your Marquis jet? How do you handle that?

DICHTER: When I'm flying somewhere, the price is the same whether there's two people on the plane or eight. So when my friends ask me if they can get a ride, I'm going to see if there is room for them to jump on. I'm kind of like a soccer mom, except people don't ask, "Can I grab a ride?" Instead they say, "Hey, when is the next time you're going to L.A.? Any room for me?" (grins). □

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