

The Importance Of Trust In Testing Times.

You cannot just say, “Trust Me” to a new contact and expect them to do so. Trust can only be built between people over time. It occurs in all of the best relationships: between spouses; between partners; between people doing business together. At no time has trust been more critical between buyers, sellers and their aviation sales professional than it is today. Down markets, especially one as dramatic as today’s, demands trust between all participants.

I can remember at the beginning of this downturn in 2008, as I tried to make some sense of the catastrophic set of events. These were shocking to all of the industry. Nothing was selling - at all, and trying to explain to sellers that the market they had just known with skyrocketing prices was now coming to an end and wouldn’t be returning soon, if ever was difficult. The idea of premiums and short supply of aircraft had evaporated, and selling airplanes for more than you paid may never again be a reality.

The truth today is that aircraft are declining assets, as with any other mechanical piece of equipment. Use wears it out and reduces the life of the individual components, so annual residual value loss is a reality. Back to 2008, post downturn, my desire was to help sellers find buyers, which felt like finding a needle in a haystack. No one had any idea where the bottom might be, when the bottom might occur and what other significant events would drop for our overall global economy - not to mention the individual buyer or seller. It was a perfect storm for an industry calamity.

Back then, I tried to encourage sellers to lower their expectations as well as their asking prices. Without fail each would question, are there buyers? The honest answer in 2008 was, “I am not sure, but yesterday’s prices will not work for today’s buyers”. That argument fell on deaf ears. Sellers still held on to the hope that prices would rebound soon, thus lowering their price might be a terrible way to find the buyer.

Buyers had the same fear. Why buy now if

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prices will continue to drop and no end is in sight? This began what has continued to be a price-driven marketplace. No matter the return to a more robust transaction environment, price still drives the market for the time being.

Never before has the value of ‘Trust’ been so important to the process. In order for an aircraft to be viewed by buyers today, they must trust the aircraft sales professional to gather the data points from transactions and active aircraft listings and build for the seller a compelling argument of proper pricing. This is more complicated today because there are fewer transactions than in past years to draw conclusions from. It takes a daily participation by the sales professional in the market to glean the gems to build the argument.

Trust is the key to this process – and it is equally critical to the buyer. The aircraft sales professional must be able to quote ‘chapter and verse’ as to why a buyer should come back into this market and buy now. This discussion should center on the value of the business aircraft to the buyer and the company. Yes prices may incrementally go down for a period of time, but the prices have never been lower and waiting could just mean that the best aircraft get sold and you pay less for a far less compliant aircraft. It is tricky, and trust between players is vital.

The essence of trust in a broker/client relationship will dispel any fear of a buyer being falsely led into the wrong deal. It may be easier sometimes to believe a well-crafted story rather than the facts. Buyers and sellers must

be satisfied with the argument to buy or sell and be surrounded by a group of advisors that they trust.

One can be sold on a product or service based on false data. If you are uncertain about the path an advisor is taking you down, listen more closely to more people. The sky is not falling and the world is not yet so rosy. Brighter days will occur and prices of aircraft will eventually firm up. If, however, someone tells you today that you should raise your asking price because things seem to be getting better, you would be making a bad error of judgment to follow such advice.

I have seen too many sellers go with brokers who promised higher sales prices than should be expected. Between the time that the seller is on the market on the basis of bad data and the point they finally realize the mistake in pricing the market potentially will have contracted, and precious time and ground is lost.

As a buyer, if the time is right for you to buy based on your personal or business needs, great sellers are there. Though this is a price driven market, the goal of the buyer is not to just buy a cheap airplane – due diligence, as always, is essential.

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