
Culinary Jet Concierge: flying through turbulence

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Abstract: Culinary Jet Concierge (CJC) is a relatively 'young' company (not yet five years old) that focuses on providing catering and concierge services to private aviation in the South of France and Monaco. The company has been founded by a couple (partners in life and in business) who worked for several years as private jet attendants and a few years in the aviation catering service industry, Maxim Bezougly and Atoessa Ghavami. They were able to spot a gap between the private jet clients' expectations and the existing players' offerings in catering services. The case is set in late March 2020 when the company was about to consider possible avenues for growth at the very moment that the global COVID-19 pandemic hit the European continent. The company had to deal with the urgent matters while not compromising its long-term prospects. A note describing possible class discussions of this case can be obtained by Faculty at the Case Center (<https://www.thecasecentre.org>).

Keywords: market disruption; asymmetric competition; service industry; luxury services; private jet services; rapid diversification; COVID-19; scenario planning; cash crisis; small business; entrepreneurship.

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Kirill Vasilev received his MSc in Legal Studies and MBA. He developed an extensive experience in executive positions in Russia and France. He acted as a Legal Advisor to many organisations in Russian and was appointed as the CEO of Reach LLC in St Petersburg, Russia which he led and developed successfully and lately as a top executive at Culinary Jet Concierge.

1 Introduction

Maxim Bezougly and Atoessa Ghavami, the owners of the private aviation catering company Culinary Jet Concierge (CJC), were enjoying their morning espresso in a bar in Saint-Laurent du Var, enjoying a sun-drenched terrace overlooking the Mediterranean on a bright day of mid-March 2020. There was not a cloud to be seen. They could hear the aircrafts landing at Nice airport in a distance. Aviation was close to their hearts and minds. They had founded Culinary Jet in April 2014 to serve the rapidly expanding private jet catering demand in the region. Their company, Culinary Jet, had grown quickly and was now the second largest player in the regional market.

It had been a challenging yet exhilarating experience for them, and they still enjoyed it thoroughly. Yet, some new and unsettling issues emerged on the radar screen. The COVID-19 virus started causing severe disruptions in the Asian and European countries and the French government was about to announce a lockdown lasting nearly two months (An HTML link to the announcement by Welcome to France (2020) is listed the table of references). How badly would the private aviation business be affected? How could their

young company survive a possible turbulence? How could it prepare for the post-pandemic world which might have long-term effect on its markets?

Private aviation catering had recently undergone significant changes of its own. Marketing activities onboard aircraft (e.g., catering staff visiting customers onboard) were beginning to be restricted by airport regulations. Private aviation customers were also becoming more cost conscious. These trends made it both more difficult to find new customers, as well as to keep margins strong. Still, newcomers such as general catering firms, started nonetheless eyeing this market niche, to complement their business and scale up in a segment commanding higher margins than the conventional corporate catering. How long could the business stay attractive? And, thinking more long term, did it make sense to further expand in this market? Or, were there other attractive growth options, such as perhaps entering the catering market for the luxury yachting sector, with its thousands of customers dotted around the Mediterranean?

2 Culinary jet

CJC was a limited liability corporation, registered in Nice and consequently subject to French laws regarding tax, labour, and food quality standard regulations. There were two individual shareholders, Maxim and Atoessa, and a corporate entity that also belonged to them.

The main business of CJC was providing catering services for private jets along the Côte d'Azur area in France. CJC offered top quality meals and supporting services exclusively to business and private jets. Famous restaurants as well as some of the world's most renowned chefs (including Michelin-star chefs) would also provide support to CJC to guarantee the best for its clients, both in quality and taste. The design, freshness and quality of dishes had to meet the very demanding standards of this elite clientele. The company delivered dishes prepared in its kitchen with its own refrigerated vehicles directly on board a private jet. It would also, on customer request, deliver special meals prepared by renowned restaurants in the area.

CJC's business was not limited to Nice airport. It delivered its services to all airports along the Riviera, from Monaco to Marseille (e.g., Mandelieu, Saint-Tropez, Toulon, etc.) but also further afield in France. In addition to high quality catering services, CJC provided so-called concierge services. This meant that a customer could order literally anything from CJC, such as special travel arrangements, shopping, transport, business and personal services, flowers, presents for kids onboard and even pet food. For example, if a customer wanted to have a specific meal from a particular restaurant anywhere from Monaco to Marseille, the CJC team would order the meal and deliver it directly to the client's airplane.

The Company was founded in April 2014 by its two owners: Maxim Bezougly and Atoessa Ghavami. The two partners behind this exciting concept had extensive experience in the world of business aviation. Mr. Bezougly had a long professional experience in private jet catering, which he earned while working for several players in the industry, including each of CJC's current competitors. From the very outset, Mr. Bezougly built a successful career in this sector, starting with entry-level positions to become one of the top executives in these companies. This kind of experience helped him to better understand the underlying weaknesses of the various business models and

imagine a better approach that formed the basis of the current business model described in the following paragraphs. Having begun as a flight attendant on private jets, Mrs. Ghavami also possessed a solid private aviation background. After seven years of doing this, she decided to start her own business with Maxim Bezougly. Not only did she have a deep understanding of the various processes related to successful private flight catering; she also had a profound understanding of the end customers' underlying needs. Additionally, she was open-minded with excellent social skills to find and build business contacts and relationships.

The two business partners started their business with a small facility near Nice airport: some 50 square meters of office space and a small kitchen, and a staff of seven. By 2016, the company had expanded to an office of several hundred square meters, a kitchen of more than 400 square meters and a dry food warehouse and a car park. In the high season, up to 70 employees worked there round the clock (see Tables 1 and 4 for Financial Results for 2018 and 2019).

Table 1 Income statement of Culinary Jet (EUR): January 1–December 31 (IFRS standard simplified)

<i>in EUR</i>	<i>2019</i>	<i>2018</i>	<i>2017</i>
Net sales	2 256 120	2 150 210	1 906 253
Cost of goods sold	625 442	600 633	517 870
<i>Gross profit margin</i>	<i>1,630,678</i>	<i>1,549,577</i>	<i>1,388,383</i>
Other operating costs:			
Other purchases/external expenses:	466,679	425,671	965,770
Taxes and related charges	16,365	15,121	16,206
Salaries	691,307	461,837	78,225
Social charges for staff	213,010	147,439	3,863
Other operating income	–1,259	–134	–8,593
Other operating charges	64,302	11,680	11,463
Reversals of depreciation and provisions		–1,017	–8,216
Depreciation	57,272	50,467	36,012
Provisions			22,843
Other non-recurring income/costs	16,739	19,440	9,818
<i>Operating profit</i>	<i>106,263</i>	<i>419,073</i>	<i>260,992</i>
Financial income	169	40	30
Financial expenses	2,275	2,766	2,769
<i>Earnings before taxes</i>	<i>104,157</i>	<i>416,347</i>	<i>258,253</i>
Income tax	28,171	111,179	75,074
<i>Net earnings</i>	<i>75,986</i>	<i>305,168</i>	<i>183,179</i>

By 2020, the company had a client portfolio of approximately 2,000 private jets along with a culinary know-how to accommodate the needs of the world's most demanding VIPs. It held a large share (although they were no published market data): CJC believed they owned 25%–30% of the highly competitive and extremely demanding market of private aviation catering in the South of France.

Table 2 Income statement of Culinary Jet (USD): January 1–December 31 (IFRS standard simplified)

<i>in USD*</i>	<i>2019</i>	<i>2018</i>	<i>2017</i>
<i>Net sales</i>	<i>2,504,293</i>	<i>2,386,733</i>	<i>2,115,941</i>
Cost of goods sold	694,241	666,703	574,836
<i>Gross profit margin</i>	<i>1,810,053</i>	<i>1,720,030</i>	<i>1,541,105</i>
Other operating costs:			
Other purchases/external expenses:	518,014	472,495	1,072,005
Taxes and related charges	18,165	16,784	17,989
Salaries	767,351	512,639	86,830
Social charges for staff	236,441	163,657	4,288
Other operating income	–1,397	–0,149	–9,538
Other operating charges	71,375	12,965	12,724
Reversals of depreciation and provisions		–1,129	–9,120
Depreciation	63,572	56,018	39,973
Provisions			25,356
Other non-recurring income/costs	18,580	21,578	10,898
<i>Operating profit</i>	<i>117,952</i>	<i>465,171</i>	<i>289,701</i>
Financial income	188	44	33
Financial expenses	2,525	3,070	3,074
<i>Earnings before taxes</i>	<i>115,614</i>	<i>462,145</i>	<i>286,661</i>
Income tax	31,270	123,409	83,332
<i>Net earnings</i>	<i>84,344</i>	<i>338,736</i>	<i>203,329</i>

Note: Converted at the exchange of March 15, 2020 (1 EUR = 1.11 USD).

Table 3 Balance sheet of Culinary Jet at December 31 (EUR) (IFRS standard simplified)

<i>In EUR</i>	<i>2019</i>	<i>2018</i>	<i>2017</i>
<i>ASSET</i>			
Property, plant, equipment, intangibles	374,389	419,788	397,620
Financial assets	23,428	21,393	18,133
Inventory	13,897	26,569	43,483
Receivables	580,357	505,453	284,125
Cash	98,527	237,155	174,101
<i>Total assets</i>	<i>1,090,598</i>	<i>1,210,358</i>	<i>917,462</i>
<i>LIABILITIES</i>			
Non-current liabilities	164,408	175,413	239,109
Current borrowings	9,407	974	0
Trade and other payables	522,804	547,467	437,016
<i>Total liabilities</i>	<i>696,619</i>	<i>723,854</i>	<i>676,125</i>

Table 3 Balance sheet of Culinary Jet at December 31 (EUR) (IFRS standard simplified) (continued)

<i>In EUR</i>	<i>2019</i>	<i>2018</i>	<i>2017</i>
<i>EQUITY</i>			
Share capital and reserve	6,600	6,600	6,600
Retained earnings	387,379	479,904	234,737
<i>Total equity</i>	<i>393,979</i>	<i>486,504</i>	<i>241,337</i>
<i>Total liabilities and equity</i>	<i>1,090,598</i>	<i>1,210,358</i>	<i>917,462</i>

Table 4 Balance Sheet of Culinary Jet at December 31 (EUR) (IFRS standard simplified)

<i>In USD*</i>	<i>2019</i>	<i>2018</i>	<i>2017</i>
<i>ASSET</i>			
Property, plant, equipment, intangibles	415,572	465,965	441,358
Financial assets	26,005	23,746	20,128
Inventory	15,426	29,492	48,266
Receivables	644,196	561,053	284,125
Cash	109,365	263,242	193,252
<i>Total assets</i>	<i>1,210,564</i>	<i>1,343,497</i>	<i>1,018,383</i>
<i>LIABILITIES</i>			
Non-current liabilities	182,493	194,708	265,411
Current borrowings	10,442	1,081	,
Trade and other payables	580,312	607,688	485,088
<i>Total liabilities</i>	<i>773,247</i>	<i>803,478</i>	<i>750,499</i>
<i>EQUITY</i>			
Share capital and reserve	7,326	7,326	7,326
Retained earnings	429,991	532,693	260,558
<i>Total equity</i>	<i>437,317</i>	<i>540,019</i>	<i>267,884</i>
<i>Total liabilities and equity</i>	<i>1,210,564</i>	<i>1,343,497</i>	<i>1,018,383</i>

Note: Converted at the exchange of March 15, 2020 (1 EUR = 1.11 USD).

3 Private aviation catering customers

There were three major types of clients in catering market for private aviation.

The first segment was composed of airport handlers (also called FBOs, for ‘fixed based operators’, a business model typical in the private airline business around the world). Handlers were special companies, which were authorised to enter the airport security zone. They played important roles in organising the processes of customer baggage collection, storage, delivery, plane parking, fuelling, etc. They also performed services to aircrafts such as cabin service, catering (which they ordered from companies like CJC), ramp service, passenger service, field operation service, etc. There was a

limited number of ‘handlers’ in every airport. Acquiring these companies as clients is crucial for catering companies operating in the sector.

Figure 1 Culinary staff and some meals (see online version for colours)



Having good relations with these handlers was fundamental if CJC was to consistently get private aviation orders. Handlers usually sent orders to CJC by phone, e-mail, or WhatsApp. These companies typically had specific requests for product quality and pricing. Usually they charged a commission (as a percentage of the total invoice) for each order that they entrusted to CJC. These players could not be by-passed since their assistance to access the aircraft was compulsory.

Moreover, private aviation end-customers often asked handlers for help in organising catering services in those airports where they did not know the suppliers of such services. Also, given that these end-customers had to pay handlers for various airport services, it was more convenient for them to simply receive a single bill for all necessary airport and flight services, including the catering.

The second segment consisted of jet charter companies. These companies sold flights from one destination to another. For example, using their services it was possible for 12 passengers to fly from Nice to London for 12 280 EUR (13,630.80 USD). Usually, jet charter companies included onboard meals in their prices. They offered their clients a range of dishes from catering companies. If CJC was the selected caterer, passengers would be able to select from its catalogue, and the charter company would then put in a collective order to CJC via e-mail or phone. Such clients typically put in large orders, but were generally price sensitive and very demanding in terms of food quality and meal presentation. CJC had a good reputation in this segment.

The last segment was comprised of private jet owners. A small number of private jets (around 10% but growing) was owned by wealthy individuals or by companies using them to fly their top executives. Usually such jets were serviced by a steward or stewardess, who personally placed orders for catering in accordance with the plane owner's/executives' wishes. These clients were totally different from the other segments. They were often regular flyers and ordered the same kind of meal, prepared in the way they liked best, almost every time. It was very important for CJC to keep track of orders previously executed with them, so as to avoid unexpected changes in meal preparation and presentation. Orders from this segment were transmitted exclusively via e-mail, since stewards wanted to be extremely precise in the order and ensure that all the details of their clients' wishes were transferred to catering company, with nothing overlooked. (please see Figure 1 for illustrations of the team responsible for preparing the meals, and images of some of the meals).

4 The private aviation market

The global private aviation market was a large market and expected to reach total sales of 17.97 billion EUR (19.95 billion USD) by 2024 (Mordor Intelligence, 2019). It was also a fast-growing market. According to the analysis conducted by Bombardier (215), one of the largest manufacturers of private jets, the number of private aircraft increased from 8,650 to 15,735 between the years 2000 and 2014. Bombardier predicted an increase in the number of aircraft in all three product segments – light, medium and large aircraft – which were all potential clients of catering companies. It was further predicted that the USA, Europe, China and Latin America would become the key business aviation markets in the next ten years (Jones, 2012).

The European private aviation market was the second largest in the world. Bombardier predicted annual growth in this market at a rate of 1.8% per year between

2014 and 2024. In addition, the fleet of aircraft in Europe would grow from 1,435 to 2,850 over the same period.

Companies providing charter flights opened ever more routes and increased passenger traffic to the most popular destinations. In France, the market of private jet aviation was well developed and was considered to have very good prospects for further development. One of the most popular private and business aviation areas was the French Riviera.

The growth of the private flight industry was a positive trend for Culinary Jet, as the catering market for private jets was a sub-market to the private aviation market. The more flights, the more meal orders on board. However, in the last four years, this market had undergone changes, linked to the regulatory changes for reaching clients in airports and a tendency for diminishing order sizes that had caused a decline in total market sales and thus the need to start reconsidering the company's strategy.

Every day, in the high season, CJC served dozens of private flights originating on the Cote d'Azur, with destinations ranging from Paris, Berlin or London to Los Angeles and Tokyo. It offered its services in private jet airports such as Nice (LFMN), Cannes (LFMD), Toulon (LFTH), Marseille (LFML), but also in private jet terminals in France, such as Paris Le Bourget (LFPB), Chambéry (LFLB), Grenoble (LFLS), Lyon (LFLL), and Annecy (LFLP). It was continuously seeking opportunities to extend its reach. For example, a possibility emerged to open a new branch in Paris-Orly due to the exit of one of the catering companies there. And there were rumours that investors in Monaco were planning to develop the airfield in Albenga, Italy, some 100 kilometres east of Nice, and convert it into a high-end private aviation hub for the region which would be known as Riviera Airport.

5 CJC's organisation and capabilities

The main challenge for CJC, and its competitors, was to find the balance between demanding customers and resource-intensive production processes.

CJC's operational managers (hereinafter referred to as the OPS), worked 24/7, spoke seven languages and interacted directly with customers as they received and processed customer requests. Speed and the quality of execution was decisive in private aviation catering. Several of CJC's competitors lost customers simply by not confirming their readiness to perform an order within half an hour from the moment it was received.

5.1 Processes

After the order was received, the OPS would enter it into special application software customised for CJC and send the quote to the client. If clients had strict budgetary constraints, they could change the order. About 35% of orders were generally changed by clients. After confirming the final price, the OPS manager in charge would send the order with a special form to the kitchen department. Office and kitchen spaces were physically separated. This separation was required by safety and security requirements for suppliers of goods and services to airports. In order to be admitted to the airport and thus directly to the aircraft, the company underwent special inspections by the security services of both the airport and the Prefecture of Nice. This was a complex and expensive process,

requiring the development and subsequent verification of internal processes and safety standards.

In the kitchen, cooks would then prepare dishes in accordance with specific customer requests, or according to the traditional cooking procedures for certain types of dishes. According to the company's quality standards, all meals must be prepared no more than 3 hours before delivery on board. An employee dedicated to quality control management would ultimately check the product quality and meal presentation before the okay was given to transfer the order to the delivery department.

5.2 *Organisational structure*

Culinary Jet was structured around three hierarchical levels (top management, operational managers and kitchen operators) and three functional units (logistics, purchasing and kitchen).

The top management included the two owners, as well as the CEO's assistant and the OPS Director. This management team was focused on the daily operations of the company, paying particular attention to monitoring and maintaining the strict quality standards of the food to be prepared and delivered on board. Many clients of the company were either good friends or acquaintances of the owners and, in this case, the owners would manage them directly. This meant that they interacted personally with the clients, receiving calls from them and negotiating prices. The OPS Director would then appoint an OPS manager to do the follow up.

The second-line personnel consisted of the OPS (operational managers) as well as employees in logistics and in purchasing. These office staff employees would receive orders, buy ingredients and products, have them processed by the kitchen staff, and delivered by the logistics department. These personnel were also responsible for concierge services, such as the purchase of goods and services for customers from third-party suppliers.

The third group consisted of kitchen operators: cooks and dishwashers, as well as the rest of the staff. These were essentially responsible for product quality. Because quality was critical for the highly demanding clientele of CJC, whatever was produced by the kitchen department had to be inspected by Quality Control, a dedicated department, before delivery. Quality included not only gustatory and nutritional levels along with the visual presentation of the meals, but also conformity to government-set hygiene standards.

Altogether, CJC employed about 40 individuals in the low season, and between 60–70 in the high summer season.

5.3 *Suppliers*

A critical part of CJC's operations dealt with the search, selection and interaction with suppliers of products and goods. This mission was the responsibility of the Purchasing Department. The company had to adhere to strict price controls so that the cost of meal production remained within acceptable limits, even though the ingredients and raw materials had to be of the highest quality and freshness.

In addition, for security reasons imposed by airport regulation, all suppliers had to abide by the so-called traceability system. This was a system designed to track the supply chain journey of each specific item going into making a meal, so as to ensure its safety

for consumption in flight. So, for example, as a result of this system, caterers must be able track the entire chain from picking a lettuce in a farm to its application in a specific dish made for a particular client.

5.4 Logistics

CJC operated seven vehicles, four of which were refrigerated vehicles accredited for delivering fresh food to airports, with special permission for admission to aircraft parking facilities. One refrigerated car was dedicated for the collection of supplies and ingredients to the company's warehouse department. Two more cars were used for business trips (see Figure 3 for an illustration of such a vehicle).

6 Culinary Jet's competitors

The private aviation traffic in the French Riviera was characterised by considerable seasonality. In the high season – from May to September – about 600 private jets departed daily from Nice airport alone, and about 900 daily in the entire south of France. In the low season – from October to April – the number of daily flights did not exceed on average 300 in Nice. However, not all private planes requested meals and catering on board. These were mainly the most expensive aircraft and the longest flights, which made up no more than 20% of the total number of departing flights per day. Thus, the total market for potential customers in the South of France (Nice to Marseille) was about 180 flights per day in the high season and 60 flights per day in the low season (for a view of the business seasonality, see Figure 2).

The average invoice for a flight depended primarily on the size of the airplane, which in turn was related to the number of passengers. On average it was about 300 EUR (333 USD) per person or 750 EUR (832.50 USD) per flight, since typically more than one passenger was aboard. Orders were sometimes paid by credit card (30% of the times), implying a few days of cash recovery. But overall the client payments terms reached extended to 60–75 days. Occasionally, there were clients who placed orders worth well above 15,000 EUR (16,650 USD). The monthly size of the private aviation catering market in the South of France could be estimated at four million EUR per month in the high season, and 1.5 million EUR (1.665 million USD) in the low season.

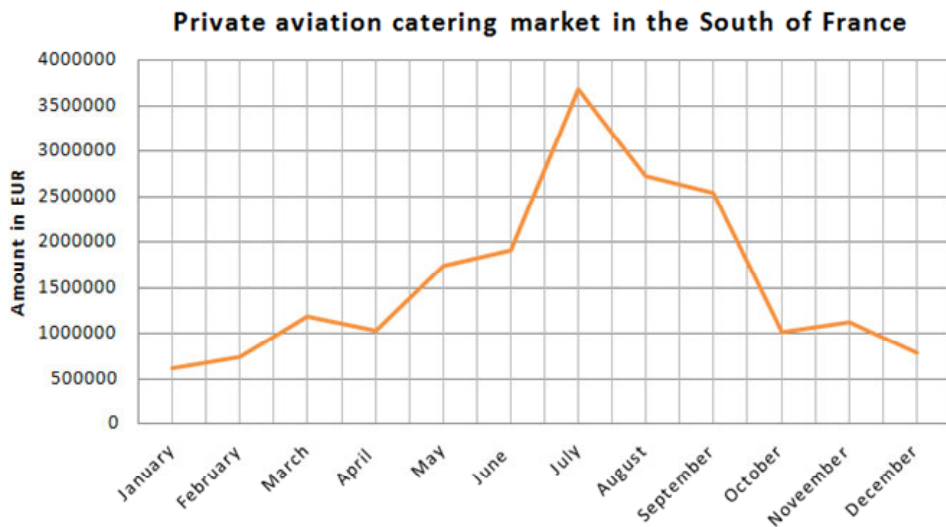
Besides seasonality, numerous factors such as the economy could influence the private aviation catering sector. For instance, during the economic crisis of 2008–2009, the number of orders for private flights was only 60% of the current monthly values.

In 2020, the private aviation catering market in the South of France was essentially shared amongst three players: private catering (PC), tailored gourmet (TG) and culinary jet.

PC was the oldest and largest player in the private aviation catering market, and had, at one time, monopolised the market in Nice. It was now a brand of the Newrest group, headquartered in Toulouse, France, that defined itself as the leader for 'out-of-home food services'. Founded in 2005, Newrest had operations in 49 countries when the French company Catair took over a competitor named Eurest. Newrest was the only caterer active in all catering and related hospitality segments, including in-flight, rail and corporate catering, onboard duty free, and support services. In 2019, this company had

32,000 employees and served 1,200,000 meals per day. In 2010, PC was taken over and merged into Newrest flight catering, following repeated financial losses that led it to file for bankruptcy, due to the company's persistent high operating costs and its subsequent inability to generate a sufficient gross margin. After the merger into Newrest, the brand name PC remained, but the company did not publish any financial data on its private jet catering activities. Yet, PC was expected to be the largest player in the market with a strong market share. It held a strong position due to the availability of significant financial resources provided by the Newrest group, which allowed them to invest in the most modern kitchen equipment and delivery resources, and to recruit and train highly qualified personnel. In addition, clients working with Newrest in other areas often remained with them for private aviation catering. The company served a long-established customer base and many customers stayed with them simply by virtue of habit.

Figure 2 Seasonality of the private aviation catering business in the South of France in 2018 (see online version for colours)



<i>Months</i>	<i>% of annual sales</i>
January	3.17%
February	3.96%
March	6.33%
April	5.28%
May	8.97%
June	10.03%
July	19.00%
August	14.25%
September	13.19%
October	5.28%
November	6.33%
December	4.22%

Figure 3 Special vehicles and equipment (see online version for colours)



CJC reported that clients perceived Private Aviation as a provider of high quality but serving mass-produced meals and therefore not displaying a sufficiently individualised approach with tailor-made offerings. PC focused not only on the private aviation market, but also on the private yacht and VIP events market.

Another competitor was TG, founded in 2013. TG claimed to offer a personalised service “to satisfy all your culinary desires and everyday needs aboard your private jet or yacht”. TG was the smallest of the three players in this market with total assets of 574,086 EUR (637,235.46 USD) for 2017. This company focused solely on the preparation of dishes of high complexity in small quantities, without engaging in concierge services such as buying goods on behalf of customers. The company tried to keep a small volume of orders and to ‘tailor’ the offerings to each client. The company had a small pool of regular customers. TC started to also provide catering services for private yachts.

Premier catering had been the fourth competitor in terms of market share until it left the private aviation catering market in 2018. This company was a direct competitor to CJC and focused on the same value proposition – the balance between the quantity of food delivered and the quality and presentation of meals. However, the company could not sustain the pressure of competition and its new owner (a group of investors from Monaco) decided to terminate the company’s participation in private aviation catering to focus on yachts and events catering instead. Premier catering certified its cuisine as a fully ‘halal’ cuisine and aimed to monopolise the ‘halal’ catering market in southern France and Monaco.

CJC was the youngest of the four companies in this market. It began operations in 2014. In less than four years of operation, the company had been able to move into second place in terms of market share and financial performance. CJC proved able to adapt quickly to fast changing market conditions. This flexibility reflected the personal characteristics of its hard-working and agile business owners. CJC had total sales of

2,150,000 EUR (2,3836,500 USD) in 2019 and total assets of 1,100,000 EUR (1,221,000 USD).

7 Luxury yacht catering: a new opportunity?

The catering market for luxury yachts was very different from the private aviation catering market. The Côte d'Azur market in France and Monaco, as well as nearby ports on the Italian coast, were home to a large number of yachts, including the super-yacht luxury class. Luxury yachts were leisure ships over 75 feet while super-yacht were those larger than 250 feet. The global luxury yacht market was a fast-growing market (with a CAGR of 7.8% according to Allied Market Research) and was expected to reach US\$10 billion in 2025.

7.1 Orders

Mostly luxury and super yachts place meal orders to caterers only for special events, given that these vessels generally have their own chefs and kitchen staff. Crucial factors included price, product quality and quality of related services. The speed of order processing and preparation were not considered important, since, as a rule, orders were sent to caterers several days before an upcoming event. The yacht catering market was also characterised by a completely different volume of food orders. A typical food order for a yacht was placed for a minimum of 20 people. In addition, the caterer was usually expected to ensure comprehensive management of the event, including flowers, staff, equipment, and utensils such as those for the kitchen and for heating and cooling meals. Seasonality in yacht catering was very marked: the vast majority of orders were placed between the end of April and the end of October, while the remaining months saw limited activity. The drop between the high and the low season for catering services was far greater for the yachting sector than it was for private aviation.

7.2 Customers

Customers for catering on private yachts could be divided into several segments.

The first segment was comprised of super-yacht owners. As in private aviation, owning a personal yacht required huge financial resources, so customers who were direct owners of yachts were only a small percentage of the market. As a rule, a dedicated specialist was entrusted by the owner to handle catering orders, as well as supervise the actual delivery. Events on such yachts were orders for 40 people (or more) and a full range of complementary goods and services, from alcohol, to flowers, cutlery and waiters. To serve such events, both full-time waiters and temporary hired waiters were involved. Personnel search and selection costs could be up to 10% of the cost of catering, and required a long period of time to execute, typically up to three weeks. The average invoice for such events was about 30,000 EUR (33,300 USD).

The second and largest segment of the market was comprised of charter yachts, which were managed by charter brokers. Through a broker, a customer would rent a yacht for a certain period or to celebrate an event.

As a rule, customers ‘charter’ yachts without meals, but the broker could arrange to supply meals on board. In this case, meals would be included in the rental price and a broker would charge for it in the final invoice. The brokers tended to minimise the cost of the catering order in order to maximise their own margin, which implied often long negotiations with catering companies. To develop a proposal, the chefs would develop a menu that considered the wishes of the end customers together with the broker’s budget. Sometimes brokers would include a catering event in the rental price of a yacht, based on previous offerings of a catering partner. The average invoice in this segment was about 8,000 EUR (8,880 USD) per order.

The third segment was composed of private customers who rented relatively small boats and ordered food themselves. This type of customer, as a rule, was not particularly demanding when it came to food, and having availability onboard was considered the main benefit. Consequently, these customers tried to minimise the cost of the order, so the average invoice for this category rarely exceeded 2,000 EUR (2,220 USD) for an event.

7.3 Standard order process

The standard ordering process generally went through the following steps, with minor differences between the market segments identified above:

- 1 The ‘client’ (rarely the yacht owner, more often its intermediary) planned an event and specified a date for this event and the approximate number of guests. Generally, the client was looking for a yacht catering supplier with experience as well as staff and the necessary equipment.
- 2 The ‘client’ sent a request to all known catering companies.
- 3 The ‘client’ compared the offers from the various catering companies according to its own criteria, such as, amongst others: price/supplier experience/proposed menu/personal preferences.
- 4 The ‘client’ specified the order, in terms of meals, flowers, logistics, etc. to the selected caterer.

The order cycle in yacht catering (call for order, assessment, preparation and delivery) typically took between several days to several weeks, depending on order size, although in private customer catering this cycle would rarely exceed three days.

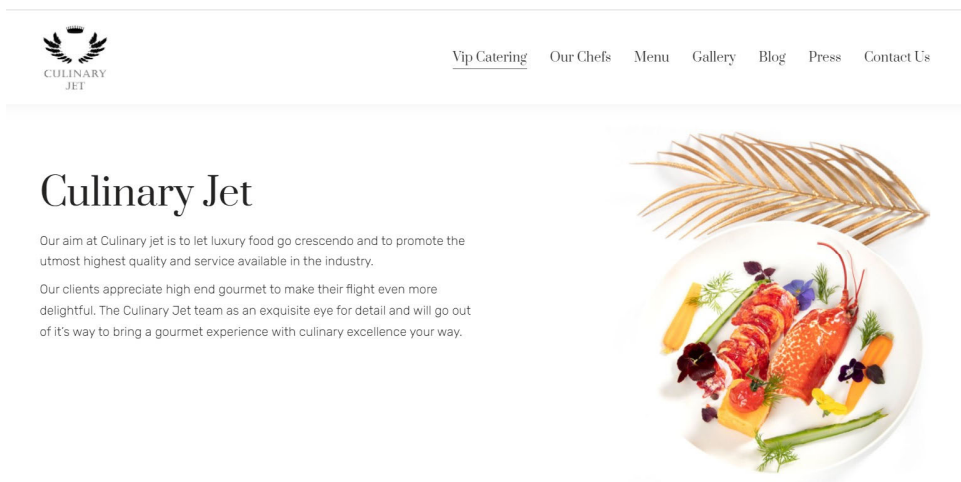
7.4 Competition

The competition in the catering market for yachts was very heterogeneous. On the one hand, there were about ten professional catering companies who positioned themselves solely or mainly as yacht caterers in the south of France. On the other hand, there were many generalist catering companies or restaurants that, more or less occasionally, responded to calls for an order from yacht clients. If needed, these could easily complement their food and drinks offers with additional services. The variety of players implies that the quotes of catering services for yacht customers varied significantly.

7.5 Turbulence, hurricane or climate change?

That late March morning, Maxim Bezougly and Atoessa Ghavami could look back at their accomplishments with pride. Culinary Jet was now firmly established and had recently launched a new marketing look on its Facebook and LinkedIn pages. In addition, its new and updated website was finally up and operational (see Figure 7 for representative pages of the new website). But there was no time for self-congratulations. At the very moment when the partners could start enjoying their company's successful take off, a huge challenge was on the rise. The government had just announced a lockdown of all non-essential activities, and it was likely that the Nice airport would be closed for international flights, including private aviation traffic. Some 2% of the total traffic (commercial and private) was expected to remain during the time of the lockdown. The French Government, like its neighbour, promised strong financial support to businesses faced with a decline of their income (see Figure 4).

Figure 4 Website pages (see online version for colours)



As they observed the yachts, large and small on the horizon, shimmering even now in the off-season, they could not feel but anxious about the short and long-term fate of their young business. What do to do now? And where to go next?

Normally, in any low season CJC has about 10 orders a day but it was likely to fall. Financially the company would be suffering but the French government had announced a quick and relevant financial support to businesses and completely suspended the payment of all the taxes and social charges. The government paid employees a monthly income close to their normal salaries (partial unemployment benefits) and the company did not pay rent for the kitchen, which would have to be closed down. Therefore, even if it is not making money, the expenses would be reduced to a bare minimum.

Figure 5 Website pages

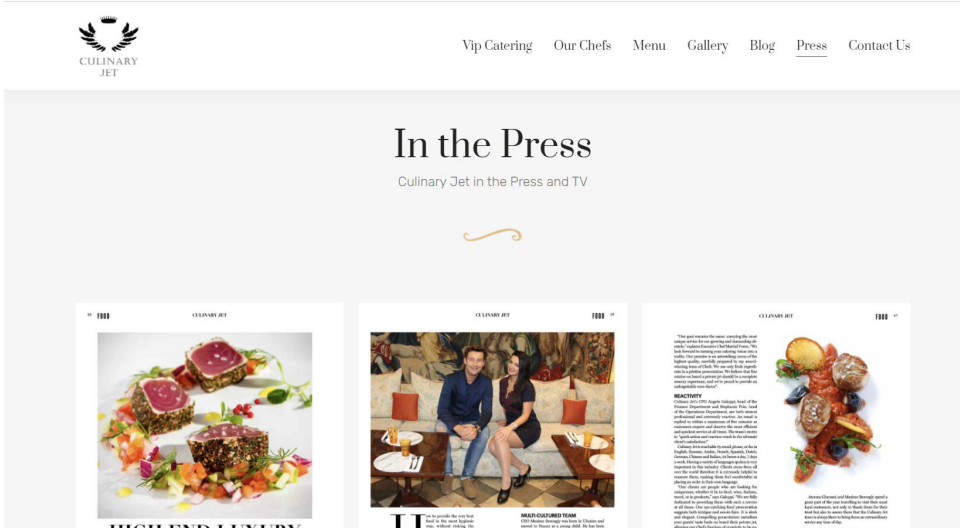
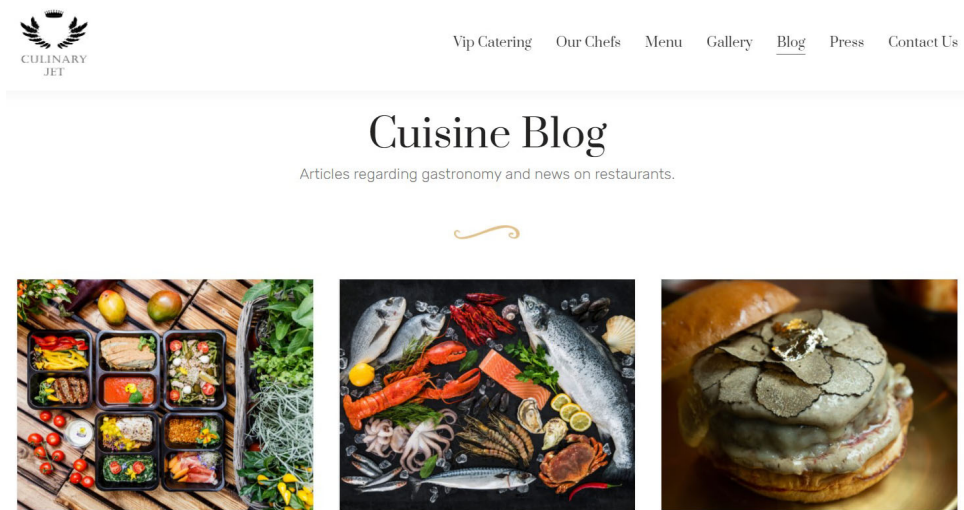


Figure 6 Website pages (see online version for colours)



Figure 7 Website pages (see online version for colours)

Maxim thought that the business in the region would also be affected acutely in early May and June, 2020 when large events attracting high-end clients coming on private jets (e.g., Cannes film festival, Monaco Grand Prix) would be cancelled. The Grand Prix of Monaco, for instance, attracted more millionaires than any other event. However, he thought that business aviation would recover faster than commercial aviation, possibly already in June. The rationale was that due to COVID, businesspeople would prefer to be alone on a plane to avoid the risk of contamination by the virus. However, officials would probably be more constrained by the pandemic so they would fly less. Yet Maxim noted that business recovered very quickly in Asia in March – for example, China’s business aviation recovered within weeks. This suggested a possibility of an optimistic outcome. In 2019, CJC benefited from a large demand for private jets from countries of the Arabic Gulf - Kuwait, Qatar, Bahrain, or United Arab Emirates. Maxim thought this kind of market would resume quickly. Also, approximately 33% of CJC’s clients were Russian. Russia had been significantly impacted by COVID-19, but it was assumed that business would quickly resume since Russians wanted to travel to places such as Monaco, provided international flights would be allowed.

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