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COVER STORY

The sharing economy takes on luxury

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As technology and shifting consumer preferences continue to intertwine, brick-and-mortar businesses must adapt if they're to remain competitive in an ever-changing landscape.

Paving the path to the future are three companies with a growing presence in South Florida that tap into tech-based consumer trends to stay ahead of the pack. Other businesses should take note, experts say, as these endeavors represent lasting – and prosperous – changes to the way goods and services are rendered.

Haute Vault, founded by an Aventura husband and wife, rents high-end jewelry. Fort Lauderdale's JetSmarter whisks its members around the world via private jet using a smartphone app. GetMyBoat, a California-based operation, capitalizes on the peer-to-peer craze by linking those looking to rent yachts with those who own them.

Each has a clientele with a taste for the finer things in life, a demographic known to flock to South Florida's glitz and glamour. Whether hawking yachts or icy jewels, these companies thrive by tapping into people's desire to experience opulence, if only for a fleeting moment. In the process, they disrupt how transactions are conducted while democratizing luxury.

"That's the beauty," said Wifredo Fernandez, co-founder of coworking space The LAB Miami and incoming professor at Florida International University's Honors College. "These companies have figured out how to do high end at a price point that is still attainable."

This fall, Fernandez will teach Political Economy of Space. The course intends to explore Miami-Dade County's transition from a hub of art and entertainment to one of technology, intellectual property and science, and the role the sharing economy has played in this evolution.

"The desire for things to be more accessible and more instantaneous will not go away. I think it's the norm now," Fernandez said. "Consumers' expectations and preferences aren't warped [as some say]. Things are just warped for those who have to adapt."

Shared wealth

This summer, Pew Re:
new business models



study surveyed a representative sample of more than 4,000 Americans. Results revealed paradoxes.

Case in point: 72 percent of respondents have used a shared or on-demand online service, but 73 percent were not familiar with the term “sharing economy.”

An umbrella term coined in the early 2010s, “sharing economy” refers to the marketplace in which various services use the web to enable companies and consumers to share otherwise idle goods. More broadly, the sharing economy is also defined by on-demand or peer-to-peer features. Hints of its viability emerged most prominently with Boston-based car-sharing startup Zipcar, which counts more than 950,000 members.

The potential for sharing-based commerce was there, thought Jonathan King, co-founder of Haute Vault.

In a 2014 study, multinational accounting firm Deloitte called e-commerce “the fastest-growing retail channel,” accounting for as much as 20 percent of retailers’ and brands’ total volume. The firm also found that online shoppers spend about 70 percent more than store-only shoppers.

“Watching the changes in the economy — the sharing economy pop up and the rental space start to explode — I felt jewelry was really the next category that was perfect for that market,” King said.

The fifth generation in a family of jewelers, he had the knowledge and the resources. (His family founded King Jewelers in 1912 in Philadelphia. Today, it’s a shop in Aventura.) His wife, Taylor King, provided the “eureka moment.”

“She said, ‘My friends are always saying how incredible it must be to have access to the [King Jewelers] vault. If we were able to give people access — without purchasing — it’d be huge,’” King said.

Haute Vault launched in April 2014. Initially, its merchandise was purchased. The logistics of peer-to-peer sharing — customer A lending his or her Harry Winston bracelet to customer B via Haute Vault — seemed burdensome.

“We didn’t want to deal with someone saying that their piece came in one way and was returned to them another way,” King said. “And it has to be appraised, and everyone has different opinions about what their stuff is worth.”

But as it gained traction, Haute Vault pivoted into a pure platform, establishing partnerships with independent dealers to offer their jewels via HauteVault.com.

Today, Haute Vault works with hundreds of jewelers, featuring on its website more than 1,200 pieces, from Cartier bracelets to Panerai watches. Its 500 active users, whose “level of access” is determined by creditworthiness and other discretionary standards, rent about seven times a year, King said. About 20 percent of rentals become purchases.

“A lot of our users are renting something for their wedding or their children’s bat mitzvahs,” he said. “Then they develop an emotional connection and want to keep it.”

In the tradition of standard sharing economy models, Haute Vault yields tangible value in idle goods. Jewelry owners earn r
pieces they’ve yet to :

“We have brides who are 20 and a socialite who is 75. There are watch collectors. Fashionistas,” King said. “It’s the smart approach to wearing jewelry.”

Right here and now

When the process of chartering a private jet was described to Sergey Petrossov, he felt as though he had stepped into a time machine: There were forms to be printed, forms to be signed, forms to be faxed – and several phone calls in between.

“I said, ‘Hold on, you’re describing a stock transaction from the 1980s.’ And who even uses fax machines anymore?” he said.

After doing research on private jet chartering, the 28-year-old said he found widespread inefficiencies. (According to Matthew Winer, owner of Miami-based consultancy Jet Management Associates, an average of 30 to 40 percent of private jets fly empty, resulting in the loss of tens of millions of dollars in revenue.)

Fast-forward to 2013, and the Moscow-born and Boca Raton-bred entrepreneur launched JetSmarter, a private-plane chartering startup, in downtown Fort Lauderdale.

The company has made headlines throughout the world as “Uber for private planes.” The price point for the two is wildly different: An Uber ride will run a few bucks, while a JetSmarter membership is \$10,000 a year, plus a \$5,000 initiation fee. But the parallel remains: on-demand mobility at your fingertips.

The company is licensed by the U.S. Department of Transportation and the Federal Aviation Administration to offer private aviation transportation, Petrossov said. It provides its more than 4,000 dues-paying members and 330,000 registered users access to more than 3,000 aircraft, from Gulfstreams to Challengers and models in between.

The company has scored nearly \$60 million in capital from a varied pool of investors that includes the Saudi royal family, NBA MVP Kevin Durant and rapper/mogul Jay-Z.

JetSmarter offers an array of flight products: JetShuttles, JetCharters and JetDeals. With JetShuttles, users book a seat on an existing flight, or “shuttle route.” There are routes in more than a dozen U.S. cities, including New York City, Los Angeles and Chicago. Offerings are also increasingly available throughout Central America, Europe and the Middle East.

And yet, Petrossov is reluctant to label the operation an aviation company.

“We’re a social network that happens to involve aviation,” he said, recalling accounts of business relationships blossoming at 30,000 feet.

Still, experts say JetSmarter’s success will depend on luring clients with attractive flight options.

“The business model works at critical mass. But many, many companies have come and gone” Winer said.

“The problems come when you spend too much on marketing or new offices or sales personnel ... and [offer] routes that not only connect cities like Wednesday, Oregon, from San Jose to Nashville.”

The challenge for JetSmarter
and a tech company is

Dock-to-dock

Comedian Andy Samberg, of "Saturday Night Live" fame, brought to the masses in 2009 the spoof music video "I'm On A Boat." The video, viewed more than 96 million times on YouTube alone, shows a tuxedo-clad Samberg, fellow Lonely Island comedians Akiva Schaffer and Jorma Taccone, and rapper T-Pain cavorting atop a yacht.

Want to spend a day on that very same yacht? GetMyBoat can help.

Never Say Never, featured in the video, is docked in South Florida. It's one of the 58,000 boats in 169 countries that the California-based startup features on its app.

The peer-to-peer online platform was founded in 2013 by Sascha Mornell and Raf Collado, who noted an eye-ful of unused boats while sailing the Atlantic.

Industry statistics suggest that registered boats spend more than 90 percent of their existences docked. The emergence of the sharing economy created the opportunity to bring vessels onto the high seas.

"We put to use luxury goods that would otherwise sit idle most of their life," GetMyBoat Communications Director Kira Maixner said. "And they cost so much even just to sit there."

With GetMyBoat, owners offset the ongoing costs of their purchase, while renters enjoy access without the burdens of ownership.

The back-end technology of GetMyBoat is the secret to its success, according to COO Bryan Petro.

"It provides access [via smartphone] any time you want," he said. "I like to say that you have 58,000 boats in your pocket, essentially."

Prior to on-demand services like GetMyBoat, chartering a vessel for a week-long trip was a months-long ordeal. It can now take less than 24 hours. A day-long trip can happen within an hour. And when cost is broken down on a per-passenger basis, luxury is suddenly an option.

"When people think of boating, they think of the elite, but looking at our prices, speaking to greater Miami and Fort Lauderdale, you can take a boat out for as little as \$100 an hour," Petro said. "Splitting it six ways with family or friends, it's viable and costs as much as a nice dinner, but it's a full day's experience."

Staying power

When asked at a July discussion panel how companies could evolve and stay relevant in a fast-paced world where immediate access is a top priority of consumers, Venture Hive founder Susan Amat spoke not of disruption, but flexibility.

The CEO of an entrepreneurial education company, Amat and her team help company leaders understand the importance of not giving in to complacency and being nimble.

"Unfortunately, large and small companies right now, they rest on their laurels," she said. "Crazy things like a little startup out of nowhere can change the way everything happens in their industry. And it doesn't take much to be prep

Part of being prepared is t being attuned to today's trends because they speak of tomorrow's demands. Take Amazon.com, founded by Miami Palmetto Senior High School graduate Jeff Bezos. In its early days, it was the online alternative to bookstores. Today, it is worth about \$65.9 billion and rolling out a two-hour delivery service nationwide.

"The end-to-end user experience is too simple to ignore," FIU's Fernandez said. "You tap in your payment information. A few swipes, a click of a button, and some magic happens on the back end, but that's not relevant to you and you don't need to worry about it. But then you get what you want and you get it now."

Responding to consumer needs at the speed in which they've become accustomed — think Amazon — and providing flexibility — think Zipcar — is the key to staying alive.

"That's the secret sauce," he said.

BY THE NUMBERS

72%

Portion of Americans who have used shared or on-demand services

41%

Portion of Americans with household incomes of \$100,000 or more who have used four or more sharing economy services

90%

Portion of time registered boats across the U.S. spend docked

30%

Low-end estimate of the share of private jets that fly empty

20%

Total portion of volume retailers sold via e-commerce in 2014

41%

Portion of Americans who have used services that offer expedited delivery of items purchased online

Sources: Pew Research Center (2016)and Deloitte (2014)

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