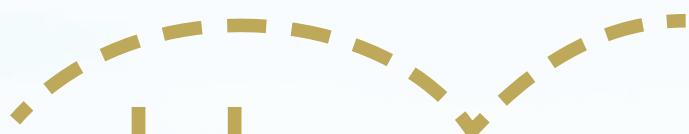


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Hopscotch Air
REDEFINING THE
AIR TAXI MODEL



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REDEFINING THE AIR TAXI
MODEL



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Continued on page 3

Hopscotch: Redefining the Air Taxi Model

Continued from page 9

In 2008, when Andrew Schmertz and Douglas Okin founded Hopscotch Air, the air taxi concept was new and viewed as a viable alternative to commercial airlines and the long-haul, jet-based charter business model.

In that respect, the two entrepreneurs saw a market for on-demand, point-to-point transportation, using light aircraft over short distances—specifically within the Northeastern United States where highway congestion is chronic, and scheduled air carriers provide little to no service to many airports located at popular leisure and business destinations. As Schmertz pointed out, of the 5,000 public use airports in the U.S., only about 500 have commercial airline service now.

With that as the basis of the company's business plan, Hopscotch Air received its FAR Part 135 air carrier certificate in January 2009, and launched service with its first revenue flight from Long Island Republic Airport (FRG) to Morristown, New Jersey. At the time, the startup flew one Cirrus SR 22, a three-passenger, single-engine piston engine aircraft, and employed a total staff comprised of four pilots, all working part-time.

Today, as the 10th anniversary approaches of that first flight with a paying passenger, Hopscotch Air has a fleet of five aircraft, which includes four leased SR 22s and one company-owned Cirrus SR 20. With headquarters at Republic Airport (FRG), the staff includes 11 pilots, employed full and part-time. Along with Schmertz, who is CEO and Assistant Director of Operations, the management team is made up of Dennis O'Connell,



Andrew Schmertz, CEO

Director of Operations; Joe DiPietro, Chief Pilot; Robert Bergen, Chief Instructor and Check Pilot; and Sean McFadden, Director of Maintenance. Ronnie Greathouse, Check Pilot, and David Sutton serve as additional Base Managers and Lisa Baez is the company's Director of Customer Experience. O'Connell has been with Hopscotch Air since it opened its doors (after a 40-year career with the old TWA).

What is especially interesting about Hopscotch Air is that, at the time it was established, the odds of success were not the greatest. The country was in a deep recession and many promising air taxi operators were failing. "Our business plan is working because Hopscotch Air isn't a traditional charter company," Schmertz explained. "We're really a mobility company that has been designed to provide a better solution for regional air transportation and to expand the market for private aviation."

To further enhance the company's position in the air taxi service market,

Hopscotch Air has been promoted as a branded carrier, in much the same way as a scheduled commercial airline. "We want people to tell their friends and associates that they flew in on Hopscotch Air—by name—as if they had flown on a major airline," said Schmertz. "While it has taken some time, we have succeeded in building a very strong brand identity."

Unlike traditional charter companies, Hopscotch Air is not heavily dependent upon brokers. "In fact, over 90 percent of our customers are direct retail," he said. "And, about half of our first-time customers had never flown on a private aircraft prior to trying us."

The customer base, not surprisingly, is upscale, which Schmertz described as the CEO or president of a small company, or a middle to upper-management level executive at a large corporation. "We would like to broaden that demographic, but to do this, we have to continue to look for ways to drive costs down

Continued on page 5

Hopscotch: Redefining the Air Taxi Model

Continued from page 9

to make the service more affordable to more people,” he remarked. “We want to arrive at a point where the price becomes more competitive with flying on scheduled regional airlines, but I have to tell you, we have a long way to go to do that.”

Most travel in the U.S. is by car and within 300 miles of home, which is reflective of Hopscotch Air’s geographical focus—primarily to destinations within New York, as well as the New England states. “Most of our trips are within 200-300 miles, although we have done some as far west as Chicago and south as far as Charleston, South Carolina,” he added. “We’ve also been flying cross-border trips into Canada, mainly to Montreal, Toronto and Quebec City, since 2010.”

At this time, Hopscotch Air’s traffic is heavily weighted to high-end leisure travel which accounts for 70 percent of the business, with a considerable amount of flying to places such as Martha’s Vineyard, Nantucket and Provincetown in Massachusetts; and Burlington, Vermont. The bulk of the business

is between May and October, when daily utilization per aircraft could be as much as six to 10 legs per day.

“That represents a challenge because those are very seasonal destinations,” Schmertz noted. “To address this, we are working to build up the day trip business traveler market, which is more typical of winter travel patterns, when our utilization can be as little as a few legs per week, per plane. The goal is to build volume to the point where we land the aircraft, take on passengers, and go—throughout the day and year-round. That is the gold standard of the air taxi business.”

Under current planning, the Cirrus SR 20/22 will remain Hopscotch Air’s workhorse aircraft for a number of reasons, including the fact that, as a licensed private pilot, Schmertz has flown the airplane and is impressed by its performance.

“From an operational standpoint, it is excellent, and the right aircraft for our business model,” he stated. “The SR 22/20 is comfortable to ride in, and is equipped with the whole-plane emergency

parachute, which is a major selling point to our customers.”

He also cited the aircraft’s modern Garmin G 1000 EFIS flight deck, and its Garmin GFC 700 3-axis autopilot, which permits single pilot operation under the company’s Part 135 certificate.

“It is also certified to fly into known icing conditions, and is WAAS (Wide Area Augmentation System) capable,” Schmertz noted. A ground-based/GPS combination system, WAAS enables the aircraft to perform precision approaches at airports without an installed—or non-operating—ILS.

“The aircraft’s operational envelope, combined with its comfort and safety levels, fit our customer profile,” he remarked, adding that all are currently equipped with, or are about to be retrofitted, with ADS-B Out equipage. Modifications, as well as all other airframe and powerplant maintenance on the fleet are carried out by Nassau Flyers, a neighboring Cirrus factory-authorized service center at FRG.

Going forward, Hopscotch Air may not continue as an exclusive SR 22/20 operation. Not surprisingly, consideration is being focused on Cirrus’ latest product, the single-jet-engine Vision SF 50.

“We are, in fact, in ongoing conversations with Cirrus about adding the Vision Jet. If we determine it’s the right tool for our air taxi model, we would be very interested,” said Schmertz.

Since commencing operations, Hopscotch Air has seen annual double-digit growth. For instance,



Continued on page 6

Hopscotch: Redefining the Air Taxi Model

Continued from page 9

in 2017, the company operated 19 percent more flights than in 2016; and expects the same percentage increase for 2018. “The only constraints we have had on growth have been attributed to capacity and pilot shortages,” Schmertz added. “This is particularly true for the leisure travel months of May through October. During those months, we turn people away all the time.”

To meet travel pattern trends, Hopscotch Air uses a “floating fleet” concept, in which each airplane operates from wherever demand is strongest at the time. Right now, the five aircraft are based at FRG, Trenton-Mercer County Airport (TTN) in New Jersey, and Westchester County Airport (HPN) in White Plains, New York. “Pilots essentially take the airplane home every night, flying during the day and back at the base from which they started, which is usually nearest to where they live,” said Schmertz. “About 99 percent of our trips avoid overnights, which gives us a lot of flexibility, not only for financial planning, but also duty time.” What makes that doable, he noted, is that the carrier’s stage lengths are extremely short. For Hopscotch Air, the average is 1.1 hours.

Most of the trips are to airports without airline service, and many are a lot closer to the communities where the customer wants to go, than he or she realized. For example, Schmertz cited one passenger, who was flying to a construction project in State College, Pennsylvania and, was unaware of the fact that the Collegeville airport was closer to where he wanted to go. “He originally wanted to fly to another airport



Two of Hopscotch Air planes, at SheltAir Aviation (KFRG)

he thought was the closest one—but wasn’t,” Schmertz said. “That’s why we ask our customers where their ultimate destination is and educate them as to the closest useable airport.”

At this time, Hopscotch Air licenses a reservation system from Linear Air, a Boston-based air charter firm, which has developed proprietary software. Schmertz explained, “We are working toward a more technology-based system and getting our customers comfortable with it.” Schmertz, himself, is a Linear Air board member and investor.

Essentially, the carrier has a simplified fare structure offered in three separate categories. One is a standard origin and destination price, charged for point to point transportation. The second is what Hopscotch Air calls its “Easy-Peasy” fare, which provides fares for the carrier’s top

20 city-pairs. Then there is the “Hop Along” fare, which Schmertz calls a “customized, frequent flyer/volume discount plan.” In all cases, pricing is predicated on the use of the whole aircraft, giving people traveling together the opportunity to split the cost.

Hopscotch Air’s passengers are offered the option of having the aircraft repositioned to an airport located near where they are located or offered the less costly choice of going to where the aircraft is already located.

“Our fare structure is simple and straight-forward. If you have to explain it in more than one sentence, people will walk away,” said Schmertz.

Of course, keeping fares reasonable means keeping costs under control. Along with fuel discounts at FBOs, Schmertz explained that

Hopscotch: Redefining the Air Taxi Model

Continued from page 9

the company is constantly looking at the break-even points of every flight to determine where there are potential cost savings. At the same time, he said, Hopscotch Air runs a tight ship in terms of scheduling, and their customers understand that.

“Our customers have been willing to work with us to show up on time for their flights, because if they are excessively late, we lose money,” he remarked. “There have been occasions when, due to scheduling problems, we’ve asked our customers if they’d be willing to adjust their departure times. In most cases, they will, because our customers feel they are part of the Hopscotch community.”

Marketing at Hopscotch Air has taken a multi-pronged approach, starting with word of-mouth. “We definitely encourage our customers to talk about their experiences with us, and put up pictures on Instagram,” Schmertz said. “We have also received a lot of media coverage in industry and consumer publications.”

The only paid advertising Hopscotch Air has done to date has been on WCBS, an all-news AM radio station located in New York. “Before we began to advertise on WCBS, we never got any business from the New Jersey suburbs,” Schmertz said. “But immediately after we did, we started getting inquiries from people living there.”

Until June of this year, the company had a six-year agreement with Swiss International Air Lines under which Hopscotch Air displayed the Zurich-based international carrier’s iconic logo. As Schmertz explained, Swiss International was seeking a U.S.-based airline to help them

protect the historic trademark originally used by long-defunct Swissair. In return for emblazoning it on one of its SR 22s, Hopscotch Air received free advertising in the airline’s inflight Swiss Magazine. “They also helped us create our safety management system by essentially performing a safety audit for us,” he pointed out. “It was a very productive relationship.”

Another partnership was with the New York Islanders hockey club in which the Hopscotch Air brand was displayed before fans at matches. “We flew fans to watch the team play the Philadelphia Flyers and the Buffalo Sabres,” Schmertz noted. The partnership was discontinued when the club relocated to Brooklyn, but was considered very beneficial to the carrier.

Asked if there are any expansion plans beyond its current market area, Schmertz said that Florida is currently under study. “We are looking at population centers within the state that would most likely generate demand for our type of service,” he reported.

This would not be the first foray from its New York roots. From 2013 to 2015, Hopscotch Air maintained a San Diego-based operation at Montgomery Field, but ended it as a result of “issues involving long-distance management” and the ongoing pilot shortage, according to Schmertz.

Along this line, the company interviews pilots with at least 1,200 hours, with commercial and instrument ratings, and prefers—but, does not insist upon—Cirrus experience. All pilot training is carried out internally. Schmertz refers to the shortage of qualified pilots as,

frankly, “the biggest threat to the industry today—now that air traffic control privatization is off the table.”

“The flying public does not see this yet, but will begin to notice it with airline cutbacks and higher fares,” he said. “I think the industry can address the shortage to a large extent by being more diverse in its hiring. While we have tried to improve our diversity in pilot hiring, there are few women and minorities who are pilots.”

That also means encouraging more young people to see flying as a career. He added: “I’ve spoken at colleges with aviation degree programs about the career opportunities available. We’ve got to be more creative about this. I think it will take some kind of public/private partnership to do it.”

As a member of NATA’s Air Charter Committee, Schmertz said that “NATA has done a terrific job” of helping a company of Hopscotch Air’s size. “This is especially true for issues of significance to our business model. The value we get from NATA far outweighs the minimal cost of membership. For example, NATA has done a lot of work with respect to the regulatory environment, and as a result, the FAA has made great strides with respect to working with companies like ours.” **A**