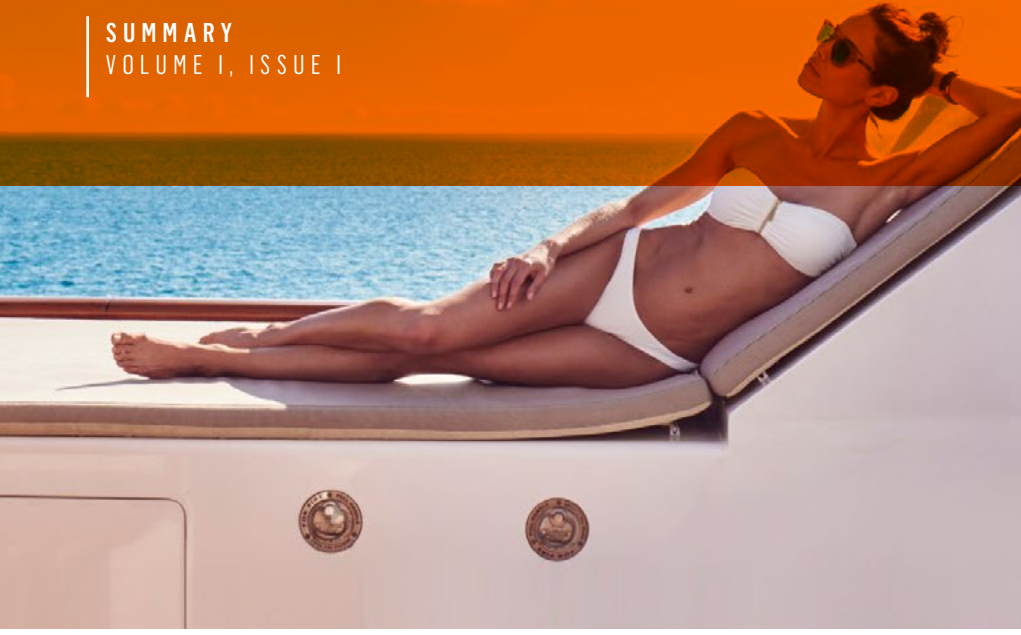


NORTHROP & JOHNSON UHNW LUXURY MARKET OUTLOOK

SUMMARY
VOLUME I, ISSUE I

NORTHROP
& JOHNSON





INTRODUCTION

Marketers who count Ultra High-Net-Worth (UHNW) consumers among their customer targets need to dramatically rethink operations and marketing strategies if they expect them to come back before the COVID-19 coronavirus has been mitigated.

That is a key takeaway from twin surveys of Northrop & Johnson customers and brokers conducted during May 2020.

We found that while interest in vacations at sea is ticking up, many of our UHNW customers plan to pull back on other activities that could bring them in contact with large groups of people, from meetings and conventions to sporting events, dining out, shopping malls, and even smaller luxury boutiques.

While small in number (Knight Frank pegs the worldwide population of UHNWs at just over 500,000), in each case, the purchasing power of these individuals and the businesses they control can have big impact on industries where they have patronage, in some cases even causing seismic shifts.

In addition to in-depth information on preferences and trends in yacht charters, the survey contains data on lifestyle interests, from collecting cars, art and wines, to fashion, watches, jewelry and sports, including team ownership.

The data covers everything from social media usage by this UHNW audience, to countless insights that will be of broad interest to those who track trends and preferences of the affluent and the companies and individuals that count them as customers.

With that, I am delighted to present to you a summary of the first edition of the Northrop & Johnson UHNW Luxury Market Outlook No. 1, Vol. 1.

For a copy of the full report, please email press@northropandjohnson.com

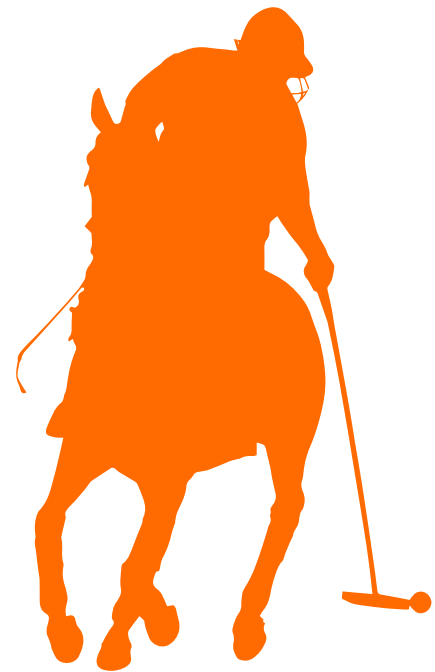
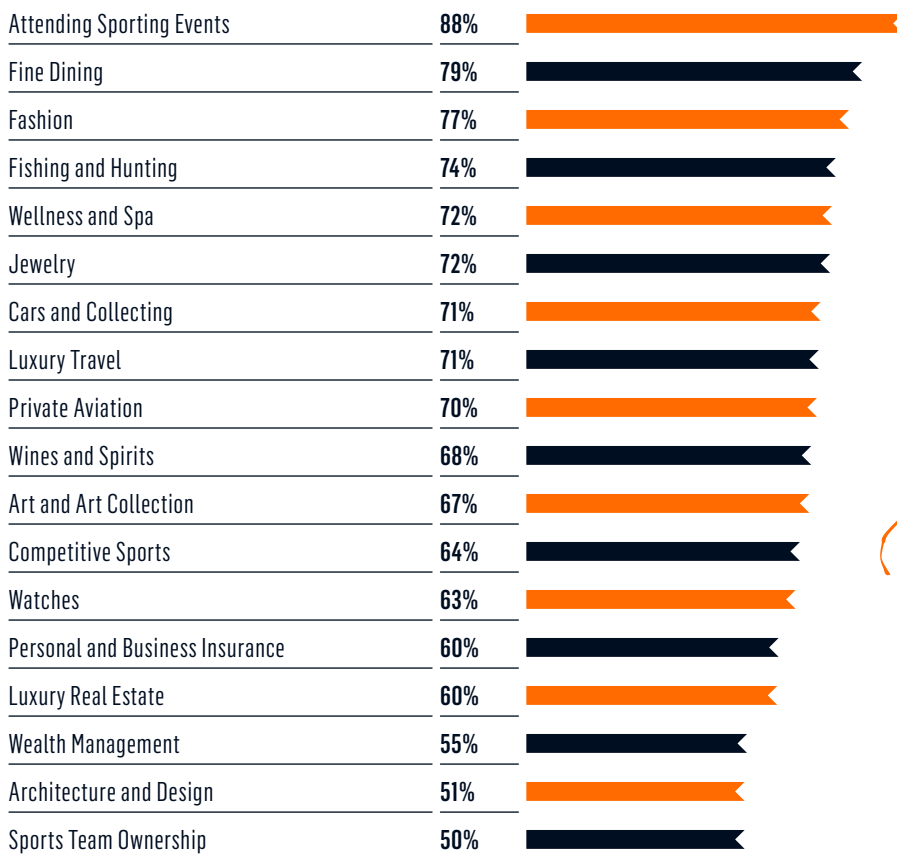
Sincerely,
Daniel Ziriakus
President & COO



LIFESTYLE INTERESTS OF UHNWIS

WHICH OF THE FOLLOWING SUBJECTS ARE YOU INTERESTED IN?

As a result of the trusted relationship between customers, their brokers and the company, a large number of Northrop & Johnson's UHNW clients want the company to provide information and introductions to luxury providers and brands, including event invitations, special offers, email updates, and even webinars.



TRAVEL & LIFESTYLE PLANS IN A COVID-19 WORLD

As the world reopens from stay-at-home orders around the globe, patronage by UHNWs who represent a sliver of the population but spend over \$230 billion* annually on luxury products and experiences will be an important factor for many businesses.

We asked, **AS PUBLIC SPACES REOPEN, PLEASE TELL US HOW YOUR FREQUENCY OF THE FOLLOWING BEHAVIORS IS LIKELY TO CHANGE COMPARED TO BEFORE THE COVID-19 OUTBREAK?**

Many UHNWs either plan to decrease or avoid activities that would increase risk of exposure, at least until COVID-19 has been mitigated. In every category except Online Shopping, Home Entertaining, Private Aviation, and Yachting, over 50% of our customers said they plan to decrease or completely stop until COVID-19 is mitigated. That includes flying on Commercial Airlines, Dining Out at Restaurants, Shopping at Malls, Department Stores and Small Boutiques, Attending Live Events, and Staying at Hotels/Resorts.

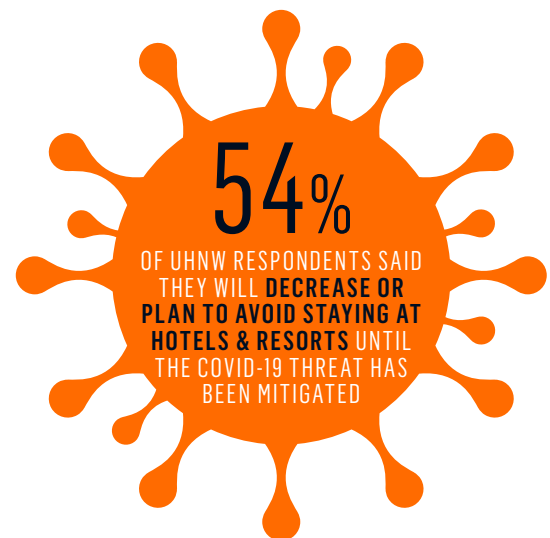


STAYING AT HOTELS/RESORTS

According to feedback from Northrop & Johnson clients, hotels will have an uphill battle winning back their business in the near term, although 38% said there would be no change from pre-COVID-19 levels and 8% will increase stays. **Still, 54% will make fewer visits to hotels and resorts with 23% waiting until COVID-19 is mitigated before they return.**

Ziriakus noted that while yachting is seeing an uptick in interest, and so are private jets, hotels and resorts will need to re-think their approaches.

Decrease	31%
I plan to avoid until the COVID-19 threat has been mitigated	23%
No change	38%
Increase	8%



PRIVATE AVIATION & FLYING ON COMMERCIAL AIRLINES

DO YOU CURRENTLY FLY PRIVATELY?

44%

YES



56%

NO



FLYING BY PRIVATE JET

Decrease	7%
I plan to avoid until the COVID-19 threat has been mitigated	13%
Increase	39%
No change	41%



FLYING COMMERCIAL AIRLINES

Decrease	40%
I plan to avoid until the COVID-19 threat has been mitigated	25%
No change	25%
Increase	10%

Nearly two-thirds (65%) of Northrop & Johnson survey respondents will completely stop or decrease flying on airlines compared to 25% who will maintain frequency and 10% who said airline flights will likely increase. At the same time, 80% said private flights will increase or remain the same, with half of those respondents saying private aviation usage will increase. It's a sea-change from before COVID-19 when only 44% of Northrop & Johnson's customers said they flew privately.

WHAT ARE YOUR CURRENT PRIVATE AVIATION SOLUTIONS?

On demand charter	43%
Friends' private planes	32%
Full ownership	25%
Fractional ownership or lease	15%
Jet card or jet membership	13%

"I HAVE BEEN IMPRESSED TO SEE HOW WIDELY SO MANY PLAYERS IN PRIVATE AVIATION HAVE IMPLEMENTED AND COMMUNICATED TO CUSTOMERS THE ACTIONS THEY ARE TAKING TO INCREASE HYGIENE AND DECREASE RISK. WHILE SUPERYACHTS HAVE A REPUTATION FOR EXTREME CLEANLINESS, THE PRIVATE AVIATION INDUSTRY IS REALLY DOING SMART THINGS TO CAPTURE INCREASED INTEREST AND TURN IT INTO NEW CUSTOMERS." - Daniel Ziriakus

DINING OUT

Decrease	35%
I plan to avoid until the COVID-19 threat has been mitigated	21%
No change	32%
Increase	12%



SHOPPING

“SHOPPING CENTERS PROVIDE THE EFFICIENCY OF BEING ABLE TO VISIT MULTIPLE STORES IN A CONVENIENT WAY, SO THE QUESTION NOW BECOMES, HOW DO YOU ADAPT THAT IN A WAY THAT YOUR HIGHEST SPENDING CUSTOMERS WILL KEEP BUYING?” - DZ

ONLINE SHOPPING

Decrease	4%
I plan to avoid until the COVID-19 threat has been mitigated	5%
Increase	55%
No change	36%



SHOPPING AT DEPARTMENT STORES/SHOPPING MALLS

Decrease	31%
I plan to avoid until the COVID-19 threat has been mitigated	27%
Increase	8%
No change	34%



SHOPPING AT SMALL BOUTIQUES

Decrease	32%
I plan to avoid until the COVID-19 threat has been mitigated	22%
Increase	8%
No change	38%

“THE CLEAR MESSAGE IS, UNLESS I AM COMFORTABLE YOU ARE SAFEGUARDING MY HEALTH, I PROBABLY WON'T COME.” - DZ

SPORTING EVENTS/CONCERTS

THERE COULD BE UNIQUE OPPORTUNITIES THAT WOULD ATTRACT EVEN HIGHER PREMIUMS AND SATISFY HEALTH CONCERNS.

"I CAN SEE TEAMS OFFERING ONCE-IN-A-LIFETIME OPPORTUNITIES FOR A FAMILY TO RESERVE THE ENTIRE AREA BEHIND HOME PLATE OR OTHER LARGE SEATING AREAS ENTIRELY FOR THEIR PARTY, INCLUDING PRIVATE ARRIVAL AT SPECIFIC TIMES." - DZ

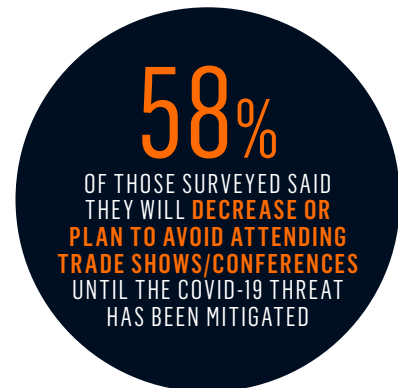
Decrease	33%
I plan to avoid until the COVID-19 threat has been mitigated	37%
Increase	5%
No change	25%



TRADE SHOWS

"WHILE EVERYONE KNOWS THAT PEOPLE NEED TO INTERACT, WHAT'S APPARENT IS COMPANIES IN THE EVENTS AND CONFERENCE BUSINESS NEED TO COME UP WITH NEW MODELS THAT WILL ATTRACT BOTH ATTENDEES AND SPONSORS." - DZ

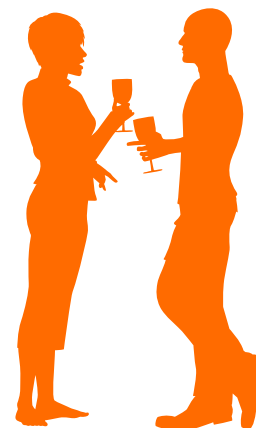
Decrease	34%
I plan to avoid until the COVID-19 threat has been mitigated	24%
Increase	22%
No change	20%



IN-HOME PARTIES & EVENTS

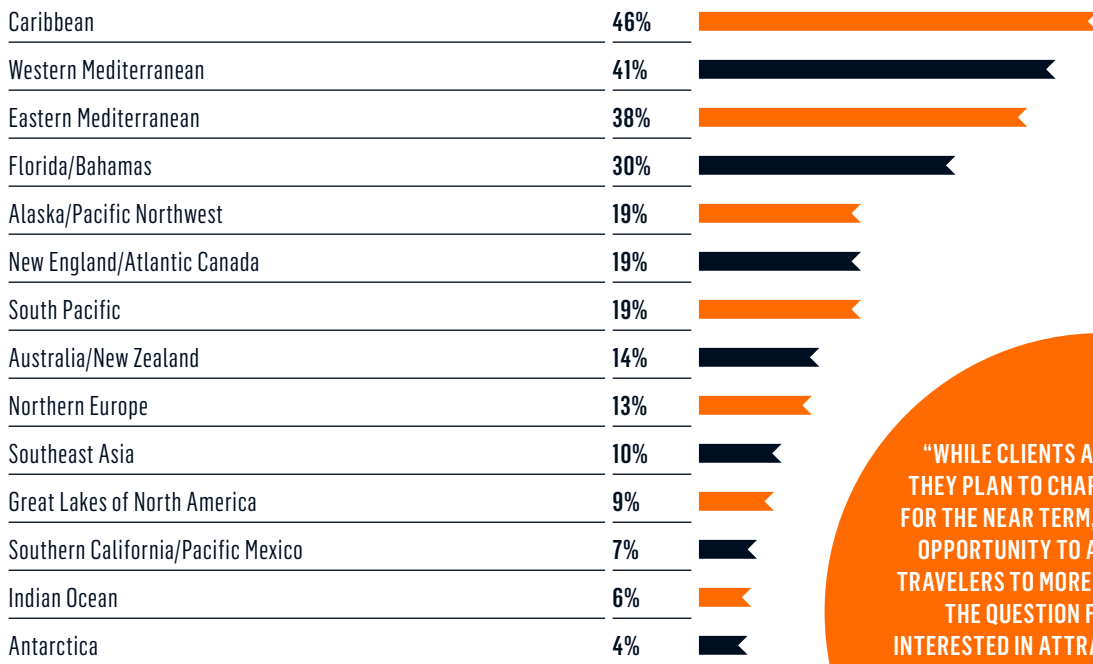
"EVENT ORGANIZERS HAVE THE OPPORTUNITY TO WIN TRUST IF THEY CAN DEMONSTRATE THAT THEY WILL PROTECT THE HEALTH AND SAFETY OF THEIR CLIENTS." - DZ

Decrease	35%
I plan to avoid until the COVID-19 threat has been mitigated	23%
Increase	22%
No change	20%



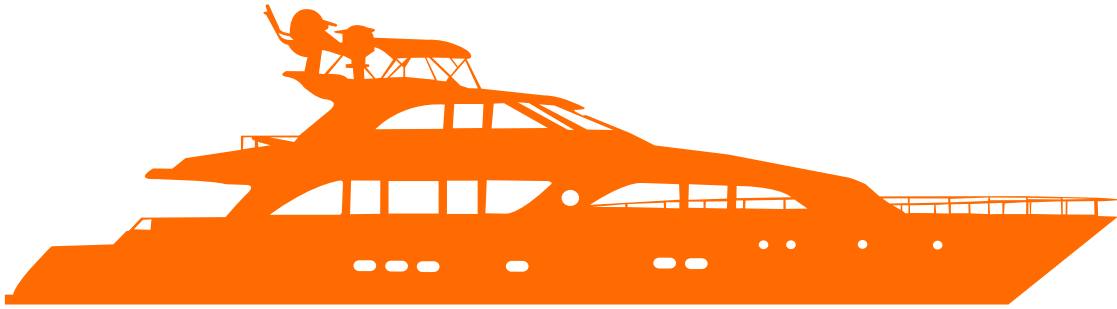
YACHTING TRENDS

LOOKING AHEAD, WHICH AREAS OF THE WORLD ARE YOU INTERESTED IN FOR FUTURE YACHTING VACATIONS?



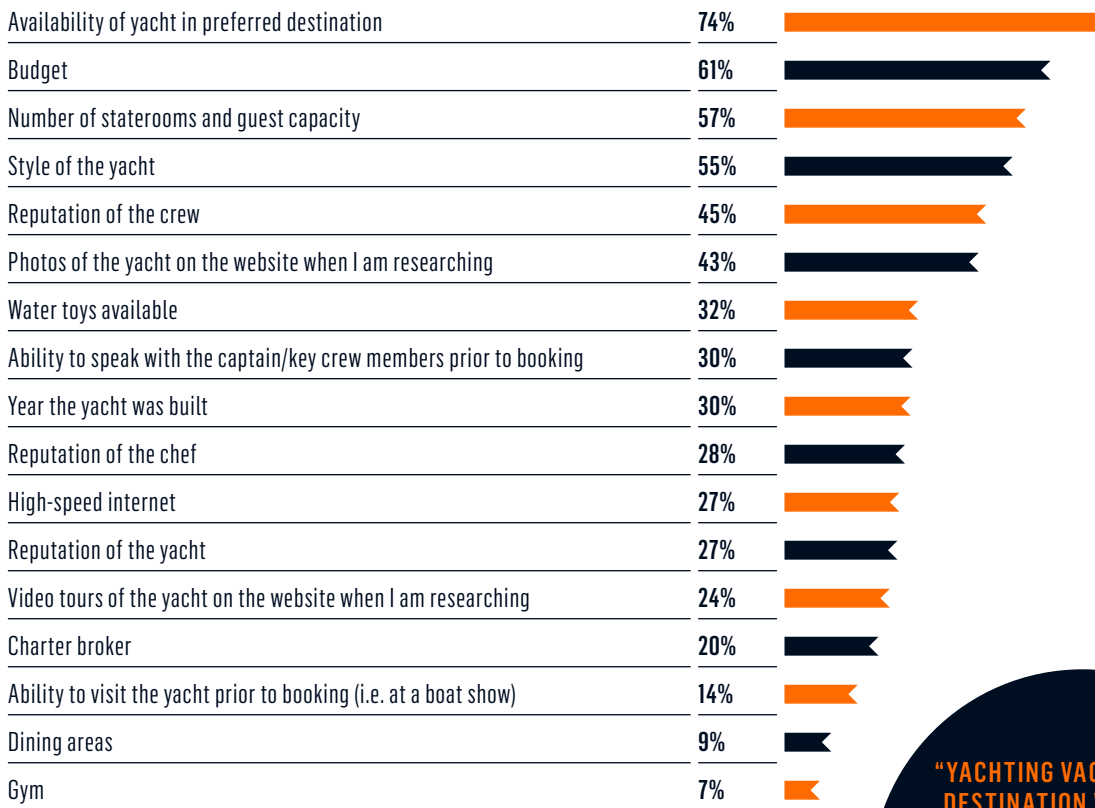
"WHILE CLIENTS ARE INDICATING THAT THEY PLAN TO CHARTER CLOSER TO HOME FOR THE NEAR TERM, THERE IS SIGNIFICANT OPPORTUNITY TO ATTRACT HIGH-VALUE TRAVELERS TO MORE EXOTIC DESTINATIONS. THE QUESTION FOR DESTINATIONS INTERESTED IN ATTRACTING YACHTS IS TWO-FOLD; DO YOU HAVE THE INFRASTRUCTURE TO SUPPORT THIS BUSINESS, AND, WHAT ARE YOU DOING TO ENCOURAGE CLIENTS TO VENTURE TO YOUR WATERS?" - DZ





WHAT ARE THE MOST CRITICAL FACTORS FOR YOU IN SELECTING A YACHT FOR CHARTER?

74% of survey respondents say availability of the yacht in their preferred destination is the most critical factor when selecting a yacht for charter.



"YACHTING VACATIONS ARE DESTINATION VACATIONS. DESTINATIONS NEED TO COLLABORATE AND DEVELOP CLOSE PARTNERSHIPS WITH THE YACHTING INDUSTRY AS, SIMPLY PUT, THE ECONOMIC OPPORTUNITY IS MASSIVE."

- DZ

WHO DO CHARTER CUSTOMERS TYPICALLY SAIL WITH?

	Often	Sometimes	Rarely	Never
Childcare/Nannies	30%	46%	13%	11%
Personal Assistant	4%	22%	37%	37%
Security	0%	9%	59%	32%
Personal Chef	0%	9%	39%	52%
Personal Trainer	0%	13%	35%	52%
Personal Doctor/Medical Support	0%	2%	41%	57%



OF THE VARIOUS SUPPORT STAFF OF UHNWIS, **NANNIES ARE MOST LIKELY TO COME ON YACHT CHARTERS**, WITH 76% OF BROKERS SAYING IT HAPPENS OFTEN (30%) OR SOMETIMES (46%).

UNUSUAL REQUESTS RECEIVED BY CHARTER BROKERS

Non-routine requests brokers report range from having a band flown in for a birthday party to installing a Nespresso machine in the master stateroom. To accommodate a guest who wanted to have fresh fish each day, the Captain arranged to have a mater go out at 4 a.m. each morning to intercept local fishermen before they could reach the market.

One charter client only was interested in yachts with helicopters, although he didn't actually want to fly. It was just for show. Another wanted to charter a yacht, but just sit at the dock for the entire week, while yet another wanted to stay in a hotel at night and have the yacht for use during the day.

If it's legal, the answer is yes. Like the time one Northrop & Johnson broker arranged a German Oktoberfest party in traditional garb, complete with band, on the yacht, in the Bay of Naples, Italy.

There was also the request for an all-female crew as well as to have a special teapot. And last-minute requests are not uncommon, although wanting a series of custom ice sculptures three hours before a party isn't the norm. Yes, it was done.

One customer wanted all duvets replaced by Merino wool blankets. Another asked for a Grand Piano to be boarded for a party – just for one night. Done, as was the request to make sure there was a backgammon board.



A RECENT REQUEST ASKED FOR **THE CREW TO BE QUARANTINED FOR TWO WEEKS PRIOR TO ARRIVAL**. ANOTHER REQUEST WAS TO CHANGE GUESTS IN THE MIDDLE OF THE CHARTER.



THE TAKEAWAY



Suppliers of goods and services to Ultra High-Net-Worth (UHNW) households in many cases will need to rethink how they do business if they expect those high-yield customers to partake at pre-COVID-19 levels.

While pundits are talking about pent-up demand and revenge shopping, these highly affluent consumers are, for the time being, taking a much more measured approach, prioritizing reducing possible exposure to the virus.

FOR A COPY OF THE COMPLETE REPORT, PLEASE EMAIL
press@northropandjohnson.com



