

# Yacht Chartering

Objectives:

1. Look at the market of superyacht chartering (glimpse at the “business”)
2. Look at the major players; key management attributes; essential traits
3. Management challenges

Materials available for distribution

1. Superyacht Owners Guide to Montenegro
2. Superyacht Owners Guide
3. Burgess charter mission statement

Introductions and personal objectives

Different kind of class - interactive; email; call; meet before class.

**1. Definition of superyacht:** generally considered yachts over 24m

## 2. Size & Scope of the Market

30'000 weeks available

\$5.2 billion potential market value

New build orders up by 27%

Pre-owned brokerage up by 24%

= charter market saw a decrease of 9% in 2010 (over 2009)

5'742 yachts on the sea

18% available for charter - gradually increased

## 3. The Business

The Fleet

- 1049 yachts available in 2010 (23.4% more than 2009)
- Better economy than 2009
- More yachts for sale; charter to cover costs

Sizes

- 24-30m; 16% increase
- 20-50m; 28% increase
- 50+; 16% increase

Types

Motor yachts: over 83%

Sailing yachts: less than 17% (represents the number of sailing yacht units in the global fleet of superyachts)

#### Average Charter Values

24-30: \$50'000

30-50: \$100'000 (down 10% because of more supply)

50+: \$375'000

#### Market Potential Weeks

- up to 30 weeks in a year
- 2010 there were 31'470 weeks available
- 7500 24-30m
- 18000 30-50m
- 4800 50+m

### **4. The Results**

2010 - Weeks sold decreased by 9% (due to increase in the sales market)

#### Results by size

- 24-30m down
- 30-50m down only 1.9% (lesser performing in terms of sales)
- 50m+ down 5% (high performing sales market)

#### Sales analysis

##### Sold weeks

24-30: average of 1.55 weeks (down 46%)

30-50: average of 2.35 weeks

50+: average 3.57 weeks

### **5. Hotel Model**

- hotel sector is the closest financial and business model (rooms, food, service)
- analytical tools are available

#### Profitability Measurement:

- occupancy level
- average daily rate
- revenue per available room -- Revenue per Available Week (revenue divided by the number of weeks available for charter). Significantly reflect how successful a charter yacht is.
- like the private use of a small luxury hotel (restaurant, terraces, amenities)
- with an average spend of \$130'500 in 2010 (six rooms, seven nights), average price per room per night is \$3'100.

Captain: be a hotel manager, a host, run the crew, do navigation and be a safety officer.

### **5. The Players:**

Top 12 (70% of the market)

- marketing expenditure
- structured charter marketing divisions

## Presentation on Big Brokers

- Not just about the players in the market
- What is important to them?
- What have they learned; what are their key management attributes
- What are the essential attributes of charter management business?

## Management Issues

- Variability / sensitivity to the economy
- Intrinsically linked to sales
- Hotel management

## Need to offer Customised Service

There are many charter agencies / charter brokers (even here in Montenegro), thus it is necessary to **differentiate your company** from others by being able to provide every customer - whether they are chartering a 12 or 50 metre boat – with the highest standards of kindness, professionalism and efficiency.

The charter manager has to be hands-on and to follow the customer step by step to make sure this quality is preserved (e.g. meeting/preparing the crew, greeting the client at the boat on the day of the charter, leaving a last-minute surprise like a bottle of champagne).

Be more than a charter agency, offer extra services. Just a few examples include:

- Berthing
- Bunkering
- Provisioning
- Spare parts sourcing and purchasing
- Interior support services
- Guest and Crew Transport

## Unwanted Situations

A charter company has to be prepared for any kind of emergency, thus the following services must be looked after:

- medical advice
- rescue services

## Handling of Economic Crisis situations

- more superyachts available to purchase
  - more choice for buyers
  - 2007 27% available for sale
  - 2010 32% available for sale
- = number of yachts available compared to demand has created a more competitive market.

## Exceptional and Thorough Marketing

- look at PDF marketing presentation

## **Team Building**

Forming, storming, norming and performing. These stages have to be covered quickly yet thoroughly in order to have a strong, disciplined and efficient team.

Expertise, skills, communication.

Importance of crew: **“crew has a direct impact on charter revenue and running costs”**

## **Selection of the fleet**

Number, type, age of vessels (newer – better)

- The selection should satisfy all possible tastes yet not excess in maintenance costs  
M/Y solely, M/Y + Sailing Yachts. Sailing Yachts + Turkish Gulets. Super Yachts only.

## **Trends**

- emerging markets

## **Mediterranean Yacht Brokers Association**

Objectives

MYBA is a worldwide professional trade association dedicated to large crewed yacht commerce. The association's objectives are:

- To establish and maintain a high standard of professional ethics, professional rules and skills in charter, sales, and yacht management.
- To establish, print and distribute recommended contractual documents specific to the profession and to encourage its members to promote them among professionals.
- To encourage inter-professional exchanges and contacts on all matters of common interest, including lobbying.
- To provide a framework with a view to the resolution of commercial conflicts between Members or between Members and their contracted parties with a view to suggesting solutions with professional common practice and with current regulations through mediation

## Conclusion

Superyachts boast unsurpassed luxury, extravagance and prestige. They offer the best in marine technology, design, décor, entertainment and recreational equipment. The deck crews on superyachts are technically proficient in navigation, cruising, safety, ship management and seamanship. The interior crewmembers of super yachts are masters in their specialist fields. A superyacht charter is distinguished by a high level of professional and discrete service offering unparalleled, personalised service. A cruise itinerary will be prepared as to your inclination, with the recommendations of our experienced consultants. Menus, beverages and specialised fine cuisine will be individually tailored to your preferred tastes. A selection of music, media and entertainment is available based on your personalized requests.

So what is the price? From around USD100,000 per week, the client has the opportunity to experience a tailor-made yacht holiday on a superior private luxury superyacht. The crew work incredibly hard to make your holiday a success.

The worldwide superyacht fleet is growing fast every year and there are continually new superyachts available for charter with more makes, styles and models to choose from, in an increasing number of locations. Some of the more prolific brands include Benetti, Heesen, Oceanco, Feadship, Alloy Yachts, Abeking & Rasmussen, Lurssen, CRN, Palmer Johnson, Westport, Broward & Azimut.

With the increase in superyacht launches there has also come an increase in the number and complexity of yacht designs created by yacht owners, naval architects and designers. Many new luxury yachts push the envelope in terms of design features, material, sophistication and amenities. We are now seeing aft and side decks expanding into balconies, large glassed parts of the superstructure, wave piecing hulls. Indeed, it could be considered rare that a mega yacht is launched now days without a Jacuzzi pool, his and hers ensuite, owner's suite with study, tender garage, zero speed stabilisers, and various different outside seating and entertaining areas.

On top of those 'basics' there can also be helicopter facilities, full swimming pools, elevators, hamman steam rooms with spa treatments and masseuses, an ever increasing number of peripheral water toys and gadgets, like submarines, golf tees, beach swimming platforms and much more. Similarly, as the superyacht industry matures the yachts are improving and so too is the professionalism and standards of the crewmembers who run the yacht's charters.

So where does the increase in the size, complexity, standard and the quantity of the worldwide superyacht fleet leave us in terms of superyacht charter? Very well, is the simple answer, as competition is the life blood of any successful industry. There are ever more superyachts from which a charterer can choose from in ever more exotic and interesting charter locations.