

## THE NEW RULES OF “DATING”

While boat builders had the upper hand in negotiating new dealer/builder relationships a few short years ago, the dealer now has much more leverage.

If the boat manufacturer/dealer relationship is similar to marriage, then it's fair to say there's a lot of dating going on these days.

But “dating” in today's market is a lot different than it was even three years ago. Most manufacturers have a number of territories in which they're lacking representation. And with fewer dealers in business today, they have fewer options to fill those holes. So, while manufacturers had the upper hand in the dating game a few years ago, dealers now have much more leverage. In the past, it wasn't unusual for a dealer to spend years courting a boat brand in hopes of one day being added to its network, but now many of them have dozens of manufacturer's reps knocking on their door.

Boat builders that want to attract leading dealers must excel at developing and communicating their competitive advantages.

### THE RIGHT PRODUCTS

One of the most important ways a boat builder can set itself apart is by introducing new and innovative products. As most dealers will tell you, “new” sells. That is no easy feat today, as research and development is an expensive endeavor, and most boat builders still need to run lean to be profitable. How well positioned a boat builder is to invest in new product development should be an important consideration for dealers looking for the right partner.

Rec Boat Holdings, for example, has made new product development a core strategy for the Four Winns and Glastron brands it acquired last year. The company's engineering department tackled 15 projects in 2010 between May and the end of the year. And for FY2011, 13 projects are planned, six of which

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**Roch Lambert, group president,  
Rec Boat Holdings**



are brand new boats. They include a new pocket cruiser, the beginning of an initiative to renew the runabout lines and possibly even expansion beyond the current range of boats.

“When you come out with a new boat, there is a spike in demand,” says Roch Lambert, group president of Rec Boat Holdings. “The best tool to generate incremental sales is new product. We will do that constantly.”

During the recession, Marine Products Corp. has remained committed to research and development, introducing 18 new boats in the past four years under its Chaparral and Robalo brand names.

“Our new products have given us a competitive advantage with prospective dealers,” acknowledges Ann Baldree, vice president. “We did not slow down our product development during lean economic times.”

The introduction of innovative new products is an important part of Scout Boats' strategy for a healthy dealer network. Other tools it provides dealers to help them sell the brand are quality, fuel efficiency, style, resale, the company's financial health and its reputation, according to Alan Lang, national and international sales manager.

Correct Craft is another company that says it has increased product development efforts and seen a positive impact as a result.

“Providing our loyal Nautique customers with a reason to come to the dealer and buy is the best thing we can do for our dealers,” says Bill Yeargin, CEO of Correct Craft.

It's not just any new product that is selling well today, however. And since boat builders can't afford to blanket the market with new product, they're doing the research to determine which niches are healthy.

Nautic Global Group, for example, is focused on extending its “value line-up” and “product that ensures an increased turn ratio for our dealers,” according to Rick Gasaway, chief sales officer.

“The needs of our dealers have changed quickly over the past several years, thus so has our mix of products,” he explains. “We consider ourselves pretty nimble when it comes to product changes and work hard to be in front of the curve to provide our dealers with boats they can easily sell.”

Starcraft – Smoker Craft Inc. is also focused on offering its dealers products designed to sell in today's market. Five years ago, the company had three brands with a lot of overlap. Therefore, they meant a lot of the same things to the retail customer. Since then, it has both simplified and tailored those product lines to make each brand stand for something different, according to Phil Smoker, vice president of sales. Now, they each compete in a separate market, targeting a specific retail customer.

As part of that change, it also is ensuring its dealers only buy what will sell in their market and what they've been trained to sell.

“You might have a fiberglass deckboat dealer who wants to buy a big aluminum fishing boat,” says Smoker. “Unless you have experience with that boat, we don't want you to stock it.”

In addition, the company has been conducting analysis to determine what is selling in each region. It doesn't want its dealers carrying an entire product line if some of those products don't make sense in that market.

Similarly, Correct Craft has been working closely with its dealers to help them keep healthy inventory levels. As part of that strategy, it watches retail sales activity very closely to ensure its production levels are appropriate, says Yeargin.

Changes in dealers' approach to stocking inventory have also driven new strategies at Rec Boat Holdings. Four Winns, for

example, has created what it calls a “destination” at Legendary Marine in Destin, Fla. This dealership has Four Winns’ entire line-up of cruisers in stock and will make them available to any Four Winns dealer who wants to bring customers down to demo them. Such a strategy is designed so that dealers don’t have the financial stress of carrying the entire line-up.

Because new boat builder Hornet Marine produces vessels that are fully customizable and built to order, “we eliminate the need for dealers to stock multiple boats of the same model in their showrooms, requiring no minimum inventories,” says Jason Bolas, Hornet Marine’s factory sales rep. He also says the company’s “built to HIN” manufacturing process keeps the dealer in mind as it improves parts managing and post-purchase sales.

“When we started Hornet Marine in late 2009, we saw a lot of room for improvement in the relationship between boat builder and dealer, and we plan to change that in order for everyone in this industry to succeed in today’s market,” he says.

**THE RIGHT PROGRAMS AND PROMOTIONS**

Another way boat builders can set themselves apart is through the programs and promotions they offer their dealer networks.

Like many marine companies, Nautic Global Group has invested a significant share of its marketing dollars on the web the past few years. In fact, it describes itself as an “online marketing leader.” In addition, it has launched owner loyalty programs for its brands to help dealers with customer retention.

Correct Craft highlights its strong factory support for dealer events, including athletes. And Marine Products Corp. underlines the importance of having a balance sheet that allows it to provide retail incentive programs, as needed, to support field inventory.

Where boat builder strategy gets more controversial is in regards to price. Part of making boats easy to sell in this market comes back to price, according to Nautic Global Group. Therefore, the company reduced the price on about 40 percent of its product for 2011, which has allowed its partners to improve their turns and their bottom lines, the company says.



Jason Bolas

Likewise, Hornet Marine says it is more inclined to do business with a dealer that is committed to fair pricing “in order to get more of our boats out on the water to grow public demand” than a dealer seeking to compensate for fewer sales with marked up prices.

Other boat builders discourage their dealer networks from focusing on price during the sales process, even in recent years when consumers have entered negotiations with what some have called a “clearance” mentality. Rec Boat Holdings, for example, believes that innovation is



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*Part of Starcraft – Smoker Craft Inc.'s strategy for supporting its dealer network involves providing opportunities for training and education at events like this, its annual dealer meeting.*



the solution to the pricing dilemma. If you build a product that stands out from the pack with unique design and value for the customer, you can set prices that offer a healthy margin for both the builder and the dealer, the company suggests.

Some of this strategy comes back to the segment of the market a given company is targeting. Correct Craft has positioned its Nautique brand as a “premium product,” explains Yeargin.

“Our goal is to be the best, not the cheapest, so if the dealer just wants to sell on price, they are not for us,” he says.

No matter what your pricing strategy is, however, dealer programs can be difficult to manage. That’s why Starcraft – Smoker Craft has made its programs consistent all year round.

“Whether they buy in September or April, they know what the program will be,” says Smoker. “If they have four or five brands in their dealership, it’s hard to keep programs and pricing straight.”

**THE RIGHT SUPPORT**

Yet another important competitive advantage for boat builders is the support they provide to their networks.

Warranty reimbursement is one component of that. That’s why when Platinum Equity bought the Four Winns, Glastron and Wellcraft brands, now operating as Rec Boat Holdings, they immediately sought to pay those dealers who were owed such monies.

That, however, is just one piece of what it means to provide

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**“Dealers ... have an interest in how adjacent dealers are selected. We always take that into consideration.”**

*Rick Gasaway, chief sales officer,  
Nautic Global Group*

dealer support. Rec Boat Holdings has also launched its own Dealer Satisfaction Index. The first survey was completed in December, and the company plans to measure dealer satisfaction every six months going forward.

“If you have something to say, we want to hear it,” says Lambert.

One area where Nautic Global Group has been putting its efforts is tools to help dealers manage and respond quickly to leads. It has a new lead management and distribution system called eConnect, for example. This is supplemented with Bridge It Live, which responds to phone requests made by consumers visiting Nautic Global Group websites by calling the dealership in real time to connect the dealer and consumer as quickly as possible.

Scout Boats says its co-op program and its non-structural warranty are two ways it supports the dealer.

Other forms of support include opportunities for training and education, inventory sharing tools, online parts ordering, online warranty registration and more.

At Starcraft – Smoker Craft, training and education is an important part of their dealer meetings. In addition, the company is hard at work designing a dealer extranet that provides dealers with tools intended to drive efficiency.

“We’re putting a lot of effort into trying to make ourselves easier to work with,” explains Smoker.

### THE RIGHT DEALERS

There’s no doubt that having the “right” dealer network is key to a boat builder’s success. But each builder defines that word differently.

At Nautic Global Group, part of finding the right dealer partners is ensuring they don’t step on the toes of an existing dealer. Therefore, the company often works with existing dealers in the region where it has an opening to identify potential candidates.

“Dealers often have to work together at boat shows and will benefit from sibling dealers in a region promoting the brand,” explains Gasaway, “so they have an interest in how adjacent dealers are selected. We always take that into consideration.”

Starcraft – Smoker Craft signed up about 40 new dealers last year. With that said, Smoker admits that some of its dealers have yet to enter recovery mode, therefore, it’s hard to determine if or when they will continue forward as active dealers. Regardless, his company has something to offer that many dealers are



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**“Dealers want people they can trust that have a history behind them.”**

*Phil Smoker, vice president of sales, Starcraft — Smoker Craft Inc.*



seeking these days, according to Smoker.

“Dealers want people they can trust that have a history behind them,” he says. “A lot of the family-based businesses have done pretty well. They’re stable, they have a history and they have references. A lot of people are pining for that right now.”

In fact, that’s the kind of dealership his company is looking to partner with: “good family companies that are stable and debt-free.”

In today’s market, Starcraft – Smoker Craft is looking at prospects a little bit differently. While it has always asked new dealers for their financial statements, it now spends more time determining their financial viability and checking their references.

For its part, Rec Boat Holdings has begun working closely with GE to determine what prospects are a good fit for their business.

“If GE tells me they’re not credit worthy, I’m not interested,”

says Bruce Sargent, Glastron vice president of sales and marketing.

When seeking a new dealer partner, Correct Craft looks for a dealer with a “strong business plan, great service, excellent CSI with existing brands in a location central to the tow boat market,” according to Yeargin, as well as “synergy at the prospective dealer with other premium brands the dealer is presently offering.” In large part, it comes back to the experience the dealership can provide to Nautique owners. And the company expects dealers to look for some of the same criteria in their boat builders.

“We have a strong four-year strategic plan that will benefit both us and our dealers,” he says. “Dealers appreciate that we are looking ahead and planning in a way that considers their best interests.”

At Marine Products Corp., the process for selecting new dealers has not changed. Baldree says the dealer’s commitment to excellence, approach to customer service, administration, training and marketing must equal its own. She points out, for example, that Marine Products Corp. maintains an average CSI score above 95 percent.

Regardless of the criteria boat builders ask prospective dealers to meet, they are increasingly aware of the importance of fulfilling dealers’ needs in today’s market.

As Baldree suggests, “It is our obligation as the manufacturer to provide the services, training, marketing support, consistent new product offerings, quality and loyalty to ensure long-term, healthy relationships with our dealers and customers.”

— BY LIZ WALZ

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