

A View from Here

Bill's Sisson's weekly Trade Only blog



[A View from Here](#) > [Uncategorized](#) > Will our prospects buy . . . or bail?

[Will our prospects buy . . . or bail?](#)

Posted by Wanda Kenton Smith on April 28, 2010

My beliefs about the economy are complicated. We just came out of the Strictly Sail Pacific sailboat show — the largest all-sail show on the West Coast — and the feedback from exhibitors across the board was refreshingly positive!

Crowds were out and buying boats, accessories, gear and services — maybe not setting all-time industry records, but hey, deals were made and cash was transacted. One major boat manufacturer reported it was the best show he'd seen there in four years. This was really exceptional news and very encouraging for the sailing industry.

Some recent powerboat shows, likewise, have reported favorable results.

I'm absolutely thrilled to hear we are seeing an uptick in sales. I so want to be riding on the happy turnaround bandwagon, I really do. So why am I not spinning cartwheels and leading an all-industry cheer?

Anybody who follows my marketing column in Trade Only magazine knows the proverbial glass is always half full; I am an optimist. However, the past 18 months has tempered my natural-born cheery optimism. My psyche has shifted, and I've become more pragmatic.

So here's my dilemma about the economy and its impact on our biz.

I've got this niggling little doubt about whether we have really turned the corner, or if we've just experienced a short-term microburst of pent-up demand. Is what we've seen recently *sustainable*? Or have our most loyal and few remaining creditworthy customers finally emerged to grab up the fast and easy deals?

I was speaking with Joe Lewis of Mount Dora (Fla.) Boating Center & Marina, a Top 100-ranked dealer and one of the smartest operators in the biz. He's been at it a long time and is very much a "hands-on manager." He's successfully moved his old inventory to all the bottom feeders (my description, not his) that were scooping up great deals.

But now he's hit a brick wall — qualified buyers are still poking around, he says, but they no longer want to buy the available 2010 new product at new-product pricing. And, he tells me, many other dealers are in the same boat.

His question to me: "Will they buy or bail?" Good question. *BIG* question.

By aggressively purging the dated inventory in the pipeline, have we in essence, created a new profit-sucking monster? Is this "new deal mentality" our new nemesis?

My latest marketing column in the upcoming May issue of Trade Only is on financial guru Suze Orman. Well, one of the most compelling things she

told me is that she doesn't see a turnaround or recovery in the U.S. until 2014 or 2015. She cautioned us to be careful.

She said it will look like we're moving out of recession, but we won't be quite yet. She predicts it will continue to be difficult for small business owners and consumers alike to get loans, and all the major bucks will go to big business.

So while I really want to be totally gung-ho about the recent flurry of sales activity, her counsel haunts me. Last I looked, it's still 2010; 2014 and '15 are a long way away.

When I asked Suze what she thought it would take to get the affluent to buy our products and services in today's market, she said we have to offer the "deal of a lifetime." She believes it is better to sell something now and hope to make it up in the future when things turn around.

And that throws me headfirst into a 360-degree exorcist-force spin right back to Lewis' initial concern. If we don't mimic the crazy discounting of the past 18 months, will our new product prospects buy . . . or bail?

I try to think like the customer. Hasn't your mindset about buying big ticket items — shoot, *any* discretionary item — changed drastically? In my family, we don't buy anything on impulse anymore, and the only way I'd even consider anything major is if it were a "deal of a lifetime," and even then, I'm not sure we would buy. Nearly all of my upper crust, middle class friends, family and professional colleagues have adopted this same brutal budgeting mindset. So why would our average boating customer think differently?

Your thoughts?

Do you think we've turned the corner?

Do you think we're experiencing a short-term sales burst, or are recent show results the early indicator of better days ahead?

Do you believe our new reality and future will be built upon skinny profit margins?

Do you think our current customers seeking the deal of a lifetime now will buy . . . or bail?

I know. It's complicated.

Wanda Kenton Smith is president of [Kenton Smith Marketing](#) and president of [Marine Marketers of America](#). She has handled boat show marketing and public relations for more than a decade, including this year's Strictly Sail Pacific.

Like Tweet

Comments

21 comments on "Will our prospects buy . . . or bail?"

1. [James](#) April 28, 2010 at 11:20 am

Well.... I think Joe hit the nail right on the head. We have experienced brisk sales of non current inventory, which is being sold at dealer cost pricing. Also pre owned inventory, only if priced very aggressively, is selling well. After two years of terrible margins, we decided if we can not make a reasonable margin on 2010 product, we would not stock it (except a bare minimum) and would not sell it at a margin where ultimately we would be losing money. Guess what?? The 2010 product is NOT selling. You pose a very interesting question, will they buy or bail? Although there are signs the economy is improving, it's not translating in to improved new (2010) boat sales. Frightening.... We are fortunate enough to be well established, debt free and can continue to run on service, brokerage and limited new boat sales. I feel for dealers that may not be in that position. I question how long some manufacturers can hang on where building new boat is their only revenue. I wish I knew the answer, but if the real turn around isn't until 2015, the landscape of this industry will look much different than it does today. Best of luck to all involved....

2. [a smaller builder](#) April 28, 2010 at 12:43 pm

Joe & James reconfirm the problem. model year badging... Pre 1980 this was not an issue today it's all about the model year even if the boats built in May are the same as the ones built in August. Times are tough but it's insanity to hold on to a biz model based on calendar days & not model change. Yamaha & Mercury have done it. Are they not the big dogs??

3. [Dan](#) April 28, 2010 at 1:12 pm

The buyers who purchased new boats recently are the ones who bought the stock market at its low a year or so ago and have realized some nice profits. But to think the market is going to continue to run up at the same rate is unrealistic. So I think the pool of new boat buyers has been mostly depleted for now. The thing I fear even more is inflation coming back. If raw materials start going up and the manufacturers start passing along price increases forget about selling anything new.

4. [John Wisse](#) April 28, 2010 at 1:28 pm

Good column and good topic Wanda. There is a reality to be sure and that is best defined in terms of detailed sales figures, other business accounting statistics, and boat ownership and registration records. Then there is the perceived reality – what we "think" is happening or what we are being led to think may be happening and that often is something different. Reality vs. perception. I believe that cautious optimism is a good thing. I also believe that people will continue to buy boats, motorcycles, RVs, second homes and the like — but on a pace that is significantly below what was experienced over much of the last decade. People want to enjoy the finer things in life, but are going to perhaps be a little more frugal about such purchase decisions. There remains enough conflict in our collective consumer minds about what is really

happening in the world and what we think is happening that across the board, our new consumerism design is perhaps to be much more fiscally conservative than before. When this turns around and to what extent is anyone's guess.

5. [Tom King April 28, 2010 at 1:32 pm](#)

Excellent article Wanda! And excellent questions.

It feels like we are all just waiting & praying for some positive answers to come along & save us.

6. [Billy April 28, 2010 at 2:55 pm](#)

I think the points you raised here are on every dealers mind. Our dealerships have also made alot of low or no profit sales in the last year to be ready to have good current product for next season. Unfortunately some builders are already making requests for new orders based on sales made in the past 12 months for future dealer stocking levels. That is as crazy as the proposed price increases of 5-8% that are being forecast for 2011 models. If the market has dictated prices at or near 2008-2009 dealers costs to complete sales for the last 12 months, it is unlikely consumers are suddenly going to be willing to pay 20-25% more. There will surely be another downturn in sales for the 2011 model year.

7. [Mark Kellum April 28, 2010 at 5:38 pm](#)

Thank you Wanda for your thought provoking article. I too don't believe the current up-tick in consumer confidence can be sustained or converted into big ticket purchases. However, I do think there is historical precedence that lesson can be extracted from. I am old enough that I graduated from college in the worst post 50's recession in the world. OPEC (remember those cats) had a strangle hold on all industrial countries. Jobless rates were worse, credit was available, but at 20% interest. Worse, the recession lasted until 1980 or more, according to who you want to listen to.

The lesson I focus on is, many manufacturers survived through the 76 recession and those who marketed strongly during the recession came back sooner and garnered more market share than those that did not. There are always people who will buy new boats and there have always been great sales people that can sell at retail. We all tend to look for answers going forward, history, even recent history, has many answers to today economic turmoil.

8. [Chris Foster April 28, 2010 at 9:53 pm](#)

If all the above comments are true, perhaps the logical conclusion is to short Brunswick.

9. [Marilyn DeMartini April 28, 2010 at 10:56 pm](#)

All good points to ponder Wanda and whoever has the best Genie, please let her out of the bottle! I think much of any comeback boils down to brand loyalty and value. When the consumer can afford to spend on what he or she wants, that person will spend depending on the perceived value and that is built not only on price but on the quality, service and "good feeling" the buyer gets from the investment. It is up to us as manufacturers, dealers and marketers to build that quality and the recognition of the quality into the goods sold. Perception does become reality!

10. [Frank April 28, 2010 at 11:32 pm](#)

I am not from your industry but have been a boater for many years and follow it. I have been manging financial assets for the last 29 years. Careful with a potential VAT tax. Look at what the tax does in Europe and how that it is handled. 10 to 15% price increase on your product where the government pockets that and not your industry could be a real blow. Ou might not feel a VAT tax on a light bulb but on a boat it's another story.

Good luck to all

11. [Kim Kavin April 29, 2010 at 9:30 am](#)

I cover the crewed yacht charter industry. One broker recently described the atmosphere between charterers and yacht owners as a "Mexican standoff." To a person, most brokers tell me the same thing: People are interested in chartering again, but they want to negotiate everything, including price, down to the last nickel.

We are about a month away ... See More from the start of the summer season in the Mediterranean, which is by far the most popular location for crewed charter in the world. By this time in years past, all of the boats would have long-ago been booked for summer. Not so last year or this year. On a nearly daily basis, I receive word of a significant yacht dropping its advertised charter rate by as much as 30 percent to try to entice business.

So my instinct is that skinny profit margins, big discounts, last-minute haggling, and creative deal-making are going to be the way forward for at least another year. If people won't even charter a boat at close to full price during the prime cruising season, what would make us think they'd approach buying one any differently?

12. [Greg Proteau April 29, 2010 at 11:45 am](#)

Mark Kellum and I are from the same decade school and I concur with his focus on discretionary money and purchases. Currently there is a dearth of the former, but there may be some "buds" for the latter. Stories in the mainstream media are talking about consumers rewarding their frugality with "little luxuries" like nice dinners, choosing better equipped pickup trucks, taking a cruise, buying more diamonds. Hopefully this will expand to include desire for a new-design boat, gotta-have new marine gadget, engine upgrade, etc. And, hopefully, it won't take another two years for it to happen.

13. [Mike Usina April 29, 2010 at 12:27 pm](#)

I thought I would add another perspective to this blog related to my transition to the commercial/military layer of the boat business. Where the prospects for sales, which includes primarily Requests for Information (or Proposals) (RFI, RFP's) from governments has been more dynamic than the equivalent in recreation, the award process itself has been very slow to produce the commensurate amount of volume. There are a couple of exceptions globally, but for the most part the global recession has impacted this portion of the market also. Beyond the slowdown of the awards process, we have experienced cancellations of contracts based on the reprioritization of needs based on budgets cuts. It hasn't been said yet here, but we all know that until consumer confidence and a certain level of equity has been restored in the marketplace, this "bloodletting" of profits will continue. Going forward, it's all about controlling the cost of doing business and finding your niche in the market. The suggestion that "it's all negotiable" has never been more the case at every level of business. Incorporate negotiation into your pricing strategies at every level of your business so you are prepared to deliver a "goodwill" discount when you are asked. If the consumer feels that the burden of this economy is being shared by retailers, they will be more inclined to spend their money with you.

14. [Jim Rhodes April 29, 2010 at 12:35 pm](#)

I always enjoy reading Wanda's insightful comments, and her latest column is no exception. For the near term, unemployment figures remain persistently high, and people who are losing their jobs (or fearful they might lose their jobs) are not about to spend big money on a boat. For the longer term, household debt remains disturbingly high, in large measure due to monstrous student loans. Credit is not loosening. Moreover, the high price tag for even an entry level boat is a barrier to new boat sales. It's gratifying to see dealer inventory levels down, but I do not see the modest recovery in the economy driving a surge of consumer demand for new boats, although bargain hunters will likely sustain a lively market for used boats sales (many of which unhappily will not flow through traditional dealers or brokers). We may see something like what's been happening in the RV industry, where some major builders use Chapter 11 bankruptcy as an opportunity to cleanse their debt every few years over the backs of their vendors and dealers. I believe we will see a structural upheaval in the boating industry, and we are unlikely to see a return to "business as usual." Not now, and not in 2015. The business model that has worked so well for the last 25 years is changing. The companies who figure out how to ride this sea change will prosper and emerge with market share.

15. [Doug Metchick April 29, 2010 at 3:04 pm](#)

Wanda,

Great Topic! As a friend of mine in the high-end wine business recently said, "people who like wine are still drinking it, but they are pulling from their cellars." We've certainly seen a recent uptick and the optimism that comes with it feels great. But I think we've still got a long way to go. People who have passion for boating aren't going anywhere, that's for sure. But how they attack their passion could be good news for some in the industry and bad news for others. Unfortunately, I think the "brick wall" in new boat sales is likely to continue for a bit; even a few years as your friend Suze says. But discretionary money among users is freeing up slowly and in increments, driven by those who are aren't completely giving up doing what they love. Like the wine drinker that's pulling bottles from the cellar, I think we're likely to see more near term activity in the aftermarket and service yards from the people looking to make their dollars and assets work harder than those who are jumping into new product. Cheers!

16. [Joe Lewis April 30, 2010 at 9:18 am](#)

Wanda,

Either you don't know many people in the boat business or you're far too generous with your compliment. . . . I suspect the later. At any rate here's an interesting twist, the "Fatigue Factor". Yesterday we got a call from some folks who'd been in to see us at the beginning of the month. They were pre-owned boat buyers in the market since Feb not having much luck finding what they wanted. Unfortunately we didn't have anything to offer. They now want to see what payments, etc. will be on a new boat because "I'm tired of looking at junk!" They're up on a new deck boat and we're hoping there's more of them out there!

Joe

17. [George Bonelli April 30, 2010 at 2:07 pm](#)

My few thoughts here are that there has been and will continue to be a shift in consumer mindset to the "Simplifier". These folks are looking for experiences and not assets, even though they can buy they are choosing to buy the fun and not the longer term ownership, which is why the onset of ZipCar, Exclusive Resorts, Fractional everything is a growing segment. This will require a rethink on how manufacturers and dealers actually get people on the water. We have a real opportunity to get many more people on the water enjoying it and getting them hooked on the lifestyle and then into ownership which becomes a natural next step. Some food for thought. . .

http://blogs.hbr.org/quelch/2008/10/how_recession_will_accelerate.html

See the Harvard Biz Review article re: "Simplifiers"

Good post. . .

18. [Tony Balsamo May 2, 2010 at 11:42 am](#)

Provocative article! It seems that until the value of one's investment portfolio is healthy enough to justify to the buyer the % of perceived net worth he or she will be spent on one's "entertainment portfolio" then we in the industry will be dealing with buyers who just can't pass up the last of the deals of the decade.

The "deals" are going going gone. . . that is the news that has to driven into the marketplace.

On the fractional side. . . There is much to support the concept, especially to those who really don't need the "pride of ownership". We have seen strong interest, and even conceptual agreement, but at the end of the day it has been not well accepted in our market.

Best to those in the marine industry, FL may get it's break this year with the sales tax max on yachts. . . If the oil spill doesn't scare the market!

19. [George Bonelli](#) May 6, 2010 at 10:58 am

That is indeed an interesting point Tony. Regarding the “Pride of Ownership” . . . we have been and continue to be amazed at the amount of pride our members take when they go back to “their” boat each and every time. It is much different than say . . . charter or rental. It has been of the bigger surprises since day one of the business and continues and grows today. The debate, I believe, when it comes to boat sales and fractional and how they should co-exist is how they interact with each other. The idea of “try before you buy” is one that is appealing to most any consumer at this level of investment and the synergies that exist in the fractional model with manufacturers and dealers are numerous. One of the things that we have noticed is that the acceptance in the marketplace of the model is more about how well it is executed and less about market demand. Every market has consumers that aspire to boat ownership, are time starved, or have exited boating for various reasons and fractional gives them a place to dip their toe back in the water, before they ultimately go on to buy, upgrade or sail away!

20. [arch](#) May 24, 2010 at 5:38 pm

Wanda, you have brought up something that is on the mind of most of us in the industry. Everyone’s comments are valid. We are all in this thing together. Most of the buyers out there right now are bottom feeders and it includes those that are way upside down in their current boats. Marine lenders no longer allow buyers to finance neg equity, so most that are upside down just aren’t willing to put the necessary down payment to get the boat they want. It’s a catch 22. Credit hasn’t loosened up a bit, and we lost another retail source in Bank of America. With so many upside down and your avg buyer not ready to let go of the cash yet, I just don’t see a turnaround anytime soon. Our biz is up probably 25% this year, but with this recent BIG drop in the market, I’m seeing a mid season slow down starting. This drop in the market and geo-political issues weighing heavily, it’s quite obvious consumer confidence isn’t where it needs to be. With talks of more bailouts, taxes, and the Obama administration’s relentless push to re-distribute wealth, I don’t see our economy experiencing a strong rebound anytime soon.

Wanda, Suze might be right, but in the future, I would highly recommend you going to more of an expert on economic matters. If you must know, she isn’t exactly the most respected person in the financial services industry and she definitely is not an expert on the economy. She is a financial planner, and most industry experts don’t even give her the credit of being good at that. She is no threat to them, so it’s not out of some conflict of interest that they say it. She has a popular tv show, and she makes it easy for everyone to understand, but she is far from being considered an industry expert. She is great at offering common sense financial solutions, and is a media giant in the field, but you won’t see anyone in the financial services sector going to her for advice.

21. [CaptainAndrew](#) June 15, 2010 at 9:49 am

I think George Bonelli is right on target. One has to consider the future. Whether you want to accept it or not, the Baby Boomers are not the future of the industry. The future of the market are the Gen X and Gen Y. These generations are our future customers. As far as the generations go, they do not have the prospects of earning the money the previous generations earned. Fractional programs and training will be the way to get this market segment. I don’t think Gen X and Y care as much about “Pride of Ownership.” I think they care more pragmatic about their time, earning potential and therefore their spending habits.

Make no mistake about it folks, Gen X and Gen Y are very different from the Baby Boom generation.

Leave a Reply

Your email address will not be published. Required fields are marked *

Name *

Email *

Website

Comment

Comments are moderated and generally will be posted if they are on-topic and not abusive. For more information, please see our [Comments Policy](#).

- [Home](#)
- [Dealer Outlook](#)
- [A View from Here](#)
- [Recent News](#)
- [Resources](#)

Search

Search for:

Categories

- [Boat Shows](#) (12)
- [Boating lifestyle](#) (15)
- [Boating safety](#) (7)
- [Coastal Zone Management](#) (2)
- [Customer Service](#) (4)
- [Dealer/Manufacturer Agreements](#) (5)
- [Dealers](#) (7)
- [Eco-friendly products](#) (1)
- [Economy](#) (11)
- [Education](#) (6)
- [Environmental issues](#) (7)
- [Finance](#) (3)
- [Fisheries](#) (1)
- [Gas Prices](#) (10)
- [Government](#) (7)
- [Grow Boating](#) (7)
- [Internet](#) (2)
- [Inventory](#) (1)
- [management](#) (1)
- [manatee](#) (1)
- [Manufacturers](#) (6)
- [marinas](#) (1)
- [Marine industry](#) (2)
- [Marketing](#) (11)
- [New Media](#) (2)
- [Sailing](#) (1)
- [Sales](#) (2)
- [Security](#) (1)
- [Taxes](#) (1)
- [Trade Shows](#) (2)
- [Uncategorized](#) (193)
- [Warranties](#) (1)
- [Water Access](#) (5)

Search Boats for Sale

Keywords	<input type="text"/>
Manufacturer	<input type="text"/>
Price	
From	<input type="text"/>
To	<input type="text"/>
	<input type="text" value="United States"/>
	<input type="text" value="New & Used"/>
Length	
From	<input type="text" value="50 feet"/>
To	<input type="text" value="100 feet or greater"/>
Year	
From	<input type="text"/>
To	<input type="text"/>
	<input type="button" value="Search"/>



Brokerage Listings Powered by BoatQuest.com



- [Privacy Policy](#)
- [Terms of Use](#)
- [About Us](#)
- [Career Opportunities](#)