

# Meeting the Challenge

PCC Bremerton Conference  
October 12, 2016

# Agenda

---

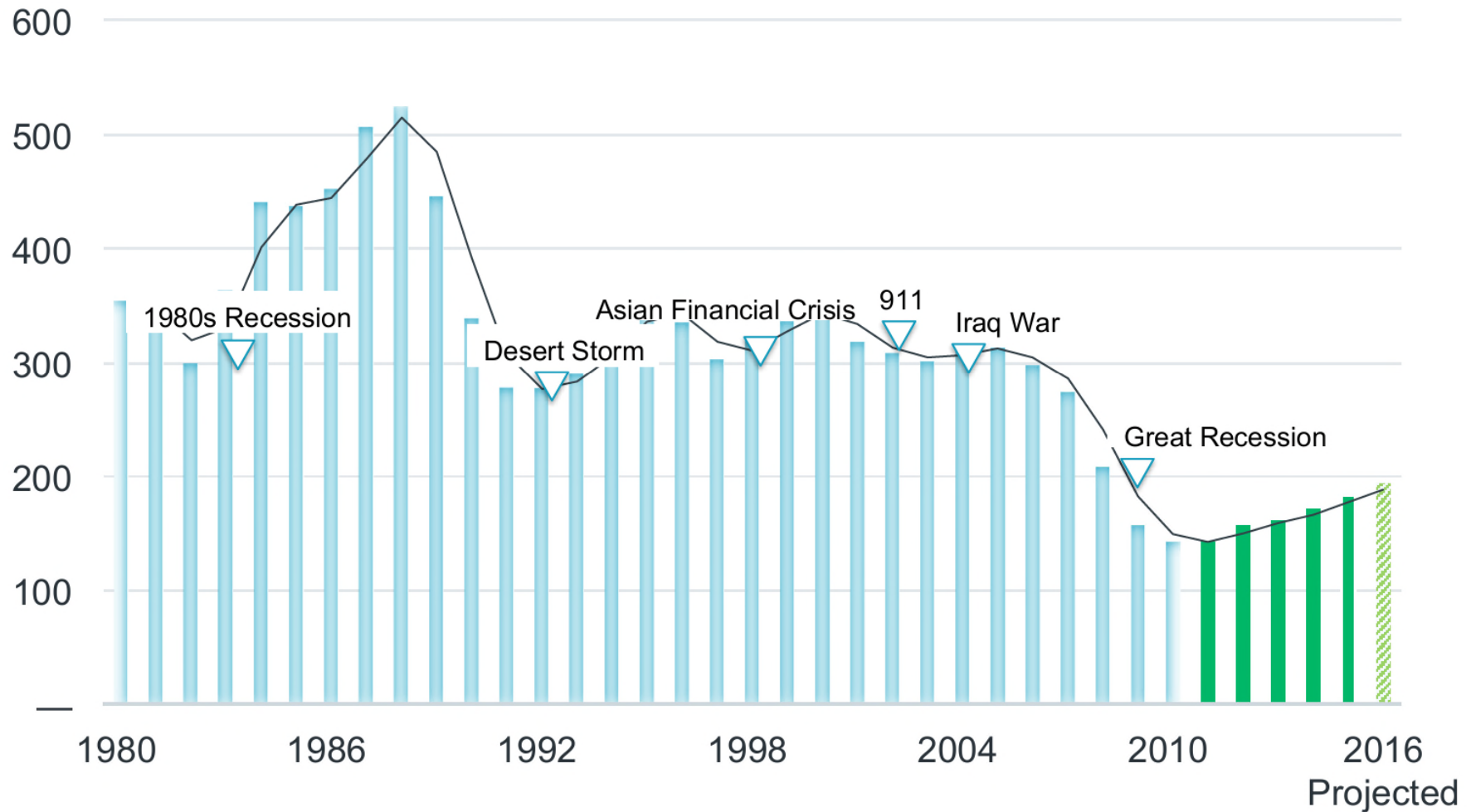
- ▶ Understanding boating/marina markets
- ▶ Issues affecting boating
- ▶ Considerations for meeting the challenge



# **Boating & Marina Markets National & Regional Perspective**

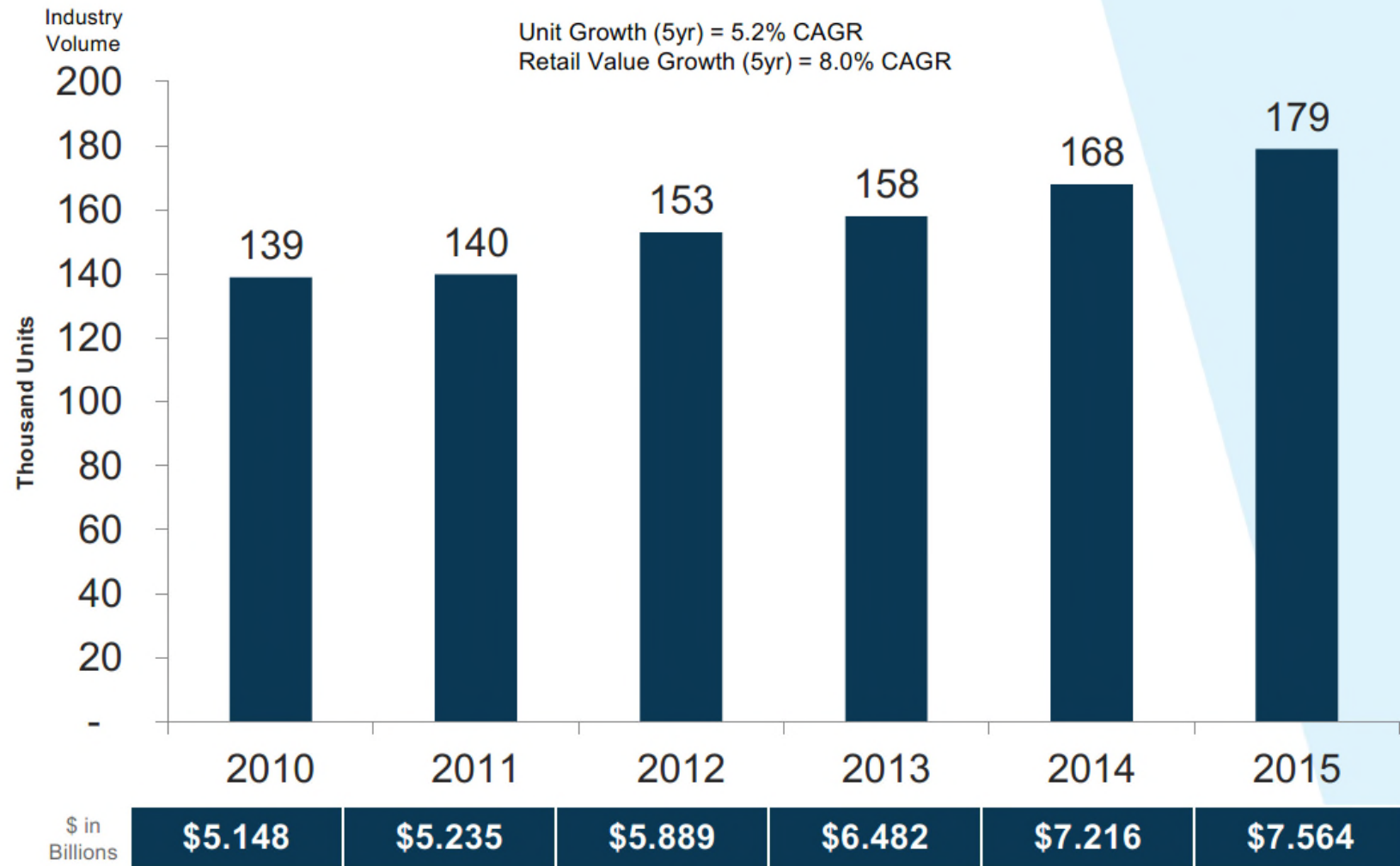
# Traditional U.S. Powerboat Sales

Source: NMMA, SSI (1,000s)



# U.S. Marine Industry Powerboat Recovery 2010 to 2015

Source: Brunswick



Source: NMMA statistical abstract: New boat retail revenue and units for OB/SD/IB powered boats

# US Boat sales show gains in August

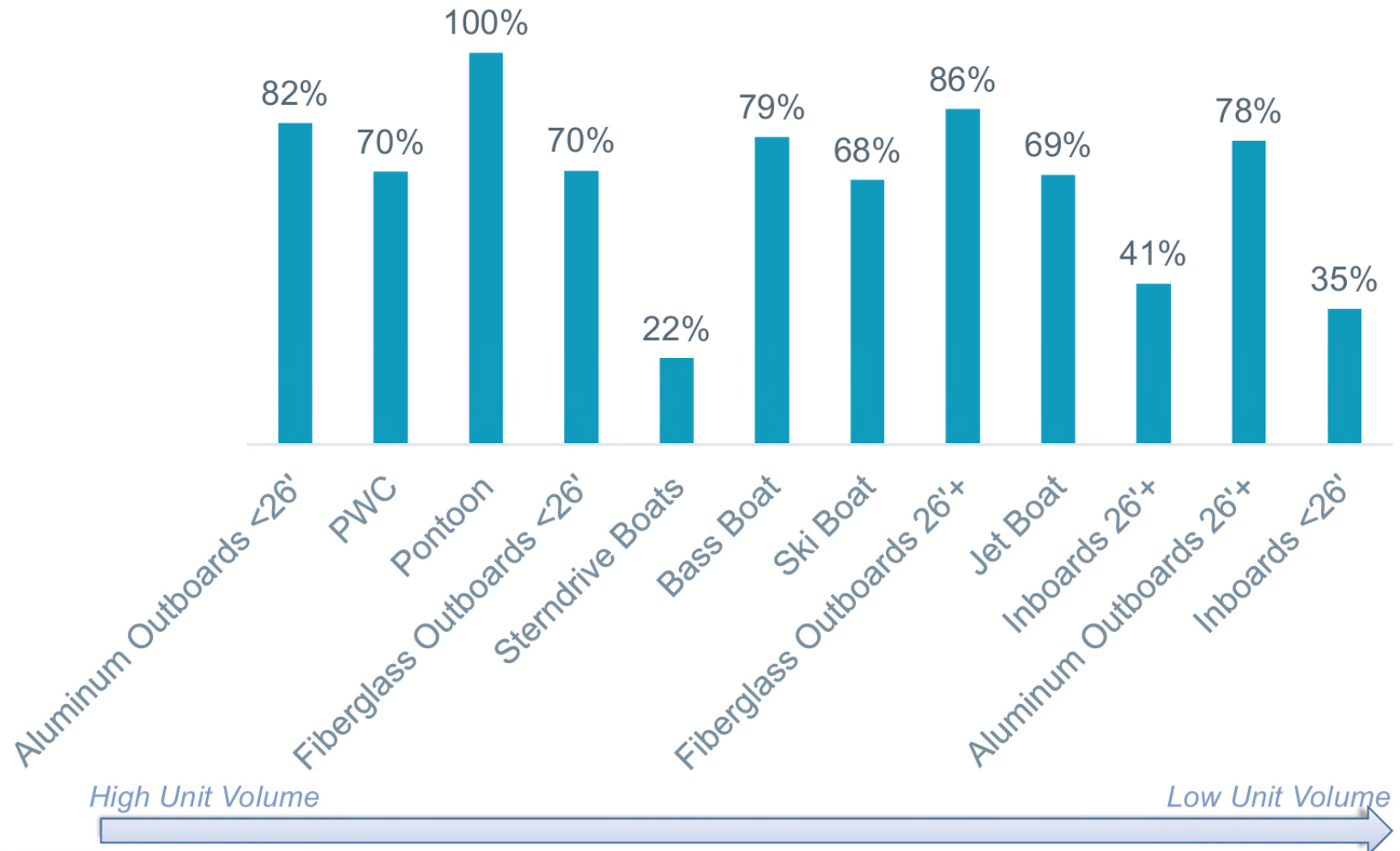
Source: Trade Today

Length Group	Propulsion Group	Hull Types	Boat Types	Aug 2016	Aug 2015	Year-Over-Year Growth % Aug	2016	2015	Year-Over-Year Growth % YTD
16-99ft	All Propulsions	Aluminum	Aluminum Fish	2,352	1,968	19.5 %	34,070	32,995	3.3 %
			Pontoon	2,797	2,492	12.2 %	38,851	35,700	8.8 %
11-50ft	Outboard	Fiberglass	All (Inshore/Offshore)	3,481	3,157	10.3 %	36,321	34,679	4.7 %
14-30ft	Stern / Inboard		All (Bowrider/Deck)	800	832	-3.8 %	9,054	9,451	-4.2 %
31-40ft			All (Cruiser)	97	82	18.3 %	1,061	1,025	3.5 %
41-65ft			All (Yacht)	63	57	10.5 %	672	643	4.5 %
66ft+			All (Semi-Custom & Custom Yacht)	13	13	0.0 %	93	108	-13.9 %
ALL	All Propulsions	All	Ski Wake	689	547	26.0 %	6,887	6,173	11.6 %
Main Powerboat Segments				10,292	9,148	12.5 %	127,009	120,774	5.2 %
ALL	All Propulsions	All	Electric	16	31	-48.4 %	139	155	-10.3 %
			House Boat	3	2	50.0 %	32	31	3.2 %
			Jet Boat	378	329	14.9 %	3,796	3,564	6.5 %
			PWC	5,343	4,735	12.8 %	48,322	45,298	6.7 %
			Sail	148	144	2.8 %	1,721	1,682	2.3 %
<16		Aluminum	All (General Recreation)	847	831	1.9 %	11,592	11,673	-0.7 %
All		All	All Others	384	348	10.3 %	5,405	5,581	-3.2 %
Total Industry				17,411	15,568	11.8 %	198,016	188,758	4.9 %
The data represents 25 states, approximately 62% of the United States Boat Market (Coast Guard Documented Vessels). Information is complete. If you have any questions, please contact Statistical Surveys, Inc. • Phone: (616)281-9898 • Website: www.statisticalsurveys.com									

Recreational boat sales are up ~5% over 2015, with most types experiencing growth.

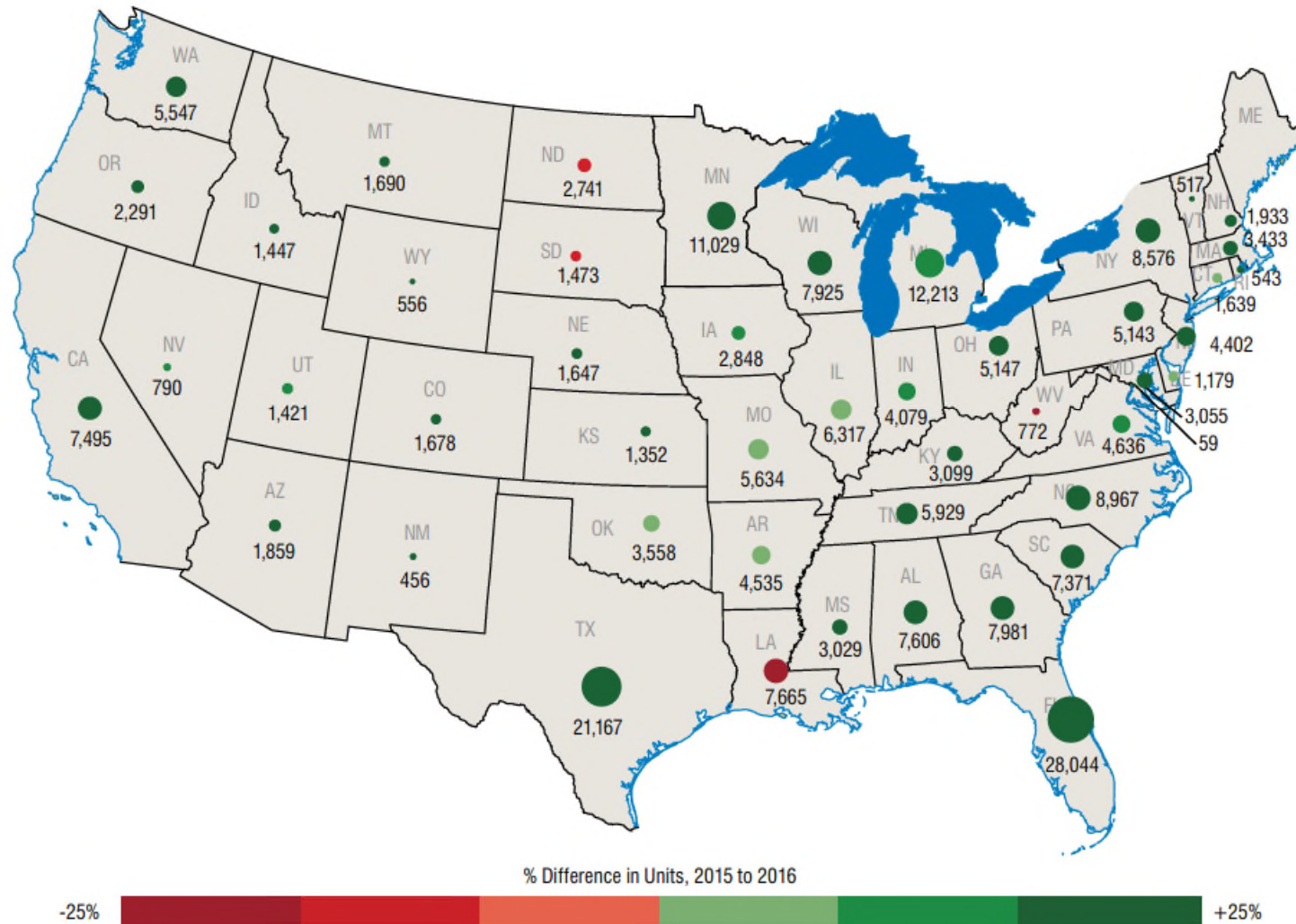
# Percent of Peak

Source: NMMA, SSI



# National Powerboat Sales by State

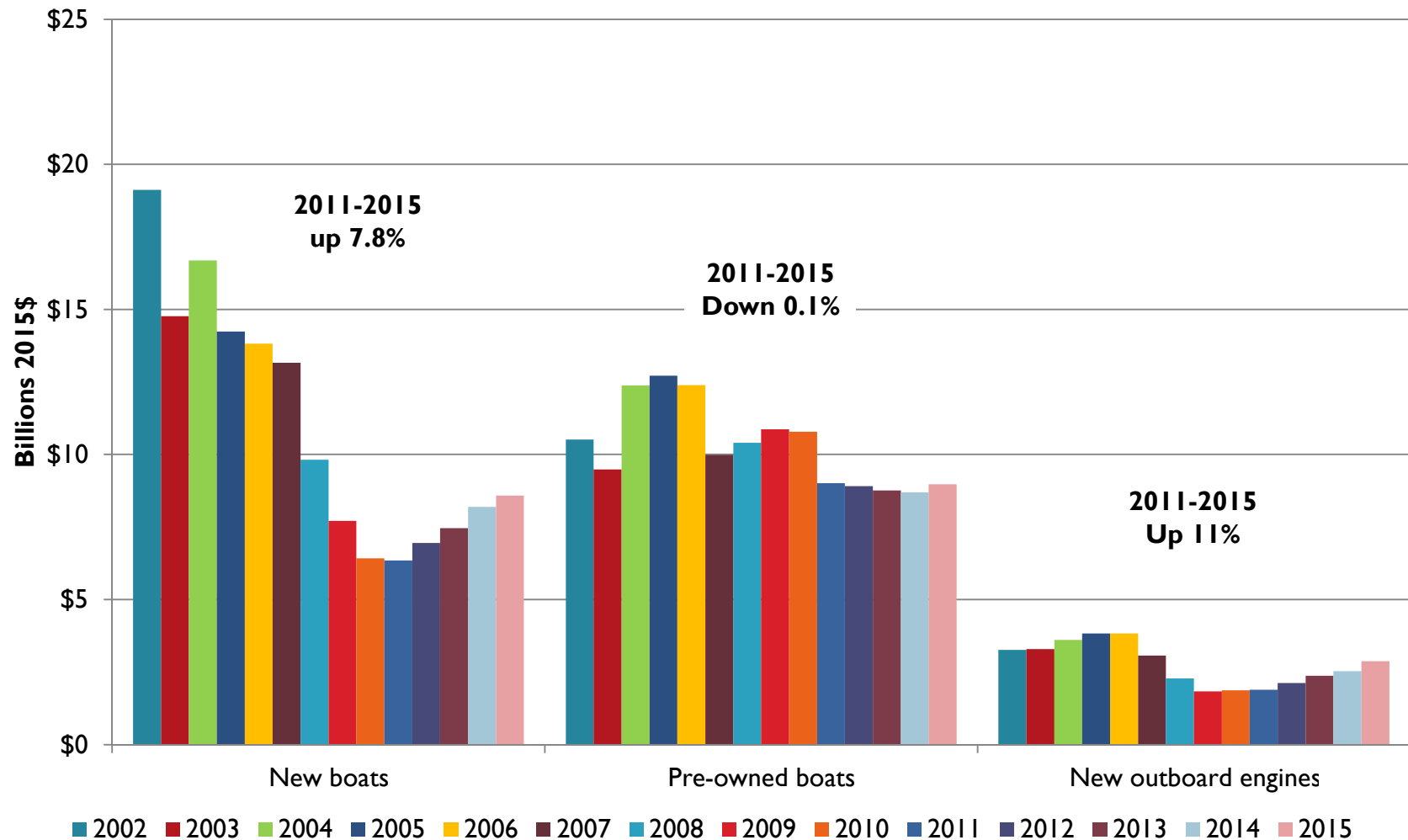
Source: Info-Link Technologies





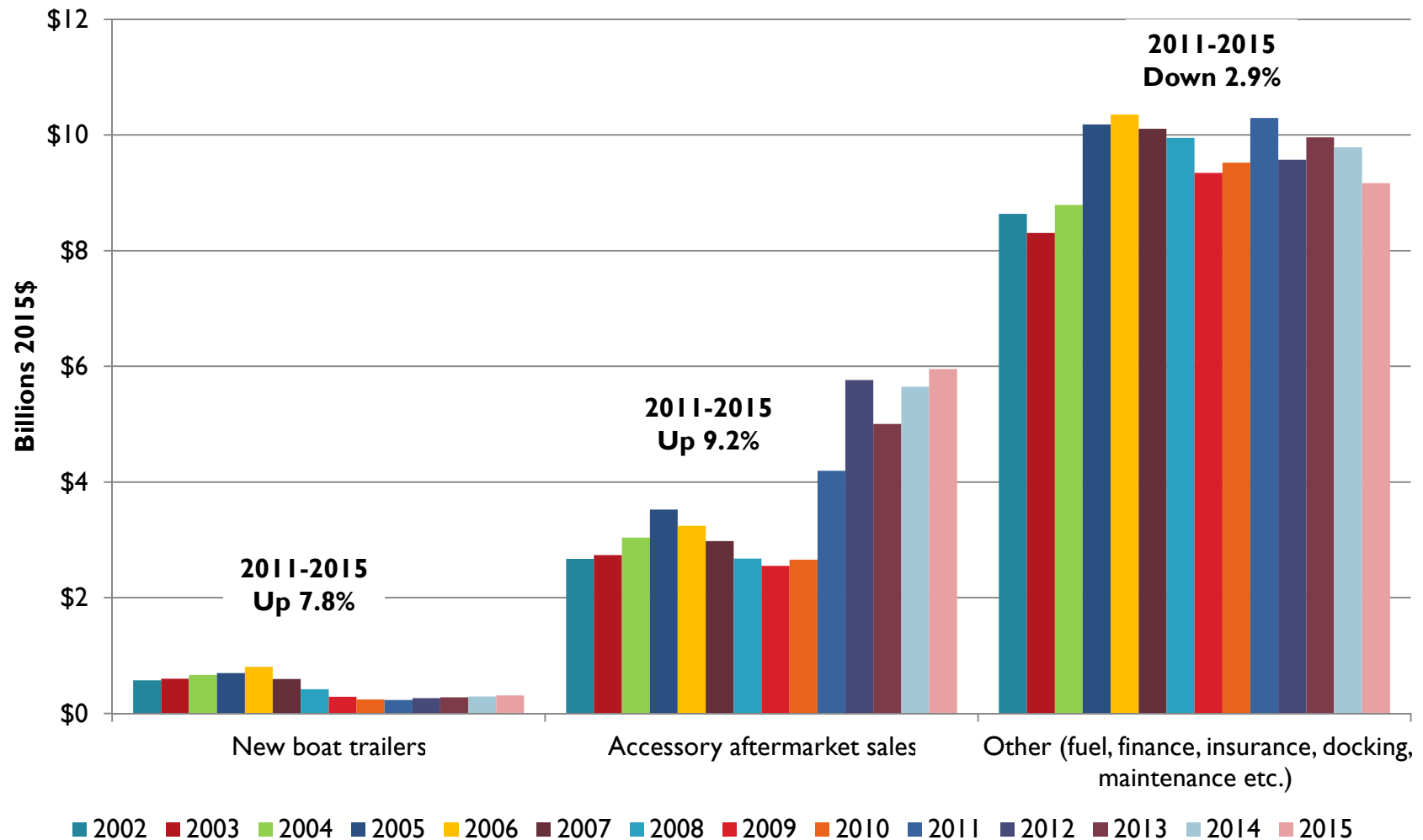
# Retail expenditures on recreational boating

Source: NMMA



# Retail expenditures on recreational boating

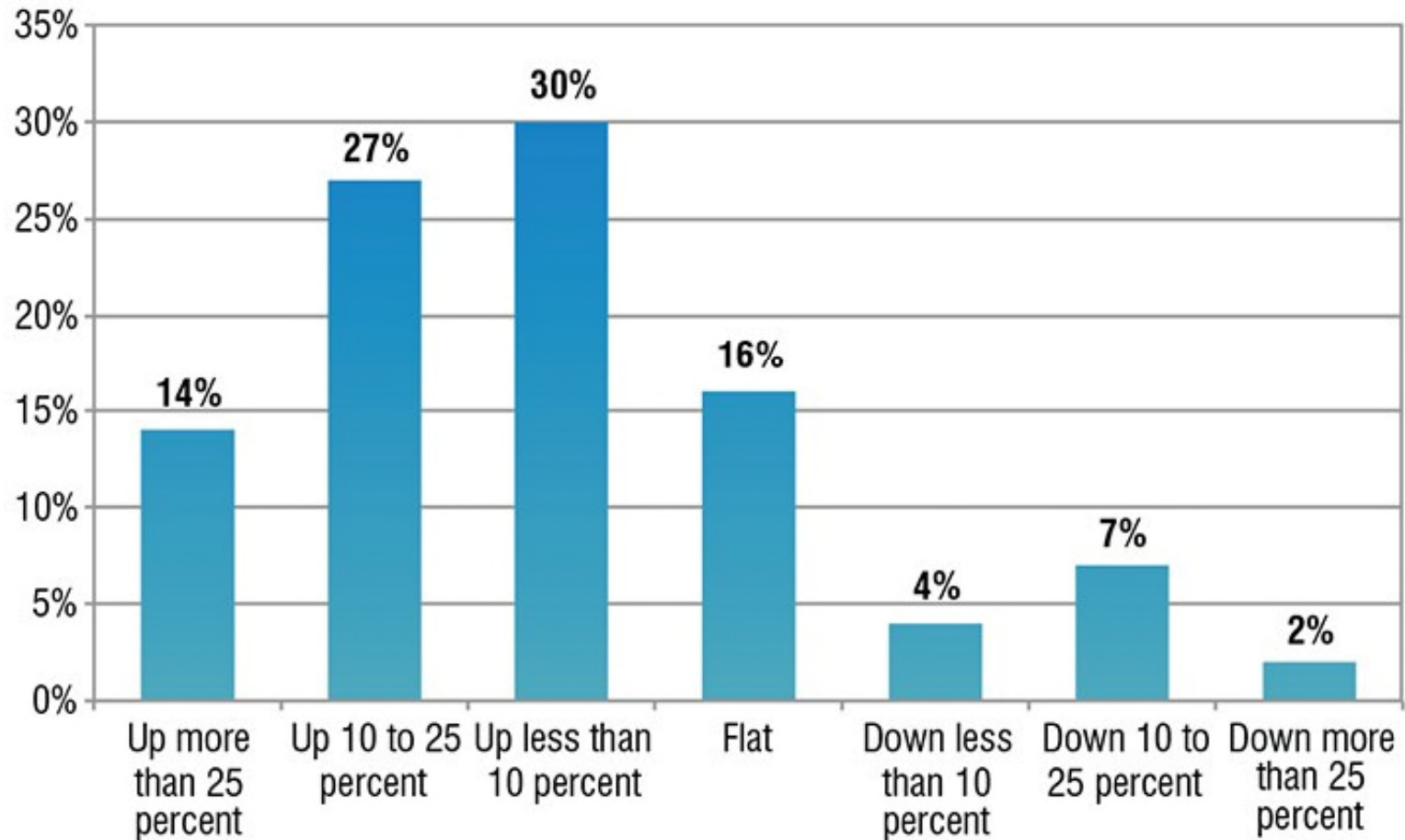
Source: NMMA



# Revenues 2015 vs. 2014

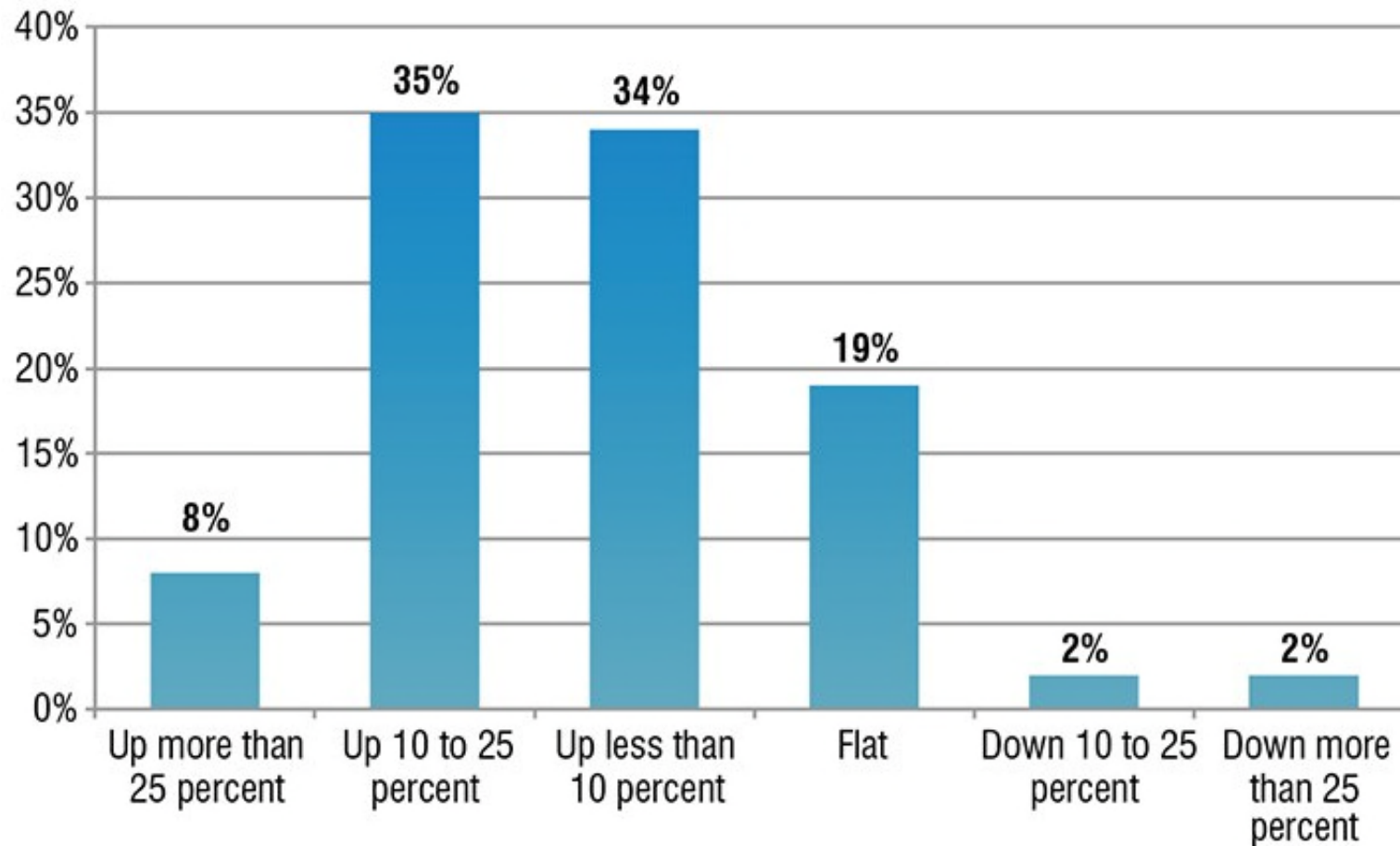
Source: Boating Industry survey

---



# Expectations for Revenues 2016 vs. 2015

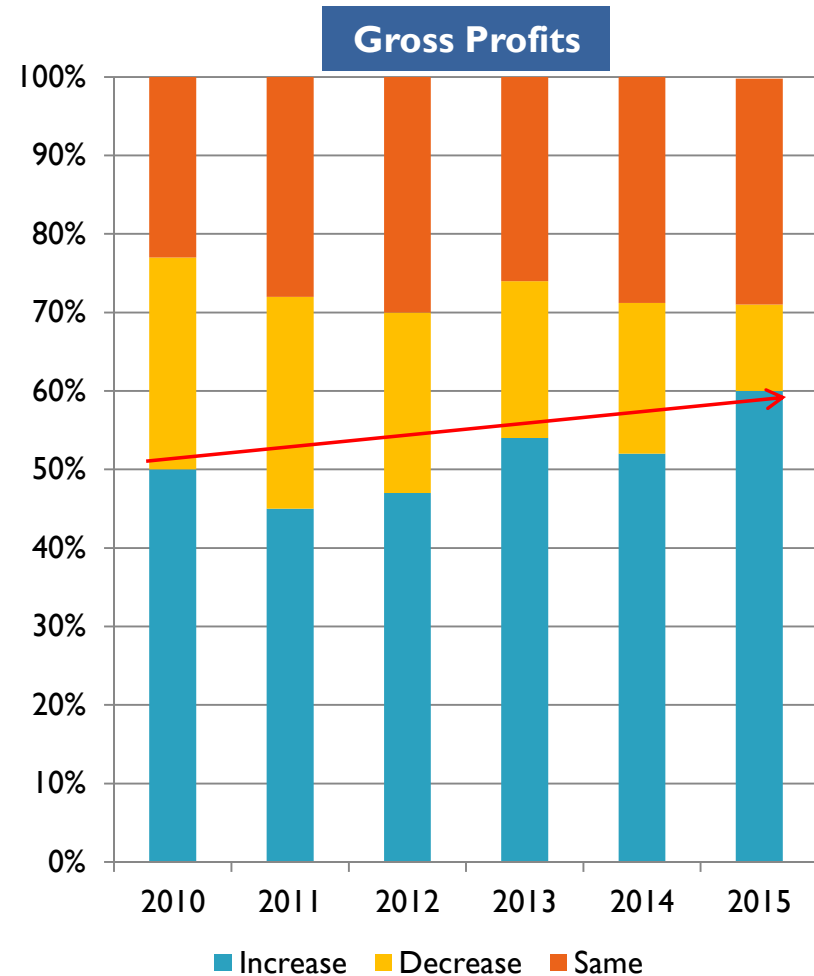
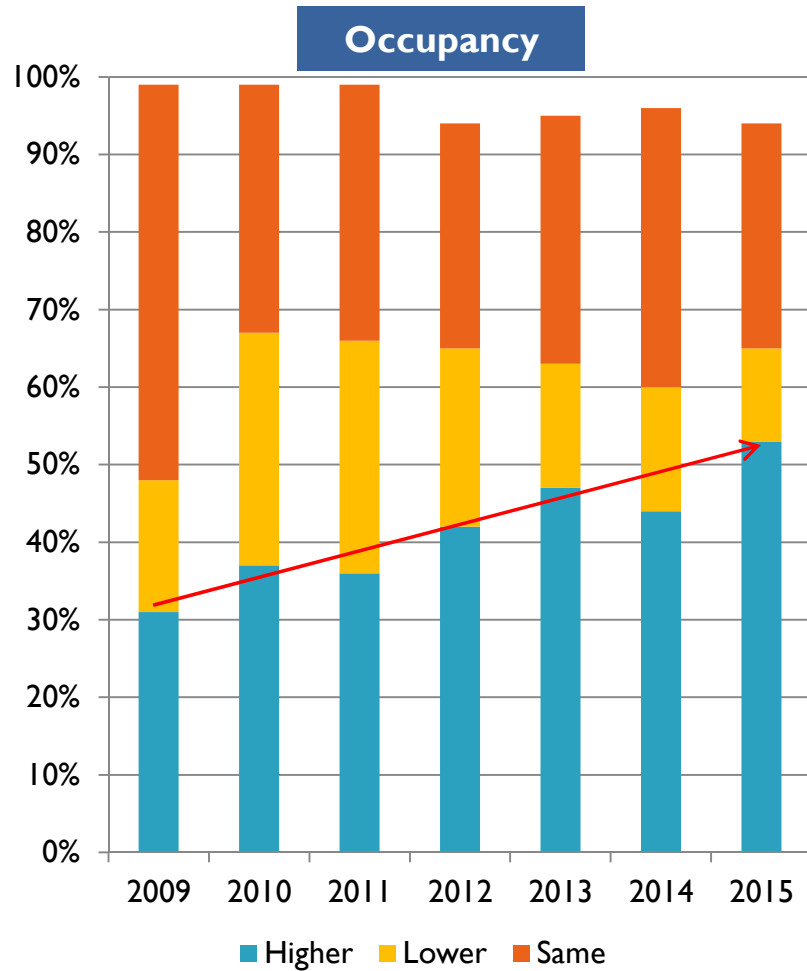
Source: Boating Industry survey



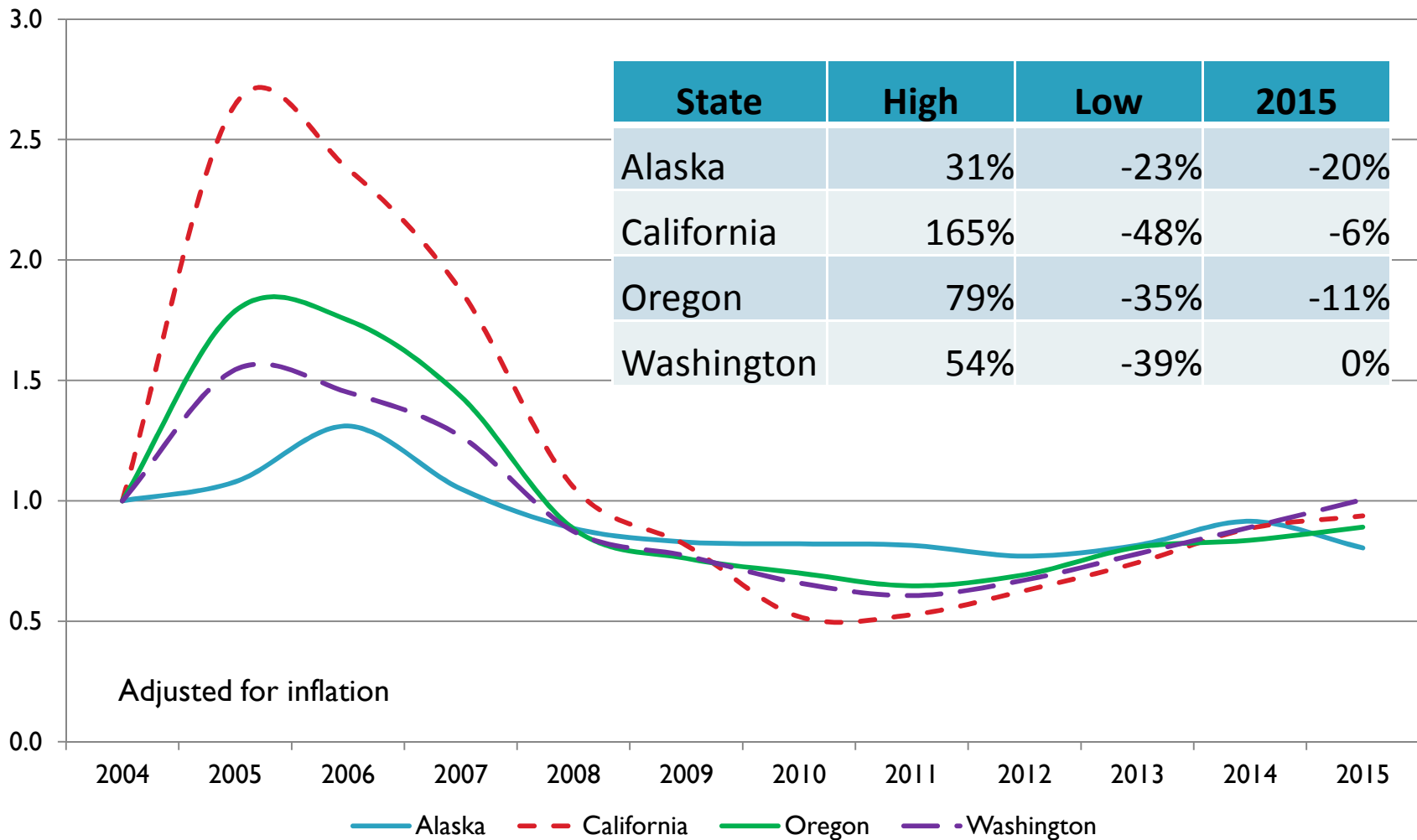
# U.S. Marina Occupancy & Profit

Source: Marina Dock Age Magazine

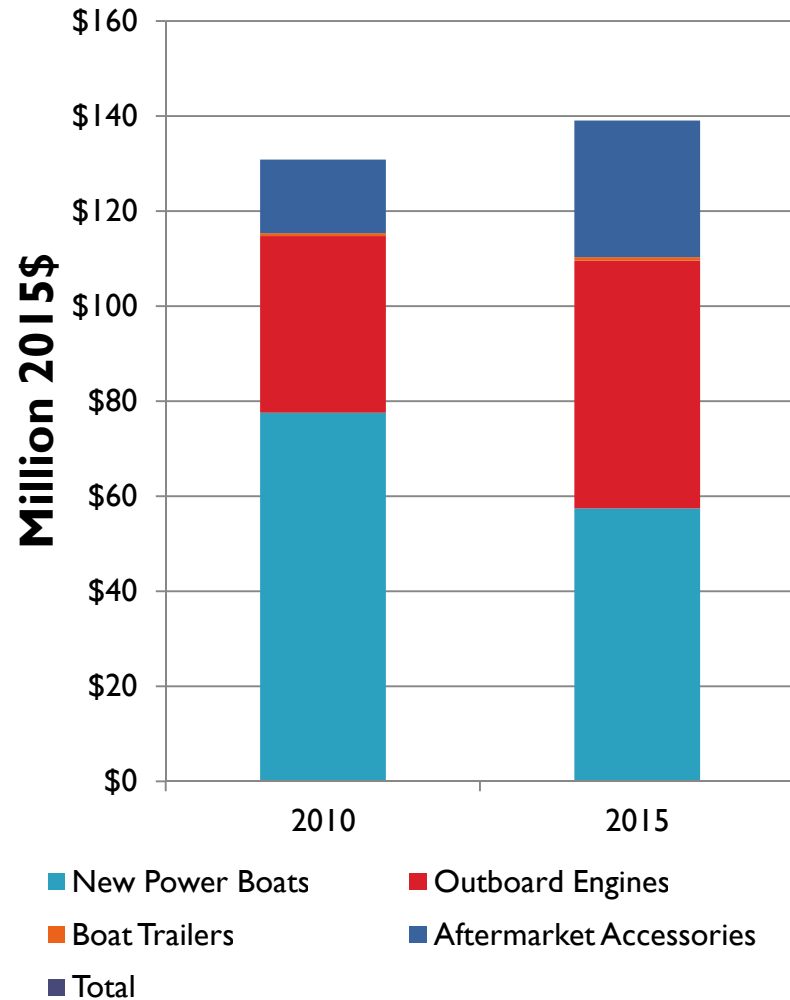
Occupancy has generally improved from 2009 to 2015 and profit has increased.



# Index of new powerboat, engine, trailer and accessory purchases by WC state Source: NMMA



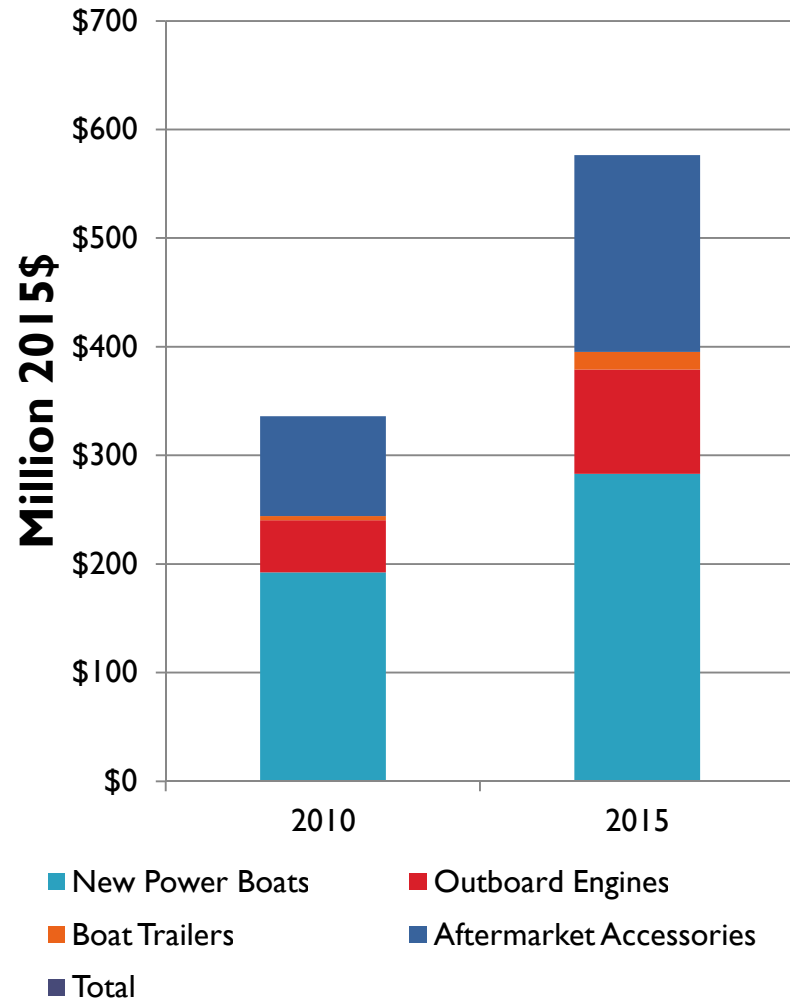
# New powerboat, engine, trailer and accessory purchases – **Alaska** Source: NMMA



## ▶ Sales up/down as follows:

- ▶ New Power Boats
  - ▶ Down 26%
- ▶ Outboard Engines
  - ▶ Up 40%
- ▶ Boat Trailers
  - ▶ Up 31%
- ▶ Aftermarket Accessories
  - ▶ Up 86%
- ▶ Total
  - ▶ Up 6%

# New powerboat, engine, trailer and accessory purchases – **California** Source: NMMA

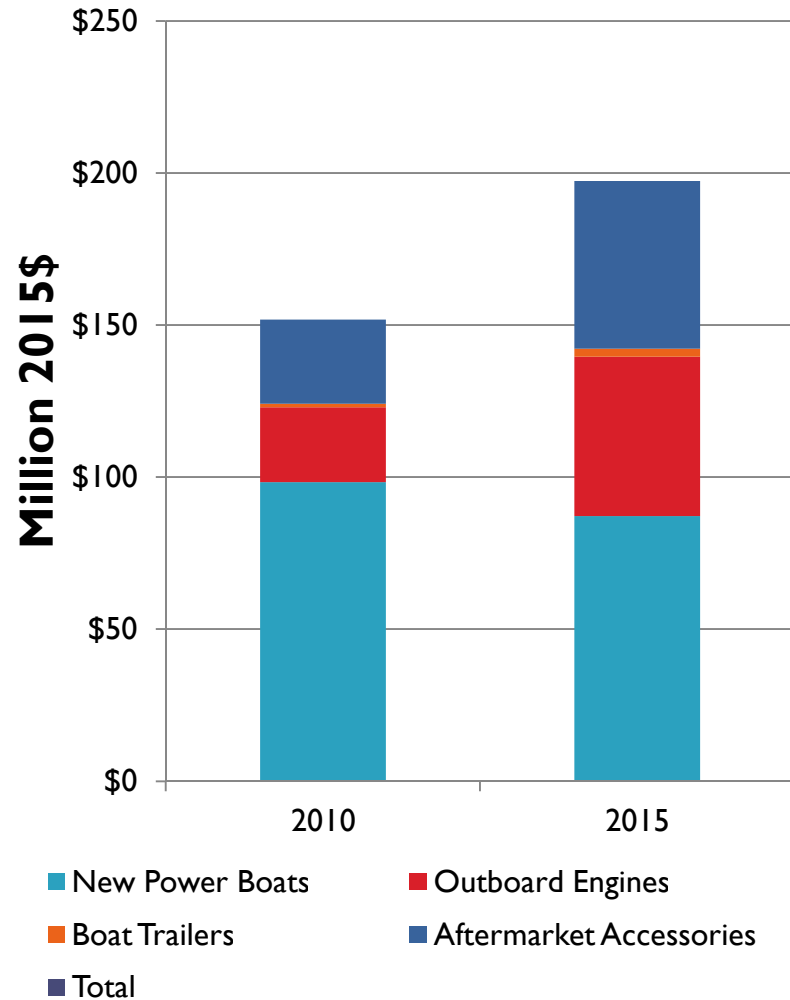


## ▶ Sales up/down as follows:

- ▶ New Power Boats
  - ▶ Up 47%
- ▶ Outboard Engines
  - ▶ Up 99%
- ▶ Boat Trailers
  - ▶ Up 317%
- ▶ Aftermarket Accessories
  - ▶ Up 97%
- ▶ Total
  - ▶ Up 72%



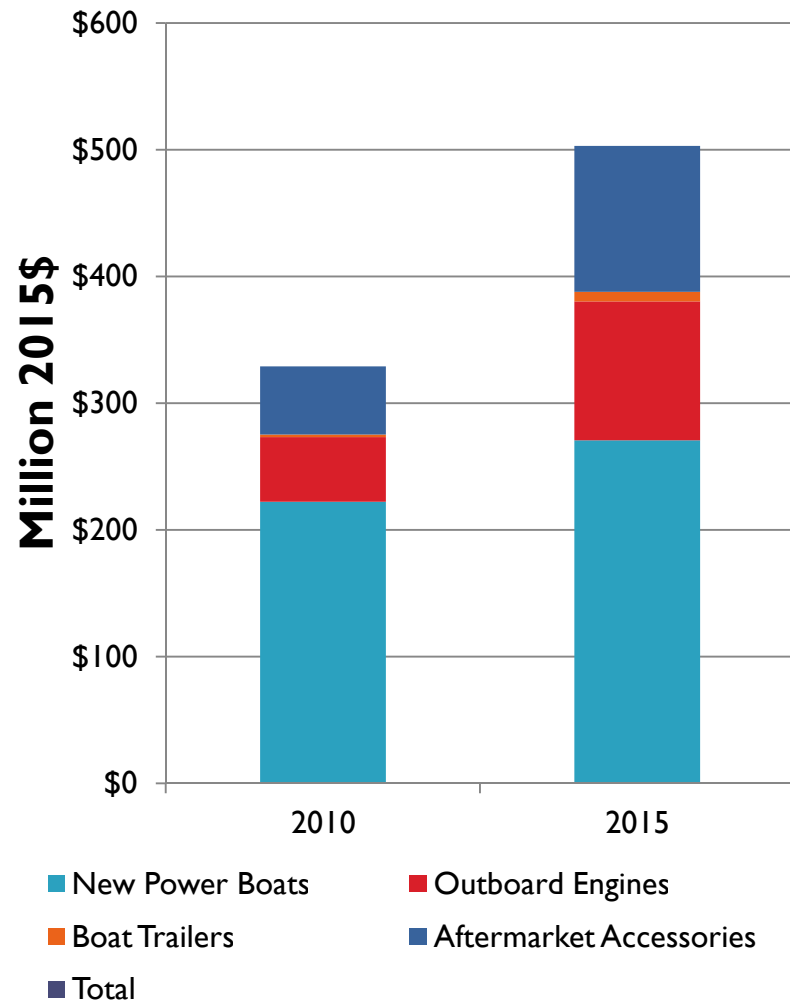
# New powerboat, engine, trailer and accessory purchases – **Oregon** Source: NMMA



## ▶ Sales up/down as follows:

- ▶ New Power Boats
  - ▶ Down 11%
- ▶ Outboard Engines
  - ▶ Up 113%
- ▶ Boat Trailers
  - ▶ Up 136%
- ▶ Aftermarket Accessories
  - ▶ Up 99%
- ▶ Total
  - ▶ Up 30%

# New powerboat, engine, trailer and accessory purchases – **Washington** Source: NMMA

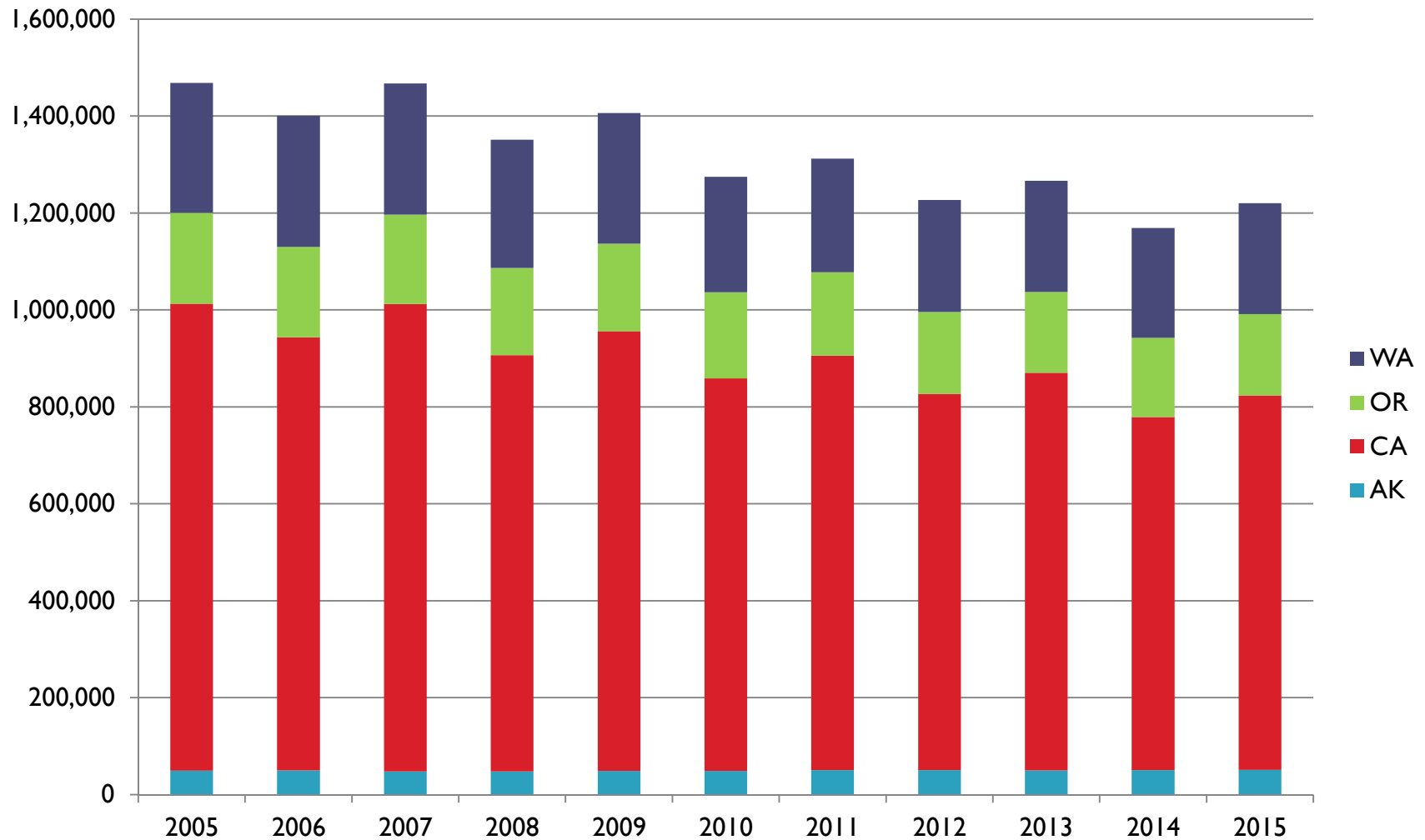


## ▶ Sales up/down as follows:

- ▶ New Power Boats
  - ▶ Up 22%
- ▶ Outboard Engines
  - ▶ Up 116%
- ▶ Boat Trailers
  - ▶ Up 243%
- ▶ Aftermarket Accessories
  - ▶ Up 115%
- ▶ Total
  - ▶ Up 53%

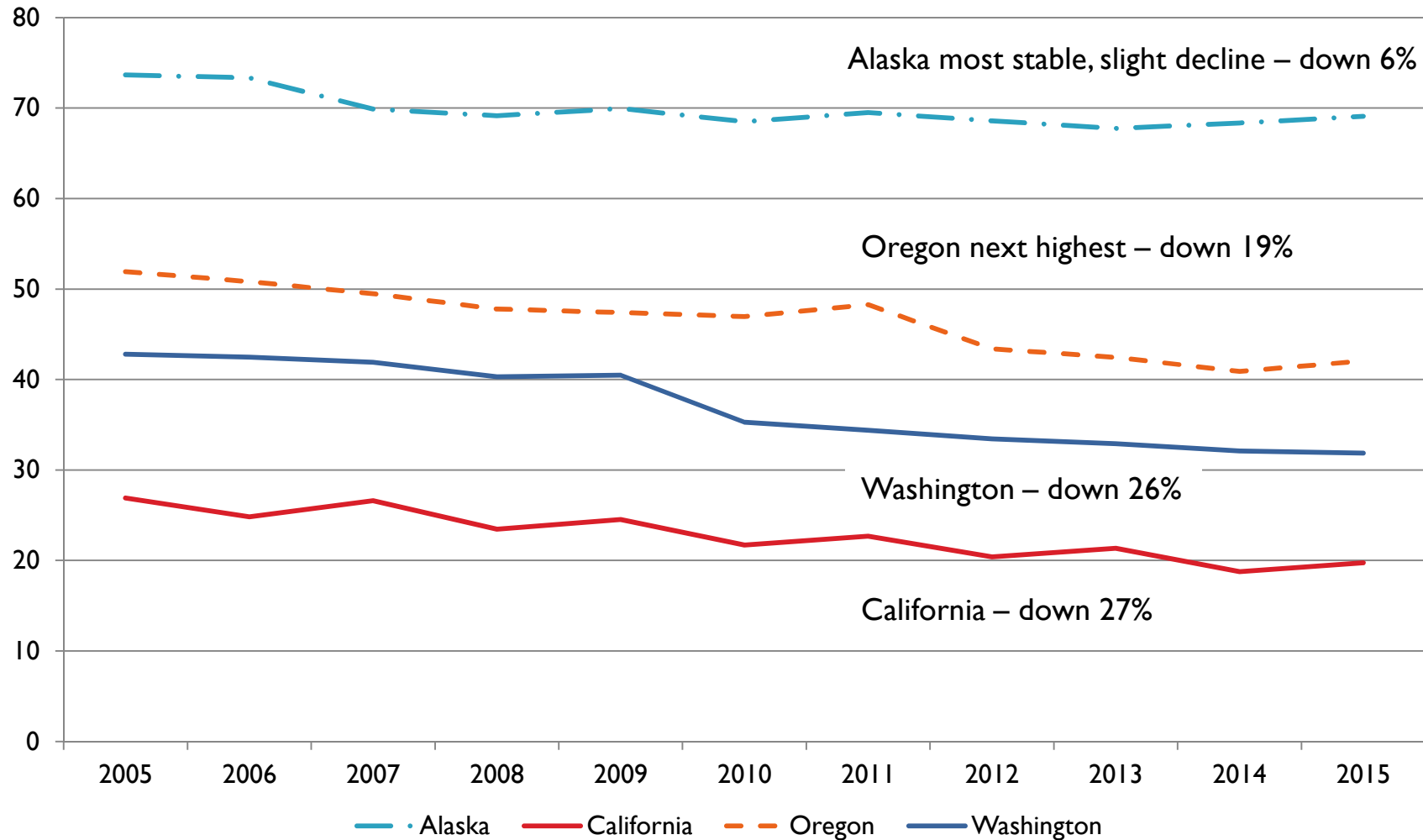
# USWC Boat Registrations

Source: USCG



# Registered Boats per 1,000 persons

Source: USCG



# **Issues Affecting Boating**

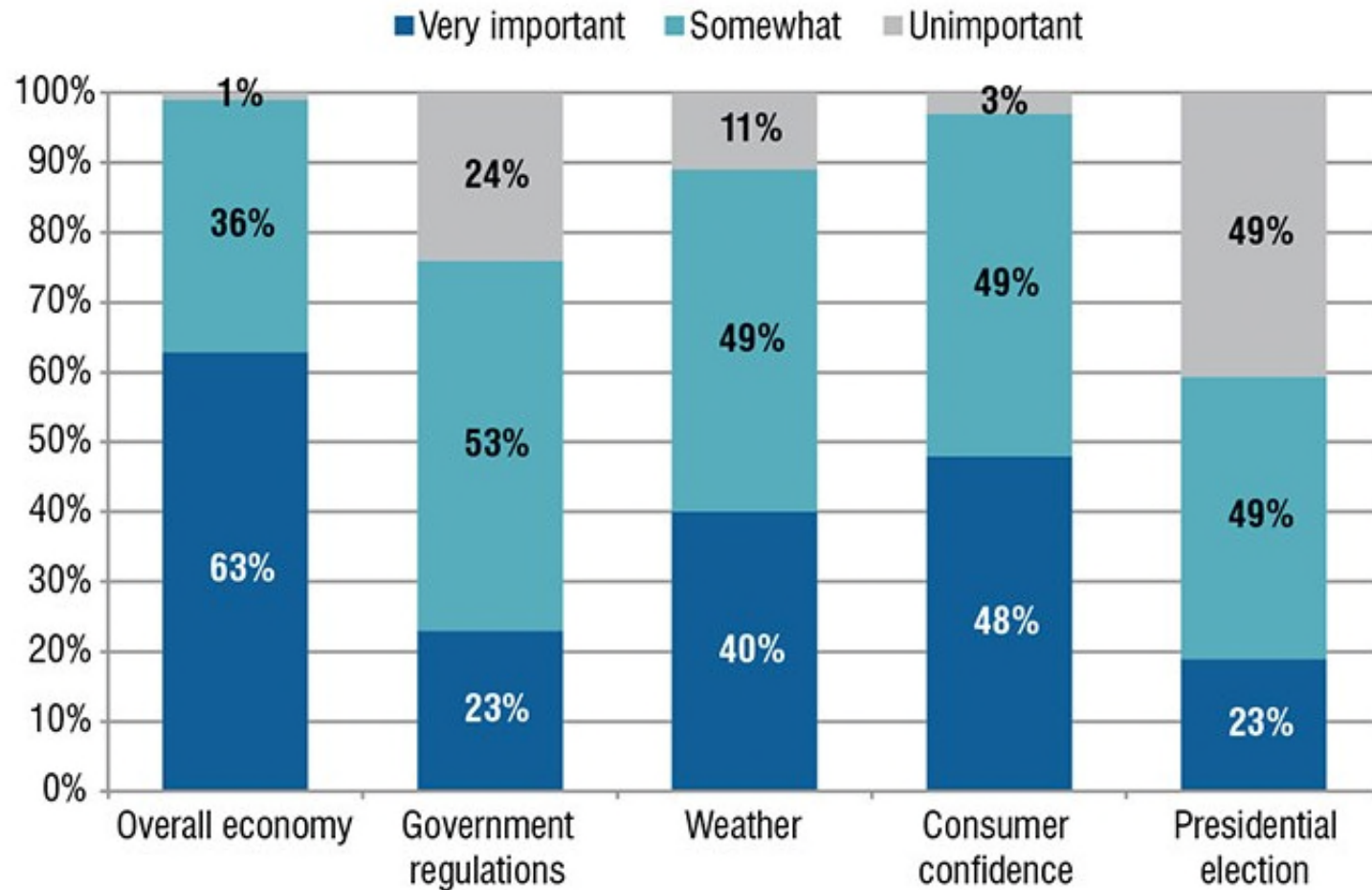
# West Marine - RISK FACTORS

---

- ▶ We have identified mega-trends impacting the boating industry including:
  - ▶ Recently, boat sales have improved over prior years, however, boat sales are still well below pre-recession levels.
  - ▶ The average age of our core customer base ranges from 50 to 54 years old for power boaters and from 55 to 60 years old for sailors.
  - ▶ We believe there is increasing competition for our customers' time, and we do not expect a meaningful change in this longer-term trend.

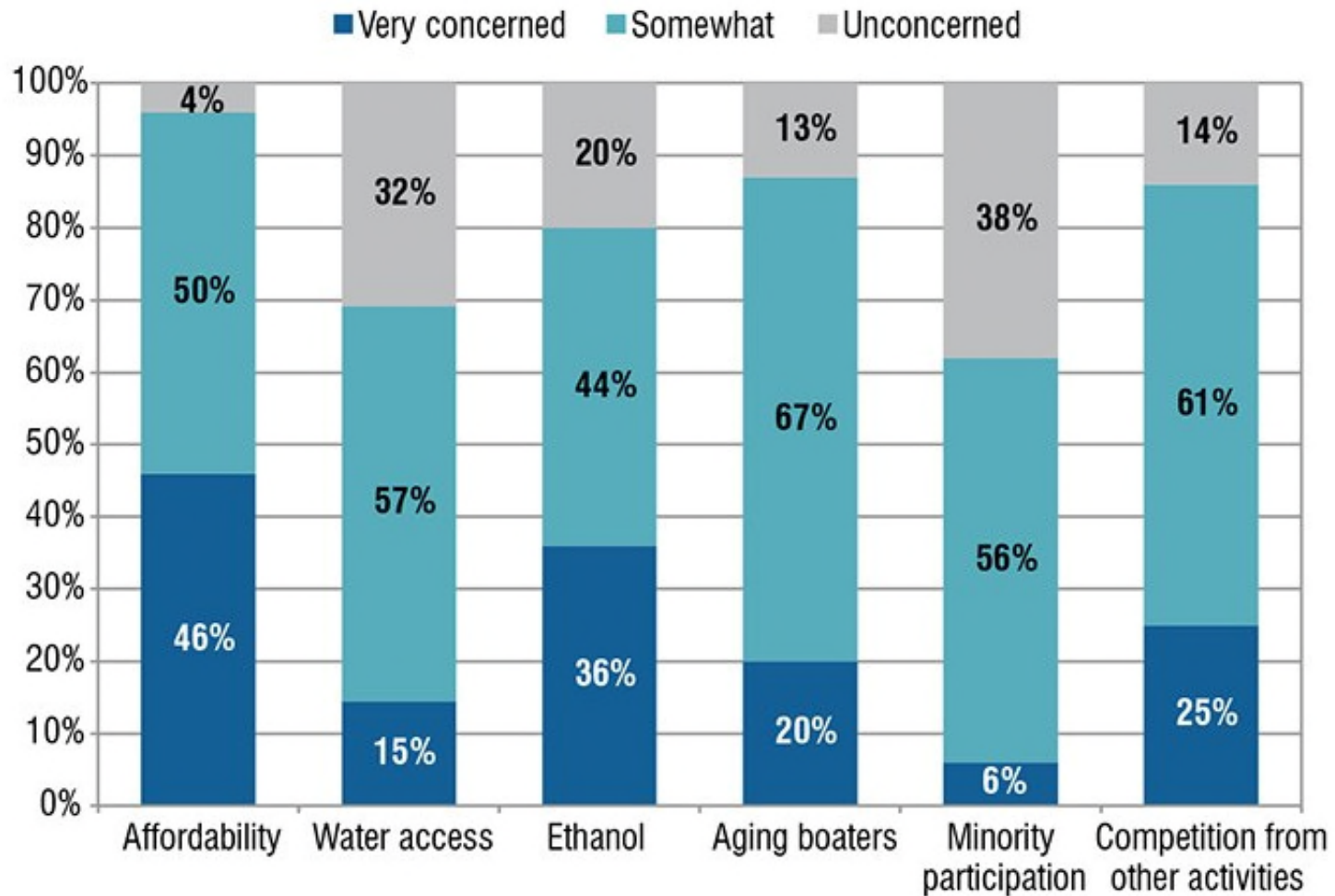
# Factors Affecting Success in 2016

Source: Boating Industry survey



# Major Challenges to Boating

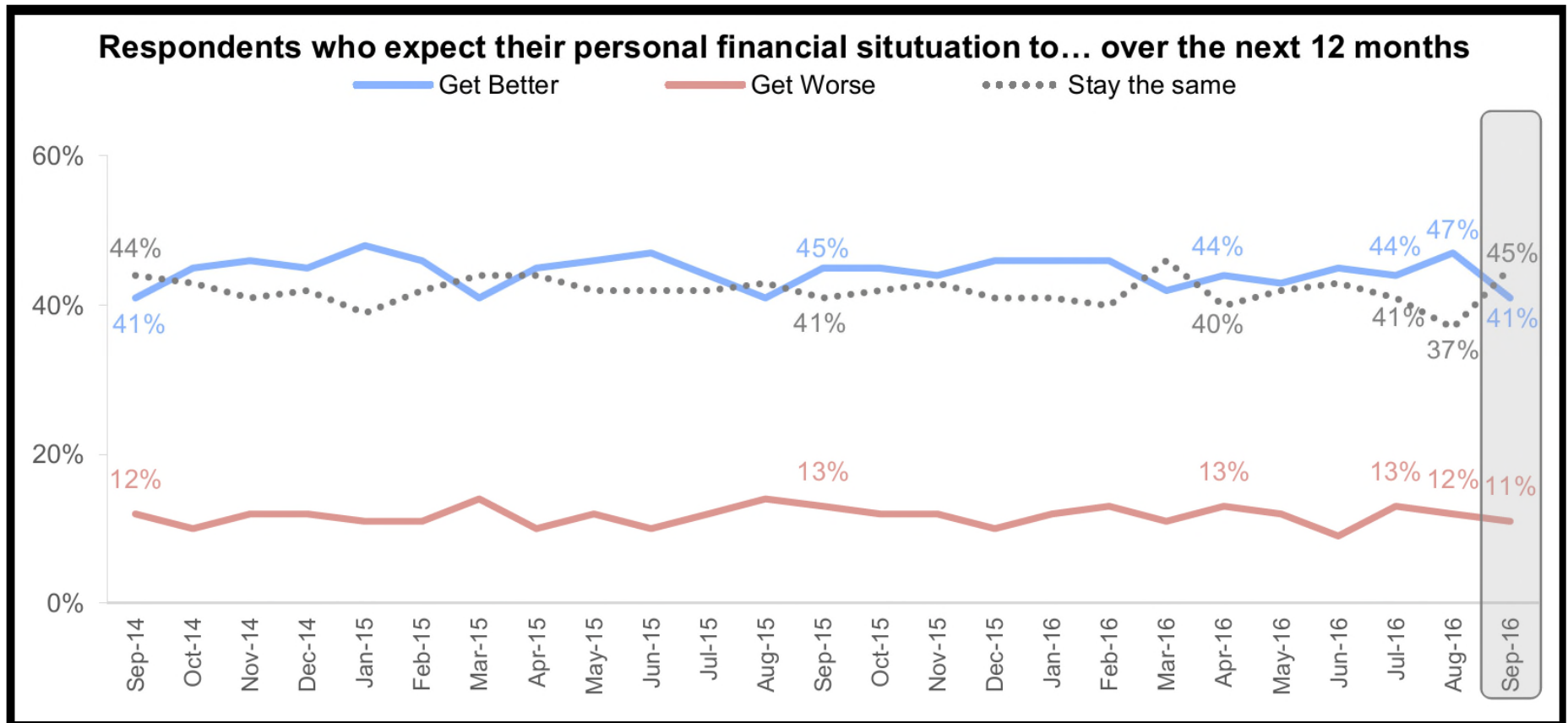
Source: Boating Industry survey





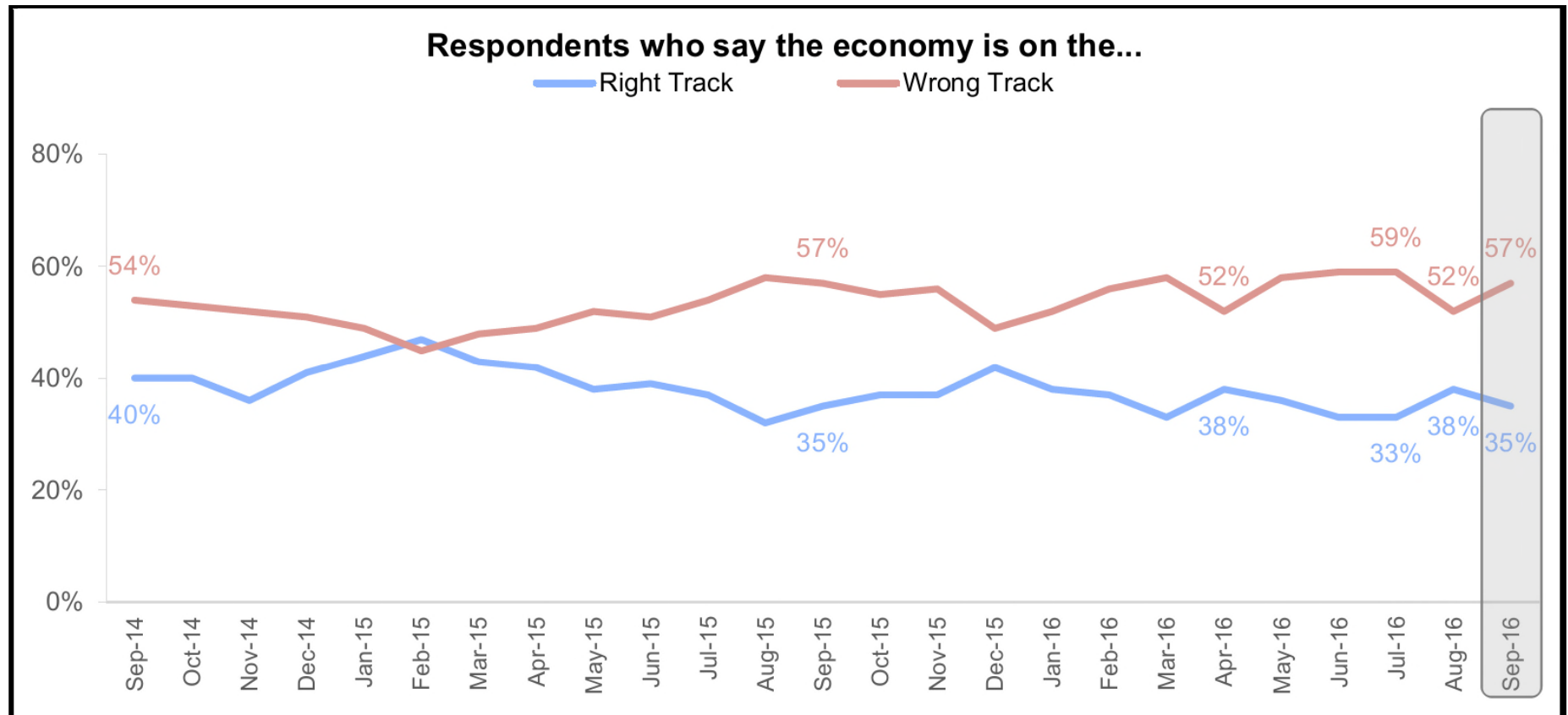
# Personal Financial Situation

Source: Fannie Mae

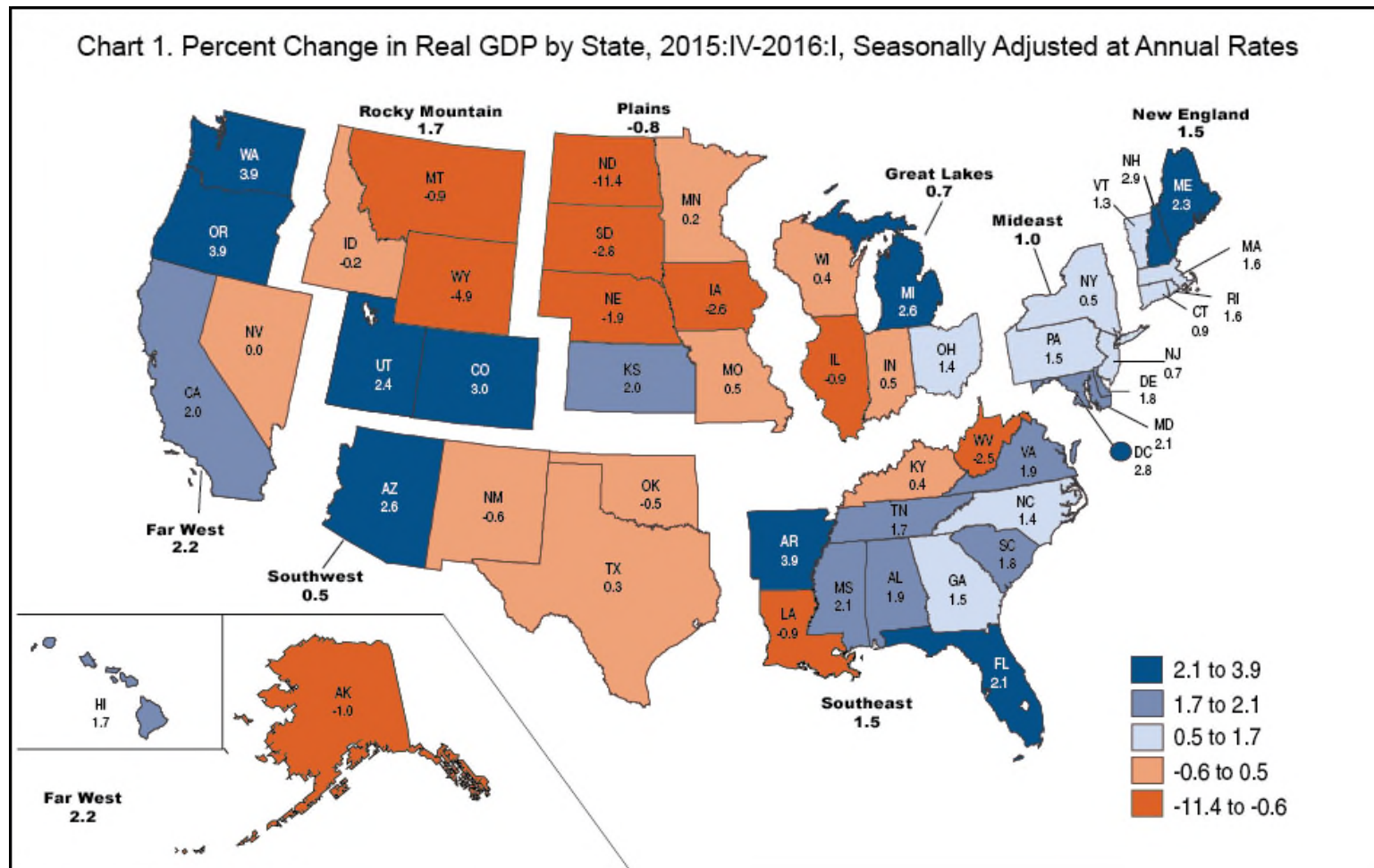


# Economy – Right or Wrong Track

Source: Fannie Mae



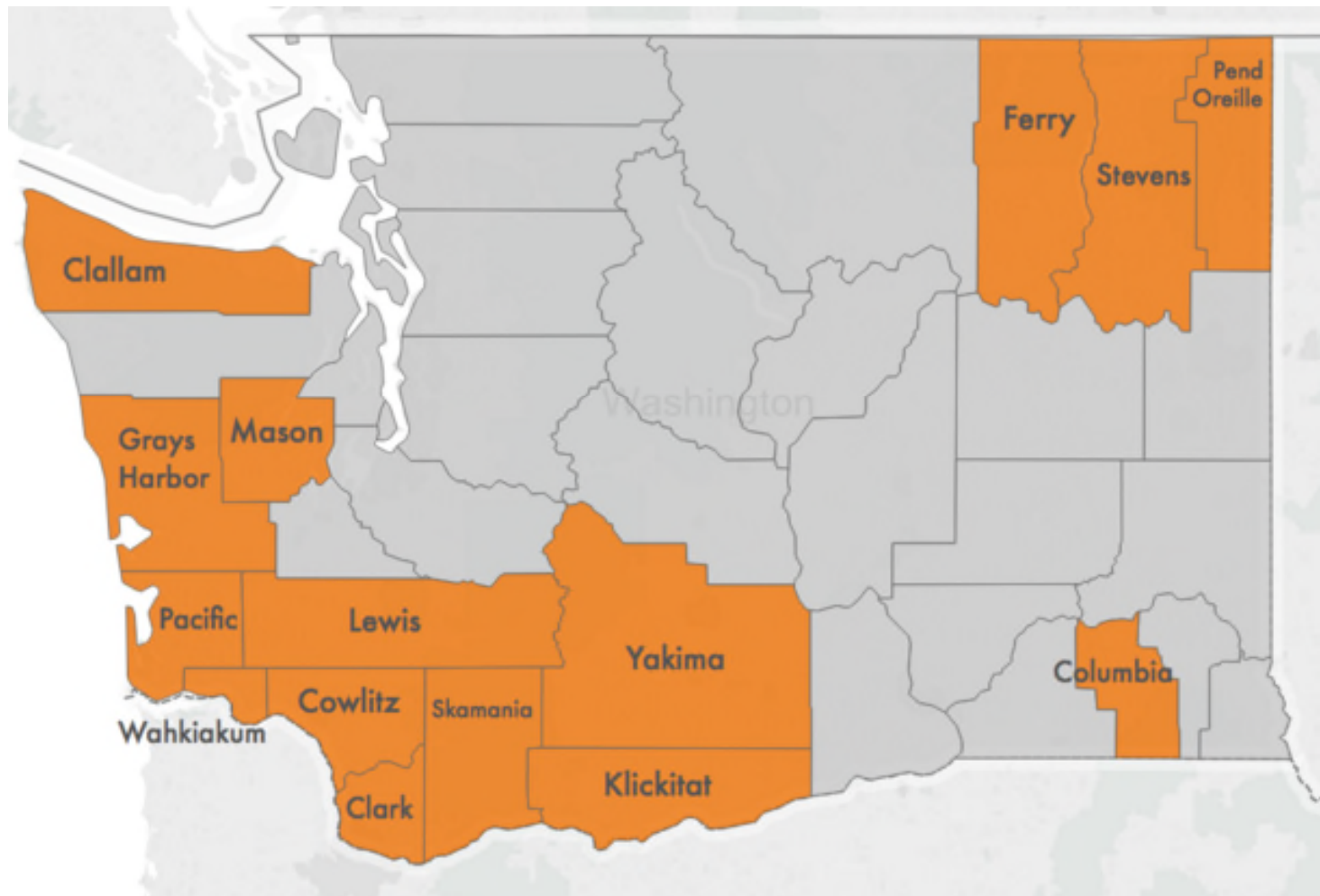
# Growth in State GDP



U.S. Bureau of Economic Analysis

# Washington State Distressed Counties

---



# Population by Generation

Source: Pew Research Center

## The Generations Defined

### The Millennial Generation

Born: 1981 to 1997

Age of adults in 2015: 18 to 34\*

### Generation X

Born: 1965 to 1980

Age in 2015: 35 to 50

### The Baby Boom Generation

Born: 1946 to 1964

Age in 2015: 51 to 69

### The Silent Generation

Born: 1928 to 1945

Age in 2015: 70 to 87

### The Greatest Generation

Born: Before 1928

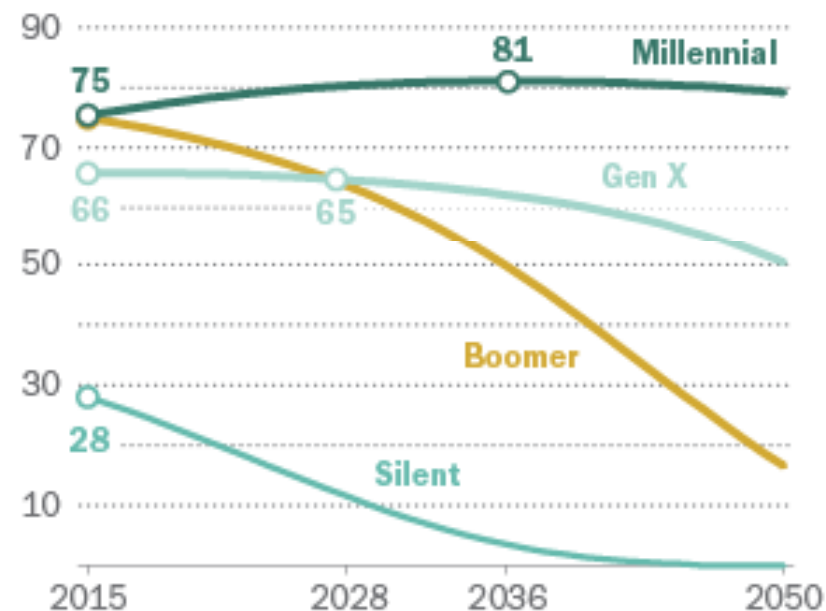
Age in 2015: 88 to 100

\* No chronological end point has been set for this group. For the purpose of following a cleanly defined group, Millennials are defined as those ages 18 to 34 in 2015.

PEW RESEARCH CENTER

## Projected population by generation

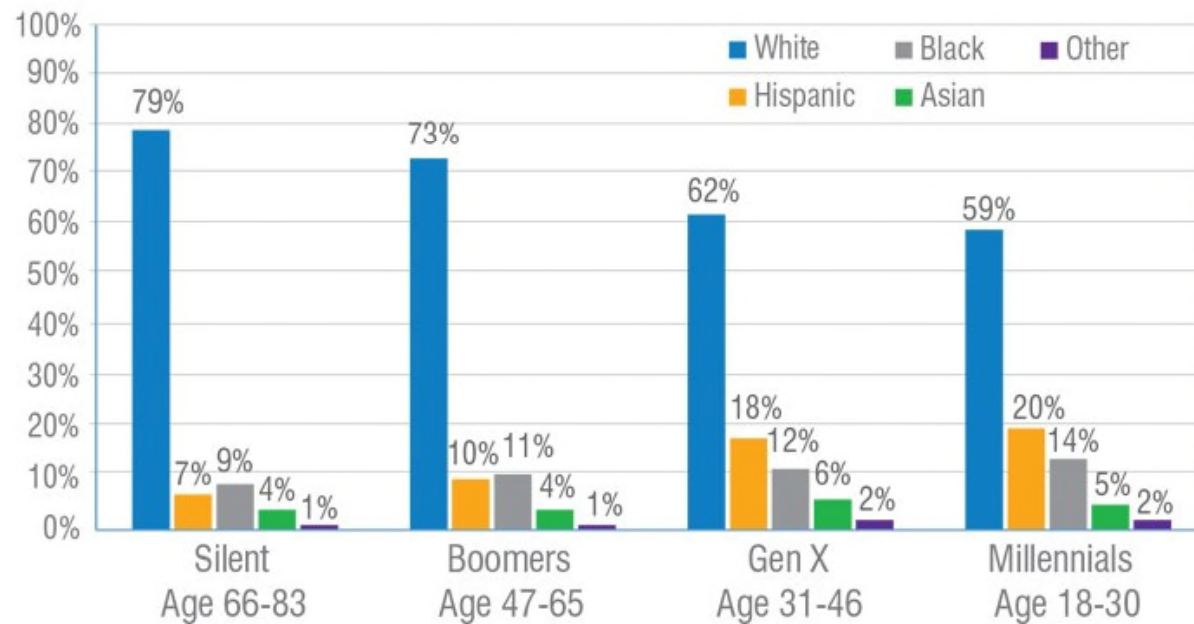
*In millions*



# Younger Population is More Diverse

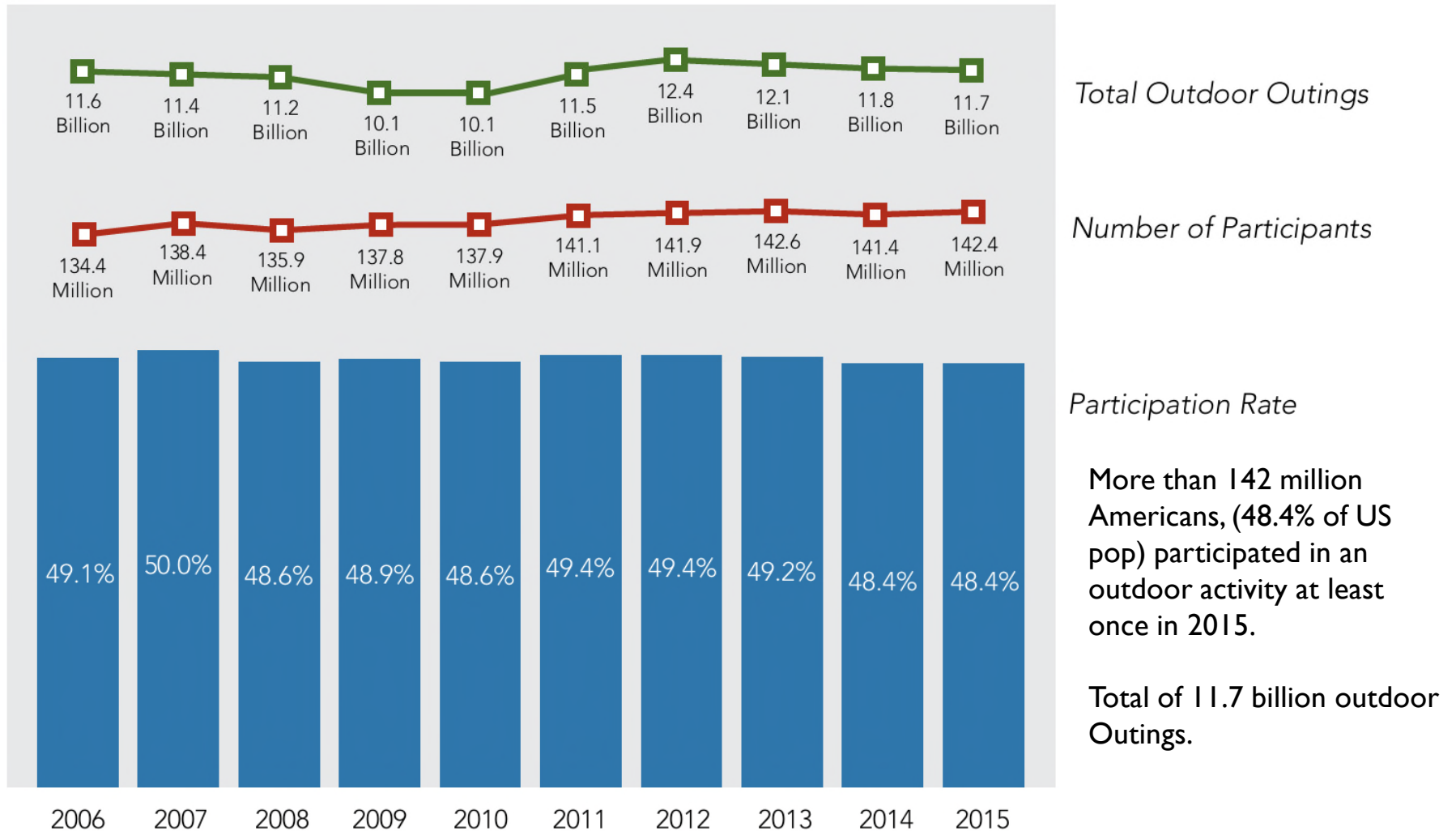
Source: RBFF, Pew Research Center, 2011 US Census CPS

- Race and ethnicity are becoming more multicultural with each passing generation.
- Keeping traditionally mainstream pastimes, like boating and fishing, thriving means embracing this growing diversity.



# Outdoor Participation Over Time

## All Americans, Ages 6+ Source: Outdoor Foundation





# Most Popular Outdoor, Ages 6+

Source: Outdoor Foundation

---

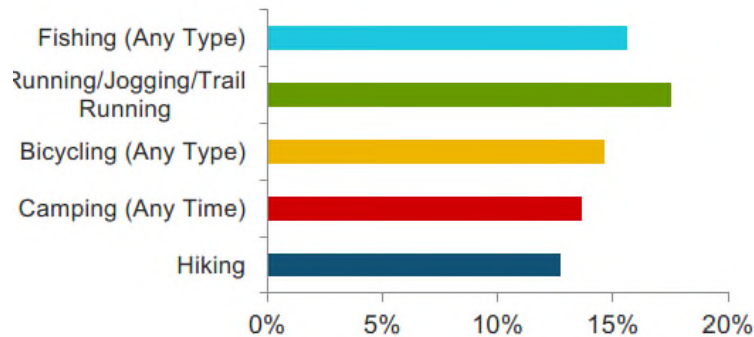
1. Running, Jogging and Trail Running
  - ▶ 18% of Americans Ages 6+ / 51.5 million participants
2. **Freshwater, Saltwater and Fly Fishing**
  - ▶ **16% of Americans Ages 6+ / 45.7 million participants**
3. Road Biking, Mountain Biking and BMX
  - ▶ 15% of Americans Ages 6+ / 43.1 million participants
4. Car, Backyard, Backpacking and RV Camping
  - ▶ 14% of Americans Ages 6+ / 40.0 million participants
5. Hiking
  - ▶ 13% of Americans Ages 6+ / 37.2 million participants



# Fishing Participation – A Source Of Steady Demand

Source: Brunswick

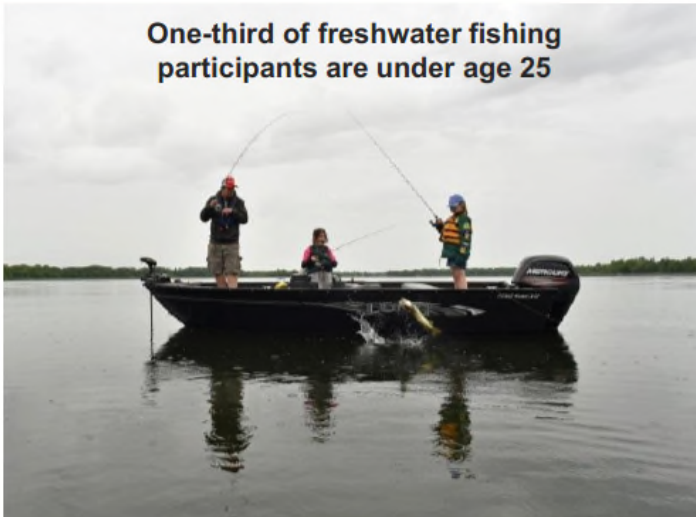
Participation in Outdoor Activities



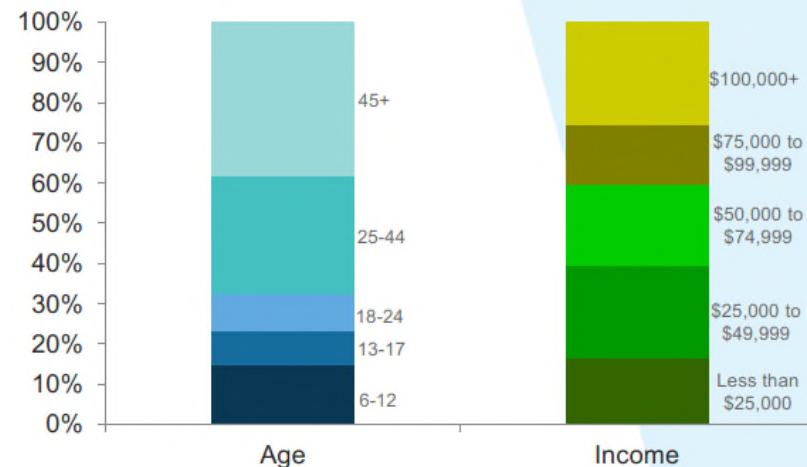
Source: Recreational Boating & Fishing Foundation



One-third of freshwater fishing participants are under age 25



Demographic Trends



# Most Popular Outdoor, Ages 6+

Source: Outdoor Foundation

## What Motivates Americans to Get Outside

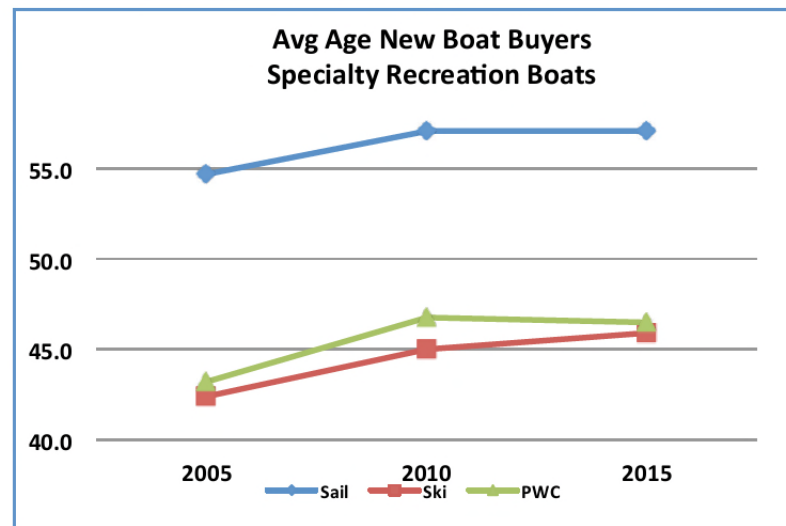
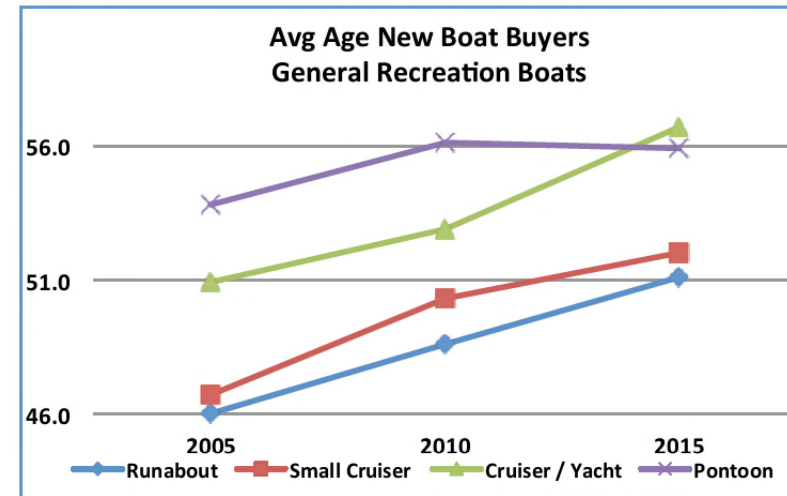
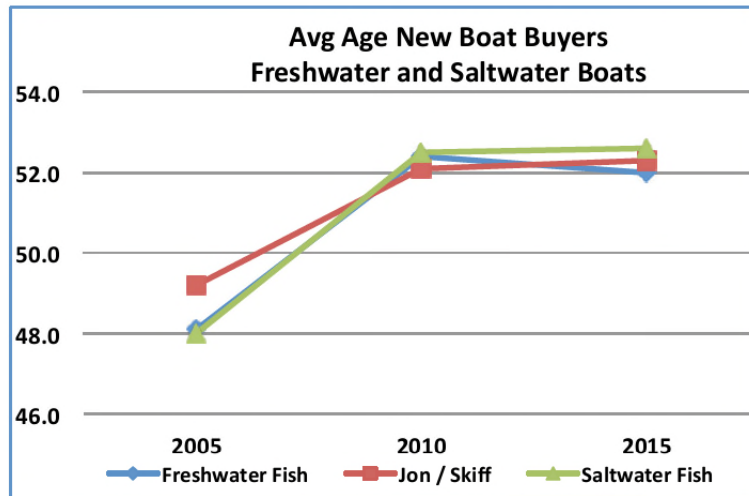
1. Get exercise 68%
2. Be with family and friends 55%
3. Keep physically fit 53%
4. Observe scenic beauty 49%
5. Be close to nature 48%
6. Enjoy the sounds and smells of nature 47%
7. Get away from the usual demands 43%
8. Experience excitement and adventure 35%
9. Be with people who enjoy the same things I do 32%
10. Experience solitude 27%

## Why Americans Didn't Participate More Often

1. I am not interested 37%
2. I do not have the of time 23%
3. I do not have the skills or abilities 20%
4. It is too expensive 19%
5. Too busy with family responsibilities 16%
6. I have a physical-limiting disability 16%
7. I do not have anyone to participate with 16%
8. My health is poor 13%
9. Places for outdoor recreation cost too much 10%
10. Places for outdoor recreation are too far away 8%

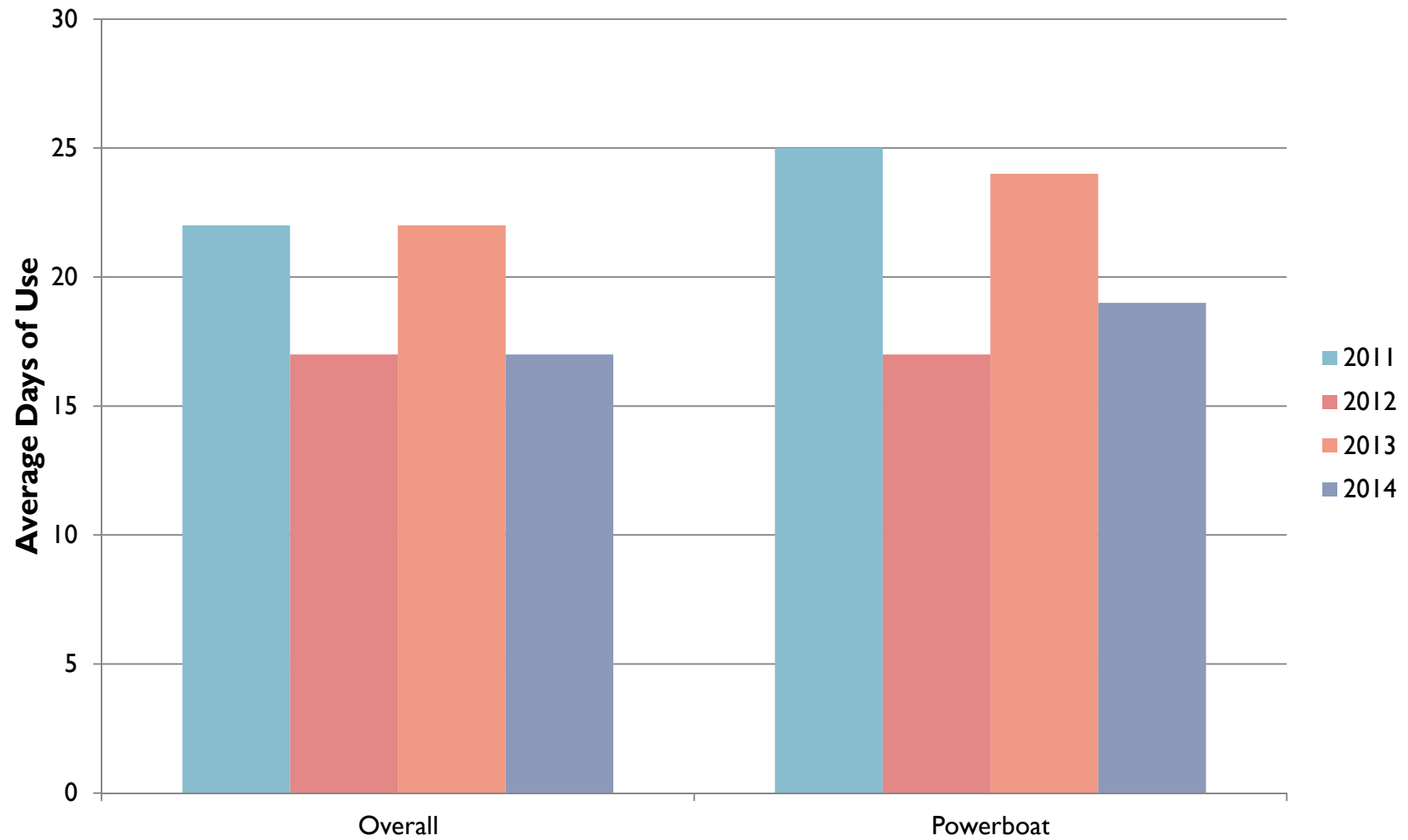
# Buyer age continues to be an issue

Source: NMMA, SSI



# Average number of days boat was operated

Source: NMMA





**What to do?**

# Marinas are still under financial stress

---

- ▶ Demand is recovering but not as strong as it was
- ▶ Future participation rates are uncertain
  - ▶ Especially after boomers (beyond 10-15 years)
  - ▶ Find ways to attract more Gen X and Millennials
- ▶ More competition from dry storage operations
  - ▶ Lower and higher ends of moorage market
- ▶ Marinas are currently overbuilt
  - ▶ Supply exceeds demand
  - ▶ Downward pressure on rates
  - ▶ Look to reduction in supply
  - ▶ Question rebuilding at same level



# Overall Recommendations

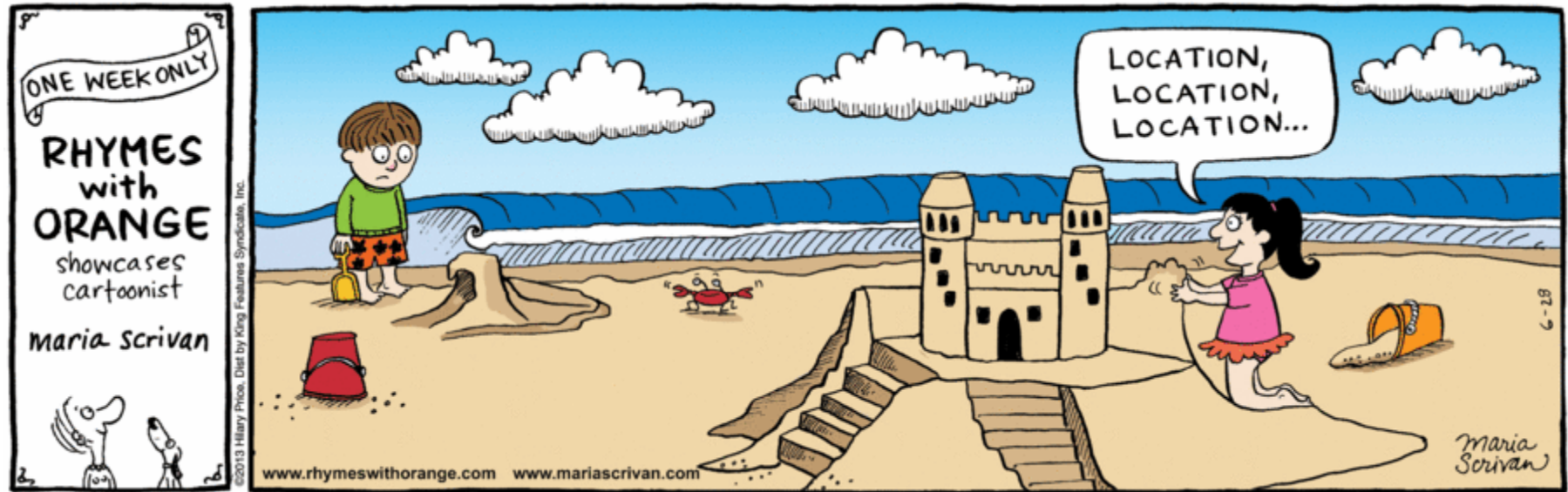
---

- ▶ Stay realistic and flexible
- ▶ Focus on maximizing use of existing facilities
- ▶ Seek new markets, if they meet financial objectives
- ▶ Expand market share without price competition
- ▶ Weed out inferior products but meet the needs of existing tenants



# Marinas face the rule of all Real estate

---



Understand your market!

What does your market want and what can you provide?



# Everett Marina Market Area (Boats >26')

The Port of Everett Marina serves boat owners living relatively close to the marina.

Snohomish County and northern King County account for approximately 89 percent of the current tenant base of the Port of Everett (for boats 26 feet and longer).

This market area accounts for 87 percent of sailboat tenants and 90 percent of power boat tenants.

POE Marina is not a destination, like Friday Harbor, that is attractive to boaters as a destination for visits; nor is it a gateway, like the Port of Anacortes' Cap Sante Marina, which is attractive to boaters that want to be close to sailing grounds.



# Are Millennials really the future of boating?

Source: Norm Schultz on May 10, 2016

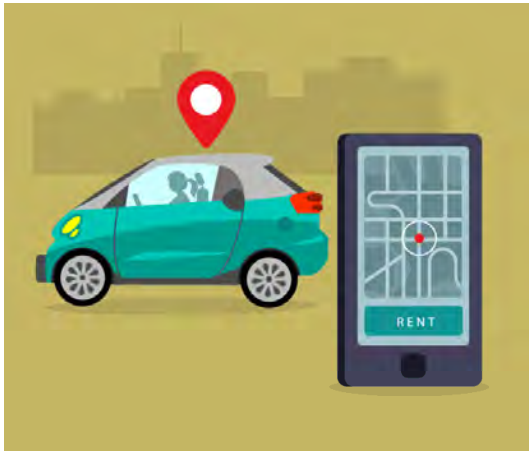
---

- ▶ The answer is complicated.
- ▶ The good news is the glass is half full. We aren't seeking the majority. We really only need to attract a fraction of them.
  - ▶ Let's face it — while we like to portray our sport as big by touting the number of people who go boating each year, the truth is only a small minority of Americans actually own boats.
  - ▶ It brings to mind a speech by former Brunswick CEO Dustan E. McCoy, in which he noted that if boating were to suddenly get just 1 percent more of the population to buy, we couldn't build the boats to fill demand.

# Access, not ownership

Source: Goldman Sachs; Great Lakes Millennial Imperative

---



It's not just homes: Millennials have been reluctant to buy items such as cars, music and luxury goods. Instead, they're turning to a new set of services that provide access to products without the burdens of ownership, giving rise to what's being called a "**sharing economy.**"

Potential for reaching Millennials:

Boat clubs are great ways to introduce boating to those who want to boat, but do not have the resources to buy a boat.

Boat rental companies (which offer one-time rentals) and peer-to-peer boating (owners renting their boat to interested parties) are also options. These types of "on-demand" rental programs are starting to appear around the country.

# Marketing to Millennials

---

## 1. Sell the Experience

- ▶ Shopping needs to be more than a transaction for this group.
- ▶ Ready to go a step further? Offer classes that allowing Millennials to picture themselves owning your products will get them in the buying mood and encourage them to tell their friends, share on social media and come back for their next purchase.

## 2. Help Them Succeed

- ▶ Millennials pride themselves on being educated. Publishing or sharing how-to videos, life-hacks and other content that helps them feel connected and informed will go a long way with this generation.

## 3. Be Website Ready

- ▶ Millennials have high expectations when it comes to all digital platforms. If a website has errors, incomplete links or inaccurate information, Millennials will leave and are not likely to come back.
- ▶ Mobile shopping and online browsing has increased every year for the last five years, and that trend will only continue.

---

# Questions?

**Paul Sorensen**  
**BST Associates**  
**PO Box 82388**  
**Kenmore, WA 98028**  
**bstassoc@seanet.com**  
**(425) 486-7722**

