

Join the Club?

BY JONATHAN MOHR



With boat clubs gaining popularity, some see an opportunity to boost participation and sell more boats.

We've all heard the joke, "What are the two best days of a boat owner's life? The day he buys the boat and the day he sells it." If you ever laughed at that, it was probably because you recognized at least a kernel of truth in the punchline. There have been a lot of first-time owners who have left boating for good after the experience they'd imagined did not match the reality they met.

In these uncertain times, it's more difficult than ever for boat dealers to coax potential customers onto the water. For many would-be boaters, it has always been a pretty big leap from interested spectator to owner. But what if there was a middle ground that could help span the gap? An increasing number of companies are betting that boat clubs will be that bridge.

Far from hurting boat sales, as some dealerships fear, advocates contend that clubs deepen the ownership pool and not only spur sales, but allow those buyers to make more informed decisions, leading to a better boating experience and additional sales down the line. They also stress the added revenue boat clubs can offer the dealerships and marinas that embrace them.

The club concept is not new and is certainly not for everybody, but if you own a dealership or a marina and have dismissed boat clubs in the past, it may be time to take another look.

Money to be made

The 90-member boat club at Arizona's Bartlett Lake Marina generates \$300,000 a year in gross income, and the company estimates each person who comes along for a day-use trip will spend \$50 per outing on refreshments, fuel, etc., on top of that.

"That's \$50 we wouldn't get a penny of if it wasn't for the boat club," says Bryan Church, co-owner of Bartlett Lake Marina and Bartlett Lake Boat Club, "because most of these people who are members of the boat club would not be boating otherwise."

The club gears its marketing toward specific demographics such as entry-level families or former owners who have left boating in the previous 12 months, and Church says mothers are also one of the company's core groups, with several that are completely comfortable bringing a carload of kids to the lake for a day.

Members pay \$265 per month, year round, and the club keeps a ratio of about 10 members to a boat. Church says that even if it takes half of those members' dues to cover expenses (boat payment, maintenance, insurance, etc.) the club is still earning \$1,325 per month on each of its boats. (For a more detailed explanation of boat club operations, please see "How a Boat Club Works" on p. 32.)

"So this is where the numbers start work-



Arizona's Bartlett Lake Marina began its boat club in 2002 and now sells management software to others looking to do the same.

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*Bryan Church, co-owner,
Bartlett Lake Marina and
Bartlett Lake Boat Club*



The boat club at Port Harbor Marine grew out of the dealership's successful, and lucrative, rental business.

ing pretty nice for you," Church says. "[The club] is a nice fit for us because it enables people who want to try boating, but don't want to get into it too deep until they see if it works out for them. And after someone has been with us for a year, they become a much more sophisticated boater. They now know what kind of boat they want to buy, and then they go to the Sea Ray dealership."

While not a dealer himself, Church believes boat clubs are not only a profit center dealerships can take advantage of, but are also an important tool they – and the industry as a whole – should be using to increase boating participation and boost sales.

"I'm afraid we're going to lose our entry-level people over the next couple of years," he says. "The financing's not there and people have reset their thinking about taking on debt. So I see boat clubs as becoming a vital asset for our industry. I just don't see how the old formula is going to work anymore, where you just wait for people to come into the showroom and give them 90 percent financing on a boat for 15 years. Those days are over."

The dealer's perspective

Port Harbor Marine, a two-location Maine dealership, started its boat club last year with a \$4,000 investment in a software management system, a few forms and some marketing dollars. After that, according to president Rob Soucy, "It was all found money."

The relatively inexpensive start-up cost was possible because Port Harbor already had much of the necessary infrastructure in place thanks to the boat rental program the dealership began a few years ago after Genmar's attempt at a rental program with its Triumph brand came to an end. Port Harbor, a Triumph dealer, was fully behind Genmar's concept at the time and continues to do well with its own rental operation, which Soucy says creates a good deal of cash flow for the company.

Because Maine is a tourist destination in the summertime, customers come and rent a house for a month, then rent a boat to go along with it. It's not uncommon for Port Harbor to make six or seven thousand dollars off of those rentals. However, long-term rentals like that are fairly rare, espe-

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HOW A BOAT CLUB WORKS

Different boats, different price points, different rules: No two boat clubs are exactly the same, but most do share a fundamental framework by which they operate.

Members are usually required to pay a one-time fee to join, then monthly dues, and membership often requires a one-year (or one season) commitment. Clubs also often offer different membership packages and sometimes have different levels within those packages.

Maine's Port Harbor Boat Club has two packages. The "Family Membership" gives customers access to four boats (sizes range from 15- to 28-feet and styles include aluminum skiffs, cabin cruisers, ski boats and center console fishing boats), seven days a week, at each Port Harbor location – one on the ocean and the other on Sebago Lake – the second biggest lake in the state.

Port Harbor's "Business Membership" is a bit more expensive – \$4,995 compared to the \$3,495 family-package cost – and is for weekday use only. However, the membership allows for three designated captains, making it possible to more easily entertain clients or reward employees.

Port Harbor provides the boats, safety and basic navigation equipment as well as the slips, then has fishing and watersports packages available for rent and fuel, which members are responsible for, also on sale.

Another approach is that used by Minnesota's Your Boat Club, which also has two membership packages, both based on how many reservations a club member can have in the system at any one time. The Explorer Membership is the basic package and allows customers to have one reservation in the system at a time – they can pick any day they would like and reserve a boat for that day. Once that reservation is used, they can put another in the system immediately. And members are also allowed unlimited "spontaneous" boating, so, if they get off work early and a boat is available, they can use it. The Voyager Membership is more expensive, but allows customers to reserve up to three consecutive days in the system, giving them access to the boat for a long weekend, for example.

Along with the two membership packages, Your Boat Club also has different club levels within those packages that designate the different boats members have access to. At the most basic level, a member can only use a 17-foot runabout or fishing boat – although that person can upgrade for a fee. Members at higher club levels have access to all the boats at the lower levels and those at the top "Pier 3" level can use the club's largest vessels: 23-foot pleasure boats, 24-foot luxury pontoons or 20-foot tournament fiberglass bass or walleye boats.

Most boat clubs also have a certain ratio of members to boats. Carefree Boat Club, which has locations in six states and the District of Columbia, keeps a ratio of 10 customers per boat. Carefree members also have reciprocity between locations, allowing them to use boats at any of the Carefree facilities.

“The boat-club guy, I think they take a little bit more ownership, kind of like, ‘This is my boat because I’m going to want to use it again.’”

Rob Soucy, president, Port Harbor Marine

cially compared to the day-rental business most dealers generate.

Customers who rent by the hour are also often different than the typical boat club customer. But some dealers are put off by the idea of boat clubs based on the stereotypical view of a rental customer – someone who doesn't know what he or she is doing and certainly doesn't care what happens to the boat. While in some cases that stereotype fits, Soucy says boat club members are usually far more conscientious about "their" vessels.

"The boat-club guy, I think they take a little bit more ownership, kind of like, 'This is my boat because I'm going to want to use it again,'" he says. "So they take a little bit more care of it."

Luke Kujawa, former president of Crystal-Pierz Marine, one of the largest boat dealers in the Midwest, agrees. "It's way better on the club side than it is on some of these guys that are going out and just renting boats for a day with no orientation, that just get in and go," he says. "Almost every club owner I've talked to has rented boats as well. Unanimously, they say the difference between how a rental boat comes back and how a club boat comes back is night and day. With club boats, people do take ownership. That is their boat."

Crystal-Pierz was recently sold to Tracker Marine Group and Kujawa is in the process of launching a new boat club in Minnesota, called "Your Boat Club," which he hopes will eventually expand throughout the Upper Midwest.

"I really like the boat club concept," Kujawa says. "There's a certain percentage of people for whom owing a boat makes sense, but there's an even larger segment of people who aren't boaters because of all the limiting factors and challenges with owning a boat. This makes a ton of sense for them. It seems like the club concept is growing really fast."

Port Harbor certainly thinks so. Because, while its rental operation has done very well – as has a subsequent internal program created to make boats available for employees – the company believed it could take things to the next level by starting a boat club, and that doing so was a "no-brainer."

"We said, 'We're a boat dealer, we already have the boats, we're already doing this with our own crew members, now let's put it out there and try it and charge membership,'" Soucy explains. "Being a boat dealer and being in tune with what it takes to own and operate a boat certainly helped. Sometimes we would sell a boat club boat and then we'd have to get one ready to replace it. But that was the advantage of being a boat dealer vs. just a company going out and saying, 'I'm going to start this boat club and I have to go out and buy 10 boats.' We already had the inventory, plus we could service them."

The company did not enjoy an economic windfall as a result of the club. In fact, Port Harbor didn't achieve its goal of enrolling 25 members in the first year because of delays in rolling the program out, questions about where to market it and poor weather. But Soucy maintains – as with the company's boat rental program, new locations and product lines – that it generally takes three years before

a dealership can realistically expect to achieve the results it envisioned when the venture began.

"We still believe in it, even though we fell short of our goals, he says. "The boat club customers absolutely loved it."

The members of Port Harbor's boat club included people who were new to boating, some who liked the freedom of using a pontoon one day and ski boat the next, and others who could just no longer afford to be owners.

As a boat dealer, Soucy was understandably concerned that providing his dealership's customers – some of whom might be potential boat buyers – an alternative to boat ownership would cost the company sales. But in researching that possibility, he found that all of the other dealers he talked with, many in his own 20 Group, told him that, in their experience, boat clubs helped sales rather than hurt them.

"Everyone that I've talked to that was in a boat-club-rich area like Virginia Beach, North Carolina, places like that, said that boat clubs – not ones that they owned, but the neighboring boat-club company – only helped their business," Soucy says.

One of two things would invariably happen to the club members, Soucy was told. Either they loved boating so much that they would end up buying their own boats to escape the club's access restrictions, or they had a bad experience, usually because the boats were shoddy or poorly maintained, and left the club to buy a better boat of their own.

Not all dealers see it that way. Frank Fahringer, business development manager of Carefree Boat Clubs, says he's encountered a number of dealerships that simply do not want to do business with him. Fahringer, who has operated a boat club in Virginia since 2002, and whose company licenses the Carefree system to other locations, has met dealers who "look at us like we stole right out of their pocket.

"Some boat dealers get it," Fahringer says. "We've had very good luck in finding boat dealer partners that would work with us, and we've found some that are absolutely against us, because they see us as everybody that joins the club is a potential lost sale for them. And that's just not the case. I mean there are some, I will not tell you a story. There are some people that would have bought a boat if we were not available. But most of our members were not going to buy boats, at least not right away. It's just too big a commitment."

Carefree prefers to work with the dealerships near its locations. Fahringer says the company's District of Columbia location has a strong working relationship with Prince William Marina, buying boats and parts and getting its service work done there. The dealership gives the club good deals for its business and, in return, Carefree promotes Prince William to members who are looking to buy boats.

"The idea is that our members will graduate from the club and buy boats," Fahringer says. "So we want them to buy boats from our partners. We absolutely do."

Church believes that, for the most part, potential boat club members are not drawn from the same pool as people interested in buying boats. "Somebody may be all hot and heavy about buying a boat but then look at the boat club as a better deal, that may happen," he says. "But somebody that's going to buy a boat probably isn't interested in a boat club because of the restrictions attached.

When we first started this thing, a lot of the boat dealers here were like, 'Oh man, this is really going to cut into our sales.' But it really doesn't, because a lot of people that join the club were not necessarily going to be boat owners."

Don Spong has come to the same conclusion. President of Nautical Toys International, a company based in Tampa that licenses its expertise and infrastructure to people looking to open a boat club, Spong started his first club in 1993 and was one of the industry's pioneers. He says that half the members at the six clubs Nautical Toys currently works with are previous boat owners, but the other half are new to boating.

"They have never owned a boat and probably would never even buy a boat if it wasn't for a boat club," Spong says. "We have people that will come in and tell us, 'I've been thinking about buying a boat, but before I spend thirty or forty thousand dollars, I want to make sure that I'm doing the right thing. So I'm only going to be in the club for a year.' They'll tell you this on the front end. A lot of those peo-



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FRACTIONALS

Boat clubs are not the same as businesses that operate using a fractional model. In a boat club, the business owner buys and maintains the boats and the customer pays to have access to the different boats in the fleet, but has no ownership stake in them.

Fractional usage is different in that customers are leased or deeded "ownership" in a specific boat – these are usually larger, more sophisticated vessels than you would find in a boat club – giving them access to that vessel for certain periods of time. But they do not own the boat itself.

The SailTime Group LLC, one of the largest fractional-usage businesses in the industry, is a good example of this. Boat owners sign a boat management agreement with the company allowing SailTime's customers the use of their boats.

"The owner of the boat, the benefit he gets is payments for putting the boat in our program and the tax benefits and all the other things that go along with owning the boat," explains George Bonelli, founder and CEO of SailTime. "The members, who own zero percent, are effectively paying to use the boat – based on the size of the boat, based on the type of membership."

While the fractional access that SailTime offers is sometimes confused with the boat club concept, it is also often confused with fractional ownership. In this arrangement, a group of people pools money to buy a boat together. In many cases, management companies are hired as overseers to handle maintenance issues, scheduling, etc., but the group owns the boat. If it is someday sold, the group's members get that money.

ple will go out and buy a boat. They want to be boat owners, and that's a good thing."

As for the club members that have already owned a boat, Spong says they are the people that have been aggravated by boat ownership, for one reason or another, and are not likely to buy again.

Clubs for the landlocked

Port Harbor not only had the systems and procedures already in place when its boat club began, the dealership also had the best of both worlds in terms of location and services. A dealer that also operates a marina, or a marina that sells and services boats, seem to be the best places to try and make the boat club concept work.

In fact, Church has developed a program called Boat Club Manager, which is a Web-based software system that allows

marinas and dealerships to run their own clubs smoothly and efficiently. He says some of those who have purchased the program are entrepreneurs, and they then approach marinas about setting up a club within their facilities.

"That's one way to do it, but I think a marina is leaving too much on the table if it already has a boat rental operation," Church says. "Having someone come in and set up a boat club, I think the marina operator, or the dealer, or whoever it may be, is leaving a lot on the table there, unless they can negotiate a good back-end deal for themselves, which they could."

Based in Arizona, Church says none of the state's dealerships are on-water locations, but he believes there is no reason a landlocked facility could not start a boat club of its own: the customer pulls



There are some [articles that suggest] people are looking to gather experience rather than assets. //

George Bonelli, founder and CEO, SailTime Group LLC

up, hooks a boat to the car, and heads off to the lake.

This is precisely the model Kujawa has in mind for Your Boat Club. There are three locations as of this writing, but he is looking for others, with the stipulation that they be smaller sites with easy access and good visibility.

"The common thing with clubs the way I've seen them is they're locked into that marina that they're at," Kujawa says. "It's one location and you pick the boat up there and take it out on the water, which is great for that. But that's not how we boat in Minnesota for the most part. In Minnesota, boaters enjoy exploring different lakes; we enjoy different types of boating. If you're going up to the cabin for the weekend with some friends and need a boat, perfect, come get it and go."

Kujawa believes trailering as a part of club membership makes sense in places where people have a lot of experience towing boats, but may not be such a good idea in large cities or other locations where the customer base isn't, by and large, as familiar with towing.

Soucy says some highway dealers would be reluctant to get into boat clubs

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based on their locations. But in an area that's boating friendly – on the coasts or near suitable bodies of water – with a lot of people that want to go boating but just don't have the income to own a boat, he thinks boat clubs are a good way to tap the market.

Looking ahead

With over 50 bases in five countries on two continents, the SailTime Group LLC offers customers access to 160 boats – both power and sail. The company is not a boat club; it offers boaters fractional usage at its franchised locations. (To learn about the differences between boat clubs and fractional usage, please see "Fractionals" on p. 34.) But the concept is similar and George Bonelli, SailTime's founder and CEO, is one of the leading advocates for the shared-usage model as a means to help move the boating industry forward.

"This market segment is here to stay, it's going to grow," Bonelli says. "If you go back to Grow Boating and all of the goals of growing boating participation, we are the purest form of growing boating participation that exists, I believe. What we're doing is providing people the opportunity to try it on a membership basis. You can do it for a year, we'll train you. We have the full road map – from the person who hasn't boated to the person who has left boating – to get back on the water."

Bonelli – who has been invited to give a presentation at an upcoming meeting of the International Council of Marine Industry Associations on fractional use as a tool to grow boating participation – says SailTime's customers have changed over the last 18 to 24 months. Those that are less resilient economically can no longer afford boating as a discretionary expenditure, but the folks that are up a rung or two on the economic ladder, who may have bought a boat in the past, have decided that sharing one might make better sense for them these days.

"They're less interested in buying big-ticket things," Bonelli says. "There are some [articles that suggest] people are looking to gather experience rather than assets. So they want to be able to go sailing but they don't want a sailboat."

When SailTime first began in 2001, the

“...we're kind of like, a little bit here, a little bit more here, you have all these different profit centers and at the end of the day it can add up to a lot.”

Rob Soucy, president, Port Harbor Marine

company had a hard time convincing the marine industry the concept was one that could be profitable and would succeed. But that has changed.

"The idea of selling a share of a boat was always a challenge, because a dealer has enough of a challenge selling a boat once," Bonelli says. "Now we have dealers coming around and they really were forced to kind of look at things differently because of the challenges that have been placed in front of them, and sales have taken a complete dive. Now, 'OK, we have to look at something different to keep moving forward.' It's kind of shined a light on what we're doing."

"I do believe ... that boat sales are not going to go back to where they were. If it ever might get there, who knows how long the cycle is. I think the memory that people are going to have around this particular financial scenario is going to be longer. I think for people, generally, buying boats that they don't use is going to be less and less because of the emergence of this option."

Working together

Embrace boat clubs and work with them: that's the message Church has been trying to convey to the dealerships near his club, which is an hour outside of Phoenix. He has asked those dealers to mention the club to customers who come in to buy a boat but end up not being able to make the financial numbers work. The customer then stays with the club, and stays a boater, until he or she is able to afford a boat.

For his part, Soucy sees the Port Harbor Boat Club as another profit center for his business. It's not something that's going to make the difference between success or failure. But, if done properly, it can be a year-round revenue stream during a time when sales dollars have been drying up.

"I think a lot of dealers out there are

looking for that silver bullet, magic pill that's going to do it all for them, turn their dealership around and make them a ton of money," Soucy says. "That's not our philosophy, we're kind of like, a little bit here, a little bit more here, you have all these different profit centers and at the end of the day it can add up to a lot."

"So if you say, 'I want to make \$500,000 at this thing' then you're probably unrealistic. But if you say, 'If I can add another thirty or forty grand to the bottom line and not have a whole lot of headaches with it, then it may be worth it. And then you grow from there.'

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