# Traditional dealers & independents

## The changing face of marine electronics installation

When I was asked to write this article, it sounded like I was to sleuth out the hot issues and differences between the two faces of marine electronics installation—the brick and mortar dealers on one side and independent installers on the other. But as I spoke with both sides, it became clear that there's more to the story. The success of each side is less about a turf war and more about adapting to new business models and emerging opportunities. It looks like the future won't be a matter of independence so much as of interdependence. No doubt, however, a changing installation landscape continues to rock the industry.

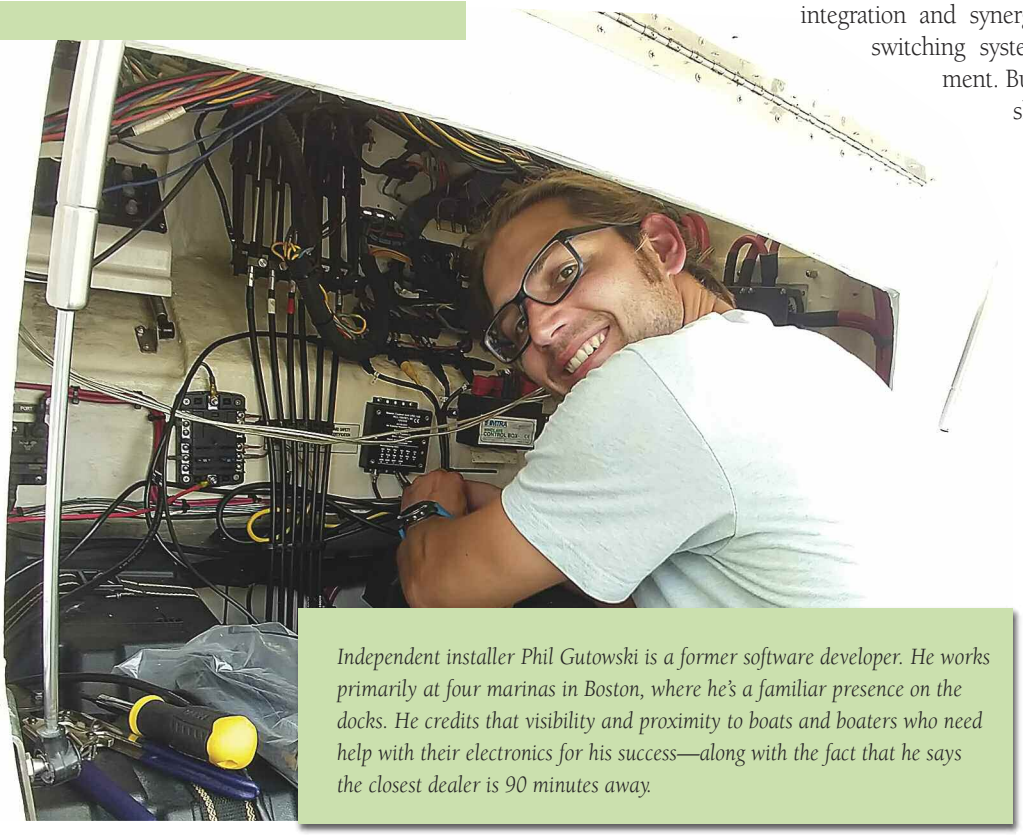
Let's start with some definitions. Traditional dealers have brick and mortar locations, generally employ technicians and installer personnel and buy marine electronics from manufacturers directly (although not always). Independents, sometimes not so nicely called "trunk slammers," "dock runners" or "man with a van," work alone (although not always), may have a shop or may work from their truck, and generally have a reseller license so they buy electronics through distributors.

NMEA membership statistics show an equal number of dealer and trade members with roughly 163 each. The Trade category includes independent installers although not exclusively. The dealer number has been static, even a little down, whereas trade and associate members are growing.

### Staff shortages, underserved markets

Now, let's look at the current environment. Good marine technicians are hard to find and harder to hire. Part of this has to do with the changing nature of the job itself— it's no longer so much a wrench and soldering iron service. Technicians have to be computer literate and in some cases almost software programmers to deal with the sophistication, integration and synergy built into today's chartplotters, digital switching systems and satellite communications equipment. But potential employees with good computer skills have lots of other employment options usually for better money, with abundant training and more prestige. There are also simply more technology-related jobs available in the general commercial market and the government to choose from. By comparison, marine is a tiny segment.

Furthermore, it's a lot easier to work in an air conditioned or heated office sitting on an ergonomic chair than crawling around a boat in the dead of summer or winter. "Boats are hot, tight, dangerous places to work," says Ed Wiser of Boat Doc Marine Electric and Electronics, an independent installer in Port Charlotte, FL. "I often work in 90 degree heat. Sometimes it's so hot I can't pick up a tool after only a moment of it lying on deck. Heat shrink tubing melts and hose clamps and poorly trimmed cable ties slice you up."



*Independent installer Phil Gutowski is a former software developer. He works primarily at four marinas in Boston, where he's a familiar presence on the docks. He credits that visibility and proximity to boats and boaters who need help with their electronics for his success—along with the fact that he says the closest dealer is 90 minutes away.*

Many of the younger set aren't interested in working in inhospitable environments for lower wages. An exception is Phil Gutowski, whose independent business based in Boston, MA, is called BoatRx. Gutowski is as millennial right down to his manbun and he's a software developer turned marine installer. He's rare due to the choices he's made but he agrees that especially when starting out, it's easier to get a technical job just about anywhere but in marine. "And there's a wage gap for sure," he adds.

Carol Sherburne of HWH Electronics in St. Pete Beach, FL, notes, "Oftentimes, a good candidate is simply someone who grew up enjoying boating as a hobby, is very 'hands on' and is willing to learn and devote time to training and advancement in a supportive, team-oriented work environment."

Finding young and capable people who want to make marine electronics their career is tough and maybe that's why installers are growing increasingly middle-aged. Fewer tradesmen translate to underserved markets with pent-up demand. Gutowski works with four marinas in Boston and feels there are local and regional gaps where dealers don't invest, for whatever reason, and that opens the door for independents. "Whether it's the heavy traffic around Boston or the short season of the market, dealers aren't really present where I focus," he says. "The closest main dealer is 90 minutes outside the city. I get work because there's a need and I'm here, on the docks and visible every day."

Gutowski is happy to work the four months a year that Boston boaters are looking for help but that won't feed a dealership with high overhead. A sailor at heart, Gutowski goes south in the winter to look for work in the Caribbean. Wiser adds, "Small operators can adapt to small markets offering professional services where big operators cannot exist."

## Challenges and benefits on both sides

Both dealers and independents have pluses and minuses in their respective situations. Dealers have direct relationships with electronics manufacturers and may command more attention, frequent training opportunities and sometimes better prices than buying through distribution. Warranty work often comes to them since they're authorized by manufacturers and that's a built-in revenue stream.

Mark Young, President of Young's Electronic Systems in South Yarmouth, MA, notes that the traditional dealer model changed about 15 years ago with sales of electronics moving to the Internet, which created an opportunity for independent installers. More recently, electronics manufacturers formed direct relationships with boat builders, effectively erasing much or all of that revenue source for companies like his. But he relies on his reputation and personalized service. "After 35 years, it's still a word-of-mouth business," he says. "There are two types of customers—those who will price shop and those who want it handled. We can get it handled."

Of course there are tradeoffs for the traditional dealers too. "Like any business, more employees equals more babysitting and more problems," says Steve Katz, who operates Steve's Marine Service near Annapolis, MD. "Technicians also work offsite without direct supervision so that opens up doors to abuse."

Dealers tend to pay their technicians $20-$40 per hour (their cost before markup) rather than the $100+ some independents charge (at the dock). Despite the wage gap, dealers can keep some of their employees by offering a stable environment, a secure paycheck, benefits and training. They also have the money to buy expensive tools for diagnostics procedures that are hard for independents to justify. Dealers manage issues like insurance, workman's compensation, accounting and administrative tasks, which are must-do but non-billable hours for independents. A dealer's established brand and contacts create work for their employees and that's why some installers prefer employment over entrepreneurship. "It's hard to make ends meet for those guys who can't sell the work but just do the work," says Katz.

Ron Muller, co-owner of Electronics Unlimited in Ft. Lauderdale, FL, says, "Independents tend to pop up when business is good and then disappear when the economy turns. We've had guys come look for a job when they realize it's tough getting paid out there and they don't have a steady stream of work like we offer them."

Finally, dealers face the reality that some percentage of their technicians will end up going out on their own after the dealer has invested in them. "Effectively, dealers are training their own competition," adds Katz.

The other side is no less complex. Independents have low barriers to entry. Basic technical skills, reliable transportation and a few thousand dollars to set up insurance, a business license, a bond and a resale relationship with a distributor will get you in the business. Also small businesses can adapt more easily. Wiser says, "I have gone through three major recessions and have never had a bad year because I have low overhead and a financial cushion and I can adapt to changes and opportunities."

But it's not all rosy here either. Good training is scarce and there are no real development programs. According to Katz, "There's really nowhere to get formally trained except maybe The Landing School," he says. "ABYC and NMEA have classes but not actual certifications and manufacturer training is usually sales oriented and specific to the features of the product rather than to the basics that new people need."

Gutowski agrees that it's mostly on-the-job training but adds, "Everything today is well documented so you can teach yourself with online resources."

Yes, but can you teach yourself how to be a successful installer? Sherburne says, "We place great emphasis on several installer characteristics, most importantly, attention to detail as well as analytical thinking and problem solving."

Jules Rutstein, President & CEO of Consolidated Electronic Distributors in Rockledge, FL, adds that mentoring is key but the skills of a good troubleshooter can't be taught. "It's a curiosity thing—a capability and desire to trace the problem and root out the cause," he says. "I used to train customer engineers and impressed upon them that it's 80% customer orientation and 20% engineering skills. Not everyone is suited to it, especially if they're out on their own."

## New business models

Depending on whom you ask, you'll get a different view of the situation and the level of acrimony between the two camps. Dealers don't like to invest in, and then lose, trained people who then set up shop in their area. They also don't like to be called in to bat clean up on botched jobs that may void the product warranty. Sherburne says, "In many cases, the failures are a result of poor installation procedures that do not meet manufacturer or industry guidelines or a lack of system programming, set-up or sea trial. Sometimes, boat owner operational procedures are the cause of the fault, in which case providing a system operations orientation [gives us] an

opportunity to convert the boat owner into a new customer."

Frustration runs high on both sides of the divide. Some dealers see independents as hacks and opportunists. On the flip side, some independents see traditional electronics dealers as a dying breed trying to slow progress.

As in the rest of life, success lies in forming the right relationships. Some electronics dealers are finding stable lines of business by becoming an outsourced resource to new boat builders, marinas, superyachts, and commercial maritime. Some are also finding steady work on government vessels where independents don't have the resources or credentials to venture. Independents on the other hand are more frequently working as subcontractors for traditional electronics dealers and for boatyards without electricians on staff. Increasingly, they're taking ownership of the aftermarket relationship on docks through their proximity.

Rutstein, who hires independents as subcontractors, envisions a future where a third type of entity comes to life. "Installers aren't necessarily good business people and they're not all cut out for the sales and organizational tasks it takes," he says. "Maybe soon a network will emerge that will do the administrative work for them. The one who can pull off creating networks of installers while managing the business side for them will make a lot of money."

With demand for services greater than supply, some feel there's room for everyone. Wiser is one of them. "I often have people call who I just cannot fit into my schedule. If they call from the east coast [of Florida] I send them to Electronics Unlimited. If they call from the west coast, I send them to HWH in St. Pete. Both firms are ethical, active members of NMEA and I feel comfortable sending customers to them."

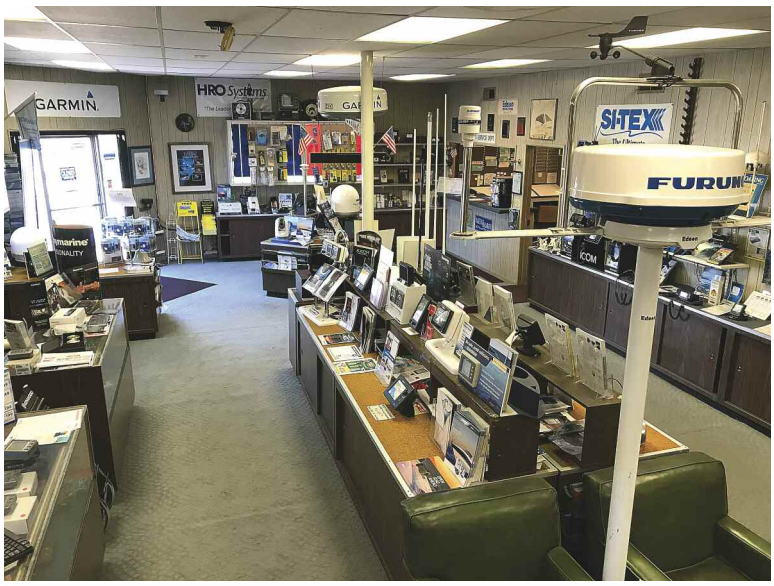
Katz says that independents are a significant force and speculates that the amount of product moved by them is now equal to or greater than that through the dealers. Gutwoski who gets referrals from marine tradesmen, says, "We're all fighting the same fight out here and there's never a shortage of work."

## So what's the outlook?

Young, who says he never hires independents, feels that the electronics manufacturers will be the ones to shape the future with their procedures and policies. Prior steps taken by electronics manufacturers to introduce MRP (minimum retail price) into the supply chain created some protections for the existing structure. Also, some manufacturers differentiate with the type of product they sell through distribution versus through authorized dealers. The larger more complex systems (upwards of $100,000) go to trusted dealers while more standalone systems go to distributors and then potentially to independents. But with all systems becoming more interdependent, will the manufacturers be able to regulate service down stream all the way to the docks? Time will tell.

For now, it seems to be an issue of market growth and as usual, the key is to find your niche and evolve. "It's the circle of life," jokes Katz, who is also Vice Chairman of NMEA. "Everybody will get along because the manufacturers want everyone to get along and sell more stuff."

Indeed, the only certainty is change. If you don't like it, you can try to fight it but it's likely to bowl you over like a big breaker heading for the beach. A good number of industry players say that those who are in the marine electronics game for the long run will find success by adapting and surfing the wave on to new business models and opportunities.





*While traditional dealerships have prospered by offering a full range of services from sales to installations and repairs, the high cost of maintaining a bricks and mortar shop in a competitive environment is difficult. Having a trained technician on staff to do benchtop servicing of equipment is one advantage many dealers have over independent installers, most of whom work alone.*
Courtesy of Maritime Communications