

So Far, Not So Bad

Dealers say that despite the talk of skittish consumers and impending recession, a fair number of people are still buying boats

A surprising thing has been happening at the early 2023 boat shows: A decent number of consumers have been behaving in ways that dealers didn't expect.

There was consensus going into the shows that the end had come for the kinds of record-breaking, pandemic-driven sales most dealers enjoyed since 2020. That, plus all the talk of high interest rates, relentless inflation, wobbly consumer confidence and a possible recession, had many dealers bracing for the impact of steep sales declines early this year. But so far, several dealers say, things have not been as bad as the tea leaves seemed to indicate. In fact, in quite a few segments, dealers are now saying that

2023 may turn out to be similar to 2019 — a perfectly strong sales year compared to traditional norms.

"Two big surprises for us at the New York Boat Show were that there were still a significant amount of first-time boat buyers there and a good number of them were referrals from delighted clients," says Jeff Strong, who owns Strong's Marine with eight locations on New York's Long Island. "The second bucket that was equally encouraging was people who either own a boat currently or owned a boat years ago, and they saw what was going on during Covid with pricing, with boats selling at or near MSRP, and they openly said that they sat on the sidelines for two years. Now the discounts at the dealer level have normalized, so dealers are there to earn the client's business. And it felt like more of a normal negotiating environment for the client, so they were jumping back in."

John Wooden, president of River Valley Companies, with nine locations in Minnesota, says he's seeing similar consumer behavior in that part of the country. Times are definitely different than the past few years — salespeople actually have to sell again, instead of just taking orders — but there are indeed still consumers showing up, ready to buy.

"Our boat shows have been more successful than a year ago, but it came with a lot of effort," Wooden says. "For the first time in four years, we have manufacturer rebates and incentives. We're showing significant dealer discounts that we haven't shown in three or four years. We're giving the consumers reasons for urgency. The consumers who came to our events knew there was a reason to buy. There was an incentive for them to buy."

The experiences these dealers described are similar to what

many dealers are reporting nationwide, according to Matt Gruhn, president of the Marine Retailers Association of the Americas. While there's a lot of pessimism in the air, and constant talk of impending recession among economic pundits, dealerships that are getting back to the basics of selling are seeing results that defy the doom-and-gloom predictions.

"Everybody's talking about a recession coming. Everybody's seeing the volatility in the marketplace, higher inflation and interest rates, but they go into the boat shows, and people are buying," Gruhn says. "When they say they're pleasantly surprised, it's because it's going against everything we're reading in the news."

Even with incentives, however, there does seem to be a demarcation line in terms of price point and buyers remaining active. Strong carries such lines as Cruisers, Grady-White, Fairline and Pursuit. Wooden's brands include Cobalt, Chris-Craft and Correct Craft. Paul Berube at Boaters Exchange, with two locations in central Florida, focuses on trailerable boats from brands such as Everglades, Maverick and Pathfinder, as well as Bennington pontoon boats — and Berube says he's seeing business drop off for the more entry-level models.

"We're definitely having more traction on our high-end, premium product lines than we are with

our smaller payment-buyer product lines," Berube says. "We do sell premium, and those lines are doing OK. Our recreational-type boat has sloughed off quite a bit. Pontoons, runabouts, deckboats, they have slowed down."

His experience at two boat shows so far this year, in Miami and Daytona, was "not disappointing, but they were just sort of middle-of-the-road," he says. "There's still a lot of people that are looking, but they are certainly more sluggish to pull the trigger. They're shopping a lot harder."

Trying to understand the psychological state of the consumer is also weighing on dealers' minds in terms of inventory. In general, new-boat inventory levels have stabilized. In fact, Gruhn says, as of January, about 20% to 30% of dealers were saying inventory levels were too high, similar to how they felt in April and May 2019.

Berube says he's now worried about what happens in the second half of the year if there's in fact a downturn, with all of his floorplan spent and inventory in stock. "Boatbuilders are on the precipice of overproducing," he says. "It takes them a long time to wind up production and a long time to scale back production, so they're always lagging behind the retail demand curve. One of my concerns is that the builders are not pulling back enough for what I predict to be a third- or fourth-quarter mild recession."

Wooden says he's also back to normal supply levels, but he's looking at the situation as a positive in terms of helping to keep sales going. "We think a lot of consumers will finally be able to touch, feel and take immediate delivery for the first time since 2019," he says. "That's immediate satisfaction. It's not selling a dream for six to 12 months out. It's selling a dream that can be realized that weekend."

And, he adds, it's selling to a broader swath of customers than his business needed during the height of the booming pandemic sales. "We're back talking to \$30,000 and \$40,000 boat buyers," he says. "We didn't care about those people the past few years. Now I'm thinking about them. I need them. Eventually, they'll buy a bigger boat."

Despite concerns about economic uncertainty, higher-end models like flybridge motoryachts and luxury pontoon boats drew plenty of attention at winter boat shows.



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Some dealers are concerned that builders are on the verge of overproducing. (Top) Buyers are still showing keen interest, but sales staff have had to return to more traditional selling methods.

Strong, too, says he's looking at the books differently today than he has in several years. He's scanning his analytics more frequently than usual and is making adjustments to try to be ready for whatever the rest of the year brings. "We've spent more time on budgets and forecasting this year than any other year in the history of our company, trying to sort it out and make plans for whatever happens," Strong says. "We're trying to get it into our heads, collectively, that if we are able to produce numbers that look like 2019 numbers, that's not a bad thing. That was an extremely great year for us — not compared to 2020 and 2021, but that was a great year."

Gruhn says MRAA is encouraging dealers to avoid the pitfall of recession becoming a self-fulfilling prophecy, especially since some economists have been predicting one for a while and it still hasn't materialized. Wooden is laser-focused on that concept as well. "I have recession in the back of my mind, but I will not allow it on my team to become a self-fulfilling prophecy," he says.

Employment figures, Wooden says, are what he's keeping an eye on first and foremost. His belief is that as long as the nation stays close to full-employment level, people who have jobs will continue to buy boats. "We know that U.S. savings rates are dropping, but they're still significantly higher than they were pre-Covid or the historical average," he says. "We know that GDP is dropping, but it's still higher than historical average. There's just too many economic indicators that are still positive. To me, it all centers around being a fully employed market. I really believe it's going to be hard to go into a soft or hard recession if we remain fully employed."

Berube is not so sure. "It's going to get worse," he says. "The back half of the year, when the news starts reporting that we're indeed in a recession, then that affects the psychology of some of the buyers."

Gruhn says MRAA is encouraging dealers to adapt to the changing marketplace. Dealers had all the power during the pandemic, when consumers were buying boats sight-unseen. Sales teams didn't have to throw in extras, come down on price or do anything else to sell a boat. That's not the world we're living in today, he says, and dealers need to adjust their strategies to be in line with that reality.

"That power is shifting back to the consumer," Gruhn says. "They have all of these objections now, all of these reasons to

not buy, whether it's interest rates, increasing prices, whatever it might be, the consumer now has that. We were in a supply-driven marketplace during the pandemic. We're now in a demand-driven marketplace where the consumer is in charge."

The good news, Gruhn adds, is that many dealers already know how to sell boats in this type of market. They just haven't had to do it in a while, or they have salespeople who are newer and need to learn how to do it for the first time.

"If you go back and look prepandemic, that's what makes a good dealer," Gruhn says. "It's understanding those market dynamics, managing the supply and demand, managing those negotiations. Over the last few years, they've had this perfect-world scenario where maybe they would've wanted more supply, but they were in a position to command higher prices and better margins. All they're doing today is going back to the fundamentals of running a good retail operation, like they were doing prior to the pandemic."

Berube says his team is doing exactly that every day to keep product moving. "We're certainly having to get back to basics in order to get boat deals done," he says. "We're lowering our target margins. We're trying to be more creative, to overcome finance objections because of higher interest rates."

His salespeople also are waiting for consumer mindsets to shift when it comes to the value of trade-ins. Just as dealerships had no problem selling boats the past of couple years, consumers who wanted top dollar for trade-ins enjoyed a bonanza.

The problem today is that many consumers are still coming in expecting late-2020 trade-in value for their boats, while dealers have moved on to lower values that better reflect the marketplace. "A lot of buyers that want to trade their boat are not as realistic on what we're willing to take for their trade," Berube says, pointing to sources like the NADA Guide that he says are still showing higher prices than most dealers are willing to pay today. "Those values are still slightly above reality."

Overall, Gruhn says, dealers have a good shot of seeing 2023 turn out to be a lot like 2019. That's the goal to aim for, he says, instead of lamenting the hangover from the pandemic's headiest days. "For the most part, anybody that's comparing their numbers to 2020 or 2021 is comparing them to an anomaly in the industry, a blip of record sales everywhere," he says. "Most of the dealers now are logically saying 2019 is the barometer, and we want to stay at that level or higher." ■