

Industry must embrace the used-boat buyer

NMMA report will show that nearly three out of four transactions involve pre-owned vessels

Imagine going to a party where a group of guests are largely ignored by the hosts and do not have the same access to the food and beverages as the rest of the party goes. Chances are these individuals will not stay long and may wind up leaving for good.

Unfortunately, this is perhaps how some pre-owned boat buyers feel when shopping for a boat. They have no one to “show them around,” in terms of what to look for in a boat or where to use one. Pre-owned boat buyers receive little guidance regarding how to operate and take care of their vessel, and their presence is sometimes unappreciated – particularly when in need of service.

Because this group of “guests” makes up a very large portion of our industry, negative experiences during the buying process can pose a serious problem. According to a soon-to-be-released report sponsored by the National Marine Manufacturers Association, an estimated 71 percent of boats purchased in 2004 were pre-owned. This is not atypical. In the automotive industry, an even higher percentage of vehicles are purchased used (76 percent). This is likely due to the greater emphasis on pre-owned vehicle sales by automotive dealers.

The good news is that the likelihood of purchasing a new boat instead of a used boat increases with age and boating experience. That is, if these boaters stick around long enough.

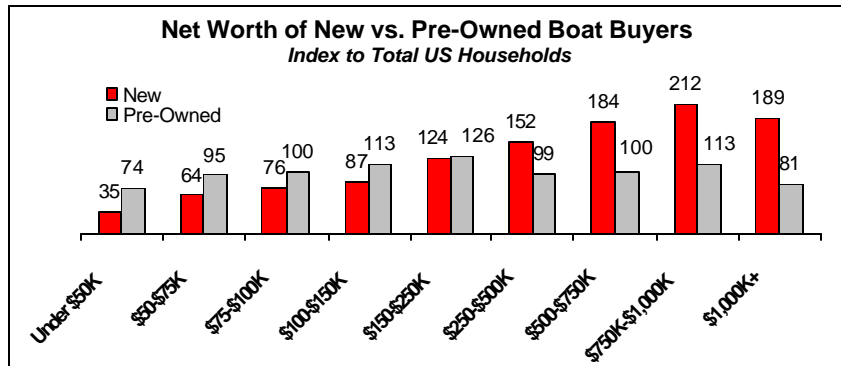
Buyer characteristics

In order to cater to the pre-owned buyer, we must first get to know who they are and why they purchased used instead of new in the first place. Previous research in both the automotive and marine industries has confirmed the obvious – many consumers go the pre-owned route for affordability reasons. Similarly, many buy pre-owned because they feel it represents a better value since they avoid the steep depreciation that occurs in the first couple of years of the product ownership cycle.

So what makes some boat owners more price-conscious than others? In comparing the characteristics of recent “new” vs. “pre-owned” boat buyers, some clues emerge:

- **Income and Assets**

Income and net worth of pre-owned buyers largely mirror that of the US population. For example, the percentage of pre-owned boat owners with a net worth of \$75-\$100K equals the percentage of US households with a net worth in this bracket, resulting in an index of 100. In contrast, new boat owners tend to be much more affluent.



This chart is based on an index derived from a comparison with U.S. households. For example, the percentage of used-boat buyers with a net worth of \$75,000 to \$100,000 equals the percentage of U.S. households with a net worth in that bracket, resulting in an index of 100.

- **Lifestyle**

While a high percentage of both new and pre-owned buyers have professional or technical occupations (38 percent and 35 percent, respectively), pre-owned purchasers are much more likely to hold a blue-collar-craftsman position (18 percent vs. 12 percent) and own a pickup truck (24 percent vs. 18 percent). On the other hand, new boat buyers, are more likely to hold management positions (21 percent vs., 15 percent) and drive SUVs (32 percent vs. 23 percent).

- **Age and Experience**

The pre-owned boat buyer tends to be only slightly younger than new boat purchasers. More important than age, however, is level of boating experience. Three out of four (76 percent) first time boat buyers purchase a pre-owned boat. In comparison, the percent of repeat purchasers buying pre-owned boats drops to about two-thirds (69 percent). Prior research has indicated that the incidence of purchasing a new boat instead of pre-owned increases with each subsequent boat purchase.

There are a couple of key things to note. First, we see that pre-owned buyers represent a **distinct segment** of consumers with a different social-economic makeup. We cannot assume that this segment is inherently frugal and simply doesn't want to pay extra to buy new. For many, a pre-owned boat may be all they can afford.

Second, the **potential boating market is perhaps broader** than often imagined. The fact that the net worth of pre-owned buyers resembles that of the US population suggests that used boats have a much more “main stream” appeal than new boats. Though there still appears to be a minimum income and net worth threshold, pre-owned boats are attainable to those households with modest economic means.

Marketing implications

A big party is being planned for the boating industry and the invitations are being distributed in the form of the Discover Boating marketing campaign scheduled to kick off in 2006. We know that roughly three out of four of the new “guests” that eventually show up will be pre-owned buyers. As with new boat buyers, it is important that we make these boaters feel welcome, so that they remain in the category for years and potentially migrate to new boats over time.

The following are a few ideas for how to embrace the pre-owned boater. While most of these ideas are not new, they bear repeating at this critical juncture:

- **Offer a ‘ten point boat inspection program’ for pre-owned boat buyers.** Similar to a home inspection, this service is designed to provide “peace of mind” to prospective pre-owned buyers and is a way to initiate a relationship between the consumer and dealer.
- **Provide an Ongoing Maintenance Program.** Many individuals who are new to boating simply are not aware of the maintenance required for a boat. Besides additional service revenue, this type of program could help ensure that pre-owned boat buyers have a hassle-free ownership experience which would encourage additional purchases down the road.
- **Include pre-owned buyers of your brand in your relationship marketing efforts.** This would be especially simple and economical if part of your communications efforts entail electronic newsletters or email invitations. Providing this extra recognition could go a long way in converting pre-owned boat owners to purchase a new product in the future.
- **Provide targeted ‘upgrade’ offers to pre-owned buyers of your brand.** Because of the pre-existing relationship, this group would likely be one of the most responsive to your marketing efforts and may be easier to convert than loyal buyers of competitor brands.

The long-term health and well being of the industry depends on our ability to attract and retain the next generation of boat owners. It is clear that the pre-owned market is a gateway into boating. As such, it is important that we treat the pre-owned boat buyer as welcomed guests and encourage them to remain a part of the overall boating community.

A copy of the 2004 New vs. Used Boat Market report is available for purchase from the NMMA by contacting Jim Petru at: jpetru@nmma.org

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