

12.7 million
registered boats

\$37.5 billion
spent on boating

8.4% decrease
in traditional powerboat sales

\$79.95

AUGUST 2008

Boating INDUSTRY

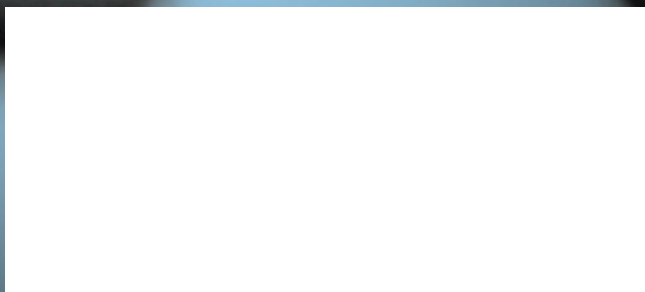
TRUSTED SOURCE. PROVEN SOLUTIONS.
REAL RESULTS.

2008 Market DATA BOOK

The Definitive Guide To Marine Business Statistics

BY THE NUMBERS:

- > The economy's impact on boating
- > Unit Sales & Retail Expenditures
- > Registration Breakdowns
- > Wholesale Data Reports
- > 10-year Dealer Benchmarking Data





DEALERS

Dealers Section Presented By



imagination at work

As the old joke goes: 90 percent of statistics can be made to say anything ... 50 percent of the time. Numbers, tables and charts are meaningless unless they provide their readers credible information that can be used in meaningful ways.

And useful information is what we've tried to provide on the following pages.

This year's Dealers section begins by providing retailers information today's marine dealers can use to benchmark their business against some of the best of the best – the *Boating Industry* Top 100 Dealers. We've shared some of that information in the past, but this year we drilled down more deeply into the results and operations of these successful companies to provide additional data on how they operate and the results they achieve.

We've also expanded the information from Spader Business Management that has become a regular feature of our Market Data Book, and NADA has partnered with us to print some of the results of its Wholesale Data Report.

We hope you'll find this information useful.

Top 100 Dealers

With *Boating Industry's* Top 100 Program in the middle of its fourth year, we provide a snapshot of the dealerships that have been selected to our list during the first three. The graph below highlights several benchmarking statistics to give an overview of the Top 100 from 2005 to 2007.



In the chart on the right, we've drilled down more deeply into our 2007 Top 100 for an in-depth look at the results these dealers have achieved and a glimpse of how they've done it.

We break down how they generate their revenue and examine the averages this elite group earns as gross profit in boats, service and overall.

TOP 100 BENCHMARKING STATISTICS

	2005	2006	2007
Avg. revenue per dealer (in millions)	\$25.9	\$28.8	\$20.1
Total number of locations	342	357	289
Revenue per store (in millions)	\$7.6	\$8.1	\$6.9
Avg. CSI Score	94.6	95.4	95.97
Use computerized inventory	91	98	95
Avg. number of boat brands	4.9	5.1	4.9

2007 TOP 100 AVERAGES

	2007
Sales as a % of revenue	75.5%
Service as a % of revenue	8.9%
Rigging as a % of revenue	1.8%
Finance & Insurance as a % of revenue	1.5%
Parts & Accessories as a % of revenue	7.3%
Avg. per store	13.88
Marina as a % of revenue	4.41
Restaurant as a % of revenue	22.36
Other as a % of revenue	12.65
Total number of FT employees	16.01
Total number of PT employees	7.26
New I/O boats sold	1.74
New Outboard boats sold	1.74
New Inboard boats sold	1.74
New Outboards sold	1.74
I/Os sold for re-power	1.74
Used I/O boats sold	1.74
Used Outboard boats sold	1.74
Used Inboard boats sold	1.74
Used Outboards sold	1.74

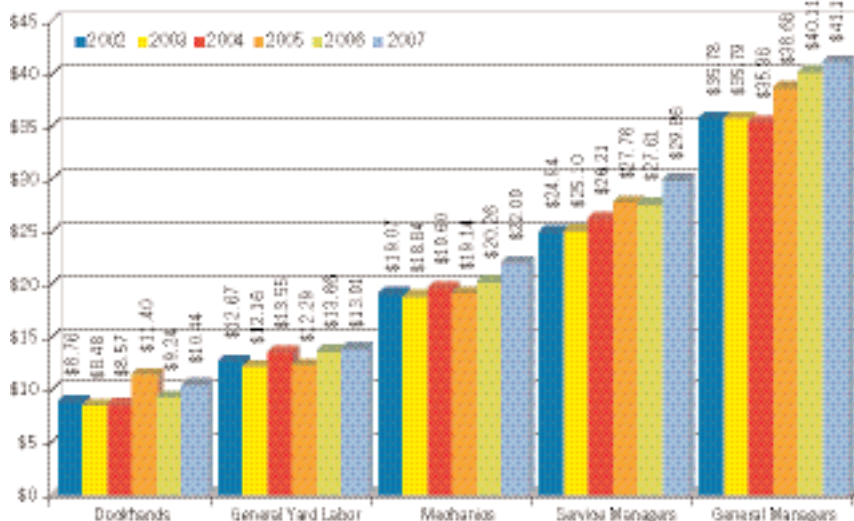
Wage Rate Survey

This data on wage rates is taken from the American Boat Builders & Repairers Association's Annual Wage Rate Survey. The information was gathered by ABBRA through Web questionnaires sent to its members. The wage rates seen here were derived by dividing the total earnings (including wage, salary and bonus) by 2080 to determine an hourly rate.

The average wages for each of the five positions noted increased in 2007, with the biggest jump coming for service managers, who saw their salaries increase \$2.25 from their 2006 level.

For full results of the survey, including the average wages for additional positions broken down in six U.S. regions, please contact ABBRA directly. The association can be found on the Web at www.abbra.org.

WAGE RATE SURVEY





Spader

Spader Business Management tracks the business metrics of all its 20 Group members and other dealers it works with and shares the key performance indicators with *Boating Industry* on a monthly basis.

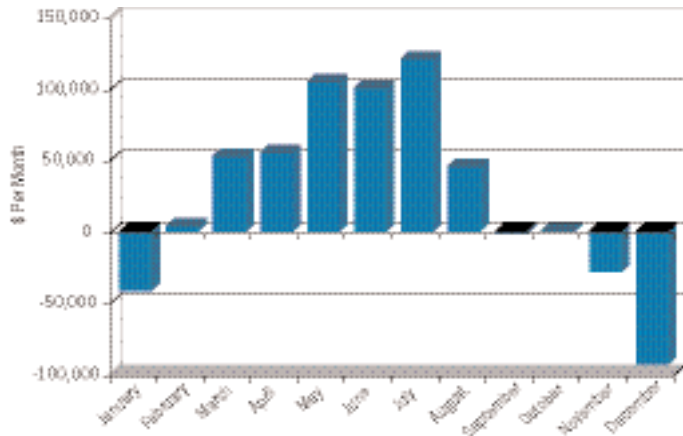
The seasonal nature of the business is evident in this chart with net profit greatest during the height of the boating season and lowest during the dead of winter.

To provide the information on the following pages, Spader determined the monthly averages for several key business metrics over the past 10 years, and we present the results for eight of those metrics – net profit, new and used boat sales, new and used boat inventory, personnel expense, interest expense and advertising expense – in the graphs, which begin on the right-hand side of this page.

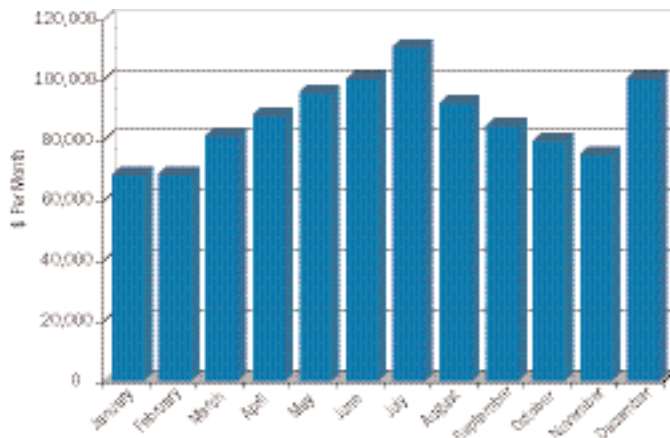
To contact Spader, call 800/772-3377 or visit the company’s Web site at www.spader.com. You can also find more data on the *Boating Industry* Web site, www.boating-industry.com.

Personnel expenses climb steadily as business picks up, then tail off until Dec.

NET PROFIT 10-YEAR TREND

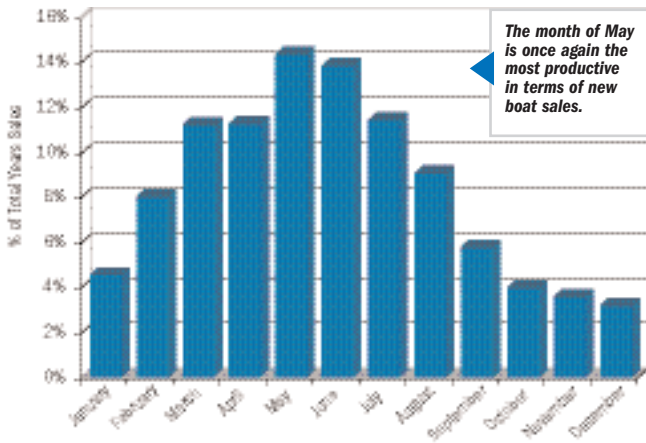


PERSONNEL EXPENSE

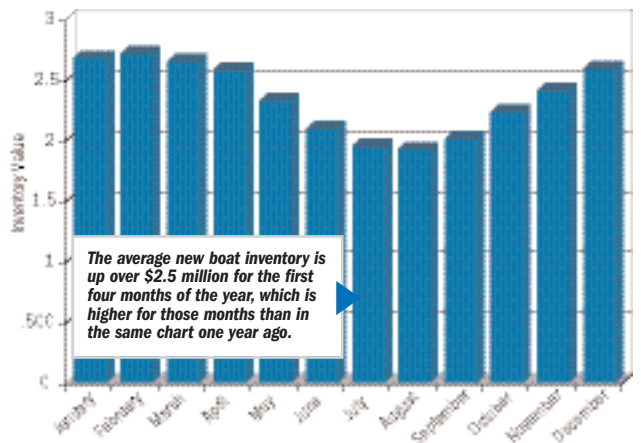




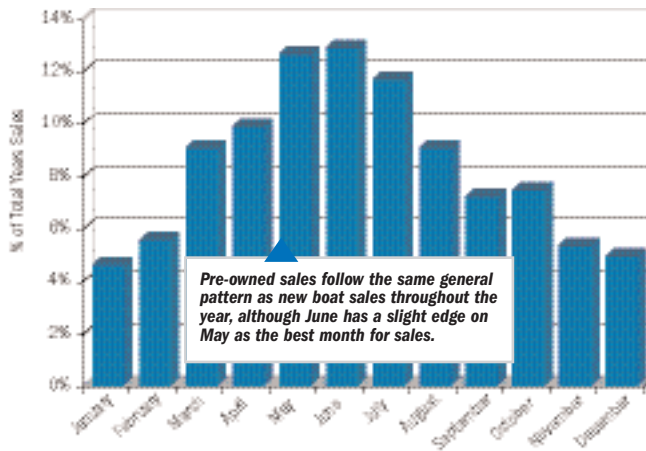
NEW BOAT SALES 10-YEAR TREND



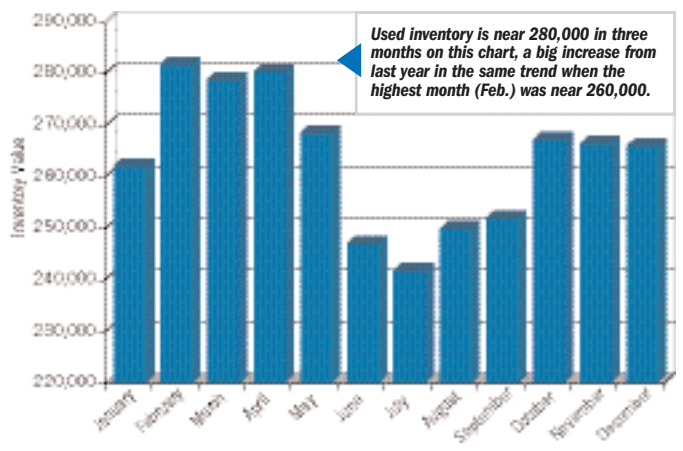
NEW BOAT INVENTORY 10-YEAR TREND



PRE-OWNED BOAT SALES 10-YEAR TREND

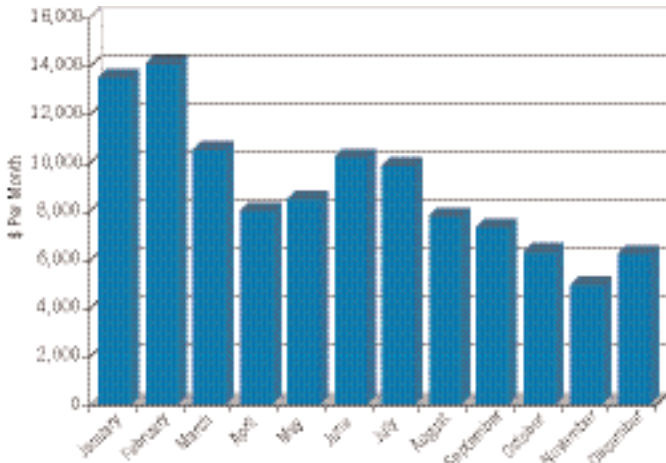


PRE-OWNED BOAT INVENTORY 10-YEAR TREND



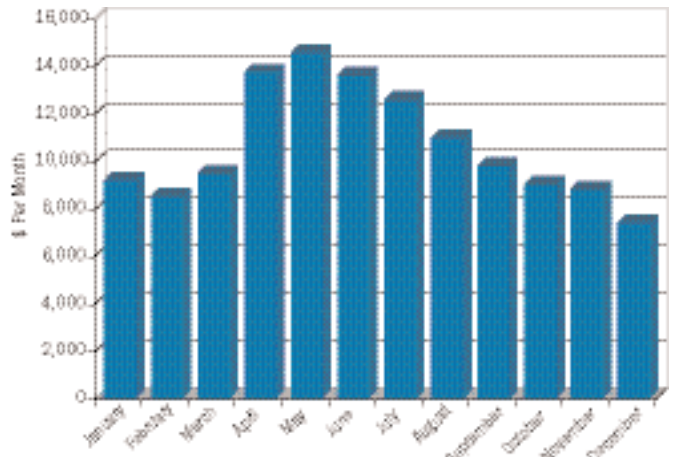


ADVERTISING EXPENSE



Advertising expenses are highest during boat-show season and bump up once more during the busy summer months with a smaller bump around the holidays.

INTEREST EXPENSE



Interest expense is greatest from April to June and least in December.

Wholesale Data Report

Boating Industry magazine partnered with NADA to create the wholesale data reports on the following pages. The information is based on results obtained from national auctions, NADA Dealer Advisory Board members and several industry related organizations.

The survey price represents an average of the results gathered for each given model; extremes of unusually high or low results have been removed from the report. The NADA Used Trade-In price reflects the average trade-in valuation of a clean used boat.

NADA Appraisal Guides is the nation's leading authority for vehicle valuations and specifications to dealers, banks, government agencies, insurance companies, credit unions and manufacturers. For additional information, contact Captain Troy D. Heidemann, market/data analyst, NADA Appraisal Guides, at 800/966-6232, ext. 261, or theidemann@nadaguides.com. You can also find further information at www.nadaguides.com.

Table titled 'DEALERS Wholesale Data Report' showing 'PRE-OWNED OUTBOARD BOAT SALES' with columns for model, dealer, price, and other metrics.

Table titled 'DEALERS Wholesale Data Report' showing 'PRE-OWNED INBOARD BOAT SALES' with columns for model, dealer, price, and other metrics.

See Page 22 | See Page 24

PRE-OWNED OUTBOARD BOAT SALES

25 FEET AND UNDER — ALUMINUM

	MODEL YEAR	COMPANY	MODEL	NUMBER OF SURVEYS	SURVEY PRICE	NADA USED TRADE-IN
1	2005	TRACKER MARINE	PRO TEAM 175(***)	18	\$5,381	\$5,200
2	2004	TRACKER MARINE	PRO TEAM 185(***)	16	\$5,764	\$5,720
3	2003	LUND BOAT CO.	1800 FISHERMAN	14	\$6,220	\$6,350
4	2003	LUND BOAT CO.	1700 FISHERMAN	12	\$5,410	\$5,560
5	2003	CRESTLINER INC.	1850 SPORTFISH	11	\$6,258	\$6,080

25 FEET AND UNDER — FIBERGLASS

	MODEL YEAR	COMPANY	MODEL	NUMBER OF SURVEYS	SURVEY PRICE	NADA USED TRADE-IN
1	2004	SEA RAY BOATS	185 SPORT(***)	17	\$11,982	\$11,720
2	2000	TRITON BOATS	TR-186(***)	15	\$10,148	\$10,410
3	2000	RANGER BOATS/WOOD MFG.	520DVX(**)	14	\$16,483	\$16,020
4	2004	STRATOS BOATS	200 PRO XL/BS(***)	12	\$18,576	\$18,790
5	1994	FOUR WINNS	180 HORIZON(***)	11	\$4,267	\$4,080

(**)Includes the value of the outboard motor. (***)Includes the value of the outboard motor and trailer.

PRE-OWNED INBOARD BOAT SALES

18 FEET TO 25 FEET

	MODEL YEAR	COMPANY	MODEL	NUMBER OF SURVEYS	SURVEY PRICE	NADA USED TRADE-IN
1	2001	CORRECT CRAFT INC.	SUPER AIR NAUTIQUE(****)	14	\$21,788	\$21,420
2	2001	SKI CENTURION	ELITE BOWRIDER	12	\$15,464	\$15,650
3	2000	MOOMBA	OUTBACK/SK(*)	10	\$12,512	\$12,100
4	1999	MALIBU BOATS	SUN SETTER LXI	9	\$13,952	\$14,330
5	1997	CORRECT CRAFT INC.	SKI NAUTIQUE	8	\$11,482	\$11,280

26 FEET TO 38 FEET

	MODEL YEAR	COMPANY	MODEL	NUMBER OF SURVEYS	SURVEY PRICE	NADA USED TRADE-IN
1	2000	SILVERTON MARINE	SPORT BRIDGE 330	10	\$56,554	\$55,950
2	2000	CARVER YACHTS	350 MARINER	8	\$73,215	\$74,150
3	1994	LUHRS	T-32 CONV/SF	7	\$46,865	\$44,900
4	1995	SEA RAY BOATS	330 SUNDANCER	6	\$53,287	\$52,400
5	1997	SEA RAY BOATS	370 SUNDANCER	4	\$111,252	\$110,750

(*)Includes the value of the trailer. (****)Includes the value of the flight control tower, extended pylon and LCS (launch control system ballast tanks).

PRE-OWNED STERN DRIVE BOAT SALES
25 FEET AND UNDER

	MODEL YEAR	COMPANY	MODEL	NUMBER OF SURVEYS	SURVEY PRICE	NADA USED TRADE-IN
1	2004	BAYLINER MARINE CORP.	RUNABOUT 175 BR(*)	21	\$6,524	\$6,360
2	1998	SEA RAY BOATS	180 BOW RIDER(*)	19	\$6,598	\$6,420
3	2000	BAYLINER MARINE CORP.	1950 LX BR (CL)(*)	17	\$5,649	\$5,850
4	2000	CROWNLINER BOATS	202 BR(*)	14	\$9,985	\$9,770
5	1997	SEA RAY BOATS	210 BR(*)	12	\$10,321	\$10,190

26 FEET AND OVER

	MODEL YEAR	COMPANY	MODEL	NUMBER OF SURVEYS	SURVEY PRICE	NADA USED TRADE-IN
1	2003	SEA RAY BOATS	240 SUNDECK	20	\$21,894	\$22,000
2	1997	RINKER BOAT CO.	FIESTA VEE 266/EC	17	\$13,560	\$13,300
3	1999	BAYLINER MARINE CORP.	CIERA 2655 SUNBRIDGE	16	\$15,457	\$15,750
4	1998	MAXUM MARINE	3000/SCR	9	\$30,320	\$30,050
5	1998	BAJA BOATS	29 OUTLAW	5	\$36,586	\$36,000

(*)Includes the value of the trailer.

PRE-OWNED SAILBOAT SALES
25 FEET AND UNDER

	MODEL YEAR	COMPANY	MODEL	NUMBER OF SURVEYS	SURVEY PRICE	NADA USED TRADE-IN
1	2004	HUNTER MARINE	HUNTER 240(*)	10	\$13,390	\$13,110
2	2000	CATALINA YACHTS	CATALINA 250 WATER BAL.	9	\$12,126	\$12,330
3	2004	INTERNATIONAL MARINE	WEST WIGHT POT. 19/CU(*)	7	\$10,395	\$10,010
4	1995	HUNTER MARINE	HUNTER 23.5	6	\$9,352	\$9,010
5	1997	SEAWARD	SEAWARD 23	5	\$14,942	\$14,710

26 FEET AND OVER

	MODEL YEAR	COMPANY	MODEL	NUMBER OF SURVEYS	SURVEY PRICE	NADA USED TRADE-IN
1	2000	MACGREGOR	MACGREGOR 26X/SL(*)	11	\$11,014	\$10,800
2	2000	BENETEAU	BENETEAU 361/CU	9	\$61,922	\$61,600
3	2001	CATALINA YACHTS	CATALINA 320	8	\$66,798	\$67,100
4	1995	BENETEAU	OCEANIS 321	6	\$42,458	\$41,900
5	1998	HUNTER MARINE	HUNTER 310/SL	5	\$43,675	\$42,950

(*)Includes the value of the trailer.

PRE-OWNED PERSONAL WATERCRAFT SALES

	MODEL YEAR	COMPANY	MODEL	NUMBER OF SURVEYS	SURVEY PRICE	NADA USED TRADE-IN
1	1997	SEA DOO/BOMBARDIER	GTX 5642	17	\$2,251	\$2,340
2	2006	YAMAHA	WAVE RUNNER VX110 DLX.	15	\$5,138	\$5,270
3	2005	SEA DOO/BOMBARDIER	RXT	14	\$7,089	\$6,980
4	2006	KAWASAKI	STX-15F	12	\$5,683	\$5,820
5	2004	HONDA	AQUA TRAX R-12X	11	\$6,257	\$5,960



CONSUMERS

Consumers Section Presented By



With the burst of the housing bubble and economic indicators signaling a drop in consumer confidence, it's more important than ever to understand the wants and needs of the customer and the dynamics of the marketplace.

To help accomplish this, we begin this section with a look at the number of boat registrations this past year, the numbers of boats in use by type, and a state-by-state breakdown of where the money on boating is being spent around the country.

We then offer the latest survey information on recreational participation from the National Sporting Goods Association, which reveals a significant jump in the number of people around the country who boat.

And we end this section with the results of three more surveys, one of which looks at the impact of the Discover Boating campaign, while the other two ask boaters what they like and don't like about boat shows and their reasons for going, or not going, to them.



Boats In Use

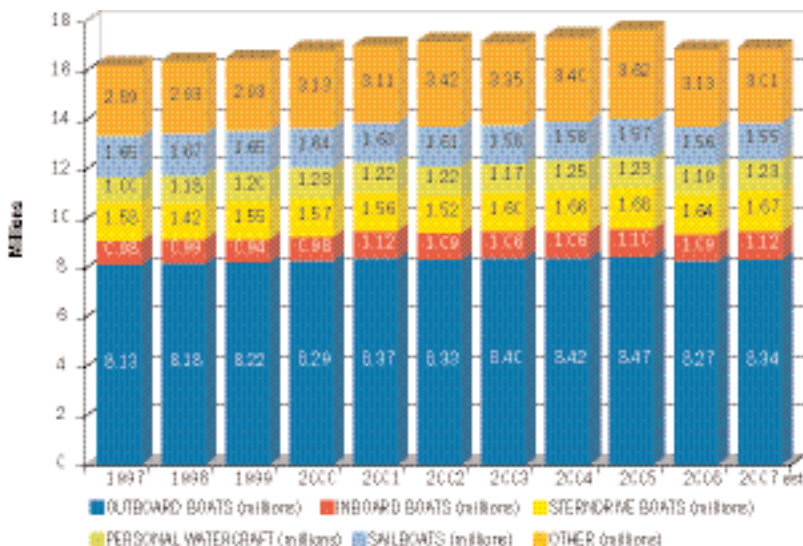
The National Marine Manufacturers Association estimated that the use of non-registered boats rose in 2007 and use of registered boats fell, according to information excerpted on this page and the next from NMMA's 2007 Recreational Boating Abstract.

The number of registered boats was up, year over year, in three regions around the country: the South Atlantic (Del., D.C., Fla., Ga., Md., N.C., S.C., Va., and W. Va.), West North Central (Iowa, Kan., Minn., Mo., Neb., N.D. and S.D.) and Mountain (Ariz., Colo., Idaho, Mont., Nev., N.M., Utah and Wyo.) regions.

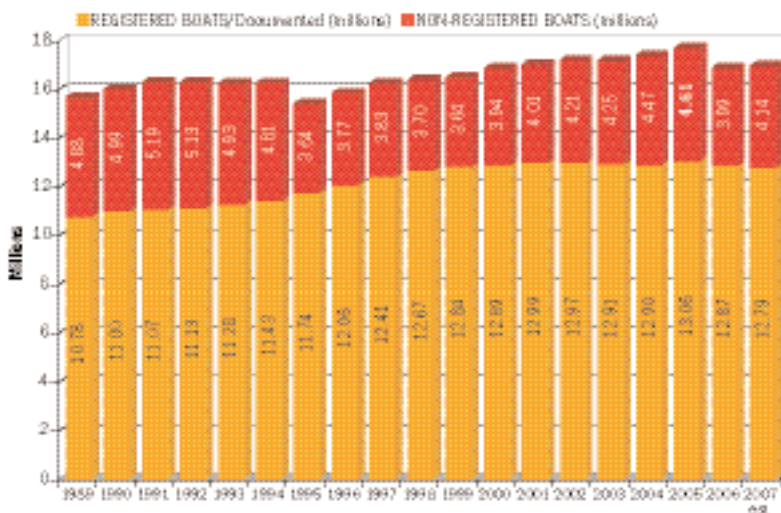
However, the number of registered boats fell in the other regions and was down overall to 12,746,126 from 12,942,414 the year before.

For more information about NMMA's 2007 Recreational Statistical Abstract, contact Vicky Yu at 312/946-6261 or vvyu@nmma.org. To order a copy of the Abstract, contact NMMA Fulfillment Coordinator Chris Keil at orderdesk@nmma.org.

RECREATIONAL BOATS IN USE BY BOAT TYPE



TOTAL RECREATIONAL BOATS IN USE



REGISTRATION AND EXPENDITURES SNAPSHOT



TOP 20 STATES IN BOATING EXPENDITURES

RANK COMPARED TO '06	STATE	RANK
	FLORIDA	1
Moved up one spot	TEXAS	2
Dropped one position	CALIFORNIA	3
Moved up one spot	NEW YORK	4
Dropped one position	NORTH CAROLINA	5
	WASHINGTON	6
Moved up two spots	GEORGIA	7
Moved up seven spots	ALABAMA	8
Dropped one position	MICHIGAN	9
Moved up three spots	SOUTH CAROLINA	10
	LOUISIANA	11
	VIRGINIA	12
Dropped three positions	WISCONSIN	13
Moved up two spots	ILLINOIS	14
Dropped eight positions	MINNESOTA	15
Dropped two positions	NEW JERSEY	16
	TENNESSEE	17
Moved up six spots	DELAWARE	18
Dropped one position	MARYLAND	19
Dropped one position	MISSOURI	20

Participation in sports and other recreations


Participation in boating was up nearly 9 percent last year, from 2006, according to the results of the 2007 National Sporting Goods Association Sports Participation Report. That increase was enough to propel boating (No. 10) into the top 10 recreational activities in the United States, up three places from 2006.

The survey found that 31.9 million people participated in boating in 2007, while 35.3 million said they had gone fishing, which was No. 7 on the list.

Kayaking, which wasn't ranked in 2006, had 5.9 million participants and ranked No. 35, while water skiing was No. 38, with 5.3 million participants.

The survey defined a participant as someone age seven or older who took part in the sport or activity more than once in a calendar year.

PARTICIPATION IN BOATING AND RELATED RECREATIONS

	Participation in millions	% change from '06-'07	Last years ranking
1. Exercise Walking	89.8	2.7%	1
2. Exercising with Equipment	52.8	0.8%	3
3. Swimming	52.3	-7.3%	2
4. Camping (vacation/overnite)	47.5	-2.2%	4
5. Bowling	43.5	-2.9%	5
6. Bicycle Riding	37.4	5.0%	8
			
7. Fishing	35.3	-13.0%	6
8. Workout at Club	33.8	-3.0%	7
9. Weight Lifting	33.2	-0.9%	10
10. Boating, Motor/Power	31.9	8.9%	13
11. Running/Jogging	31.8	-9.8%	14
12. Aerobic Exercising	30.3	-9.9%	9
13. Billiards/Pool	29.5	-7.3%	11
14. Hiking	28.6	-7.5%	12
15. Basketball	24.1	-9.7%	15
16. Golf	22.7	-7.0%	16
17. Target Shooting	20.9	-9.7%	18
18. Hunting with Firearms	19.5	-2.2%	17
19. Baseball	14.0	-4.7%	19
20. Soccer	13.8	-1.8%	20
21. Backpack/Wilderness Camp	13.0	-2.4%	21
22. Tennis	12.3	18.7%	26
23. Dart Throwing	12.1	NA	NR
24. Volleyball	12.0	8.7%	24
25. In-Line Roller Skating	10.7	2.1%	25
26. Yoga	10.7	NA	NR
27. Scooter Riding	10.6	11.4%	28
28. Skateboarding	10.1	4.2%	27
29. Softball	10.0	-20.0%	22
30. Football (tackle)	9.2	-8.9%	23
31. Paintball Games	7.4	-7.0%	30
32. Mountain Biking	7.4	-13.1%	29
33. Target Shooting	6.6	-7.9%	35
34. Archery	6.6	NA	NR
35. Kayaking	5.9	NA	NR
36. Hunting w/Bow & Arrow	5.7	-1.9%	34
37. Skiing	5.5	-14.1%	32
38. Water Skiing	5.3	-16.2%	33
39. Snowboarding	5.1	-2.7%	36
40. Mtn/Rock Climbing	4.6	NA	NR
41. Muzzleloading	3.6	-3.2%	40
42. Scuba Diving (open water)	2.4	NA	NR
43. Wrestling	2.1	-1.8%	39
44. Hockey (ice)	2.1	-10.3%	42
45. Skiing (cross country)	1.7	-35%	41
46. Lacrosse	1.2	NA	NR

Source: National Sporting Goods Association (NSGA)



Discover Boating

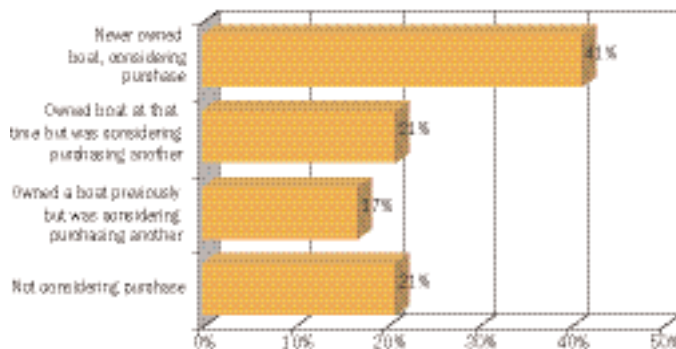
For the second consecutive year, Left Brain Marketing conducted a study among people who opted in at the Discover Boating Web site to determine the perceived helpfulness of the program.

A total of 789 individuals participated in the survey, which was conducted in July 2007.

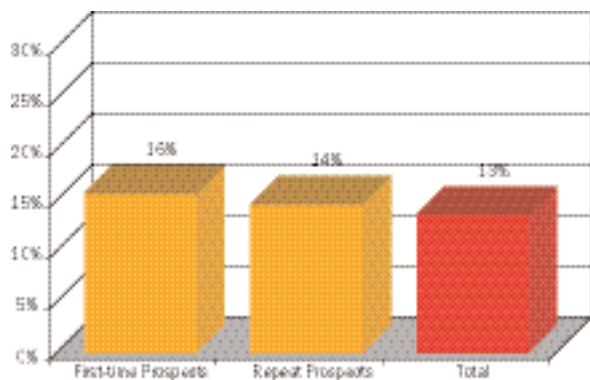
From the responses, it's clear the program is reaching its intended target. Forty-one percent of those who opted in have never owned a boat but were considering purchasing one. Most were in 25-to-54 age range. The most popular reason for visit-

CONTINUED BELOW

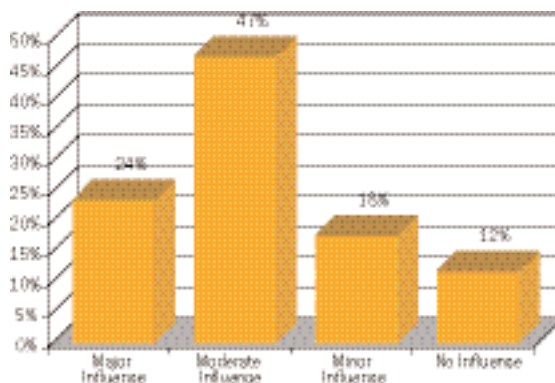
OWNERSHIP INTEREST AND BOATING EXPERIENCE OF VISITORS TO DISCOVER BOATING WEB SITE



PERCENTAGE WHO PURCHASED A BOAT AFTER VISITING



INFLUENCE OF DISCOVER BOATING ON PURCHASING DECISION



ing Discover Boating was to obtain fundamental information on boat brands and types to help them choose the right boat for their needs.

After visiting the site, 16 percent of first-time prospective buyers purchased a boat and a high proportion indicated the program had a "major" or "moderate" influence on their purchase decision.

This was true despite the fact that only 58 percent of first-time prospects recalled receiving any follow up information from dealers or manufacturers and suggests that sales could be even stronger if more companies provided relevant and timely information.

For additional details, please contact Jerry Mona at 913-764-6960 or jerry@leftbraininc.com

For more Market Data Book information, please visit www.boating-industry.com



Mini Boat Show Survey

In February 2008, Left Brain Marketing conducted a survey regarding 2008 boat show attendance among a random sample of 200 boat owners that are members of the online panel developed between LBM and Survey Sampling International.

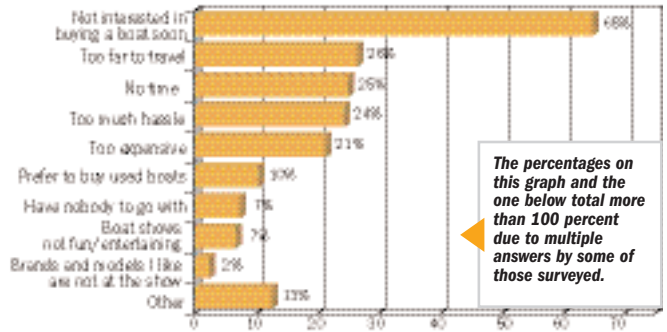
At the time of the survey, roughly one third of boat owners indicated they would be attending a boat show in 2008.

Of those attending, more than 2 in 3 indicated they would be buying a boat within 3 years. In addition to wanting to see what's new, many indicated that they go to the show for fun and entertainment.

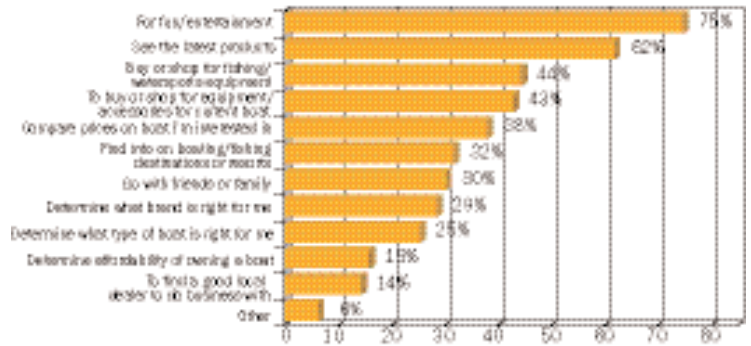
Among those not attending, the main reason they cited was having no interest in buying a boat in the near future.

For additional information, please contact Jerry Mona at jerry@leftbraininc.com or Christine Thurm at christine@leftbraininc.com.

REASONS FOR NOT ATTENDING A BOAT SHOW IN 2008



REASONS FOR ATTENDING A BOAT SHOW IN 2008





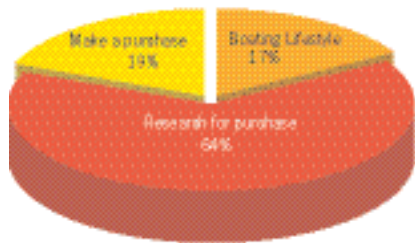
Consumer Habits

Every quarter, Boat Trader reaches out to its thousands of newsletter recipients and people it meets at boat shows and other industry events, to learn more about consumer preferences and habits.

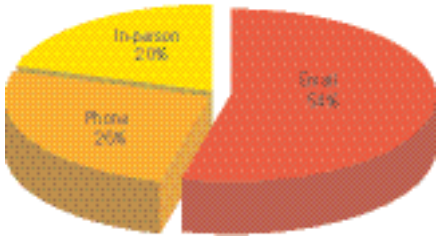
The first five graphs below cover the company's Boat Trader Consumer Research

Study, Q4 2007, which had more than 2,800 respondents. The Q4 Study focused on consumer expectations for boat shows. The last three graphs are from the Boat Trader Consumer Research Study, Q1 2008. About 1,200 people took the survey, which asked about a myriad of boating habits.

WHY DO YOU ATTEND BOAT SHOWS?

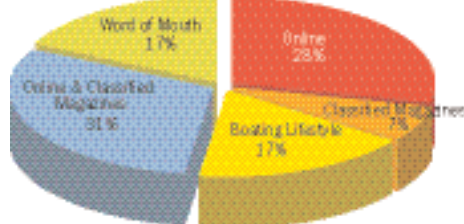
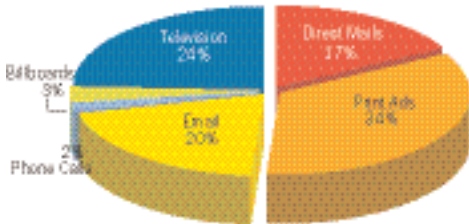


HOW DO YOU PREFER DEALER FOLLOW UP?



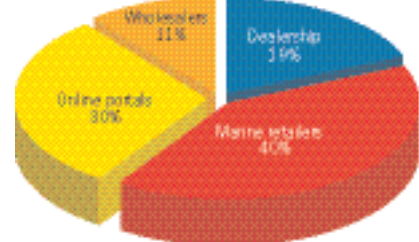
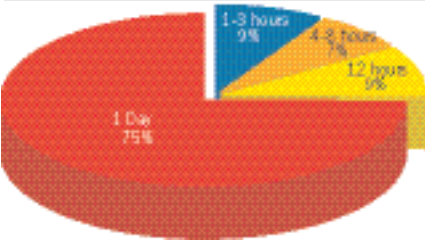
ADS WITH MOST IMPACT

HOW DO YOU RESEARCH A BOAT PURCHASE?



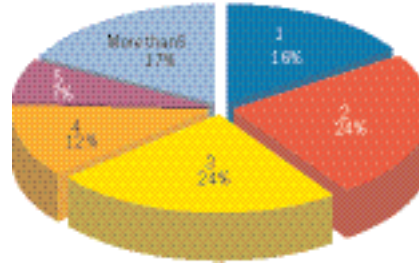
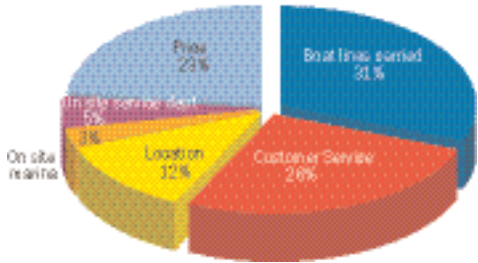
HOW SOON DO YOU EXPECT DEALER TO RESPOND?

WHERE DO YOU BUY ACCESSORIES?



HOW DO YOU SELECT A DEALER?

HOW MANY BRANDS HAVE YOU PURCHASED IN YOUR LIFETIME?



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Boating INDUSTRY

Volume 71 Number 8

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MANUFACTURERS

Manufacturers Section Presented By



It will come as no surprise that the results in this section, which quantify the number of units sold, their average unit cost, and the total retail value of 10 separate segments of the boating industry, are not, for the most part, positive. The numbers in some categories of some segments set record lows for the span of time that the National Marine Manufacturers Association has been compiling that data.

However, not all the news is negative. Some segments of the industry have done well, even as others have struggled.

Total retail sales in the Outboard Boat segment, for example, jumped by more than \$140 million dollars in 2007, while the total retail value of sales in the Inflatables segment broke its previous high mark by more than \$50 million.

The average unit cost was up in several segments, including sailboats, personal watercraft (where it was at an all-time high) and the ski/wakeboat segment, where the average unit cost rose for the fourth-consecutive year.



The Retail Boat Market

Dollar sales of outboard boats and inflatables rose in 2007 and were nearly even in the ski/wakeboard boat segment as well as the personal watercraft segment.

That was one silver lining to what otherwise seemed to be a largely dark cloud of information on the retail boating market.

Year-over-year unit sales of new boats took their largest plunge in a decade, dropping more than 70,000 from 2006, and the number of powerboats sold also fell to a 10-year low.

New boat retail expenditures were down, as they were for used boats. New and used engine expenditures were also down, as they were for trailers. That all added up to a decline in total retail expenditures

Data on the following pages has been excerpted from the NMMA's 2007 Recreational Boating Abstract. For more information about the 2007 Abstract, contact Vicky Yu at 312/946-6261 or vvyu@nmma.org. To order a copy of the Abstract, contact NMMA Fulfillment Coordinator Chris Keil at orderdesk@nmma.org.

YEAR OVER YEAR — NEW BOATS

YEAR	UNITS SOLD	POWERBOATS
1997	593,000	291,200
1998	571,400	309,000
1999	582,500	328,900
2000	576,800	343,500
2001	880,300*	311,700
2002	844,100	303,600
2003	837,900**	295,500
2004	870,100	307,900
2005	864,400	306,000
2006	912,130	291,900
2007	841,820	267,300

Source: NMMA 2007 Abstract

* began tracking kayaks
 ** began tracking inflatables
 For comparison purposes, the Powerboats column includes outboard boats, inboard boats (both ski/wakeboard and cruisers) and stern drive boats.

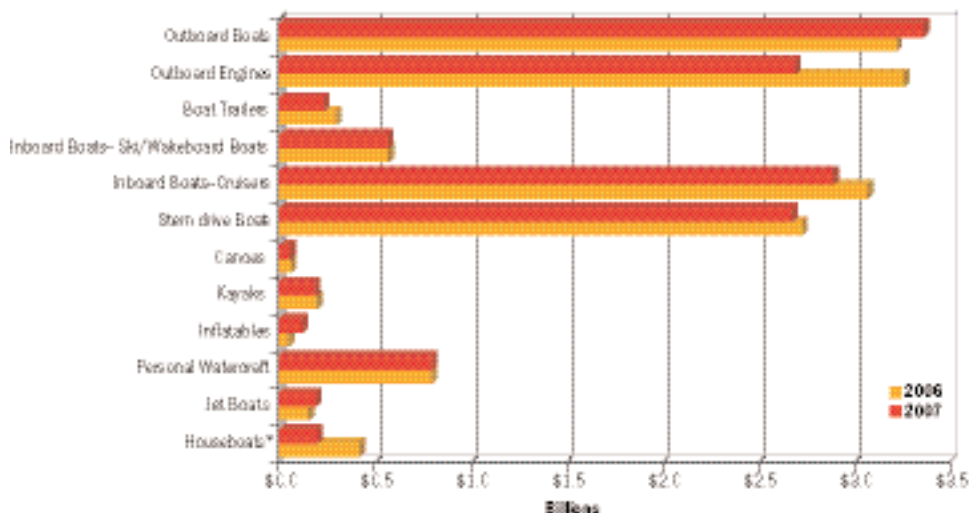
RETAIL EXPENDITURES (IN MILLIONS)

	1997	1998	1999	2000	2001
New Boat Retail Dollars	\$6,340	\$6,508	\$7,122	\$8,752	\$10,158
Used Boat Retail Dollars	\$3,886	\$4,338	\$4,949	\$5,791	\$7,486
New Outboard Engine Retail Dollars	\$2,006	\$2,156	\$2,602	\$2,902	\$2,411
Used Outboard Engine Retail Dollars	\$1,230	\$1,321	\$1,595	\$1,779	\$1,478
New Boat Trailer Retail Dollars	\$190	\$190	\$190	\$184	\$182
Subtotal: Boat/Motor/Trailer Dollars	\$13,651	\$14,512	\$16,459	\$19,408	\$21,714
Estimated Accessory Aftermarket Sales	\$1,214	\$1,650	\$1,848	\$2,033	\$1,937
Estimated Other (fuel, finance, insurance, docking, maintenance etc.)	\$3,573	\$3,500	\$4,014	\$5,625	\$6,058
Total Expenditures	\$18,438	\$19,663	\$22,321	\$27,066	\$29,710

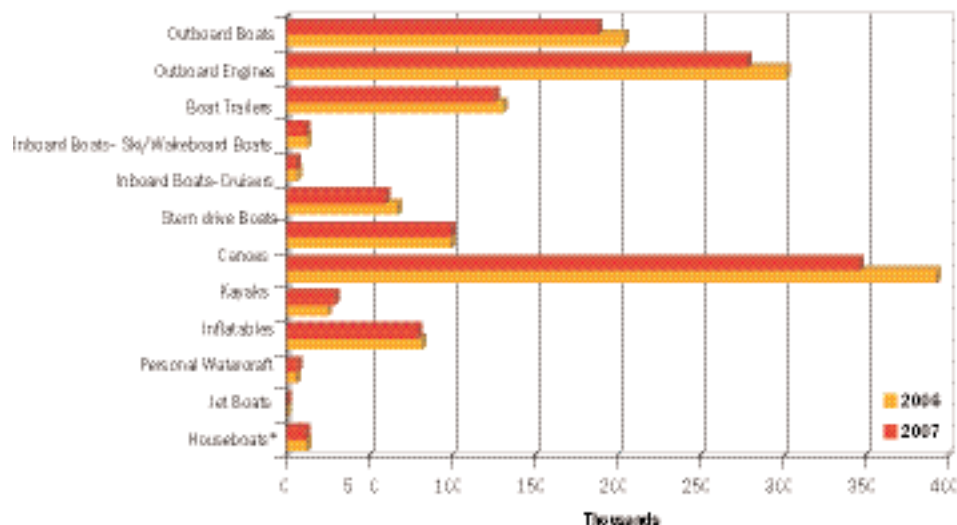
Source: NMMA 2007 Abstract



UNITS SOLD IN U.S. DOLLARS



UNITS SOLD YEAR OVER YEAR



*Previously reported in the individual power categories

RETAIL EXPENDITURES (IN MILLIONS)

2002	2003	2004	2005	2006	2007
\$10,796	\$10,027	\$10,754	\$11,574	\$11,891	\$11,739
\$7,983	\$7,362	\$7,901	\$9,112	\$10,535	\$9,641
\$2,480	\$2,555	\$2,879	\$3,155	\$3,255	\$2,689
\$1,520	\$1,566	\$1,765	\$1,934	\$1,947	\$1,741
\$201	\$202	\$228	\$247	\$296	\$232
\$22,980	\$21,711	\$23,526	\$26,022	\$27,925	\$26,042
\$2,028	\$2,124	\$2,421	\$2,905	\$2,760	\$2,608
\$6,555	\$6,448	\$7,006	\$8,389	\$8,808	\$8,833
\$31,563	\$30,283	\$32,953	\$37,317	\$39,493	\$37,483



While the number of units sold in the outboard boats category fell to its lowest mark in the past 14 years, the total retail value of those unit sales jumped by more than \$140 million and the average unit cost made its biggest gain since 2003.

Looking at market share in the fiberglass and aluminum out-

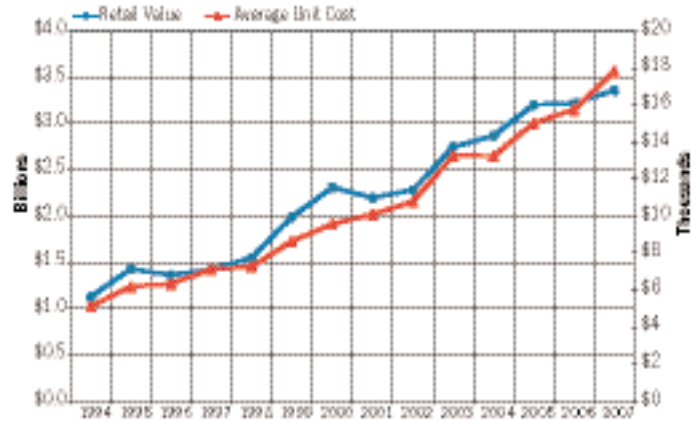
board boat segments, there were no changes in terms of share leaders from 2006 in any of the categories as identified by Info-Link. Tracker Marine led in all three aluminum outboard categories, as it did in 2006, while Ranger led in fiberglass boats 16-to-20 feet and 21-to-24 feet and Grady White led in the over-24-foot category.

14-YEAR REVIEW OF SALES & AVERAGE PRICE

YEAR	UNITS SOLD	RETAIL VALUE	AVERAGE UNIT COST
1994	220,000	\$1,122,440,000	\$5,102
1995	231,000	\$1,426,425,000	\$6,175
1996	215,000	\$1,362,240,000	\$6,336
1997	200,000	\$1,421,400,000	\$7,107
1998	213,700	\$1,547,188,000	\$7,240
1999	230,200	\$1,988,928,000	\$8,640
2000	241,200	\$2,306,577,000	\$9,563
2001	217,800	\$2,195,859,600	\$10,082
2002	212,000	\$2,280,908,000	\$10,759
2003	207,100	\$2,742,825,960	\$13,244
2004	216,600	\$2,867,571,600	\$13,239
2005	213,300	\$3,200,861,700	\$15,006
2006	204,200	\$3,215,742,200	\$15,748
2007	188,700	\$3,358,540,400	\$17,798

Source: NMMA 2007 Abstract

OUTBOARD BOATS RETAIL COMPARISON



2008 FIBERGLASS Outboard Boats Market Share

FIBERGLASS 16' - 20'	
MAKE	2007 MARKETSHARE
1. RANGER	1. RANGER
2. TRACKER MARINE	2. TRACKER MARINE
3. SKEETER	3. SKEETER
4. CAROLINA SKIFF	4. CAROLINA SKIFF
5. STRATOS	5. TRITON BOATS
6. TRITON BOATS	6. STRATOS
7. KEY WEST	7. KEY WEST
8. HURRICANE	8. HURRICANE
9. BOSTON WHALER	9. BOSTON WHALER
10. SEA HUNT BOATS	10. MARINE
	MANUFACTURING
	COMBINED SHARE: 54.1%

COMBINED SHARE: 55.2%

FIBERGLASS 21' - 24'	
MAKE	2007 MARKETSHARE
1. RANGER	1. RANGER
2. HURRICANE	2. CAROLINA SKIFF
3. TRITON BOATS	3. TRITON BOATS
4. CAROLINA SKIFF	4. HURRICANE
5. SEA HUNT BOATS	5. TRACKER MARINE
6. TRACKER MARINE	6. SEA HUNT BOATS
7. SEAFOX	7. SEAFOX
8. NAUTIC STAR	8. SEA PRO
9. PRO LINE	9. NAUTIC STAR
10. PATHFINDER	10. PRO LINE
	COMBINED SHARE 41.8%

FIBERGLASS >24'	
MAKE	2007 MARKETSHARE
	COMBINED SHARE: 40.7%
1. GRADY WHITE	1. GRADY WHITE
2. BOSTON WHALER	2. BOSTON WHALER
3. SEAFOX	3. PRO LINE
4. CONTENDER	4. CONTENDER
5. HYDRA SPORTS	5. HYDRA SPORTS
6. PRO LINE	6. SEAFOX
7. PURSUIT	7. REGULATOR
8. SAILFISH	8. MARINE
9. CENTURY	9. PURSUIT
10. PARKER MARINE	10. SAILFISH
	10. SEASWIRL
	COMBINED SHARE 41.6%

Source: Info-Link; 305/661-3030; info@info-link.com

COMBINED SHARE: 40.4%

2008 ALUMINUM Outboard Boats Market Share

ALUMINUM 16' - 20'	
MAKE	2007 MARKETSHARE
1. TRACKER MARINE	1. TRACKER MARINE
2. ALUMACRAFT	2. LUND
3. G3	3. LOWE
4. LUND	4. G3
5. LOWE	5. ALUMACRAFT
6. CRESTLINER	6. CRESTLINER
7. TRITON BOATS	7. TRITON BOATS
8. XPRESS	8. SMOKER CRAFT
9. SMOKER CRAFT	9. XPRESS
10. BENNINGTON	10. BENNINGTON
	COMBINED SHARE: 64.8%

ALUMINUM 21' - 24'	
MAKE	2007 MARKETSHARE
1. TRACKER MARINE	1. TRACKER MARINE
2. BENNINGTON	2. GODFREY
3. GODFREY	3. BENNINGTON
4. BENTLEY	4. BENTLEY
5. CREST	5. CREST
6. PREMIER	6. PREMIER
7. LOWE	7. LOWE
8. AVALON & TAHOE	8. HARRIS KAYOT
9. HARRIS KAYOT	9. PLAYBUOY
10. FOREST RIVER	10. MANITOU
	COMBINED SHARE: 67.2%

ALUMINUM >24'	
MAKE	2007 MARKETSHARE
1. TRACKER MARINE	1. TRACKER MARINE
2. BENNINGTON	2. BENNINGTON
3. GODFREY	3. GODFREY
4. CREST	4. CREST
5. PREMIER	5. PREMIER
6. FOREST RIVER	6. FOREST RIVER
7. HARRIS KAYOT	7. HARRIS KAYOT
8. G3	8. G3
9. ALOHA	9. PLAY CRAFT
10. J C MANUFACTURING	10. ALOHA
	COMBINED SHARE 78.1%

Source: Info-Link; 305/661-3030; info@info-link.com



Unit sales of stern drive boats fell to their lowest recorded levels in the 14-year review. However, the average unit cost has climbed steadily almost every year during that time. Retail value slipped from its high mark last year.

The only change atop the market share rankings in 2007 was in

the 16-to-20 foot aluminum category, where Crestliner took over the top spot from Alumaweld, which fell to third.

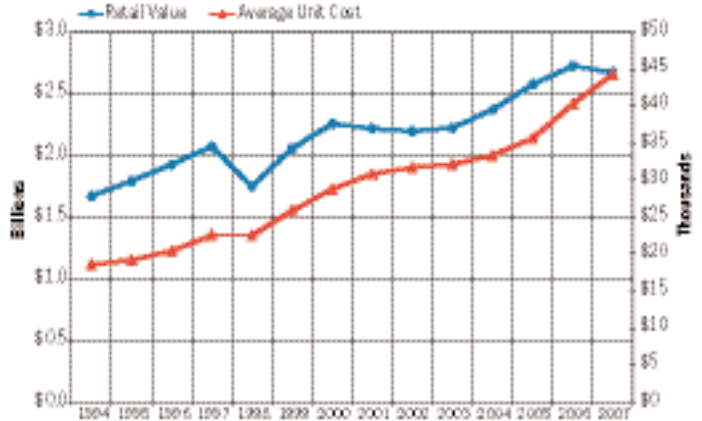
Bayliner was once again the leader in the 16-to-20 foot fiberglass category and Sea Ray was once more the leader in the 21-to-24 foot category.

14-YEAR REVIEW OF SALES & AVERAGE PRICE

YEAR	TOTAL UNITS SOLD	RETAIL VALUE	AVERAGE UNIT COST
1994	90,000	\$1,668,780,000	\$18,542
1995	93,600	\$1,791,310,000	\$19,138
1996	94,500	\$1,925,248,500	\$20,373
1997	92,000	\$2,068,528,000	\$22,484
1998	77,700	\$1,746,696,000	\$22,480
1999	79,600	\$2,054,476,000	\$25,810
2000	78,400	\$2,253,843,200	\$28,748
2001	72,000	\$2,216,448,000	\$30,784
2002	69,300	\$2,192,929,200	\$31,644
2003	69,200	\$2,221,115,600	\$32,097
2004	71,100	\$2,368,085,700	\$33,306
2005	72,300	\$2,573,331,420	\$35,592
2006	67,700	\$2,724,065,700	\$40,237
2007	60,400	\$2,671,928,300	\$44,237

Source: NMMA 2007 Abstract

STERN DRIVE BOATS RETAIL COMPARISON



2008 FIBERGLASS Stern Drive Boats Market Share

FIBERGLASS 16' - 20'	
MAKE	2007 MARKETSHARE
1. BAYLINER	1. BAYLINER
2. SEA RAY	2. SEA RAY
3. GLASTRON	3. GLASTRON
4. TRACKER MARINE	4. TRACKER MARINE
5. FOUR WINNS	5. FOUR WINNS
6. STINGRAY	6. STINGRAY
7. MAXUM	7. CROWNLINER
8. CROWNLINER	8. MAXUM
9. LARSON	9. LARSON
10. CHAPARRAL	10. CHAPARRAL
COMBINED SHARE: 82.7%	

FIBERGLASS 21' - 24'	
MAKE	2007 MARKETSHARE
1. SEA RAY	1. SEA RAY
2. CHAPARRAL	2. CHAPARRAL
3. TRACKER MARINE	3. FOUR WINNS
4. FOUR WINNS	4. CROWNLINER
5. CROWNLINER	5. TRACKER MARINE
6. COBALT	6. BAYLINER
7. BAYLINER	7. COBALT
8. GLASTRON	8. LARSON
9. LARSON	9. MONTEREY
10. MONTEREY	10. RINKER
COMBINED SHARE: 72.4%	

Source: Info-Link; 305/661-3030; info@info-link.com

2008 ALUMINUM Stern Drive Boats Market Share

ALUMINUM 16' - 20'	
MAKE	2007 MARKETSHARE
1. CRESTLINER	1. ALUMAWELD
2. TRACKER MARINE	2. CRESTLINER
3. ALUMAWELD	3. TRACKER MARINE
4. LUND	4. LUND
5. BENNINGTON	5. STARCRAFT
6. STARCRAFT	6. THUNDER JET
7. LOWE	7. PRINCE CRAFT
8. GODFREY	8. LOWE
9. SMOKER CRAFT	9. GODFREY
10. AVALON & TAHOE	10. BENNINGTON
COMBINED SHARE: 88.6%	

ALUMINUM 21' - 24'	
MAKE	2007 MARKETSHARE
1. TRACKER MARINE	1. TRACKER MARINE
2. BENNINGTON	2. BENNINGTON
3. GODFREY	3. GODFREY
4. J C MANUFACTURING	4. J C MANUFACTURING
5. CRESTLINER	5. LOWE
6. CREST	6. PRINCE CRAFT
7. PRINCE CRAFT	7. CRESTLINER
8. LOWE	8. THUNDER JET
9. MANITOU	9. HARRIS KAYOT
10. STARCRAFT	10. STARCRAFT
COMBINED SHARE: 82.3%	

Source: Info-Link; 305/661-3030; info@info-link.com



The number of outboard engine units sold fell below 300,000 for the first time since 2001 and was at its lowest total in the 14-year review.

Not surprisingly then, the retail value of the segment was also down, with the \$566,373,000 drop in value year over year, the

largest one-year decline recorded in the review. The next largest one-year drop took place in 2001, when retail value fell \$490,836,300 from the year before.

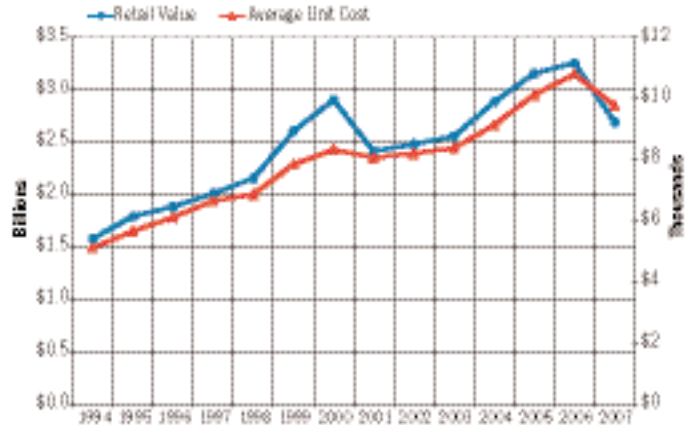
The average unit cost of outboards fell by more than \$1,000 to \$9,761, down from the 2006 high of \$10,790.

14-YEAR REVIEW OF SALES & AVERAGE PRICE

YEAR	UNITS SOLD	RETAIL VALUE	AVERAGE UNIT COST
1994	308,000	\$1,576,960,000	\$5,120
1995	317,000	\$1,793,260,000	\$5,657
1996	308,000	\$1,882,188,000	\$6,111
1997	302,000	\$2,006,186,000	\$6,643
1998	314,000	\$2,155,610,000	\$6,865
1999	331,900	\$2,602,096,000	\$7,840
2000	348,700	\$2,901,881,400	\$8,322
2001	299,100	\$2,411,045,100	\$8,061
2002	302,100	\$2,478,838,900	\$8,205
2003	305,400	\$2,554,533,600	\$8,365
2004	315,300	\$2,879,002,858	\$9,131
2005	312,000	\$3,154,904,900	\$10,112
2006	301,700	\$3,255,410,900	\$10,790
2007	275,500	\$2,689,037,900	\$9,761

Source: NMMA 2007 Abstract

OUTBOARD ENGINES RETAIL COMPARISON





The average unit cost in the inboard cruisers segment hit a high mark in 2007, climbing \$20,954 from 2006, when it had also set a record high.

However, total units sold dropped to a level not seen since before 1997 and the total retail value of sales in the segment con-

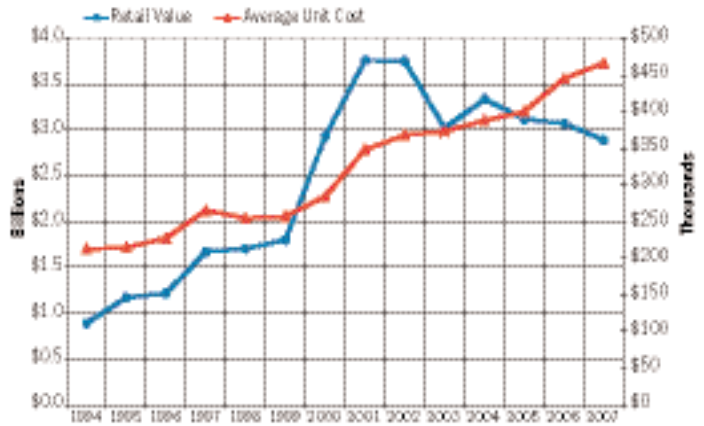
tinued a decline that began in 2004. The retail value fell below the \$3 billion mark for the first time since the year 2000 and is now down to \$2,888,122,600 from the high that was set in 2001 when the total retail value was \$3,758,475,600, a difference of more than \$870 million.

14-YEAR REVIEW OF SALES & AVERAGE PRICE

YEAR	TOTAL UNITS SOLD	RETAIL VALUE	AVERAGE UNIT COST
1994	4,200	\$890,681,400	\$212,067
1995	5,460	\$1,169,504,700	\$214,195
1996	5,350	\$1,215,268,550	\$227,153
1997	6,300	\$1,669,103,100	\$264,937
1998	6,700	\$1,704,245,500	\$254,365
1999	7,000	\$1,799,420,000	\$257,060
2000	10,300	\$2,925,756,200	\$284,054
2001	10,800	\$3,758,475,600	\$348,007
2002	10,200	\$3,748,551,000	\$367,505
2003	8,100	\$3,019,926,200	\$372,830
2004	8,600	\$3,334,830,600	\$387,771
2005	7,800	\$3,118,557,000	\$399,815
2006	6,900	\$3,069,614,900	\$444,872
2007	6,200	\$2,888,122,600	\$465,826

Source: NMMA 2007 Abstract

INBOARD CRUISERS RETAIL COMPARISON



Although total units sold and retail value of boats in the ski/wakeboard segment declined in 2007, the losses weren't nearly as great as some of the other segments of the industry experienced.

Units sold dropped to 12,000, but was still the third-highest total

recorded in the last 14 years. Retail value experienced a relatively small decline, from \$568,357,200 to \$566,804,600.

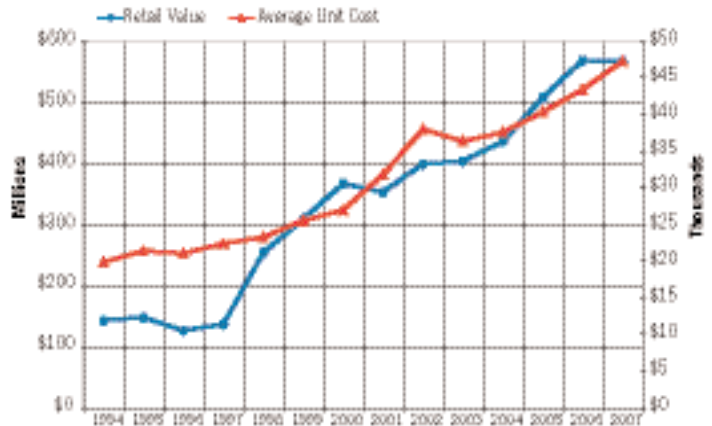
The average unit cost reached a new high of \$47,234, a jump of \$3,848 and the fourth-consecutive year that the unit cost average has risen.

14-YEAR REVIEW OF SALES & AVERAGE PRICE

YEAR	TOTAL UNITS SOLD	RETAIL VALUE	AVERAGE UNIT COST
1994	7,200	\$142,776,000	\$19,830
1995	6,900	\$147,660,000	\$21,400
1996	6,000	\$126,234,000	\$21,039
1997	6,100	\$136,408,200	\$22,362
1998	10,900	\$253,348,700	\$23,243
1999	12,100	\$308,429,000	\$25,490
2000	13,600	\$366,438,400	\$26,944
2001	11,100	\$352,569,300	\$31,763
2002	10,500	\$398,811,000	\$37,982
2003	11,100	\$403,289,600	\$36,332
2004	11,600	\$435,382,800	\$37,533
2005	12,600	\$507,742,200	\$40,297
2006	13,100	\$568,357,200	\$43,386
2007	12,000	\$566,804,600	\$47,234

Source: NMMA 2007 Abstract

SKI/WAKEBOARD RETAIL COMPARISON



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* U.S. eCommerce Forecast: 2008 - 2012, Forrester Research.



As in other segments, the total number of units sold in the sailboats segment was down in 2007. The turn of the century was a high-point for sailboat sales, but those numbers have been falling since, with the exception of a slight uptick in 2005. However, even as unit sales have gone down, the retail value

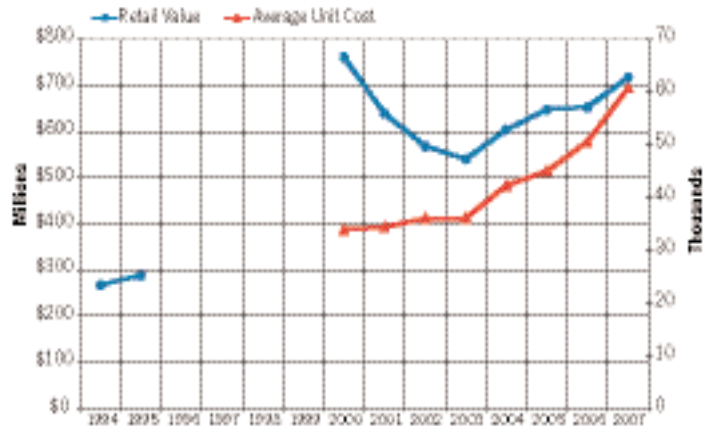
and average unit cost have been rising. Retail value in the segment was up more than \$64 million from 2006 and has jumped almost \$150 million since 2002.

Average unit cost was up more than \$10,000 year over year to set a new record high of \$60,708.

14-YEAR REVIEW OF SALES & AVERAGE PRICE

YEAR	TOTAL UNITS SOLD	RETAIL VALUE	AVERAGE UNIT COST
1994	13,000	\$266,680,000	N/A
1995	13,560	\$287,520,000	N/A
1996	14,310	N/A	N/A
1997	10,500	N/A	N/A
1998	14,500	N/A	N/A
1999	18,850	N/A	N/A
2000	22,500	\$760,622,900	\$33,805
2001	18,600	\$638,640,300	\$34,336
2002	15,800	\$567,782,400	\$35,936
2003	15,000	\$539,744,700	\$35,983
2004	14,300	\$603,381,900	\$42,195
2005	14,400	\$646,928,417	\$44,926
2006	12,900	\$652,186,900	\$50,557
2007	11,800	\$716,350,100	\$60,708

SAILBOATS RETAIL COMPARISON



MID-SIZE AND SMALL SEGMENTS

	0' - 19'	20' - 35'	36'+
2002	13,475	2,329	1,169
2003	13,055	2,117	1,130
2004	12,550	2,313	1,212
2005	12,601	2,275	1,120
2006	11,592	2,071	1,282
2007	11,265	1,792	1,101
'06-'07 % Change	-3%	-13%	-14%

Source: NMMA 2007 Abstract; The Sailing Company's Annual Sailing Business Review



The inflatables segment reported robust gains in the number of units sold, their total retail value and average unit cost, making inflatables one of the most successful segments in 2007.

After falling by 5,000 in 2006, the segment rebounded nicely in its unit sales, gaining much of that drop back with an

increase of 4,300 units.

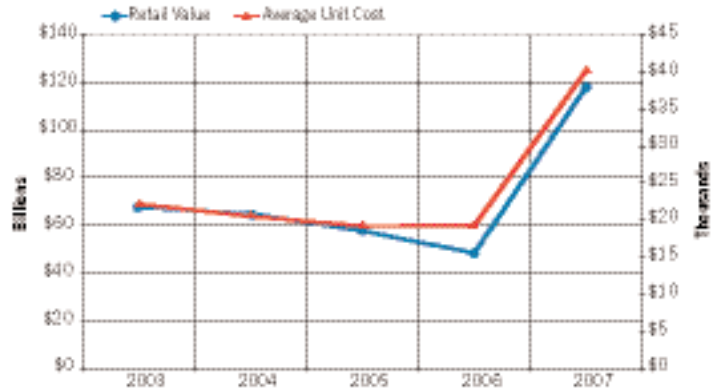
Retail value skyrocketed, easily doubling from 2006 and breaking the previous high set in 2003 by \$50 million.

And the average unit cost doubled as well, breaking \$4,000 when the previous high, also set in 2003, was \$2,210.

5-YEAR REVIEW OF SALES & AVERAGE PRICE			
YEAR	UNITS SOLD	RETAIL VALUE	AVERAGE UNIT COST
2003	30,500	\$67,417,200	\$2,210
2004	31,600	\$64,677,300	\$2,047
2005	30,100	\$57,551,200	\$1,912
2006	25,100	\$48,229,600	\$1,921
2007	29,400	\$117,961,200	\$4,012

Source: NMMA 2007 Abstract

INFLATABLES RETAIL COMPARISON





Personal watercraft posted a slight loss in units sold and slight gains in both retail value and average unit cost in 2007.

The number of units sold fell 2,300 last year, giving back the 2,000 gain in unit sales from the year before and beginning to approach the record low of 79,300 set in 2002.

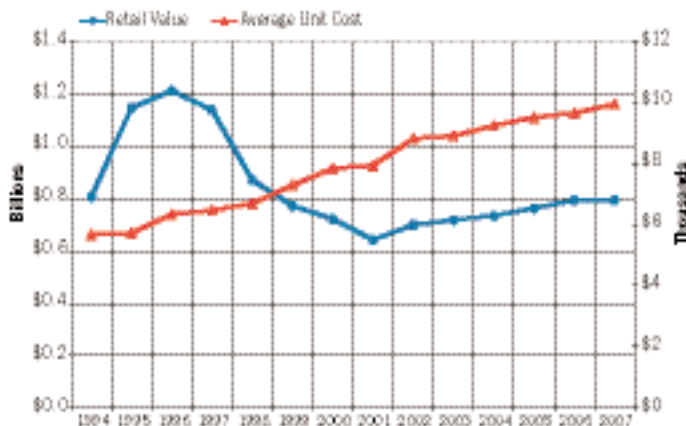
Average unit cost was at an all-time high of \$9,931 in 2007, up nearly \$300 from 2006, which had been the previous high.

And total retail value climbed more than \$1 million to \$793,460,800, but was still more than \$400 million below the record high in 1996.

14-YEAR REVIEW OF SALES & AVERAGE PRICE

YEAR	UNITS SOLD	RETAIL VALUE	AVERAGE UNIT COST
1994	142,000	\$804,430,000	\$5,665
1995	200,000	\$1,144,400,000	\$5,722
1996	191,000	\$1,208,648,000	\$6,328
1997	176,000	\$1,135,904,000	\$6,454
1998	130,000	\$868,530,000	\$6,681
1999	106,000	\$771,044,000	\$7,274
2000	92,000	\$720,176,000	\$7,828
2001	80,900	\$641,456,100	\$7,929
2002	79,300	\$697,681,400	\$8,798
2003	80,600	\$716,501,800	\$8,890
2004	79,500	\$733,454,700	\$9,226
2005	80,200	\$761,531,000	\$9,495
2006	82,200	\$792,079,200	\$9,636
2007	79,900	\$793,460,800	\$9,931

PWC RETAIL COMPARISON





Jet boat sales jumped in 2007 and records were set for both the total retail value of those sales and the average unit cost as well.

Those unit costs reached \$27,784, on average, in 2007 and continued an upward march that, with the exception of 2003 and 2006, has continued since 1995.

Unit sales climbed 600 in 2007 after falling 500 the year before that.

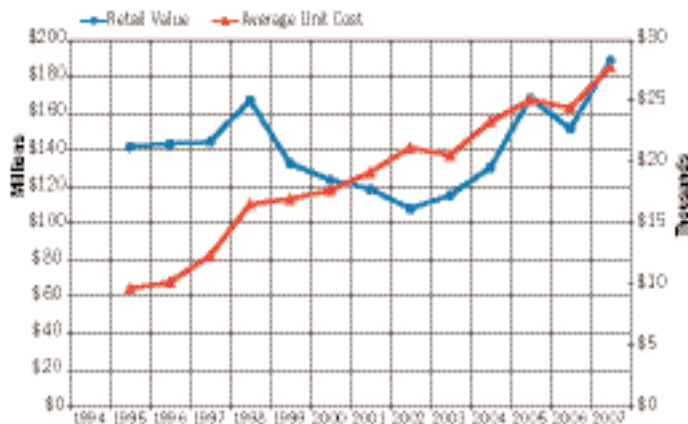
The total retail value of sales in the jet boat segment jumped \$37,379,200 from 2006, which was the second-biggest one-year gain behind the increase of \$37,855,600 in 2005.

13-YEAR REVIEW OF SALES & AVERAGE PRICE

YEAR	UNITS SOLD	RETAIL VALUE	AVERAGE UNIT COST
1995	14,700	\$141,796,000	\$9,646
1996	14,100	\$143,280,000	\$10,162
1997	11,700	\$144,389,700	\$12,341
1998	10,100	\$167,033,800	\$16,538
1999	7,800	\$132,678,000	\$17,010
2000	7,000	\$123,641,000	\$17,663
2001	6,200	\$118,692,800	\$19,144
2002	5,100	\$107,997,600	\$21,176
2003	5,600	\$115,268,200	\$20,584
2004	5,600	\$130,368,000	\$23,280
2005	6,700	\$168,223,600	\$25,108
2006	6,200	\$151,549,100	\$24,443
2007	6,800	\$188,928,300	\$27,784

Source: NMMA 2007 Abstract

JET BOATS RETAIL COMPARISON





TRAILERS RETAIL COMPARISON

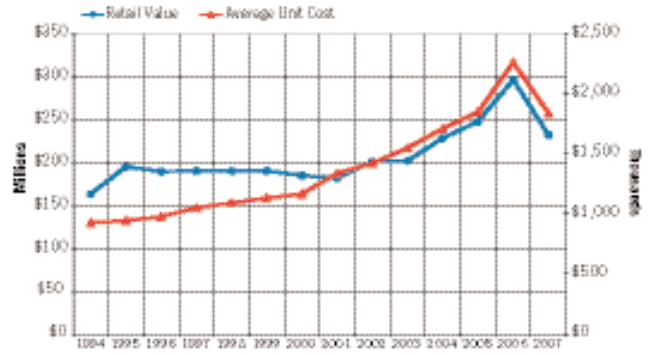
The average unit retail price in the trailers segment fell for the first time in the 14-year review, dropping \$421 from its high of \$2,260 in 2006 to nearly equal the unit cost average in 2005.

Units sold and retail value were also down in 2007.

Unit sales reached a new low in the review, falling below 127,000 for the first time, although the decline has been taking place at fairly steady clip since the high of 207,000 in 1995.

However, the total retail sales value, while down sharply from last year's high of \$295,874,800, was still the third largest in the last 14 years.

The total retail value dropped by \$63,786,800 from 2006 to 2007 and was also down \$15,460,600 from the 2005 total.



14-YEAR REVIEW OF SALES

YEAR	UNITS SOLD	RETAIL VALUE
1994	176,000	\$162,976,000
1995	207,000	\$194,994,000
1996	194,000	\$189,344,000
1997	181,000	\$190,050,000
1998	174,000	\$189,660,000
1999	168,000	\$190,008,000
2000	158,500	\$184,494,000

14-YEAR REVIEW AVERAGE PRICE

YEAR	AVERAGE UNIT COST
1994	\$926
1995	\$942
1996	\$976
1997	\$1,050
1998	\$1,090
1999	\$1,131
2000	\$1,164
2001	\$1,337
2002	\$1,421
2003	\$1,547
2004	\$1,709
2005	\$1,846
2006	\$2,260
2007	\$1,839

Source: NMMA 2007 Abstract



AT THE HELM

A time to reflect

Two years ago at this time, we began hearing the rumblings of what industry insiders perceived to be the beginning of a prolonged downturn for the marine market. Sales had shut off following the Fourth of July holiday, business leaders were looking for solutions to combat the slowdown, and it seems that many of them have been

hunkered down, fighting off the storm, ever since.

It was also at that time that the *Boating Industry* brand made a major shift in its direction. Through discussion in editorial team meetings, we knew we had to act fast to help our readers. And we chose to do so not by following the traditional time-intensive requirements of our standard production cycle, but instead by launching the first of what would become a series of e-white papers, electronic publications, modeled after the *Boating Industry* magazine you have come to know and love, but distributed immediately through Web and e-mail applications.


The first e-white paper, "How to Thrive in a Down Market," borrowed expert tips, and advice, ideas and strategies for bolstering your business even when times are tough. This new product of ours hit the market to rave reviews, and since that time, we've expanded the concept to include best practices and case studies alongside the expert advice, and we have partnered with GE, Boat Trader and ValvTect to bring similar digital publications to market. And in the end, it helps us achieve our promise of being the trusted source that delivers you timely solutions that you can use for immediate results.

We're proud of these e-white papers, and as I write we have a series of them in store for release to you this fall. While this concept of being your trusted source for the solutions you need today started with the magazine, it has extended to every corner of our brand.

You can see a clear picture of it in the three-part, "Planning for Profits" cover package we sent out in our July issue. You can receive it in your inbox every week in the form of our Best Practices e-newsletter (subscribe for free at www.boating-industry.com). And you'll find more and more of it coming from *Boating Industry* as we roll out more products to help you achieve the success your business deserves.

In tough times like these, aligning yourself with strong brands and proven methods such as these is critical. It underscores the creativity and the partnership needed to strengthen your company and your brand in a difficult economic environment.

Barry Asmus, a senior economist for the National Center for Policy Analysis and one of the top-five requested speakers as recognized by the *USA Today*, recently told a group of marine industry leaders at the annual Marine Design Resource Alliance Creative Conference that "This is a time for pause in this industry. Don't waste this year because it will someday be viewed by you all as pivotal."

As you pause to consider your strategy going forward, make sure you're aligned with the brand that helps you deliver results. 

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ECONOMICS

The perfect storm

Economics Section Presented By

HONDA
MARINE

In Oklahoma, the weather through mid-June has been hurting boat sales more than the economy has. In Georgia, the economy – which, in some cases has forced dealer gross profit margins to be cut by more than half – is said to be the worst some dealers have ever seen.

In California, one dealer watches the cars pass by on the freeway while another watches more than 130 boats sit idle in his inventory. And thousands of miles to the east, in Connecticut, a dealer had just guided a customer to a 500-pound marlin, only to have the excitement stifled with a conversation about the cost of gas.

It's no secret that times are tough for the marine industry. Boating businesses and consumers alike are being beaten down from every angle by this perfect storm.

Take a look at some of the historically strong boating states, for example. Minnesota, the fifth-ranked boating

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state in terms of total retail expenditures just five years ago, saw retail dollars spent on boating plummet more than 30 percent, or nearly \$154 million, since last year alone. The Land of 10,000 lakes now ranks 15th. Next door in Wisconsin, retail boating expenditures dropped \$110.5 million, and across the lake, Michigan continued its long, slow decline, finishing 2007 with just more than \$363 million dollars in retail sales ... some 40 percent below its value just four years ago.

Texas dropped more than 10 percent in retail sales year over year, but still sold enough boats and equipment to leapfrog California for the first time in overall rankings of state boating expenditures. The top two states from 2006 – Florida and California – saw \$688 million drop out of their boating economies in one year.

The downturn hasn't been isolated to these, the hardest-hit states. Seventeen of the top 20 boating states saw a decline in boating related expenditures, and total unit sales of powerboats across the United States fell 8 percent year-over-year.

With retail unit sales of powerboats 14 to 30 feet down more than 14 percent thru April on a rolling 12-month basis and down 23.5 percent through the first quarter of 2008, the industrywide downturn appears to be accelerating.

Fuel for the fire

Fueling this acceleration are a multitude of factors. Past downturns

MARINE INDUSTRY/ECONOMIC COMPARISON

	1991	2001	2007	Current
New boat unit sales	277,800	311,700	267,300	N/A
Consumer confidence (high/low)	81/53	118/85	112/88	50.4
GDP (high/low)	4.8/2.0	3.3/1.7	4.2/1.0	1
Unemployment	6.9%	4.7%	4.5%	5.5%
Prime rate (high/low)	9.5/6.5	9.5/4.75	8.25/7.25	5
Retail gasoline (per gal.)	\$1.09	\$1.46	\$2.96	\$4.10
Housing starts (thousand units)	1,009	1,566	980	975*

* = Seasonally adjusted through May

have been sparked by such factors as the luxury tax or the terrorist attacks of 9/11. This time around, it's not a single factor but a compilation of issues that are bombarding consumers from every angle. And the trouble is, many business leaders don't know how we'll pull out of it.

Initially, the downturn in the housing market began the consumer crunch.

"During the housing boom boat sales benefited as non-traditional buyers with access to easy credit and mortgage equity put their windfall to use on boats and other leisure items," wrote Wachovia Corp. in a special boating market commentary released in early July,

But according to a Federal Reserve report, by the end of 2007, the average homeowners' equity – the market value minus the mortgage balance – fell below 50 percent for the first time since World War II. It is believed that the dramatic over-production of homes created an abundance of new home inventory, and this classic supply and demand equation ultimately drove home values down.

In fact, home values were declining even as new and existing home sales peaked in mid-2005 at more than 8.5 million homes. Since that time, home sales have dropped sharply to barely more than 5.5 million through May of 2008. Existing home sales, which the National Association of Realtors says makes up 85 percent of home sales and are a better indicator of demand, are up 2 percent since the April numbers, but still 15.9 percent below the pace of one year ago.

Housing starts, which many analysts use as a primary forecasting indicator for economic conditions, dipped again by 3.3 percent in May to a seasonally adjusted annual rate of 975,000 units, the lowest total starts in nearly 17 years. The number of starts, analysts believe, indicates the availability of money and financing in the market.

Home equity is not the only factor stealing dollars out of the market, though. Gas prices, at more than \$4 per gallon, are nearly four-times greater than what they were in the recession of 1990 and '91, and nearly three-times what they were just seven years ago. And while the cost of fuel drives up the living expenses for consumers through food and other retail products, not to mention the cost of transporting marine products around the globe, spikes in the cost of raw materials are further increasing the price of manufacturing boats, engines and trailers.

Figure in an unemployment rate that climbed to 5.5 percent in May – a full percentage point higher than a year earlier – and a Consumer Confidence Index that declined, again in June, to 50.4 from 58.1 in May, a 16-year low, and it doesn't matter how you look at it: The economic climate today is worse than it has been in recent memory.



BIGGEST LOSERS: LARGEST PERCENT DECREASES IN BOATING RETAIL DOLLARS

	2007 Total	2006 Total	Difference	% Difference
Washington, D.C.	\$2,607	\$10,462	\$7,855	75.5%
New Mexico	\$34,735	\$93,833	\$59,098	63.0%
California	\$820,144	\$1,210,422	\$390,278	32.2%
Minnesota	\$356,550	\$510,549	\$153,999	30.2%
Wisconsin	\$363,051	\$473,545	\$110,494	23.3%
Oregon	\$242,549	\$311,717	\$69,168	22.2%
Michigan	\$385,801	\$495,140	\$109,339	22.1%
Massachusetts	\$229,114	\$293,757	\$64,643	22.0%
Missouri	\$272,979	\$349,638	\$76,659	21.9%
Kentucky	\$143,471	\$178,891	\$35,420	19.8%
Pennsylvania	\$209,351	\$260,078	\$50,727	19.5%
Kansas	\$65,040	\$80,367	\$15,327	19.1%
Ohio	\$248,814	\$307,354	\$58,540	19.0%
North Dakota	\$41,562	\$51,144	\$9,582	18.7%
Washington	\$489,123	\$597,854	\$108,731	18.1%
	\$3,904,891	\$5,224,751	\$1,319,860	

Dollars shown in thousands.

Other notables: Florida down 12.3%, Delaware up 23.1%.

The impact

Recent memory for the marine dealer body is not so kind, either. Prior to the month of May, in fact, it had been six months since the average dealers whose performance is tracked by Spader Business Management had realized a net profit.

Through May, Spader, the training and consulting firm that tracks some of the industry's highest-performing dealers, reported that new boat sales for its average dealer were 28.8 percent lower than the same period of 2007. Despite the fact that these dealers continued to report significantly lower spending in all expense categories, the average dealer reported a net profit through the first five months of 2008 of only \$17,198 – more than 88 percent lower than the same period of the year prior. All things considered now, though, that was actually good news. At the end of April, the group's net (*loss*) had grown by more than 475 percent, year over year.

If this is a sampling of some of the higher-performing dealers, it should come as no surprise, then, that many people believe the industry will lose a number of dealers in the coming months.

But it's not just the dealers who are struggling. Across the industry, manufacturers, too, are halting production, furloughing staff, shuttering brands, canceling dealer shows, taking shelter to survive the downturn or closing their doors altogether.

Brunswick, the largest boat builder in the industry, cut another 1,000 jobs and closed four more manufacturing plants at the end of June. By the end of the re-sizing, which began in 2007, says Peter Leempuette, Brunswick CFO, the company will have shrunk by 4,000 employees. At press time, that leaves about 1,600 positions left to cut. And to date, the company has closed eight manufacturing plants and plans to close four more by the end of 2009.

"We have addressed the prolonged downturn in the U.S. marine market by continually reducing production rates throughout our marine businesses, divesting under-utilized assets, exiting or divesting certain businesses, eliminating discretionary spending and reducing headcount," explained Brunswick Chairman and CEO Dusty McCoy. "While these efforts have resulted in significant savings, the realities of the current U.S. marine market have caused us to step up the pace and magnitude of these efforts."

"Our goal," he added in a June 26 conference call, "is for Brunswick to produce mid-single-digit operating margins in 2010, even if we have a sales base of \$5 billion dollars."

Fountain Powerboats, who like Brunswick is a public company, received notice from the American Stock Exchange that it is not in compliance with one of the Amex standards for the continued listing of the company's common stock. Specifically referencing Part 10 of the Amex Company Guide, the statement said that, "...the Company is not in compliance with

Section 1003(a)(iv) of the Company Guide in that it has sustained losses which are so substantial in relation to its overall operations or its existing financial resources, or its financial condition has become so impaired that it appears questionable, in the opinion of the Exchange, whether such company will be able to continue operations and/or meet its obligations as they mature.”

Fountain said the notice was based on Amex’s review of the boat builder’s quarterly report, which outlined a 13.7-percent year-over-year decrease in net sales (\$14.22 million), when compared to the same quarter of the previous year (\$16.48 million), and a net loss of nearly \$2 million. Fountain said in its report that it intends to “carefully evaluate how it will respond to Amex’s letter, including whether it will be able to submit a plan with a viable chance of success.”

And it seems that every day brings news of others who are struggling. In late June, a trio of Arkansas-based companies – Ranger Boats, BassCat Boats and EZ Loader – cut their production. The same week Chris Craft announced that 15 production line jobs and a warehouse position had been cut.

An end in sight?

Back in April, Anika Khan, economist at Wachovia Corp., addressed a small crowd of industry leaders at the annual Marine Design Resource Alliance’s Annual Creative Conference. She wrapped up her economic overview presentation by telling the audience that Wachovia views the second quarter of 2008 as the worst of the year and that by the end of the year, the nation will be coming out of what was perceived at the time to be a recession.

She said 2009 will be a recovery stage for the economy, where consumer spending, including that on boats, will remain subdued, and the boat market as a whole won’t see a pick-up on boats until 2010.

But, she said, it will be “2010 to 2011 before places like Florida will come out of it.” With so much of the marine market dependent upon states that fall into that frame of reference – California, Minnesota and Michigan are states that, like Florida, are dealing with greater economic hardship – it’s hard to really believe the boating market will begin to rebound in 2010. Consider Orlando and Tampa, for example. These two prime boating cities alone had 34 and 30 months, respectively, of available housing inventory on the market earlier this year.

However, Wachovia re-stated its position following the Brunswick layoffs in late June by saying that the company continues to believe that “it will be at least this time next year before initial evidence could emerge that the U.S. retail marine market is stabilizing.”

Bruce Van Wagoner from GE Commercial Distribution Finance, the commercial lending arm of GE, suggested that his division is planning for a “more normal cycle beginning in the second quarter of next year.”

In order for that to happen, the housing market must bottom out, and the housing market’s negative impact on consumer spending must diminish. The credit crunch will also need to be relieved, and consumers will need to find ways to work around the energy and food pricing that have been pinching consumer budgets even further.

Wachovia said in its report that it estimates “that the slide in home prices will bottom, and the rate of foreclosures will top out in early 2009, but that we still have a long way to go before the market is back in balance.”

All in all, Van Wagoner says, while the marine industry has made it

through very difficult times and will do so again, it will need to be much more patient this time around. Traditional powerboat sales have been on the decline since 2005, and by all indications, it will be at least 12 to 18 months before they begin to pick up.

Industry insiders and analysts alike look to specific leading indicators, such as consumer confidence, housing starts, real GDP, unemployment rates, and personal consumption. Wachovia, for example, suggests that boat sales lag the existing home sales market by one year. Similarly, the marine industry typically lags the RV industry, as well.

“I think it’s going to take another six to 12 months before we see the economy rebound, and probably closer to 12 months,” says Grant Skeens, president and CEO, Key Recreation Lending. “And as these things usually go, the RV business will recover, probably first, and marine will follow three to six months after that.”

A break in the clouds

But while the outlook for discretionary spending and eventual rebound remain distant, there are opportunities on the horizon for marine businesses. There are opportunities now to run our businesses more creatively and more efficiently. Doing so positions us, both individually and as an industry, for a better future.

“We are in a unique position in that unlike most industries, we are selling a lifestyle,” says Van Wagoner, “and as the world gets more and more developed and fast-paced, the need for an escape will become more prevalent. Boating offers an outlet to consumers that will always be desired.”

Brunswick’s McCoy agrees.

“We’re going through a short-term problem right now,” he says. “And ... when we get through this, there will be more wealth in the United States and the rest of the world than we’ve ever had, as an industry, the opportunity to tap into.”

“We all have to accept we’ll get through these short-term issues,” he continues. “But the future of the industry, in my view, is an industry that sells something nobody needs and that people aspire to, has never been brighter. We just have to go market and attract that growing number of people who are accumulating wealth but who have never boated before. It’s difficult during times like this to be saying the future of the industry has never been brighter, but I really believe it.” 🐾