

Can Beneteau conquer America?

ITS SAILBOATS ALREADY HAVE, BUT GROWTH PLANS DEPEND ON CARVING OUT MARKET SHARE FOR ITS MOTORBOAT BRANDS



► Chief executive Hervé Gastinel is spearheading the Group's expansion across the Atlantic

Beneteau Group has been one of the industry's most secretive companies when it comes to broadcasting its plans. But the 130-year-old French builder has also been one of the industry's biggest success stories, closing in on global leader Brunswick Corp in boat sales (Beneteau: \$1.1bn, Brunswick US\$1.25bn). The Group's reach now extends across every boat type, with 20 brands that span from the Cap Camarat 4.7 CC (15.5ft) to the Monte Carlo 105 superyacht (with a 150-footer rumoured in the works). Its dominance in the sailboat sector is global, accounting for 38% of companywide revenues.

The French conglomerate has been making serious investments to position itself for long-term growth. In 2012, it opened a factory in Brazil for South America. Its Italy-based Monte Carlo Yachts entered the superyacht world last summer with the launch of its 105 superyacht, attracting six new orders within

months. Its 2014 acquisition of Recreational Boat Holdings (RBH) in the US not only gave it four good US brands, but also a North American dealer network.

TWO-POINT GROWTH PLAN

According to Hervé Gastinel, Beneteau's recently appointed chief executive, North American boat sales for the Group should reach US\$350m, or 34%, of total boat sales this year. That number could grow as much as 10% per year over the next three years. North America, where market share for its powerboats is far lower than Europe, is key to the company's strategic growth plans.

At a press conference at the Miami International Boat Show (MIBS), Gastinel gave a rare glimpse inside the company's long-term strategy. The key to growth is a two-point plan that integrates the four RBH brands into two new internal corporate groups,

while increasing imports into North America for its European-built brands.

Gastinel, most recently president of Terreal, a €400m French construction group, unveiled the plan in January. All of the Group's boat brands now fall under two major umbrellas called the Beneteau and Jeanneau "super-brands." Carla Demaria, president of Monte Carlo Yachts, will oversee four brands on the Beneteau side, while Jean-Paul Chapeleau, CEO of Jeanneau, will also manage four on the Jeanneau side. (Monte Carlo Yachts and Lagoon Catamarans will retain separate management structures).

The RBH brands, previously under the direction of former RBH CEO Roch Lambert, were divided as well. Wellcraft and Glastron are in the Jeanneau umbrella, and will be managed in the US by Nicolas Harvey, president of Jeanneau America, while Four Winns and Scarab will go to Beneteau, led by Laurent Fabre, president of Beneteau America.

"The successful integration of Rec Boat Holdings will help us strengthen our positioning in the key North American market," notes Gastinel. "Thanks to the combination of our brands' forces, we'll be able to invest more and therefore better serve our dealers and distributors." Gastinel also spoke about "enhanced synergies" between its European and US-based brands.

LIFE AFTER LAMBERT

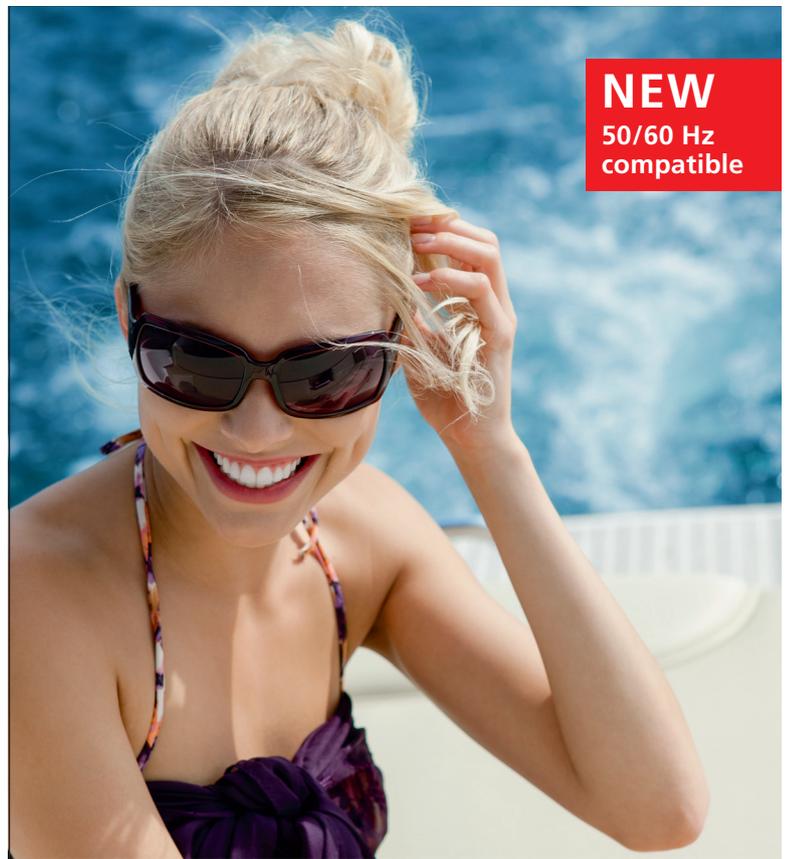
The departure of Lambert, credited with an ambitious six-year turnaround of the four RBH brands, left a leadership void in Cadillac, Michigan, where the boats are manufactured. Instead of installing a new CEO, Gastinel decided to divide the four brands between the two groups. The move brings the US brands closer to French management, says Gastinel, but without disrupting sales, manufacturing or design in Cadillac.

"We were looking for economies of scale, not multiplying the people at the top," notes Harvey, adding that placing all four brands under one manager would have been too much.

With the division, Harvey inherited sales, marketing and design teams for Wellcraft and Glastron, while Fabre oversees the same teams for Four Winns and Scarab. Fabre said Beneteau had watched the RBH brands for the year following the acquisition. "It was clear that they were under-performing compared to what the market could be," he says. "This structure lets us go to market in a more cohesive way. We're all working for the same factory, development team and dealers. The bigger US dealers understand the advantages of working under a strong Beneteau umbrella."

Gastinel expects North American boat sales to rise from 5% to 10% for the next two to 

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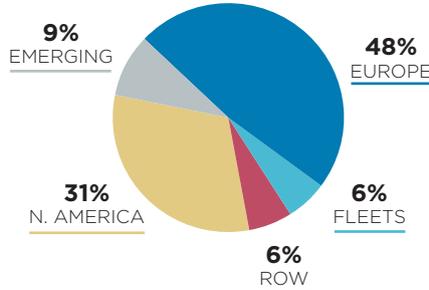


Feel the Drive

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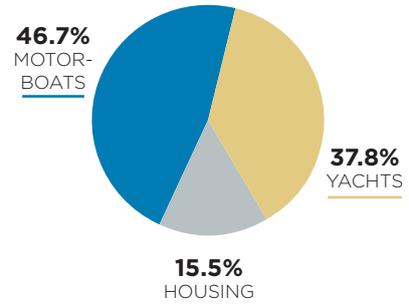
BREAKDOWN OF BOAT DIVISION REVENUES BY REGION

2014-2015 Group sales: 819.3 M€



BREAKDOWN OF SALES BY BUSINESS

2014-2015 Group sales: 969.5M€



three years, as the US brands increase sales and more European brands are introduced to the US. He emphasised that “business must go on”, despite the big organisational changes. “Our new brand architecture will not create too much disruption since each brand will continue its own operations and build on its reputation as part of its new network,” he says. “We haven’t identified any dealer who will be negatively impacted by our new organisation. We certainly want to offer them a flawless execution.”

“There is a crossover of 20-something dealers who carry both Four Winns and Glastron,” adds Harvey. “But we’re not going to force any changes for dealers who have been carrying both lines.”

DOMESTIC PRODUCTION

The long-term game plan, according to Fabre, is for the two super-brands to develop their respective dealer networks in the US, either by finding new dealers or increasing the number of Group brands under current RBH dealers. Constant new-product rollouts should bring in new customers to these multi-line dealers.

Despite the super-brand split in sales and marketing, four RBH brands will still be manufactured in Cadillac. Building competitive brands in the same factory is nothing new for the Group. Beneteau and Jeanneau have built sailboats in Marion, South Carolina, since 1986. The company will soon build the Swift 30 there.

“Our customers like that our Oceanis 45 sailboat, for instance, is a US-made product because they know they’ll have access to the factory for parts and rapid services,” says Fabre. “It’s a strong selling point against competitors that import their boats. Dealers also like that we have a big US service organisation and invoice in the same currency.”

The Group also sees a strong future for importing RBH brands into Europe. Being handled by Europe’s largest boatbuilder, rather than a small US company across the Atlantic, instills confidence in the dealer base. “Plus, the boat styles are so different from what they sell in Europe,” says Fabre. “Four Winns and Glastron are developed for freshwater use, so we’ll have products for markets like Germany or Switzerland. Our new bay boats, a style which doesn’t exist in Europe, should also do well over there.”

Gastinel said new-model launches would continue at an accelerated pace, with both the RBH and European brands. New-product development under Lambert essentially saved the Four Winns and Glastron brands following the post-Genmar bankruptcy. Scarab had also ceased to exist until the new owners turned it into a jet-boat builder. Wellcraft was left on hold for much of Lambert’s tenure but has since seen an ambitious new-product rollout. It could potentially have the fastest growth of the RBH brands because the saltwater fishing boat segment continues to rise.

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FRENCH IMPORTS

Fabre is enthusiastic about Four Winns, which has introduced some unusual models, including the TS222 with Volvo-Penta’s forward-facing drive. He is also upbeat about Scarab. “The Scarab jets aren’t just boats, but toys,” he says. “Most people don’t understand their real value to the industry. They bring people into boating.”

Brands like Monte Carlo, Jeanneau Motorboats, Swift and Prestige have made respectable inroads into the US market. Beneteau America has imported 300 yachts into North America over the last ➔

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three years, according to Fabre, a statistic many US dealers are now noting. Beneteau also has a third of sales in the trawler market.

But the Group's higher-volume and lesser-known brands like Merry Fisher (or Jeanneau outboards), Barracuda, Flyer, and Antares are what the company would really like to see accepted in order to complement its larger motoryachts. "Our dealers will be able to move their buyers up and down between our brands," says Fabre.

NAVIGATING LOCAL MARKETS

Despite its clear success with sailboats, the question remains whether the Group's non-US powerboat brands would be accepted in the US, particularly with so many strong domestic builders in the high-volume segments. European builders have often attempted the US market and failed, largely because they didn't

brands of the Beneteau and Jeanneau umbrellas, of both consumers and dealers could also play out with this strategy.

The company may have advantages over previous attempts by other non-US builders. First, the tastes of many US boaters have become less provincial, judging from the success of builders like Azimut. Secondly, Fabre and Harvey are close to the US market and understand its nuances. Perhaps even more importantly, Gastinel, a forty-something executive who speaks excellent English, takes a global view of the boating industry. As an industry newcomer, he is also not tied to established views. He said at the press conference that the US brands would continue to be designed in Cadillac, with input from European design centres. "We also want to Americanise the European boats coming here," he said.

Multiple Beneteau, Jeanneau and Swift models are already built in the US. If demand is high enough, the RBH brands could be built at Beneteau factories in France and Poland, or more European brands, specifically in smaller sizes and high volumes, could be built in the US.

"For smaller boats, it's critical to have a faster entrance to the market," notes Fabre. "If a buyer doesn't see the boat, he may not buy. After all, the summer is over in three months. Other issues like import taxes, cargo shipments and exchange rates go away when you build a boat in country."

GLOBAL AND LOCAL

Eventually, cross-Atlantic design teams will create uniform models for a global market. "You can't justify making three versions of the same product that sells 100 units when you can sell 94 units with a single reference," says Fabre.

"As a leader in Europe and growing player in the US, we are building global brands," adds Gastinel.

Whether the North American growth strategy fulfills Beneteau Group's long-term plans remains to be seen. Certainly, the company has positioned itself for growth in the US, with RBH's existing distribution network and other US dealers that Fabre and Harvey have brought into their respective organisations.

Fabre emphasises that the expansion is a long-term strategy and that the 130-year-old company knows how to be patient. For instance, he waited several years to sign a dealer in a lucrative US territory rather than recruiting a "C" level dealer. "The better dealers are seeing that we're committed to the US market with two factories, and that we have a plan," says Fabre. "Also, once we name a dealer, we grow with them."

Gastinel sums up the strategy in seven words: "We need to be global and local."



▲ In the driving seat: Gastinel understands the nuances of the US market

account for specific American tastes in styling and assumed that European designs would be accepted. Ferretti's fiasco with Bertram is a textbook example, but there are many others.

"We understand how to navigate local markets," says Harvey. "We've been importing Jeanneau sailboats into the US for 30 years. Now, we enjoy the number-two position in sailboats in North America, just behind our cousin, Beneteau. In countries like Colombia, Prestige is the number-one motoryacht brand. Jeanneau is considered the Rolls-Royce of Brazil."

There still remains the question of how closely the Group, specifically the executives in France, understand the US market and how much they are willing to adapt designs to meet that market. Cannibalisation, particularly between competing