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CASE STUDY #1: Seakeeper

SWEET SPOT: HAVING TRIPLED SALES THIS YEAR, SEAKEEPER HAS FOUND A PROFITABLE NICHE IN THE LUXURY CRUISER MARKET

WHEN SEAKEEPER DISPLAYED its new gyro stabilizer for the first time in 2008, it had signed an exclusive agreement with Azimut. The Italian builder needed a gyro to compete with arch-rival Ferretti Group, and the startup American company had the most promising new motion-stabilization technology.

Just a year after the contract was signed, the exclusivity agreement was scrapped. “When the economic crash happened, it was like someone turned off the spigot,” says Seakeeper CEO Shep McKenney. “We’d received very substantial orders but that stopped quickly as new-boat sales stalled.”

Since then, the company has seen a surge in demand from a half-dozen European builders and a few US companies. Year-to-date sales through the first nine months of the year were three times higher than the same period a year earlier. McKenney expects sales next year to double again.

But Seakeeper has followed a very different path than its founder intended. As former owner of Hinckley Yachts, McKenney was no stranger to the marine industry. The plan was to outsource manufacturing in the US, and grow a client list of mainly US builders. The gyro would be a Made in the USA product for a North American audience.

US PRODUCT BOUND FOR EUROPE

Azimut, which quickly grasped the possibilities for its luxury express yachts, proved him wrong.

After the exclusivity agreement lapsed, Seakeeper became the gyro of choice for other European builders like Sunseeker, Fairline, Heesen, Princess and Leopard, as well as Australian builders Riviera and Maritimo. French builder Couach has made it standard equipment on every yacht. Viking has since picked up the line in the US, and US builders like Hunt install the odd Seakeeper on their boats.

“Only 20 per cent of our business is in the US,” says McKenney. “The bulk of business goes to boats built in Europe, but they’re exported to emerging markets like Russia, Croatia and Argentina. Our business has developed in a surprising way. Most of the owners are new to boating. They buy the boats to display their wealth.”

The nouveau riche of Eastern Europe and Asia also tend to be an inexperienced, seasick-prone group who want to transfer the experience of being on land to a boat. The pricey Seakeeper option, promising to minimize roll by at least 60 per cent, has become as popular as bow- and stern-thrusters for that clientele. “It’s like air-conditioning,” says McKenney. “Once you have it, you never want to go back.”

A DIFFERENT WAY OF MANUFACTURING

The Seakeeper technology employs an active control system, using a flywheel inside of a vacuum. The lack of friction from the vacuum allows the flywheel to spin three times faster than its competitors, according to Seakeeper, while also halving the engine size needed to run the gyro. The company has two models, the 8000 and 21000, for boats from 35ft to superyachts of more than 100ft LOA.

But the company’s quick growth has not come without challenges. Seakeeper has increased its support staff at its OEM clients to facilitate installation and offer technical support. “People aren’t used to installing these things,” says McKenney. “It’s amazing how many things can go wrong when it’s not done right.”

Despite Hinckley’s reputation for building quality boats, McKenney has had to learn an entirely different way of manufacturing, one that involves precision and high levels of quality control. “The boats at Hinckley were one-of-a-kind creations,” he says. “Every boat was built individually with a large amount of tailoring by craftsmen. But you can’t do that with a sophisticated electro-mechanical product.”

Beyond manufacturing, McKenney also realised that outsourcing distribution and engineering



▲ Seakeeper’s gyros are becoming must-have options on expensive European yachts

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might keep costs lower, but it would not assure consistently strong product support and customer satisfaction, both crucial for the fledgling brand's growth.

"Now that we're making some money, we're reinvesting it all back into the company," says McKenney. "We're more than doubling our staff in the next year, and that doesn't include the 25 workers we acquired with the manufacturing operation. We're hiring new engineers and product support people. When we got into this thing, I thought we would only have to build a gyro. But now I realize we have to build a company."

The gyros have certainly gained a favorable reception from the Italian, UK and French brands that export their multi-million-Euro cruisers to Asia and Latin America. Many are now engineering space into their hulls for easy Seakeeper installation. With minimal competition, and the Mitsubishi gyro tied up with an exclusivity agreement with the Ferretti Group, Seakeeper seems to have a near-lock on a profitable niche in the high-end cruiser segment.

Seakeeper's headquarters remain in the US, though an office in Europe may be necessary to support its primary clients. "We've resisted setting up foreign offices, particularly in the Eurozone, because it's expensive," says McKenney. "Will we be able to resist it much longer? Clearly, this is a global business so we have to have a structure in place to service every corner of the world."

FAST-TRACK GROWTH

Seakeeper is tapping into other markets, including recreational sport-fishing as well as military and commercial segments. "We're seeing a lot of interest in Seakeeper gyros for wind-farm service vessels, and there's growing interest among pilot boats," says John Kermet, Seakeeper vice president of sales and marketing. "We've also already had successful installations on military craft such as torpedo recovery vessels."

But its fast growth might outstrip its manufacturing capabilities. McKenney admits the company is "dangerously close" to having to turn business away.

When reflecting on the company's fast-track growth, McKenney understands it, but sounds equally impressed and mystified by the way it happened.

"It's the most remarkable thing, seeing this little company selling, distributing and supporting products at the ends of the earth. In a very short time, we've become a leading symbol for boat motion control," says McKenney.

"We've also become a poster child for a modern US company --exporting our products and growing quickly without any government support," says McKenney. "I didn't expect it to happen this way. I'm really surprised by the scope it's taken on." **IBI**

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