

STRATEGIES

For fast growing companies and careers

HOW I...

Keep the sails full, even in recession

KADEY-KROGEN YACHTS VICE PRESIDENT LARRY POLSTER KNOWS HOW TO ADAPT



Founded in 1976, Kadey-Krogen Yachts sells high-end custom-built boats. Lousy business for a recession, one

might think. Larry Polster, Kadey-Krogen's vice president, heads up the company's Annapolis office (its other locations are in Florida and Seattle). Here's Polster explaining how the company weathered the recession and where it's headed next.

How'd the recession go? In 2010 and 2011 things were down about 50 percent, but it actually did us a favor. It gave us an opportunity to launch a couple of new models. Rather than just hunker down and try to survive it, we took that time to prepare for the future. It also helped us to refocus who we are. We used to build boats on spec and then try to sell them. With the recession we adopted a new model of semi-custom, so we don't

start a boat until we have an order.

Who needs a yacht? A lot of our owners, instead of a summer house or a vacation home, they will purchase one of our boats. Then, when they don't like their neighbors, they can pick up and move. Many folks will retire, sell their land-based home, move onto the boat and move with the seasons.

How do you market it? We advertise in boating publications, we attend boat shows including one at the end of September, a show called Trawler Fest in Baltimore. Beyond that, our best salespersons are our owners. We have built roughly 600 boats to date, and about 20 percent of them have ties to the Chesapeake region. So people will see them, they will talk to the owners, and it kind of goes from there.

Any flub along the way? We thought at one point that having

more boats in a show would be better, that we would be able to give people more of a sampling of what we do. We ended up not being able to spend the quality time establishing a relationship with the customer because we were so focused on getting people on lots of boats in a limited period of time. Now we have only one or maybe two boats in a show. That enables a customer to see the quality of what we do. Then we can spend the time talking about their needs, wants and desire.

What's your sales cycle? Generally these are people who have spent some time planning their retirement, so we tend to work with them anywhere from 12 to 36 months before they are ready to make their decision.

Does that take a bite out of cash flow? We manage it by having a steady supply of customers.

If someone signed a purchase agreement for a boat today, they would not have it until 2015 – there is that much of a backlog. So that allows us to plan for any peaks and valleys that may occur a year from now.

Biggest challenge? I would say it is the prospect's financial planner. They tend to look at this as a luxury item and they will often try to talk the customer out of it. They see it as just a constantly depreciating asset. The reality is that if somebody sells a boat in 10 years, historically we have seen that they can expect to get roughly what they paid for the boat.

Future plans? We have four new models on the drawing board, from 64 feet to 80 feet. As more baby boomers are retiring and discovering this lifestyle, many are looking for something a little larger, and so we see a potential for growth there.

—Adam Stone

KADEY-KROGEN YACHTS

Year founded: 1976

United States-based employees: 15

Taiwan-based employees: 50

Expected 2014 sales: 12 to 15 yachts

Cost of a Kadey-Krogen yacht: \$1 million to \$2.5 million



BY JACLYN BOROWSKI

Kadey-Krogen Yachts VP Larry Polster and his dog and office mascot, Sasha, between two Kadey-Krogen yachts at the company's Annapolis outpost.