

Stable Increases

PLAYING NEW ROLLS

Mike Perkins of stabiliser-maker Quantum Marine Engineering shares his company's struggles and successes chasing business outside the yachting sector with *The Superyacht Report*.

By **Kenny Wooton**

Not so long ago, the biggest challenge the yachting industry faced was keeping up with runaway demand for its products. Few companies had the time or the resources to dabble in other markets such as the military, with their labyrinthine procurement processes, or the commercial, with their fickle needs and wants. Life was good in the yachting business, until one day, it wasn't.

The few companies that saw it coming, or who were able to diversify quickly, have reinvented themselves and have flourished – or are, at least, surviving. Others, who were blindsided by the sudden loss of footing in the market, are struggling or worse, have had their phones disconnected.

One company, Quantum Marine Engineering of Fort Lauderdale, Florida, makers of ZeroSpeed and MagLift stabiliser systems, didn't necessarily see it coming, but always viewed the yacht market as a parabolic curve that someday would make the turn and head south. Schooling themselves in the twists and turns of the military procurement system early on left the company in a favoured position to compensate for losses in the yachting sector with a surge in military contracts.

"What we have done to satisfy our

natural or predominant market has brought benefits to potential other users such as military and commercial," said Vice-President of Business Development at Quantum Marine Engineering Mike Perkins.

The economic downturn has spurred many builders and suppliers to reach out to other markets to make up for the sudden softening of the yacht market two years ago. Some, such as Trinity Yachts, have made what appear to be substantial inroads into military shipbuilding. Others, such as Westport Yachts, are courting that business as well. Historically, the military procurement process was an

than the rapidly growing company could manage.

Around 2004 or 2005, Quantum saw an increase in interest in its stabilisers from the military sector and made a strategic decision to learn more about what the military needed for support and documentation. Meanwhile, the company had begun to add staff to keep up with the growth in demand in the yachting sector. By the time the downturn arrived, the company had a 'perfect storm' of manpower and understanding of the ways of the military to move hard in that direction.

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impediment to crossover business, due to the complicated and extensive documentation process.

According to Perkins, the game changed in the early 2000s when militaries worldwide, including the US services – notorious in the '80s for commissioning a \$400 claw hammer and a \$600 toilet seat – began to adopt a procurement doctrine called Commercial Off The Shelf (COTS). Quantum began hearing from militaries interested in their products. They took on a project here and there, but declined many because the paperwork and documentation involved were more

"Just prior to the downturns in the global economy and a rather more intense retraction of the megayacht new construction market in 2008," said Perkins, "Quantum had made a strategic decision to diversify into the military market, which was starting to experience a counter-trend increase in new construction, due to several geopolitical factors and a wholesale change in the mission profiles for frigates, coastal patrol vessels and offshore patrol vessels. That move was fortuitous in that it did serve to smooth out the impact of the 50 per cent-plus decline on the global order book for large yachts."

“The downturn was actually a godsend in disguise,” he added. “It freed up resources for us to devote to developing the product documentation the military user needs that the yacht user doesn’t care about.”

Another component of the Quantum ‘perfect storm’ was that in developing ZeroSpeed from a blank sheet of paper, they already had a deeper development product portfolio than most of their competitors. “We wanted to have something that was basically a plug-in for any size of vehicle that would come along,” explained Perkins.

In 2000 and 2001, with the advent of ZeroSpeed, the company’s production was 100 per cent yachts. By 2003, about 10 per cent of their business was military. In 2004, they won a contract to install their products on 34 47m US Coast Guard cutters, which has since expanded. With the downturn, the company quickly saw their fortunes shift hard toward military. Now, said Perkins, military accounts for about 65 per cent of their business in the US with the rest yachts. In Europe, their business is about 75 per cent yachts and 25 per cent military.

“While the military market sales by Quantum did not fully compensate for the decrease in the large-yacht market, it did present opportunities for the company to conduct an intensive internal review of our systems and technology and provided the ability to rationalise our product mix,” he added.

In addition to educating themselves on the intricacies of the military’s needs, Quantum also have had to educate the military about the demanding nature of the

Perkins said, it took him five years to make. But Quantum is winning the battle.

“The military used to view the companies that supply the private yacht market as being completely without technical competence,” added Perkins. “They thought their requirements were so much more stringent and that they understood the technologies so much better than any super-rich guy. We said

the performance we are required to provide these super-rich guys would knock your socks off. What we do to satisfy these very demanding clients is light years beyond what it takes to meet or exceed the expectations of the military.”

For other yacht industry companies aspiring to play in the military sandbox, Perkins advised diligence, learning the paperwork ropes and learning to be patient. Military

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contracts, he pointed out, involve a much longer sales cycle than yachts. Unlike yachts, where deals can be made in weeks, military contracts take far longer to consummate – years in some cases. Yacht companies across the board could benefit from pursuing military business. “When we did make the concerted effort and put forth what our capabilities and resources were,” he explained, “we started winning the majority [of contracts].”

Quantum has pursued the commercial market for some years with mixed results. Getting information from commercial clients about what they’re trying to accomplish is “like pulling teeth”, he said.

One realm that especially intrigues the company is the casino boat industry in the southern US. Casino

boats typically leave US ports and sail into international waters beyond the reach of US gambling regulations, sometimes for just hours. He said boats often post disclaimers at their gangways softly advising customers of the sea state they will face that day. The slogans range from things like, ‘Anybody can play’, to ‘Need experience to play’, to ‘Hardy souls only’. By keeping the ‘Anybody can play’ signs up more often, effective stabiliser systems could pay for themselves in weeks, but he says many operators are reluctant to put their vessels in the yard for two months for a retrofit.

“The moment one operator installs one of these [stabiliser systems] and is able to show he’s increased his revenues,” he said, “every other operator’s going to go. That’s exactly what happened in the yacht business.”

Perkins sees things sorting themselves out a bit in the next five years. But again, the goal is to find a rational mix – with legs. “We’re never going to walk away from the yacht market,” he said. “But because of volatility of that market, I would like to have a 60-40 mix, in terms of revenue, in favour of yachts.”

Rock and roll may be here to stay, but it’s Quantum’s mission to keep it in the dance halls and off the decks, no matter what the vessel. ■

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