



**SUMMARY OF  
GOLD COAST & NORTHERN RIVERS  
MARINE SUPPLY CHAIN  
REPORT**

## PROJECT SPONSORS

**The Gold Coast & Region**  
Area Consultative Committee Inc

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New South Wales  
Department of State and Regional Development



## SUMMARY OF FINDINGS

### Boat Builders

- ◆ Interviews were carried out with 35 boat builders from Yamba to Beenleigh.
- ◆ As expected, it is not a homogenous group. The priorities, issues and opportunities vary dependent on the segment of the market serviced. They can generally be grouped as
  - ◇ Large manufacturers of production boats
  - ◇ Manufacturers of large fibreglass catamarans and cruisers
  - ◇ Manufacturers of smaller fibreglass recreational boats
  - ◇ Manufacturers of smaller aluminium recreational boats
  - ◇ Other boats and re fitters
- ◆ There are no significant differences in the sample based on geographic issues. The relatively small numbers of participants from the Northern Rivers make it difficult to draw out specific observations while still maintaining the required confidentiality levels. In any case, apart from the fact that Northern Rivers manufacturers are more likely to be involved with the production of larger, custom built boats than their Queensland counterparts, the issues and opportunities that were raised were similar on both sides of the border.
- ◆ The majority are owner – operated businesses with the owners very much involved in the day to day running of the business. They are a typical cross section of SME owners with a range of skills and involvement. Most have come from a technical background and have a good knowledge of the industry.
- ◆ Imports are universally recognised as a threat in the 5 to 7m recreational boat market, particularly fibreglass. At the moment, the competition is seen as coming from the US although China and other Asian countries are seen as looming problems.
- ◆ The aluminium boat builders do not see themselves as being directly threatened by imports of other aluminium boats. Transport is seen as a significant cost impediment for imports and the local industry brand names are well established. They do recognise however, that they are in the same general market as the fibreglass manufacturers, particularly when it comes to the first time boat buyer. They are seeing that the entry level boat can be up to \$50,000 and that the young first timer is looking for style rather than strength or functionality. It is exactly where the American boats are pitched.
- ◆ Manufacturers of large catamarans and cruisers and one off custom vessels see their product positioning and differentiation as the key defence against imports. Generally, sales are on the increase.
- ◆ There is very little appreciation of the concept of Supply Chain Management per se. However, because they are owner/operator businesses, the principals all have a

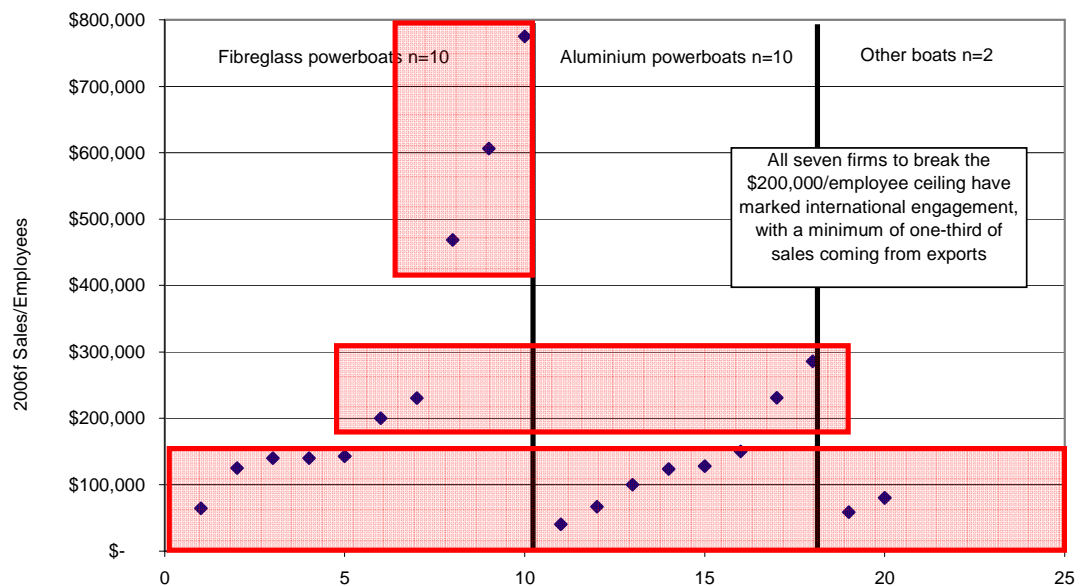
hands-on involvement with suppliers, operations and customers. It is what occupies most of their working hours.

- ◆ Production systems that are used are fairly simple. Often it is a standard build sheet generated from Excel that has specific customisation requirements added to it before it goes out onto the factory floor. The build sheet provides the inputs that are necessary for purchasing.
- ◆ The level of marketing activity is surprisingly limited. All see the value in maintaining happy and loyal customers but there is little formal structure in the way that it is executed.
- ◆ Smaller boats are sold by dealers so the manufacturers see the dealers as their customers. The power relationship is dependent on the relative strength of the brand names. There is little offered in the way of structured sales support and it was suggested that little would be expected or accepted. The dealers do things their own way. It also means that the manufacturers have no control over the point of sale and the final buying decision of the consumer.
- ◆ Big boats are sold from magazine reviews, web sites, shows and referrals. The sales cycle is long and the relationship with the potential buyer is usually well established by the time that the contract is signed. After sales contact is often initiated by the customer
- ◆ From the point of view of material inputs there are very few that are of significant dollar volume. Where boats are sold by dealers, the manufacturers do not fit engines or electronics beyond basic instrumentation. This means that the main categories of suppliers are
  - ◇ Fibreglass and resin
  - ◇ Aluminium
  - ◇ Chandlery
  - ◇ Timber
  - ◇ Upholstery
  - ◇ Engines and transmissions are important to the builders of big boats.
- ◆ Most of the manufacturers are big enough to be buying at or near the best prices. The possible exception is resin, although some have resins specially formulated for them.
- ◆ For most of the people interviewed, supply chain is not the major issue on their radar screen. Most are hands-on enough to know what is going on with their purchasing, production and sales.
- ◆ Availability of good labour is a key issue. The apprenticeship system at the moment is thought to turn out boat assemblers, not boat builders. Most manufacturers believe that they need to recruit and train their own people. Given the current overall employment levels, it is difficult to attract good quality people into the industry.
- ◆ Manufacturers are looking at moving production facilities offshore. They can land finished product here at or below their current cost and can do it with virtually no

infrastructure. The decision for many in relation to moving offshore is based on lifestyle rather than economics – they do not want to live overseas. The danger from a local perspective is that economics will win out in the long term.

- ◆ Those that will remain viable into the foreseeable future are those who have export markets or niche local markets that are not likely to be attractive to imports. Statistically there is a strong correlation between the level of financial performance and having one third or more of revenue coming from exports
- ◆ The key indicator that signals overall strength of performance is sales per employee, with a critical step point of \$150k per head. The best return in terms of creating economic value will come from pushing companies through that point and higher.

**Table 1: Ratio of 2006 Sales to Total Number of Employees per Firm**



### Suppliers

- ◆ Suppliers range in sophistication from large multi nationals to small one man operations
- ◆ The level of contact is generally typical of good transactional relationships. A high level of personal contact is maintained with the boat builders and relationships are generally described as friendly. The information flow is primarily one way – supplier to boat builder.
- ◆ The larger suppliers are positively disposed towards creating partnership style relationships with the industry.
- ◆ The majority view is that the boat building industry is unlikely to want to work together in any collective supply chain projects.
- ◆ They see the industry as being totally focused on up front cost rather than whole of life cost.

- ◆ The view of the suppliers is that the industry requires work on building its management and general business skills. They see it as generally being run by owner / operators who have grown up from a technical background and have not had the opportunity to develop a broader base of business skills.
- ◆ There is not enough planning or scheduling taking place which puts pressure back on the suppliers to perform. While the boat builders are focused on price, there are sometimes instances where they have to pay whatever it takes to get a component that has been overlooked that could potentially hold up delivery of a boat.
- ◆ The general view is that manufacturing techniques in the fibreglass segment are not best practice. The aluminium boat builders on the other hand are said to be using processes that are up to world class.
- ◆ The systems that are used to measure and control production are weak, again particularly in the fibreglass market. That includes some of the big players.
- ◆ The aluminium suppliers are already value adding to their service by providing sheet and extrusions that are pre cut and punched or drilled.
- ◆ The fittings suppliers add value by having kit schedules for most models of boat. All that the boat builder needs to do is order the kits to match his production schedule.
- ◆ The level of computerisation amongst the suppliers is generally higher than amongst the boat builders. However, there is little knowledge or experience with supply chain management (SCM) as a discipline in its own right.
- ◆ Most of the suppliers are interested in the welfare of the marine industry in the Gold Coast / Northern Rivers region, but don't have a life-and-death dependency on it. Many have other products and markets that they are already starting to cultivate in case the marine industry drops off.
- ◆ Sales over the last three years have been increasing up until around six months ago, when they started to fall off (thought to be because of imports). Things have steadied over the last month or two.
- ◆ The upstream supply chains for most suppliers are not seen as being vulnerable. Most have alternative sources of supply. There is some doubt over the sustainability of local resin production, but it would not be difficult to replace with imports.
- ◆ There is a suggestion that some boat builders are reducing their quality levels (with a potential impact on the overall brand image) through their single-minded focus on lowest price.
- ◆ Several suppliers suggested the need for an industry group comprised solely of manufacturers to deal with industry opportunities and issues without having agendas influenced by sectors of the industry with other interests (eg importers)
- ◆ There are other issues that are threatening the industry. Rezoning of coastal waterways and the amount of bureaucratic red tape that impedes infrastructure development are seen as bigger issues than supply chain management
- ◆ The availability of appropriately zoned land for suppliers to be close to the industry is a problem. There is not much available for manufacturers on the Gold Coast.

## CONCLUSIONS

### General

- ◆ There are issues other than supply chain management that the industry currently has on its radar screen. These include concerns over coastal water rezoning, consistency in the application of regulations (particularly EPA requirements), and the level of bureaucratic approval required for infrastructure maintenance (eg dredging the Broadwater) and development (eg construction of marinas and jetties)
- ◆ There are issues that are specifically related to manufacturers and not to the industry as a whole. These include the threat from imports and the establishment and compliance with manufacturing standards. The established industry bodies have a broad range of interests to represent and therefore the specific needs of manufacturers can be overlooked.

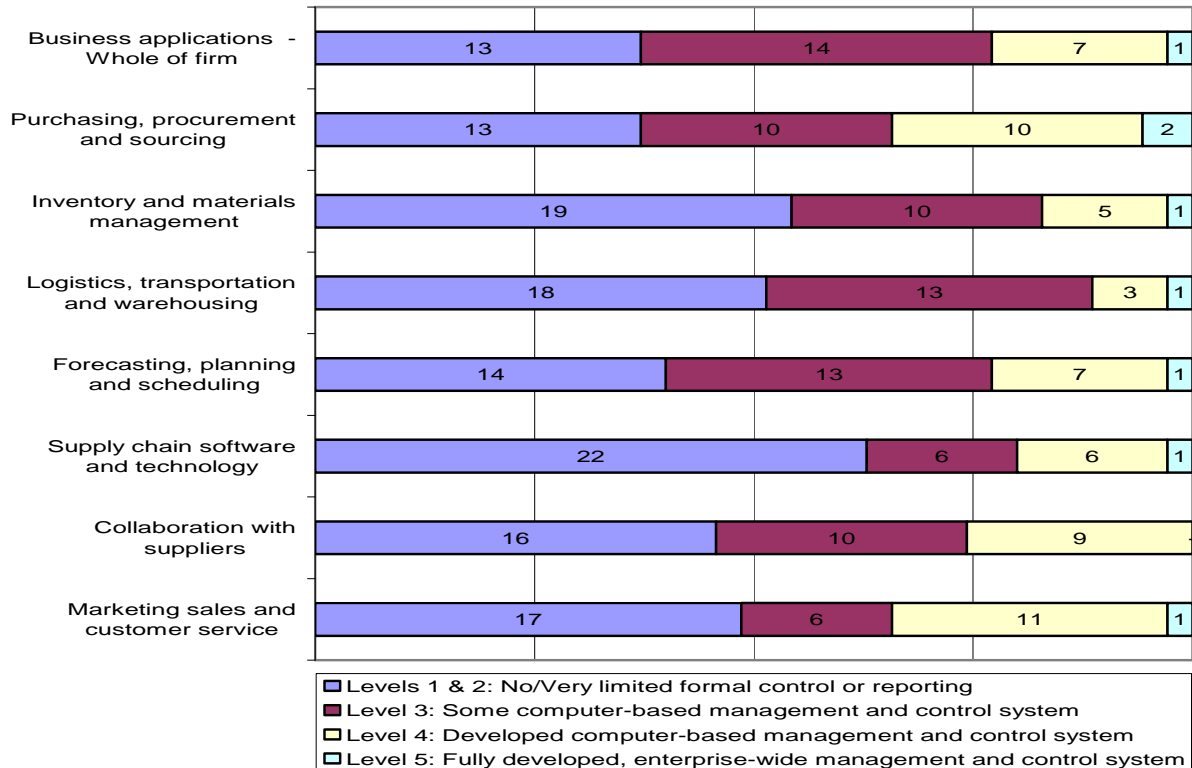
### Marketing

- ◆ In order to have an efficient supply chain, there must be a crystal clear understanding of what the chain needs to produce. At present the industry produces boats based on its view of what consumers want rather than first hand research of the market.
- ◆ The manufacturers of small recreational boats do not control the customer interface and therefore do not influence the final purchase decision. The dealers can sway a purchase decision towards an imported boat if it suits them.
- ◆ The region has a growing reputation in export markets for producing high quality boats, particularly in the large production cruiser and power catamaran segments.

### Manufacturing

- ◆ The survey feedback would suggest that there is potential room for improvement in the actual manufacturing processes that are used. The opportunity is probably greater with fibreglass boats than aluminium.
- ◆ From the information that we were able to obtain, it appears that the level of sophistication used in the management and control of manufacturing processes is minimal. The data actually shows that there is little uptake of technology in managing the business applications that are associated with purchasing, inventory control, forecasting and scheduling, etc.

**Table 2: Control of Business Applications**



It is also evident however, that the measurement and control of manufacturing process falls into the same category. The industry relies on holding contractors to a price rather than measuring and managing activities.

Skills

- ◆ The availability of skilled and semi skilled labour is currently a critical issue in relation to supply chain management. There is a prevailing view that tradespeople trained through the existing apprenticeship scheme finish up with a skill base that is too narrow. The industry is also suffering from the general shortage of good quality labour that is currently being experienced across most manufacturing sectors in Australia.
- ◆ The general level of experience and skill in relation to supply chain management within the boat building industry is low. This is consistent with the SME nature of the industry.

Economic

- ◆ A comparison of key economic data from our sample with information about the industry in the rest of Australia (Austrade, Allen Consulting) and the rest of the world (ICOMIA) suggests that the sample is representative of the industry.
- ◆ There appears to be nothing in the upstream conditions in the supply chain to suggest that the fibreglass boat building industry should be performing as well as it does compared with aluminium.

- ◆ There is a strong correlation between overall financial performance and export focus. Firms with one third or more of revenue coming from exports perform better on all financial indicators than those that do not.
- ◆ The key metric for financial performance is revenue per employee. The critical level is around \$150k per employee. There would appear to be no middle ground in this regard – those that are well below the mark are performing poorly and those that are well above it are stars. What is relevant is that there is currently a cluster of companies just below the \$150k point that could be fostered to improve.

### Behavioural

- ◆ Most boat builders have a 'transactional' level relationship with their key suppliers. As a consequence, suppliers perceive that there is very little loyalty shown by manufacturers who will continually shop for lower prices.
- ◆ Few manufacturers see the real competitor as the overseas based boat builders. Rather, there is still a predominant view that other local boat builders are the threat. This results in low levels of collaboration between manufacturers.
- ◆ Collaboration between suppliers and manufacturers is minimal.
- ◆ Most small boat builders seem to lack a strategic focus to their business operations.
- ◆ Many suppliers are keen to build stronger relationships with boat builders, based on loyalty, trust, mutual benefits, and so on.
- ◆ The use of contractors by many boat builders can be counter productive to the increased levels of collaboration required by the industry. Contractors often have very different drivers to the manufacturers.

### RECOMMENDATIONS

There are four overriding issues that have emerged from the study.

- ◆ There is solid economic evidence to support the view that there is value in encouraging the growth of manufacturing in some sectors of the boat building industry.
- ◆ There is scope to improve the sustainability and international competitiveness of the industry through the adoption of better supply chain management techniques.
- ◆ The existing depth of knowledge of SCM in the industry is limited
- ◆ The level of partnering that currently exists between manufacturers and their supply chain partners, both upstream and downstream is almost non-existent.

The recommendations of this report therefore are as follows:

### General

- ◆ The industry requires a whole of government approach to ensure that there is a consistency in the way in which various agencies engage with it. While it is recognised that this presents a range of practical difficulties to actually implement, the observation still needs to be made.
- ◆ There are a number of issues flowing from this report, including the key recommendations, where the implementation would be assisted by the formation of a Manufacturers' Industry Group. We suggest that it be established under the auspices of the BIA. A similar group has been established in Western Australia which could serve as a guide for a Queensland / NSW group.

### Marketing

- ◆ Undertake consumer research to fully understand the details of the segments that exist and the requirements of consumers in each segment.
- ◆ Develop the existing relationships with dealers into meaningful partnerships using the enhanced knowledge gained from the market research as a key driver.
- ◆ Develop a regional brand to reinforce the current image and to support the export efforts of existing manufacturers.

### Manufacturing

- ◆ Assist the industry to improve its manufacturing practices in order to identify ways to eliminate waste and create efficiency within the current volume constraints.
- ◆ As part of that process, provide assistance to manufacturers to develop meaningful bills of material and cost measurement procedures.

### Skills

- ◆ There has been a previous study completed on the skills required for the industry in the region and the best ways to develop them. A review of that report should be undertaken to determine whether the recommendations are still relevant and what has happened with implementation.

### Economic

- ◆ Identify the industry participants who are just below the \$150k per employee mark and focus attention on them to push them through it.
- ◆ Undertake further research to determine the key success factors that drive the fibreglass segment and determine whether they can be applied to the aluminium segment.

### Behavioural

- ◆ Develop a program designed to educate and promote the benefits of supply chain management (including partnering/ collaboration) across the industry. This may include a program whereby boat builders are given opportunities to learn from other manufacturing industries.
- ◆ Initially develop, and then build, a business model specifically for the marine industry that is based on collaboration. This will, over time, lead to the eventual strengthening of supply chain management across the industry through the formation of partnerships. The model will focus on a comprehensive understanding of business needs, the adoption of a long term view and the establishment of strategic relationships. It will move the emphasis away from traditional supply chain practices to more current practices.

Before any significant change can be introduced, there is a need for the industry to better understand what supply chain management is and the benefits that are to be gained from adopting its principles. The focus of Stage 2 of the project therefore needs to be on education and training in partnering skills and supply chain management, including the development of more efficient manufacturing processes and measurement techniques.