

US business review

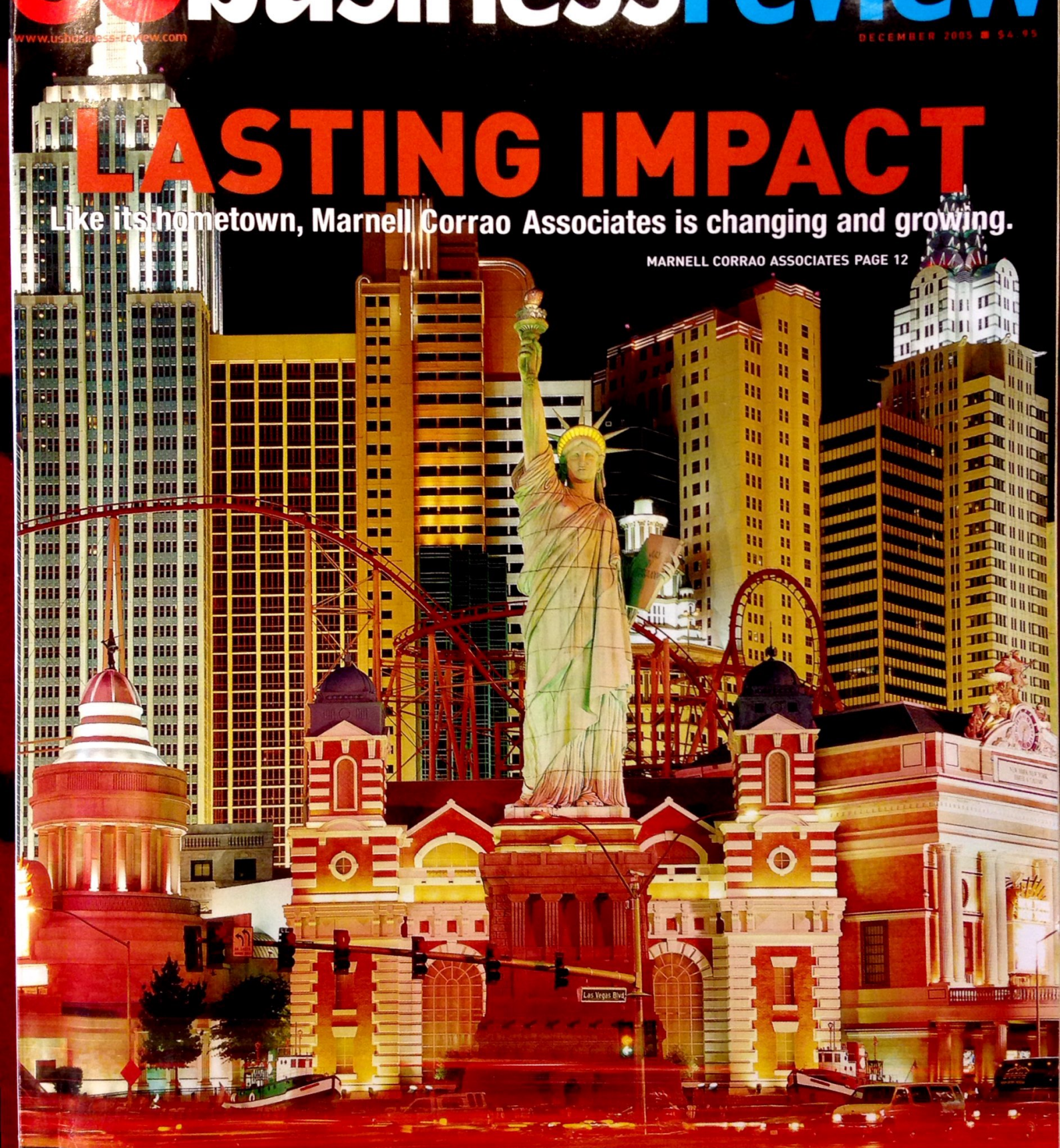
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LASTING IMPACT

Like its hometown, Marnell Corrao Associates is changing and growing.

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PLUS: Resolve to lose excess inventory in 2006.

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Christensen Shipyards' yachts usually end up becoming "personalized floating mansions," the company says.

SMOOTH SAILING

Christensen Shipyards stays afloat by working ahead to meet demand for its composite yachts before the demand even exists. —CHRIS PETERSEN

WITH THEIR SLEEK LOOKS, OPULENT features and lofty price tags, yachts continue to be symbols evocative of "the good life." With so many features for customers to choose from, and given their desire to have a one-of-a-kind craft, the idea of building yachts in advance seems to go against the very nature of the product. And yet, that's exactly how Christensen Shipyards President Joe Foggia says the company has stayed afloat during rough seas for the industry. He credits Christensen's unusual approach and its yachts' composite construction as the main reasons why the shipyard is thriving while other competitors have gone under in recent years.

Foggia says that it's not just what his company's yachts include or what they're made of that make them a highly desired commodity - it's also how the company goes about building them. While other shipyards build yachts only after they receive an order from a customer, Christensen keeps a constant schedule of

work. Foggia says that given the nature of the product the company builds, they have very little trouble making a sale.

Christensen Shipyards was founded in 1984 by Foggia's stepfather, Dave Christensen. The company's 160,000-square-foot production facility has built more than 30 yachts still out on the water today. Foggia says Christensen has built more certified yachts larger than 120 feet than any other shipyard in the world and says the company has a great deal of freedom when designing its boats because the company is vertically integrated. Foggia says that 98 percent of the boat is built right inside Christensen's facility, with only manufactured elements such as the engines being assembled outside. "We control it until we sell it," Foggia says.

Christensen's yachts are built on speculation, with a new boat being started every four months. Although the initial shape of the

PROFILE

Christensen Shipyards
www.christensenyachts.com
 2004 sales: \$70 million
 Headquarters: Vancouver, Wash.
 Employees: 440
 Product: Yachts
 Joe Foggia, president: "We like to use the more proven approach."



▷ boat is usually finished by the time a customer buys it, Foggia says Christensen can still customize most of the yacht to the customer's specifications. The company's yachts can include such features as hot tubs, wet bars, plasma TVs and space for personal watercraft. The boats may start with a basic template, Foggia says, but they end up becoming personalized floating mansions.

"It's not a production, cookie-cutter type deal," Foggia says.

He says the company has never had a problem selling any of its yachts because while production on a typical boat takes up to two years, most customers aren't willing to be patient.

"They always sell for top dollar because no one wants to wait," Foggia says. Christensen's yachts usually sell within a year of their delivery date, and the present price tag is from \$27 million to \$34 million.

Learned Behavior

WORKING AHEAD AND FROM A COMMON TEMPLATE MEANS Christensen has fewer problems during production than other shipbuilders, Foggia says. He says some competitors who sell a boat before it is built often run into problems because the customer will overload the yacht with features that aren't always compatible with each other. Because each boat is built completely different from the last, competitors have to start from square one every time they build a boat, Foggia says, which results in costly trial-and-error.

"We like to use the more proven approach," Foggia says, and adds that Christensen can use knowledge gained from previous builds on the next. Christensen refines its process over time, while the competition forces itself to develop a different process for each new yacht, he says.

After the start of the war in Iraq in 2003, when a number of U.S. shipbuilders closed their doors because of a sudden drop in sales, Christensen began its current strategy. Foggia says the market for yachts bounced back just as quickly in 2004, and those customers were anxious to get sailing. "Once a recession is over, people don't want to wait, they want instant gratification today," Foggia says.

Built To Last

FOGGIA SAYS CHRISTENSEN SHIPYARDS' BOATS ARE SUPERIOR because of their construction, as well. Christensen is the largest builder of composite yachts certified by the American Bureau of Shipping, he says. Unlike yachts built of steel, composite boats are made of a combination of fiberglass, Kevlar and carbon fibers. "Our claim to fame is basically it's stronger than the metal yachts," Foggia says.

The hull of a composite yacht can withstand a force of 75,000 pounds per square inch (psi) in longitudinal tensile strength, while a metal yacht of the same size achieves approximately 35,000 psi, Foggia says.

Foggia says he sees potential for growth in the future, in part due to the fact that most yacht owners trade up to a new boat after only two years. Christensen is currently building eight 157-foot yachts, and will begin building a set of eight 166-foot yachts once those are completed. The 166-foot models will be Christensen's largest yachts yet, Foggia says. ■