



**WAYPOINTS**

**TODD HESS |**

President and CEO of Sail Time

**Continuing our discussion of the shared economy branching out into the boating world, Sail America talked to Todd Hess, President and CEO of Sail Time since 2010. His enthusiasm and excitement for the company certainly has not diminished. Hess is particularly pleased by the addition of Beneteau boats to the fleet; hear how it all came about starting with a reconnection at a Sail America conference where Hess was a panel member and next time you bemoan an airport delay, remember this story.**

Let's start off by explaining the serendipitous beginning of your relationship with boat builder Beneteau, such a great story, shall we begin?

Well, firstly I'd like to give you some background information on our company, SailTime. We have been in business since 2001 and have about 120 boats worldwide and 1000 members in the program. The business began in Austin, Texas and has now grown into 34 locations; 28 in North America and the remaining locations spread out in the countryside of Australia. In 2008 we were contacted by Graham Raspas about offering the program in Australia and the relationship has worked out very well for us.

From 2003 up until 2013, Sailtime had been in an exclusive agreement to source all their fleet from Marlowe Hunter in North America. But in 2013 we noticed some changes in the marketplace so we were looking for a potential other brand to add to our fleet; we were thinking about it. As you may know, Beneteau has been in business for 140 years and they are a wonderful company. We were already using their boats in Australia but not in America as yet. As CEO of the company, I did have an introduction to the president of Beneteau USA, Laurent Fabre, in late summer of 2013 but there was no follow up interaction until June 2014 at the Sail America conference in Charleston. Laurent was in attendance and I was there along with Sailtime CFO Wayne Diviney, as I was invited as a panelist to discuss the sharing economy. It was an outstanding conference, we had an opportunity to participate with the entire industry and the conference covered a nice range of topics. While I exchanged pleasantries with Laurent, we were both busy networking; the conference is a great opportunity for that sort of interaction.

Both Beneteau and my SailTime office are located in Annapolis. While Wayne was able to take off the next day on his flight, my flight was delayed ultimately for 5 hours and, it so happened, Laurent was scheduled on the same flight. So there we were, both of us stuck in the airport; it presented a perfect opportunity for a really good discussion. He commented that he had enjoyed the panel discussion, we talked about how Beneteau was introducing a new boat, the first Beneteau 22, a training boat for the American Sailing Association. SailTime is one of the largest networks of sailing schools, we operate 21 schools, and in discussion we agreed, it could be a good match. He showed me the plans, we discussed getting it into ST, and we agreed to another meeting in Annapolis. Sometimes you go into a planned meeting or introduction really prepared with a presentation, but I will tell you, this was more of an organic natural discussion, zero expectation, we just happen to be both stuck sitting in the airport for 5 hours. I feel if I had not gone to that SA conference, and not participated in the panel discussion, aided by a little luck with the airport shutdown, we might never had made this connection with Beneteau.



# WAYPOINTS, cont.

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How does SailTime's program compare to chartering a boat?

For the person who might be interested in getting out on the water sailing for one week a year, or even two weeks, one week in both the summer and winter season, then I would recommend a charter. But if sailing is the primary goal, to become more proficient and really participate in the sport, than ST is a good alternative to chartering, you can use the boat a few times a month and really get your time on the water.

Once a member has completed the training, the next step is to basically log in, pick up a set of keys and get out on the water. Once back at the dock, go through the check out process and that's it, basically a member is using the boat in the same way as an owner. Members can bundle the time to go out for multiple days or stay aboard for a few hours and use the marina facility to relax. Once a member gets to the point where there is real enjoyment in sailing and the desire to spend more time on the water, then might be the time to start thinking about ownership.

You offer two brands of boats at the moment, are you considering adding another boat builder to the fleet?

We offer Beneteau monohulls and Marlow Hunter monohulls in the range of 30 to 50 ft. At this time we are not considering adding another brand to the fleet. We feel that this is just the right options. It provides us for one; a consistent product so that we are not offering too many different boats and two; we've developed a very strong relationship with these manufacturers. If we branch out into other manufacturers, the gravity of the relationship is watered down, we think two brands works well.

You have invested in software to facilitate the whole process, for example tell us about Embark?

It is a hand held PDA device for real time checkin-checkout. The member comes down to the boat, dials a 1-800 number and is asked if ready to check into the boat. The member goes through a menu of questions answering yes or no, questions such as is the fuel, water everything you need on the boat, he verify all of that and off he goes sailing. When finished he goes back into the system and check out, again answering the menu questions. This process works well as it also serves as a reminder to check everything onboard before leaving the boat. If a member does detect a problem, say a faulty wire, the member makes a note in the menu and a voice mail or email is generated to the franchise manager, makes him aware of the problem. Because there are typically only 6 or 7 people using the boat, problems are easily managed, and it is usually the same people coming to the same boat. Our members become emotionally engaged in the boat just like they would as an owner, even though they are members. Because they are coming back to the same boat, they take a serious interest in ensuring the boat is kept in the best condition.

As members become comfortable with the program and more adept at sailing, they can move on to the ownership program, purchasing a boat through SailTime, how is the program set up?

All of the boats in the SailTime program are privately owned. If a member decides he is ready to buy a boat, SailTime can get the member into a brand new, made to order Beneteau or Marlowe Hunter boat of his choice. He will still get to sail it almost as much as he can or wants, 14 days a month and when he is not using it we are going to market the remaining time to members. That offsets a great deal of the expense, so while an owner member may have thought he could not afford to get into a brand new boat, now he can. He can still get to sail it, but now the slip fees are being covered, insurance is being covered, the maintenance is being covered by the SailTime franchise and, he is even getting some income from the membership. It can be anywhere from \$15 to \$20,000 of financial benefit per year. Ownership makes a lot of sense. The biggest value is actually the professional management of the boat. In seasonal locations, the sails are stored away in the winter, the boat is winterized, all the owner has to do is buy the boat and sail it. He never has to come down and do the work. SailTime does not handle the financing. You buy a boat through the program, the price is standard manufacturers' price, we have a standard for the boat, electronics and whatnot. An owner could pay \$200,000 for example, for a 35ft Beneteau and it goes into the fleet; they have 14 guarantee days per month choosing their time through the scheduler like everyone else. The owner gets a 1/4 share.

SailTime gets revenue from the memberships when the owner is not using the boat. With the fixed membership of \$8,000, 6 users, that is about \$48,000 for each boat coming into the franchise and from that amount they cover the expenses, insurance, maintenance and give the owner some extra money. About 4 % of the value of the boat would be the owner's income coming in annually.

The professional management is a big selling factor. An owner comes down to the boat and finds everything is in order, the air conditioner is turned on and everything is ready to go. The owner takes the boat out for a great day of sailing and once he is back on the dock everything is taken care of, the owner just steps off the boat. An owner can put a boat into the program for a maximum of 5 years or for a minimum of 3 years. We try to keep all our boats brand new, so after 5 years the boat typically leaves the program.



## WAYPOINTS, cont.

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By way of introduction, what is your background that brought you into the SailTime community?

In addition to being CEO and President, I am also the owner of a SailTime location in Maryland on the Chesapeake Bay. For the last decade, from roughly 2000-2010 my background has been in executive business management. Back in 2005 I started a SailTime location and then in 2007 I and several of the other owners came together and acquired the business from the founders; one of the founders, George Bonelli is still involved. In late 2009 there was a decision to select a new leader of the company and at that time the owners' board of directors gave me the opportunity to take on that role. SailTime had been a licensee business concept up until 2009, however under my leadership we embarked on converting to a franchise in order to provide a consistent product. Being a franchise instills a higher degree of integrity because it is required that the business abide by federal regulations and a degree of service and agreement disclosure.

It would seem that a program such as SailTime encourages perspective boat owners who have the interest but may not be quite ready to make the leap. Can you explain how the sharing program is set up in SailTime?

No one has been able to build a business on sharing a specific boat until ST came into existence in 2001. The idea of sharing is great, but how do you manage it? What made ST successful was the internet and the ability to have everyone schedule their access online through software. We developed a sharing system, a scheduler; log in and the system handles the management of time. In SailTime, we take a boat that is predominantly sitting at the marina and utilize that downtime; our research shows that most owners use their boat only about 20 to 30 days a season.

We have both a membership program and an ownership program. For the membership program, the client is buying a membership to a specific boat for a fraction of the time that boat is available in a specific season. Members can buy a 1/16 share (Lite membership), 1/8 share (Classic membership) or 1/4 share (Premium membership). With the ownership program, the client buys a boat and places it in the fleet. The boat owner gets a 1/4 share of time to use the boat during the season and then ST markets the other remaining 3/4 period of time.

For instance, with a 1/8 share Classic membership, non seasonal location, we guarantee usage of 84 days on the water, 1/4 share is 168 days on the water. In San Diego where usage is year round, it breaks down to 7 days a month but if you go to Chicago where the season is only 5 months, in that case it is 35 days usage guaranteed. In both markets, \$8000 is an average seasonal cost for a 35ft boat.

If a member is vacationing and wants to use a boat at another location, is that possible?

They can buy additional time in any boat in any ST location. For example, they can pay \$180 a day for a 31-35ft monohull, or a 41ft monohull is \$240 per day. The price is by model and it is published on the site, this program is called Sail Time Plus. By comparison, a charter for the day is typically in the \$500 range, our program is much more economical for members. Also when choosing a boat from our fleet as opposed to a charter, the boat available at the ST vacation location, will be similar to those at the members home base location, so there is no apprehension that comes when chartering an unfamiliar boat.

Take us through the process; the first step before going on board would be the training school?

Once you determine the boat and the location, there is a one time fee for the training class which a member will attend for 3-5 days, based on the members sailing experience. This step is required for membership. Typically the training will be held on the boat model chosen by the member to be sailed during his membership in the program. With this training most members complete the 103 certification, but we encourage all our members to continue training, moving on to a 104 training in a few months.

All our locations are ASA training schools and can provide private instruction on the boat to enable members to become competent sailors. All franchises also offer captain services for a fee based by location.

With locations across North America, there can be program details varying with each location. But ST software is designed to host the 3 types of membership we provide, the ST Classic membership, the ST Premium Membership and the ST Lite membership which is 3 uses per month. Each franchise sets a price according to their market; for example in Los Angeles the cost will be 20 percent higher than the cost of membership in say, Tampa Bay, Florida. We are dealing with different market where the cost is based on many factors.



# WAYPOINTS, cont.

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## What about the franchise?

While there are several global companies offering boating access in destination markets like the Caribbean, these companies have been limited in operating in the domestic local harbors especially in seasonal locations. SailTime is the only global company operating in local domestic markets in North America. In many US markets the seasons are too short for the major charter companies to establish a base location. Seasonal markets don't fit their business model as the revenue is limited to the in season months. This is where a SailTime franchise is different. The ST business model works in seasonal and non seasonal markets and is perfect for markets like Boston and Chicago; it works because the franchise operations have consistent year round revenue even though the sailing season may only be 6 months duration. This is because the franchise is not selling to tourists visiting but rather the local population of boaters within 150 miles of the base location.

SailTime basically started this revolution when asset sharing wasn't as popular. However, since 2010, sharing has become more mainstream with the emergence of companies like Zip Car, Airbnb and Uber, now everyone has started sharing assets. When we started, no one was really doing it, except for maybe home rentals, but it makes a lot of sense. While the majority of our franchises are in the US, we are looking to expand into other markets in Asia, Europe and South America, if somebody is interested in a franchise, they contact us and we can provide all the systems and materials to market, sell and manage a fractional membership boating business: including use of the brand scheduling software. ST marketing tools, brochures, a presence at all the major trade shows; ST is a great way to get started in the sailing business. The Sail Time business is a great complimentary business for existing marine companies like boat dealers and existing sailing schools looking for growth. This year, since we announced our agreement with Beneteau we have had three Beneteau dealers that have become ST franchises; it is a good match for their business model. Why? Let's just say a dealer's primary objective is to find quality prospects and sell boats. The resources needed to find 100 quality prospects who are ready and able to buy are very costly. Out of the 100 quality prospects, a dealer can expect to sell about 5 boats, but what about the other 95 prospects to whom you have not made a sale? What do you do, let them continue shopping around the next boat show and maybe buy a boat from the competitor? Having a SailTime franchise with your dealership enables you to suggest to those 95 undecided prospects, if not ready to buy then they should try sailing for a season the boat they are considering for purchase. The dealer has now the ability to turn that prospect into a client as a ST member and get more return for all the time and effort beyond the boat sale.

## Though sharing is the new economic rage, from your perspective having operated on this model for some time, how do you see the future of this shared economy?

I think it works as long as there is plenty of oversight and management. I think for things like cars, houses, planes and boats, it can be delivered as a safe reliable managed product and the public will use it. Repackaging underutilized assets into a smaller usable product make things more affordable for the middle class market which is the largest market in the economy. Of course, there are some concerns, you can't go too far with it, you can't have unvetted people sharing an airplane as a peer to peer, there has to be some controls. I think there is a limit and it will be interesting to see how far it goes.