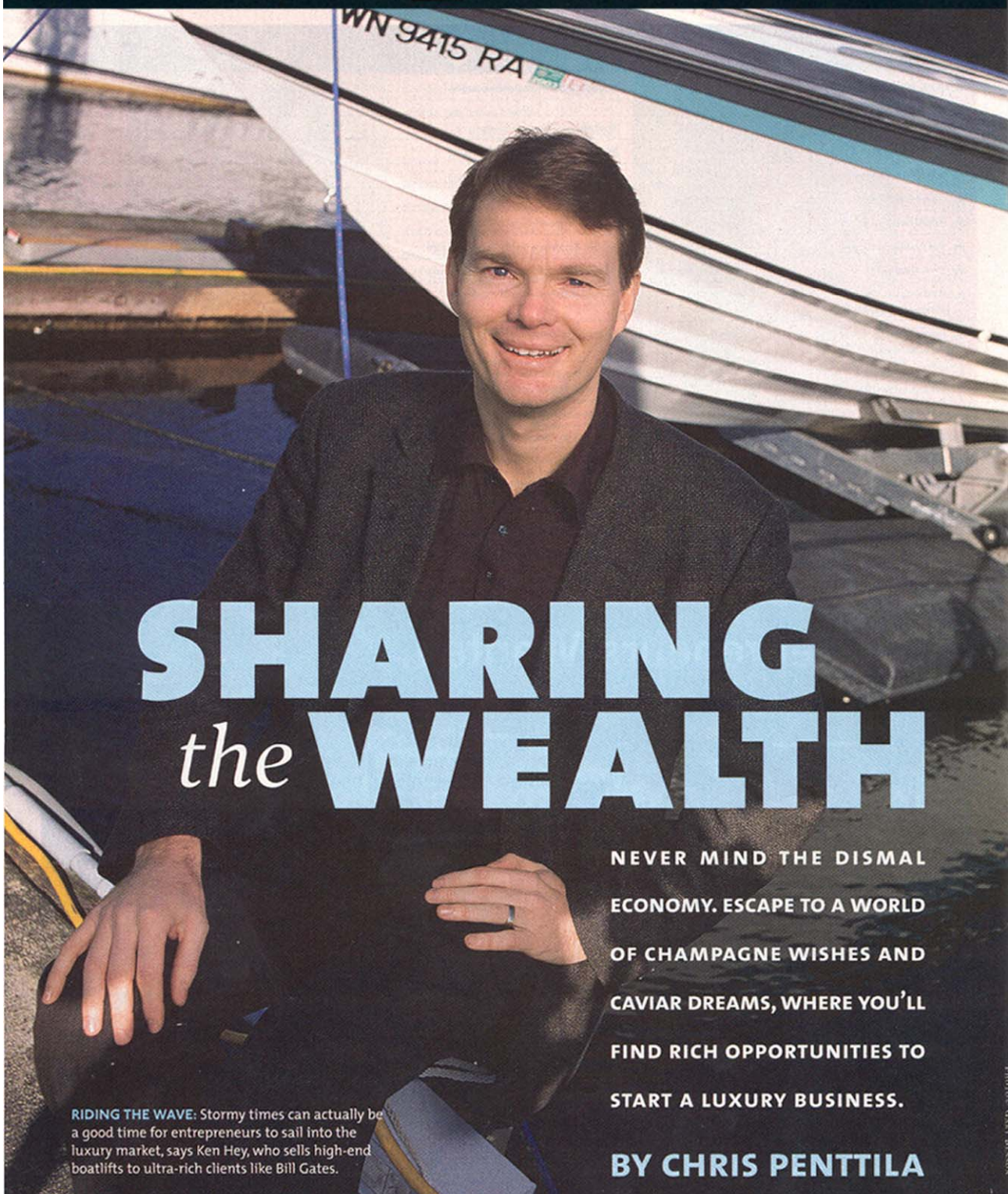


MAY 2003

**100 FASTEST-GROWING
FRANCHISES**

**HOT MARKET:
SELL TO THE ULTRA-RICH**

Entrepreneur®



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FIND RICH OPPORTUNITIES TO
START A LUXURY BUSINESS.

BY CHRIS PENTTILA

RIDING THE WAVE: Stormy times can actually be a good time for entrepreneurs to sail into the luxury market, says Ken Hey, who sells high-end boatlifts to ultra-rich clients like Bill Gates.

Creating Value

While marketing messages to the rich have been purely emotional over the past few years, they're now including clear value propositions, says Dave Kroencke, principal at The Richards Group, an advertising and marketing agency in Dallas, where he works with luxury product manufacturers such as Bernhardt Furniture and Sub-Zero. "You have to define your target audience," he says. "You need to use niche marketing and advertising tools to reach them."

A combination of niche advertising, trade show booths and word-of-mouth is working for Ken Hey, CEO of Sunstream Corp., a firm with 26 employees in Kent, Washington, that caters to the high-end boat market. Sunstream makes high-speed hydraulic, remote-controlled boatlifts that retail from \$4,000 to \$30,000.

PHOTO COURTESY: DAVID LANGE NEW YORK

The 6-year-old company's clients include families, retirees, high-income singles and the super-rich. In fact, two Sunstream boatlifts have been spotted on Bill Gates' Seattle waterfront property. "We sell the most expensive boatlifts you can buy," Hey, 39, says, adding that just one word-of-mouth endorsement can generate up to five sales.

Hey, who co-founded Sunstream with his wife, Debra, bootstrapped the business. His original plan was to sell five boatlifts in five months, but an appearance at a Seattle boat show changed everything—Hey walked away with 50 orders. This was an eye-opener, but Hey really raised competitors' eyebrows when he entered the market with products 30 percent higher in price. The move differentiated Sunstream and allowed

■ There are **15.1 million** U.S. households earning **\$100,000** or more per year (source: U.S. Census Bureau).

■ **By 2007**, the number of people who earn \$100,000 or more per year will jump by **63 percent** (source: Claritas Inc.).

■ **By 2007**, there will be more than **6 million** households with 55- to 74-year-olds whose annual income is \$100,000 or more (source: Claritas Inc.).

the company to offer superior features with enough margin to deliver great service. "Once you create value, you can command higher pricing," he says.

His strategy worked. Sunstream is now the 12th fastest-growing private company in Washington, with sales last year of \$4.4 million. The company took a round of private equity in 2001, and Hey is forecasting 77 percent sales growth in 2003.

Hey thinks entrepreneurs should enter the high-end luxury market when times are tough because a slowdown makes it much easier to find high-quality suppliers. "Focus on growing during a downturn if you can fund it," he says.

Keep in mind that the rich tend to think in terms of investment rather than consumption, and this is even more true now.

Instead of asking rich consumers what they want, find out what they don't like in the products or services they use. "It might lead to a breakthrough," Hey says. "Find that need they don't know they have." Do that, and you could find *yourself* sitting in the lap of luxury. ■

Chris Penttila is *Entrepreneur's* "Staff Smarts" columnist.