



15% sales growth over 21 consecutive years and no sign of slowdown

Sky's the limit for Blue Sea Systems



(Left to Right) Scott Renne, Founder and President; Jodi Faix, Controller; Craig Smith, Vice President of Operations, and David Johnson, Senior Vice President

By Mike McKenzie

Photos courtesy of Scott Lechner/
Blue Sea Systems

Scott Renne loves to soar in the sky, and sail on the seas. When it comes to business, he's firmly grounded as founder, president, and CEO of Blue Sea Systems in Bellingham, a provider of all things electrical in the world of boating (among many worlds of component parts).

He's a pilot, and not just a get-from-here-to-there pilot. He recently purchased a special airplane with which to perform aerobatics. Yes, figure-eights, loop-de-loops, spins, nose-dives—all the breath-taking maneuvers

of aerobatics, or acrobatic flying. He holds five different instrument ratings on pilot certificates and endorsements.

By sailboat Renne (pronounced "ruh-NAY") has navigated with his family on multiple-year excursions, such as the three-year, 20,000-mile trip with an infant daughter during which he hit upon the concept for his business. "In the electrical systems of boats," he said, "I knew that the predominant problem was the quality of components."

From that seed idea, starting in a small house, he grew not only Blue Sea Systems to its current sales track of more than \$25 million a year, but another spin-off company, Terra, that he said would have made a second

BUSINESS BOX SCORE

Top executive: Scott Renne, founder

Start-up: 1992

Funded by: Personal savings and credit cards

Annual sales revenue: Over \$25 million

Growth indicators: Sales up about 13 percent for

2013, and 21 straight years of positive earnings.

Moved into larger facilities '99, expanded space since

then. Market has expanded to distribution and OEM

customers in 44 countries.

Employees: 76

Employees in Whatcom County: 74

Business Pulse Top 75 Private Companies list had he not sold it in late 2012.

Blue Sea Systems employs 76 from its two-building, comprehensive research/development, manufacturing, sales and distribution operation tucked away on the backside of the Cordata industrial spread. Two work in sales in Clearwater, Fla.

The company's catalog features more than 1,000 items. That's not a typo: 1,000-plus. Anything and everything electrical you can think of for a boat, any boat, every boat, they not only make it already, they'll custom design it if they don't already have one. All very quickly; like, tomorrow.

Their business model is strictly wholesale, including a large OEM base (original equipment manufacturer, sourcing wholesalers who then sell to retailers).

And Blue Sea's nearest competition? Somebody in New Zealand.

Besides quality and service, a huge reason for such a corner on the market is the company's ability to turn most orders around in 24 hours for rapid delivery.

The original core customer is a distributor of electrical parts for boats, such as West Marine, where Renne's career in the boating industry began. He worked for them in California 15 years, rising to vice-president.

A passion for the ocean and boats, and an interest in business

have been at the core of Renne's life since childhood in the San Diego area when he was a budding sales machine.

During an excursion by sailboat for three years with his family at the turn of the '90s, Renne's 'aha' moment arose. Using his credit cards and some personal savings, he started Blue Sea Systems to make what he vowed

would become the highest-quality electrical components for boats. "We slept on the living room floor, and it was also our production facility," he said, "because we needed one bedroom for our small daughter, and one for an office."

That was 1992. Starting with one component and no employees, he took no salary for almost three years. During the third year he hired an assembler, Mary Sluys.

"She's still with us," he said.

Now, products evolve regularly. Example: a circuit breaker block rolled out recently from the designers and engineers in research and development. During 2013, a dozen new product lines

"In the electrical systems of boats, I knew that the predominant problem was the quality of components."

Scott Renne, speaking to the premise upon which he founded Blue Sea Systems

surfaced, including the company's first battery charger, and already 14 new ones appear on the 2014 drawing board. The business has expanded into many other areas in addition to boating.

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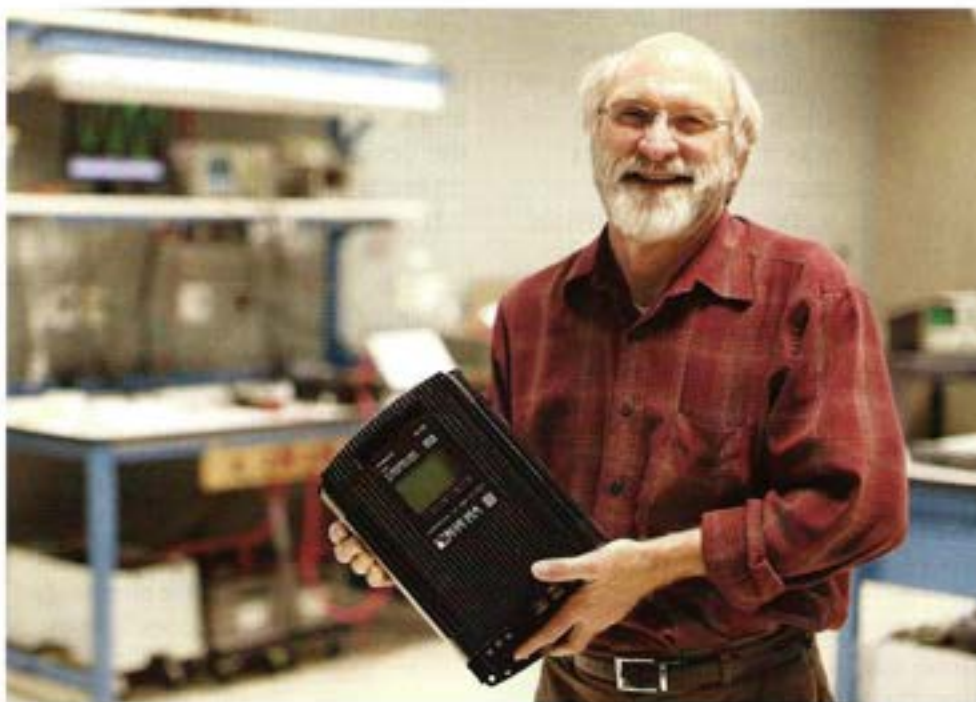
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Chief Technology Officer Wayne Kelsoe, a 10-year employee, recently worked with in-house engineers on the company's first battery charger. The in-house lab allows engineers to test the chargers in extreme environments to ensure the highest standards for quality, as all Blue Sea Systems products carry a lifetime guarantee.



Avery Stiles assembles a Mini Battery Switch at Blue Sea Systems Bellingham facility. Battery switches are installed on boats, emergency vehicles, RVs and other equipment worldwide.

The company operates on a foundation of its "Always Onboard" three-point promise:

- Quality Products engineered for the harsh marine environment and built to last.
- Guaranteed Satisfaction with our products for as long as you own them.
- Technical Support by officers, engineers, and technical staff.

That last line stands out in the boating industry. Tech support comes from every corner, not just tech staff, and company officers lead the way.

In his role as president, Renne spends most of his time, he said, in the ever-evolving culture of the work place. "I really love establishing and maintaining the culture," he said. The company operates on a foundation of a four-person management team. Renne champions a collegial atmosphere in which each and all on staff has a voice at any and all times.

"I take the most pleasure in nurturing our company's positive workplace environment," Renne

said. "We run the company with five rules, and the sixth rule is to break them all."

The rules are posted on walls. Fundamentally, he explained, they form a recipe for "here's how you behave....it's imbedded in our culture, and it's the litmus test for much of what we're doing."

In a display of the established method, the interviews for this article took place in the round, with a request that all four of the management team sit in and contribute—the manner by which they run the business.

The others on that team:

- Jodi Faix, controller and human resources.
- David Johnson, senior vice-president, sales and marketing.
- Craig Smith, vice-president, operations.

Smith, also a former West Marine employee, oversees the entire facility, the morning parts report, the IT department, all production, materials, and more.

In addition to managing the billings, receivables, and all

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On Scott Renne, CEO, Blue Sea Systems

accounting, Faix also deals with all human resources issues.

All four of them sit in with product development teams. "We're essentially a big family," Johnson said during one of the interview sessions, "who help one another succeed. We consult on every major component of the company, frequently walking into each other's offices. Scott and I

probably have done that 13 times just today."

An example of how the teamwork works: each of the four officers works in Tech Support one hour a day. "That is extremely rare," Dave said. "We engage with the end user. We hear from boating people from all around the world, and we learn from them."

Passion for boats bonds the work force. "Practically everyone here comes from some kind of boating background," Renne said. Mostly, that's been recreational. Several have sailed the established routes commonly called "around the world."

Renne sets the pattern. From San Diego, he went to college at the University of New Mexico and majored in philosophy before creating his career track in boating.

Business, however—particularly selling—flowed through his veins. "When I was a kid, I sold vegetables from my parents' enormous garden. I still have the old green

scale I weighed them in, and the pull-around green wagon I sold them out of." He also sold prickly pears from cacti that grew in the hills behind the family home. "I harvested them and sold from a

"We slept on the living room floor, and it was also our production facility, because we needed one bedroom for our small daughter, and one for an office."

Scott Renne, CEO, Blue Sea Systems

stand for a nickel...(until) all the kids in the neighborhood got sick on them, and their mothers called my parents."

He described how, when he was 14 he'd ride his small motorcycle twice a day to the next town

where fireworks were legal and purchase some, ride back, and sell them. "Basic business," he said. "I had no operating capital. I'd just buy at one price, and sell at a higher price."

During college years to pay the bills Renne bought and sold used Volkswagens. "The Bug was still in vogue as the economy car," he said. "I'd see one with flat tires, buy it, take it to an auto shop and fix it up, then post 'for sale' cards on the bulletin boards around campus."

Johnson also had no basic background pointing toward his future in business at Blue Sea Systems, unless you count selling berries at age 10 out of a gallon coffee can, or having a paper route at age 12, or selling greeting cards. He grew up in Shelton, Wash., near Olympia, and obtained a degree in psychology at the University of Washington. He taught school, including English as second language in Osaka, Japan.

Next he joined West Marine,



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Annual customer survey

Each year, Blue Sea Systems asks its customers to rate the following, and the company uses it to measure quality and improvements:

1. Orders are received on time
2. Orders are received complete
3. Orders are well packed resulting in no shipping damage
4. Product quality exceeds expectations
5. Product innovation and design exceeds expectations
6. Product pricing is a good value
7. Technical support is accurate and available when needed
8. Customer service staff are courteous and professional
9. Independent Sales Representation is strong
10. Blue Sea Systems is our top choice of suppliers



David Johnson, Senior Vice President, has worked with the company for more than 11 years after teaching and serving as a forester. He's accountable for sales and marketing worldwide.

where he met Renne. "Scott's one of those people you keep up with....always successful at what he did," Johnson said.

"We met up at a conference in Las Vegas years later. Afterward I told Scott that if he wanted more than a sales manager I was interested." Johnson's been with the company 11 years and sales shot up to almost \$7 million his first year. At Blue Sea Systems, he said, "I look after sales and marketing, and help keep 14-plus people working together."

Everybody not on the technical side of business gets involved in handling calls from clients. "Customer service," Johnson said, "is the company."

That contributes to the fast turnaround, an industry benchmark that Blue Sea Systems thrives on. "Most companies in the parts industry have lots of engineers in one department and lots of sales people in another," Johnson said. "The way we operate we can make changes quickly. We reduce the number of contacts for the customer. An email is sent to the sales manager and in a matter of minutes, an order is in line to be built and fulfilled."

Blue Sea Systems has six engineers. "I'm an electrical idiot,"

Renne said. "Never knew a thing about electrical stuff. But I'd been building boats my whole life, and helping other people on their boats, so I knew what worked and what didn't. Our business is built on relationships."

Johnson built his first boat at age 14, then built a 40-footer

that he sailed at age 21 to the South Pacific for 11 months with his twin brother and two friends, traveling 14,000 miles. About electrics: "When I started at Blue Sea Systems I didn't know much beyond that a power post connects big wires together. The boating culture is a community. So our



Osvaldo Euceda assembles a Custom 360 Panel, which Blue Sea Systems ships to customers globally for use aboard boats, emergency vehicles, and RVs.

decision makers all have a passion for boats whether that's in management, sales, or engineering."

That passion spread to electrical truck parts, starting with a simple fuse block that rolled five purposes requiring five different parts into one part. In addition to the boating world, Renne's business now has branched out to RV, automotive, renewable energy, and industrial markets.

Business, however—particularly selling—flowed through his veins. "When I was a kid, I sold vegetables from my parents' enormous garden. I still have the old green scale I weighed them in, and the pull-around green wagon I sold them out of."

A long way from that living room floor when he and his wife at the time assembled the first component while a 3-year-old slept in a nearby bedroom. "Once we got rolling," Renne said, "it grew huge pretty fast—\$125,000, then \$150,000. I'm proud that we've sustained about 15 percent growth over 21 consecutive years, including the downturn."

Those are sunny skies. And he flies them high.

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