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The State of The Wet Leisure Industry Survey Report 2012

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In association with

BSPF

'promoting pools, spas & allied leisure'

Whatever sector of the wet leisure industry you are in it is incredibly useful to know how your business is doing in comparison to the industry as a whole.

We are all in this industry together and the more information on the true size of our market and what lies ahead, the easier it will be for all of us to plan accordingly.

Last year's Wet Leisure Survey was a great success and started to build that overall picture of the industry that has been sadly lacking for so long.

This year we conducted the survey once again, and so, as we build data year on year, it becomes possible to track changes and trends in the industry that we can all use to help us with our business planning.

Last year the survey was conducted entirely online.

This year, with the help and support of the BSPF, we supplemented the online survey by sending out another survey form in the post.

We are glad to be able to announce that responses to the survey were up almost 43% compared to last year and we sincerely hope that this trend continues.

The questionnaire included both quantitative and qualitative questions – ones answered by figures and ones asking for opinions – and both aspects are reflected in the following report.

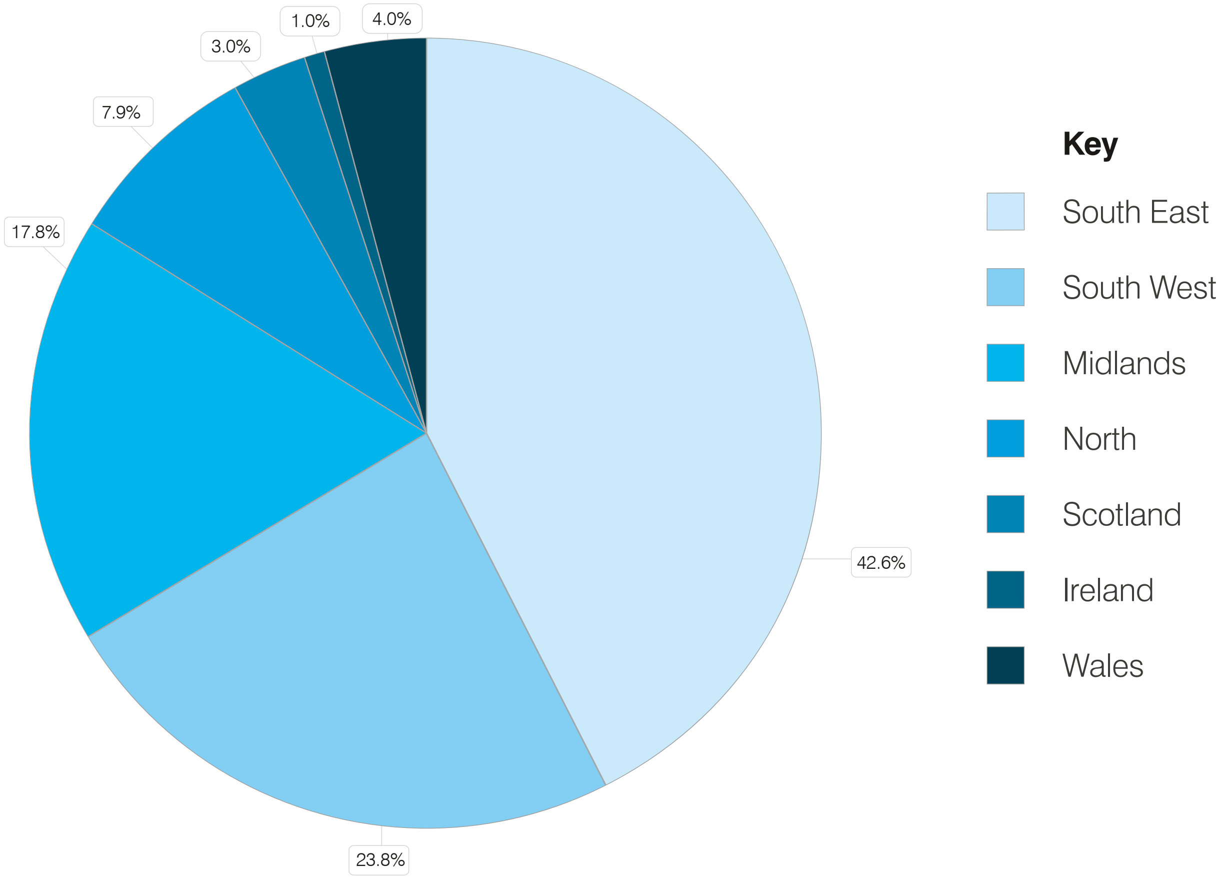
All of the responses were completely anonymous which allows us to quote some specific opinions without attributing them to any particular individual or indeed knowing who made them.

We hope that you find the findings included in this survey report interesting and helpful and we would like to thank everyone who responded to the survey, and once again thank the BSPF for their support and assistance.

What sort of businesses made up the survey sample?

There was a 42.8% increase in the number of businesses who responded to the survey compared to last year.

Q: What region of the UK does your business operate from?



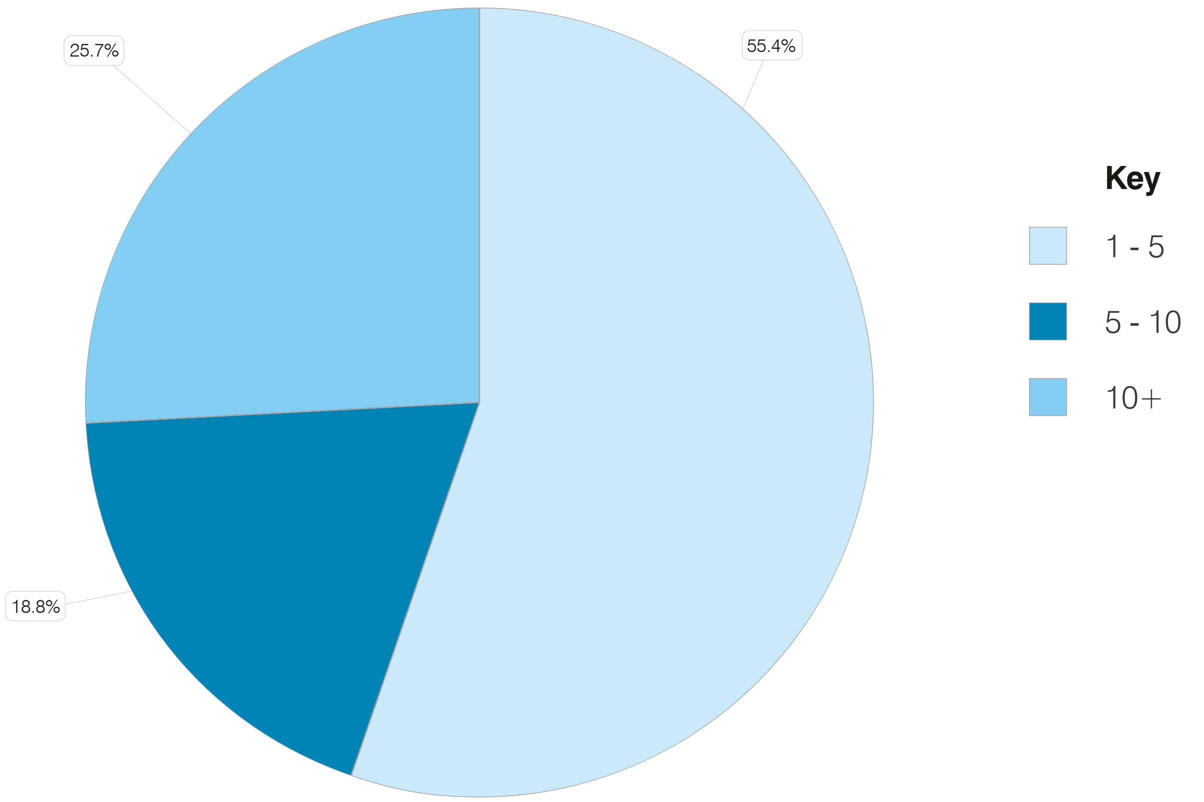
Once again the largest number of respondent businesses operated in the South East; 42% this year as compared to 40% in the 2011 survey results.

As a region, the South West grew from 17% of last years sample to almost 24% in this survey. That may reflect a growth in the size of the industry in the South West or be a regional bias in the increased number of overall respondents.

However, the South West has performed relatively well economically over the last few years and a higher proportion of relatively well off retirees in the population as well as the importance of leisure and tourism to the region may be having an affect on spa, sauna and pool businesses.

What sort of businesses made up the survey sample?

Q: How many employees do you have in your business?



The responding businesses ranged from one-man firms to those with 10 or more employees.

In last years survey, over 65% of the respondents were in the 1 – 5 category. As you can see, this has now dropped to just over 55%.

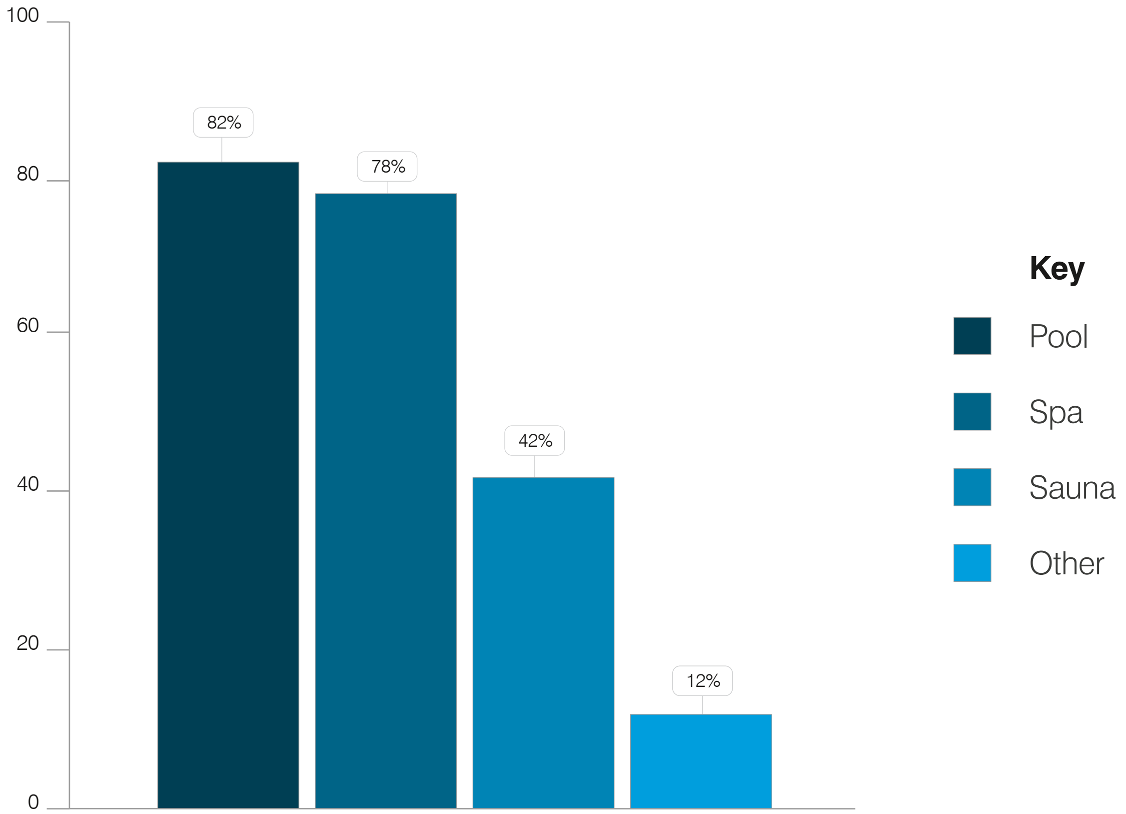
The economic downturn may have been particularly hard on small businesses where a lower turnover makes it potentially more difficult to manage cashflow.

In comparison, businesses employing 10 or more people grew from almost 19% to just below 26%, which is quite a significant rise.

The top end of the market has remained reasonably buoyant and it may be that bigger companies are better placed to service these larger, more complex projects.

What sort of businesses made up the survey sample?

Q: Which sectors of the wet leisure industry do you serve? Please check all that apply.

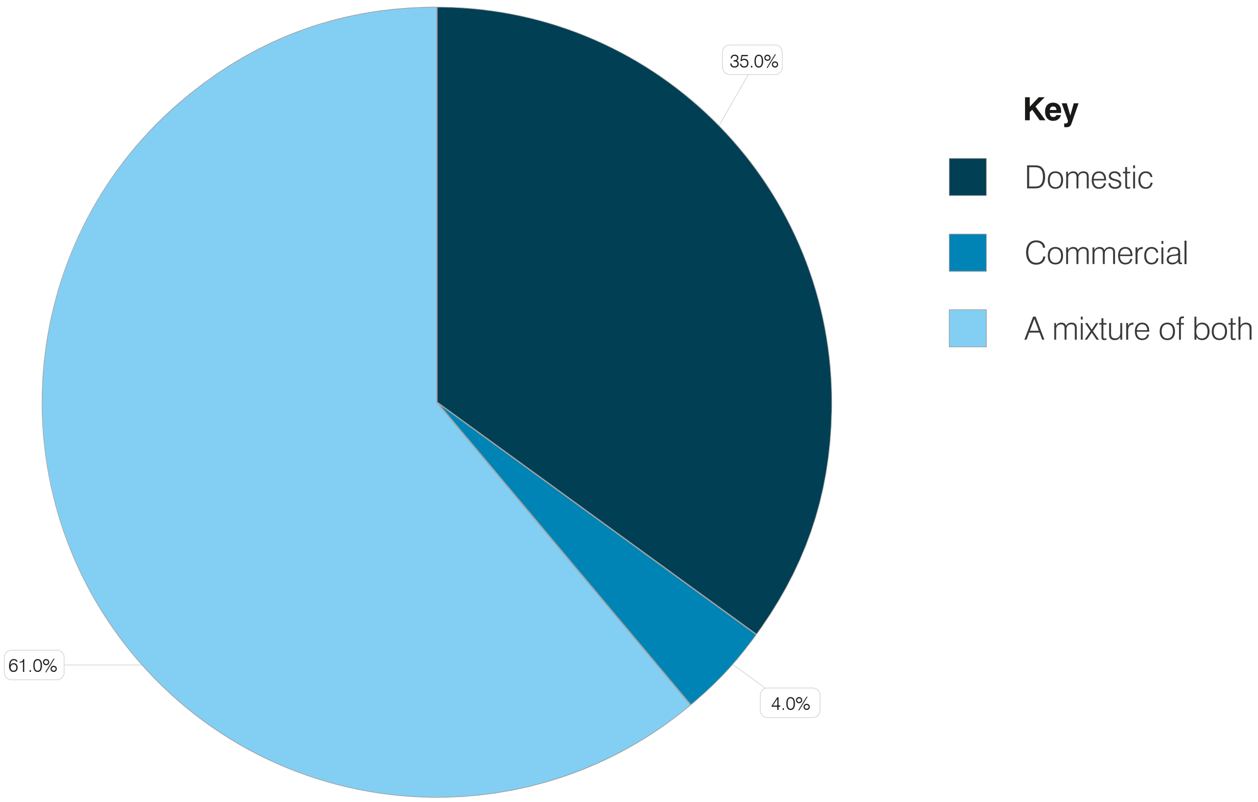


The split between the three major areas of the wet leisure industry; pool, spa and sauna, has remained relatively static year on year.

This years survey did however show a growth in steam showers and steam rooms.

What sort of businesses made up the survey sample?

Q: Are your customers and clients domestic, commercial or a mixture of both?



The respondents were asked whether their business was mainly domestic or commercial clients or a mixture of both.

Whereas the percentage of businesses operating purely in the commercial sector did not change, the number of businesses who had clients that were a mixture of both commercial and domestic increased from 21% last year to 61%, which is a significant increase.

This dramatic increase might be due to a number of factors.

In tough economic times, businesses might be more willing to look for and carry out work in areas that previously they didn't consider. You take work where you can find it.

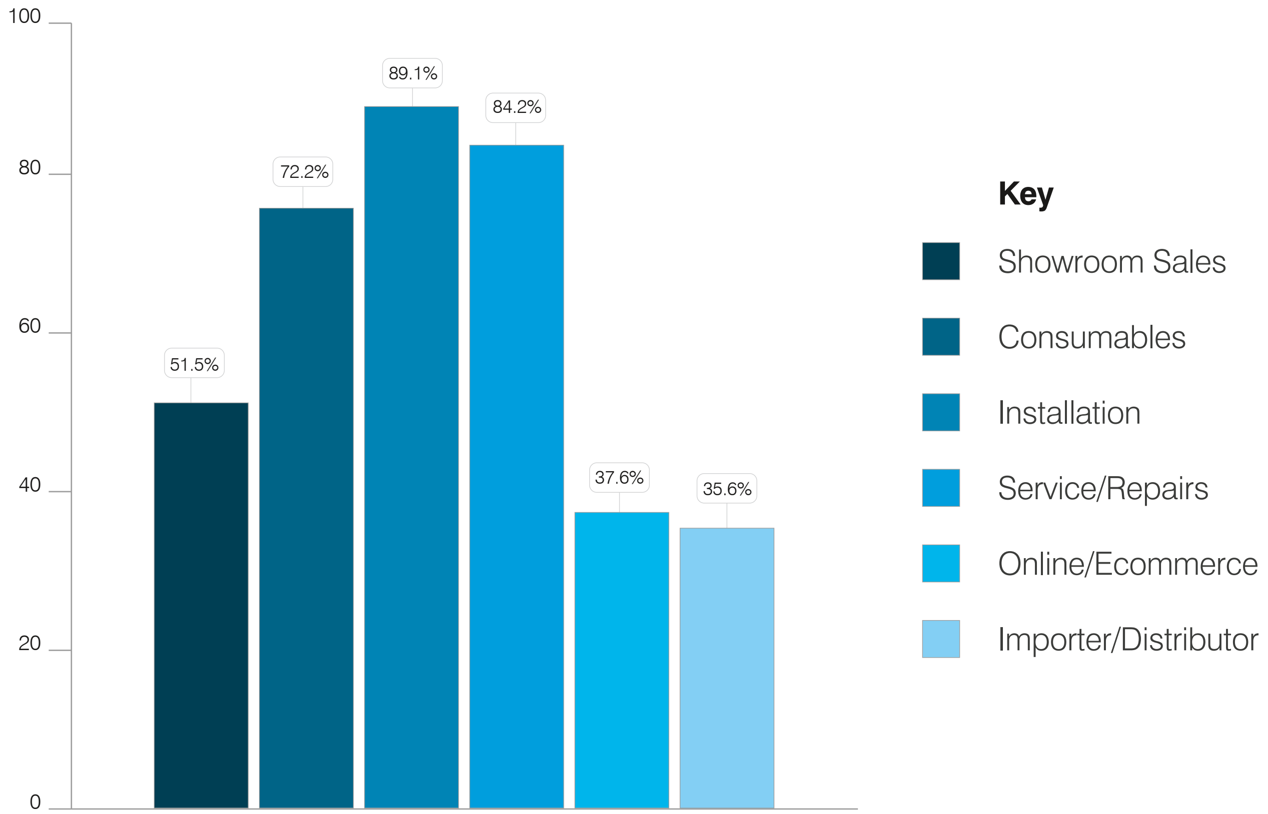
However, it seems unlikely that this would account for such a large growth and other factors might well be in play.

Spa hotels are an increasing sector of the hotel market and would be looking for saunas and hot tubs to supplement their pools. It is also increasingly popular for holiday rental accommodation such as cottages and guesthouses to offer a spa or sauna to attract premium clients.

There is also increasing growth in hydrotherapy and a range of institutions and commercial concerns may well be looking to add spas or pools to their health care offering.

What sort of businesses made up the survey sample?

Q: What are the services you offer your customers? Please check all that apply.



The range of services offered by respondents has remained fairly static.

There was a very slight percentage decrease in those offering showroom sales and a slight decrease in online and ecommerce businesses.

In this years survey we included a new category; that of importer/distributor, and 35% of the respondents classified themselves as such.

In almost all aspects raised by the survey, these importer/distributors were unremarkable reflecting the responses typical of the business as a whole with one notable difference.

When asked how they had found business conditions in the last 12 months, 20% of them said that things had been ‘extremely good’ compared to a survey average of 9%, and only 4% described conditions as extremely difficult compared to a 13% survey average.

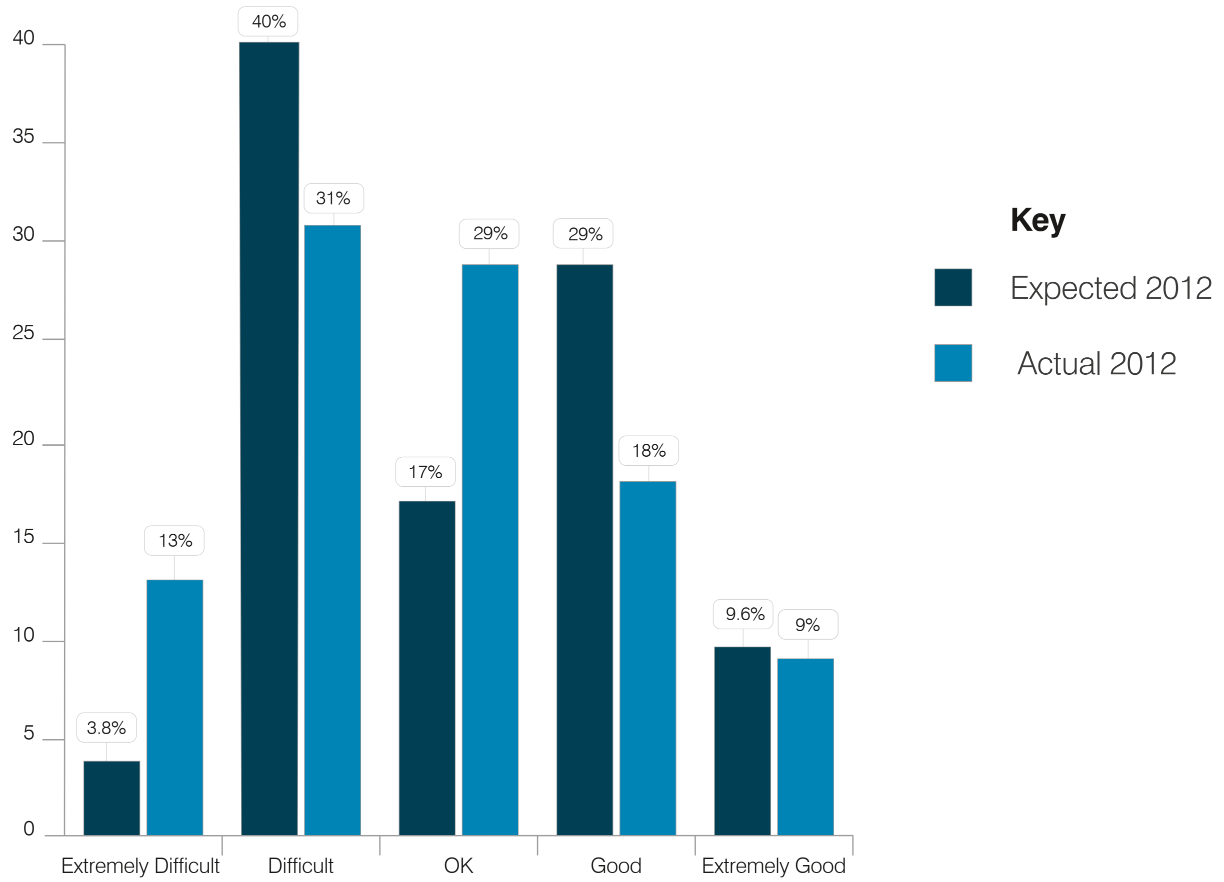
How was it for you?

At the end of 2012, that was the question on everyone's lips in the wet leisure industry.

For the last 12 months, the media has been full of doom and gloom and it seems as if the skies have been full of cloud and rain, so this chart was never likely to be the most cheery one.

In last years survey we asked people what their expectations were for this year and so we have a chance to compare a forecast with the facts.

Q: How was it for you?



3.8% expected 2012 to be an extremely difficult year but 13% actually found it so.

40% thought 2012 would be simply difficult but only 31% found that to be true.

'OK' had a 17% forecast but 29% looked back on the year and described it that way.

29% of people expected 2012 to be 'good' and 18% experienced it as that.

'Extremely good' had a 9.6% forecast and a 9% review.

How was it for you?

So, we had four swings of approximately 10% with increases for Extremely Difficult and OK, and decreases for Difficult and Good.

This could be analysed a number of ways – and because the responses are anonymous we have no actual way of knowing – but it seems most likely that the changes took part on their own sides of the median line.

That is to say that someone expecting a positive outcome for 2012 didn't suddenly find himself or herself reporting an extremely difficult year after the event but rather that 10% of those expecting a difficult year found it extremely difficult and 10% of respondents expecting a good year found it merely OK.

Another way of looking at the results is to note the rating averages.

The forecast for 2012 in last years survey had a 3.00 rating average. The rating average when looking back over the year has fallen to 2.79 (where 1 is extremely difficult and 5 is extremely good).

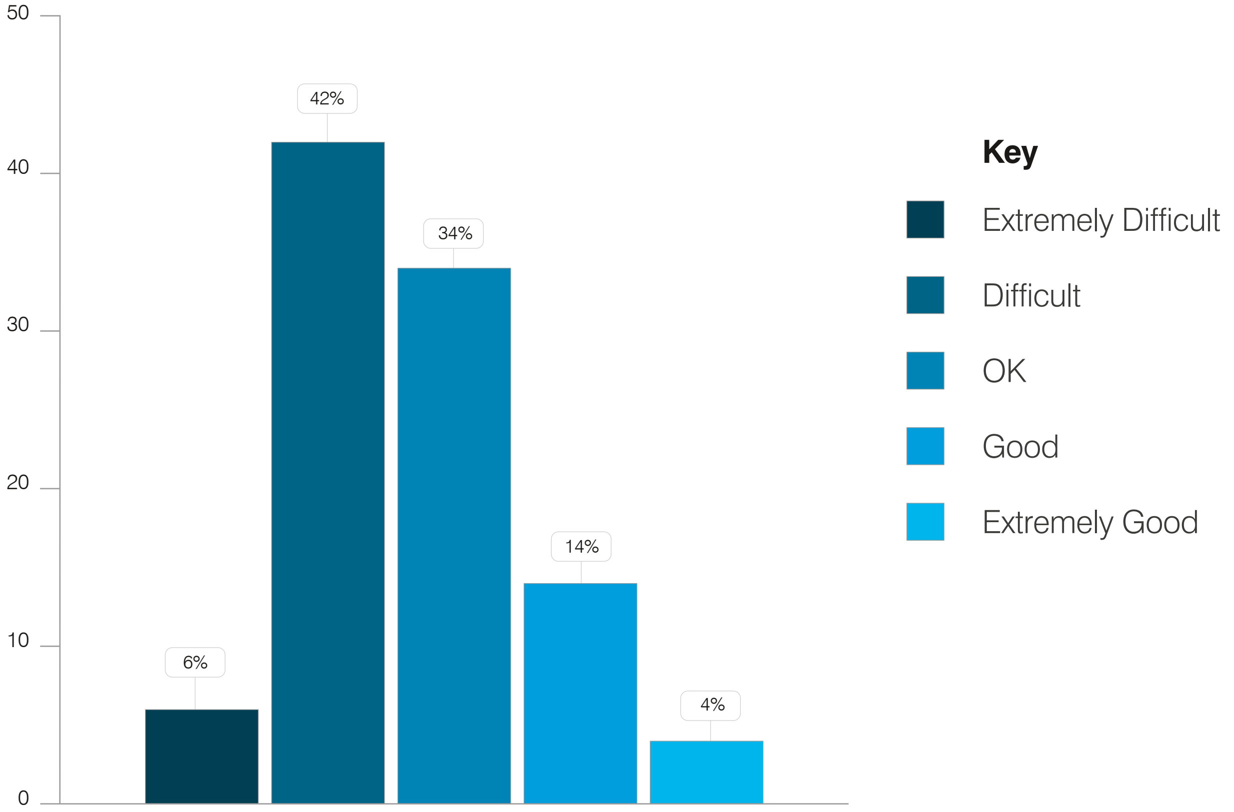
There is of course one final observation on the date from this question.

9.6% of businesses forecast an extremely good year and 9.0% of businesses achieved it.

Are they the same businesses? Almost certainly, yes.

How was it for you?

Q: On the following scale, how do you expect business conditions to be next year?



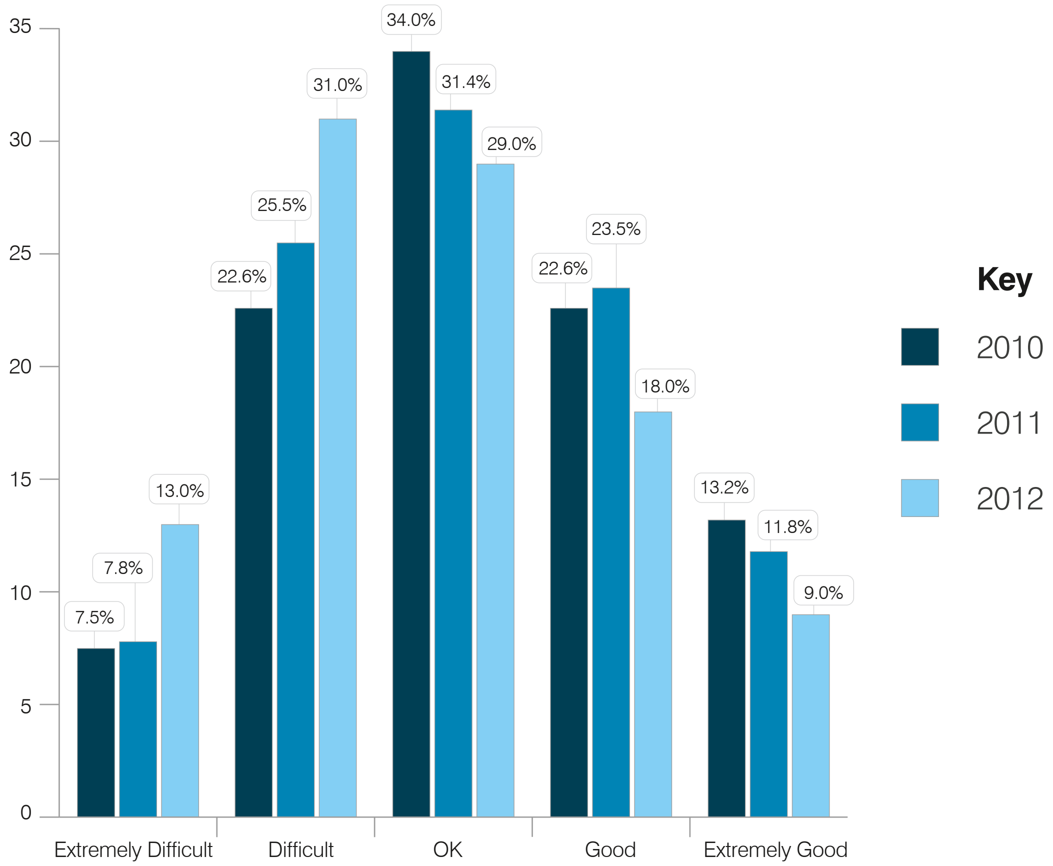
Once again we asked respondents to give their forecast for the year ahead, for business conditions in 2013, and once again the rating average drops; this time to 2.68.

That in itself is pessimistic enough but to put it into context, the rating average for 2010 – which we asked about in last years survey – was 3.11.

How was it for you?

The following graph shows business conditions, as they were experienced over the three years.

Q: Business conditions over three years



"It does seem that we can talk ourselves into depression. If you think negative then the chances are you will not commit 100% so in turn more likely to fail."

"BBC and the media are to blame!"

"The Hosepipe ban. The Rain. The End."

How was it for you?

Not only did we ask for people's levels of confidence and expectations, we also asked for sales figures. Last year 48 respondents filled in that section of the survey and this year we received 65 responses to that section.

The results are surprising particularly when seen against the mood in the industry as shown on the previous page.

2011

	Unit Sales	Number of Respondents	Average Unit Sales
Pools	209	41	5
Spas and swim spas	1,488	42	35
Saunas	93	35	2.5

2012

	Unit Sales	Number of Respondents	Average Unit Sales
Pools	404	57	7
Spas and swim spas	3,101	69	45
Sauna and steam	160	47	3.5

These figures clearly show growth in the industry.

This year's sample includes a higher percentage of larger businesses than last year. 26% of respondents were businesses of 10 or more employees compared to 19% in the 2011 results. That may have some affect on these tables.

It may well be that the disparity between sales and business confidence reflects shrinking margins and therefore shrinking profits.

It may be that recessions are as much about business and market confidence as they are about the numbers.

In all probability all of these factors are at play but the rise in sales figures shown by the survey remains a fact.

So now it's time to, as they say on 'Dragon's Den', to drill down into the figures.

The first sector that we looked at was **the 9% of respondents who had enjoyed an extremely good year.**

What similarities or commonalities were there across that group?

Only half of the businesses were in the 'affluent' South East of the country but over 75% of them were larger businesses with 10 employees or more and none of them were in the 1 – 5 category when it came to employee numbers.

How was it for you?

They were involved in the pool, spa and sauna sectors and hydrotherapy was also mentioned specifically.

Only one of the businesses was purely domestic with 22% involved solely with commercial contracts and the rest (68%) doing a mixture of business and commercial.

Both showroom sales and ecommerce were lower than the survey norms but interestingly weren't bothered by internet competition and simply citied the weather and the economy as negative forces affecting their trading year.

In terms of actual products sold or installations completed they were active across all areas but had a far higher level of swimspas and steam showers or steam rooms than the industry average.

83% of these successful businesses described their clients as 'top end' of the market.

Their concerns for the 2013 business year were much more about the problems of expansion than recession. Although they admit that they work in a highly competitive area of the market, 30% of their business concerns for next year were about finding and recruiting high quality, experienced staff.

Obviously, it then made sense to focus on **the 13% of respondents who had suffered from an extremely bad year.**

These businesses were spread more evenly across the country although over 40% of them were from the South East. Of course, almost half the survey respondents do business in that region.

Of this group though, 77% were smaller businesses with 1 – 5 employees and 70% of them dealt solely with the domestic market; a complete reversal of the previous group.

They were more focused on the pool sector and showed less diversity of products. 50% of their business was described as 'middle' or 'budget'.

On the bright side, 75% of this group expected things to improve in 2013.

This group saw the media and its reporting of both the recession and the weather as having a negative influence on their businesses, they were equally unhappy with the effect of both the Olympics and Jubilee and were concerned about internet competition.

The Wet Leisure Industry by Sector

Although the survey was aimed at the whole of the wet leisure industry, it is possible to look at each sector – pool, spa and sauna individually, although it should be noted that the majority of respondents work in more than one of these areas.

The pool sector.

In the pool sector the rating average for business conditions for 2013 was 2.64 compared to a survey average of 2.68.

In terms of business size, they were within a few percent of industry norms as shown by the survey.

73% of these businesses sold spas as well and just over 40% dealt in saunas.

Most of the respondents who described their business as 'purely commercial' worked in the pool sector.

Not surprisingly, 75% of them said that the weather had had the biggest impact on their business in the last 12 months. They also saw the weather as one of the biggest challenges that they had to face in 2013.

" With the world a plane ride away, the cost of having and maintaining a pool, isn't the must have it once was unfortunately."

" It's hard finding enough people who can afford a pool or think they need one in this cold, wet country."

The spa sector.

In the spa sector the rating average for business conditions for 2013 was 2.80 compared to a survey average of 2.68.

The spa businesses tended to employ slightly more people than the industry norm.

Half of the respondents in this sector sold saunas as well and they were also involved in steam and hydrotherapy.

They were also very frustrated by the weather's impact on their businesses in 2012 but had a wide range of concerns for the future including rising fuel and vehicle costs and cash flow and finance issues.

The spa sector has always felt itself particularly affected by internet competition.

" Chinese import hot tubs that have a billion jets, tv's and stereos, for less than half price."

" We have only seen dedicated spa buyers, the 'impulse' buyer has completely disappeared."

The Wet Leisure Industry by Sector

The sauna sector.

In the sauna sector the rating average for business conditions for 2013 was 2.69 compared to a survey average of 2.68 although this score was comprised mostly by 'middle ground' business expectations with no respondent expecting either an extremely good or extremely poor year ahead.

The sauna businesses were also selling steam and hydrotherapy installations.

They were very heavily biased towards working in both the domestic and commercial sectors of the industry rather than focussing on one area.

Therefore, if we look at this view of the industry by market sector in comparison to last year's survey there are a number of general trends.

In last years survey these sectors were more clearly separated. It seems that more businesses have diversified into other areas – so pool companies are selling more spas, etc – and that the challenges that they face have therefore become more universal across the whole industry.

The economic downturn obviously affects everyone equally.

There has been quite a lot of anecdotal evidence over the last year that the **top-end of the market** has remained buoyant and it is true to say that the rating average for expected business conditions for 2013 for those operating in this area was 2.75 compared to a survey average of 2.68.

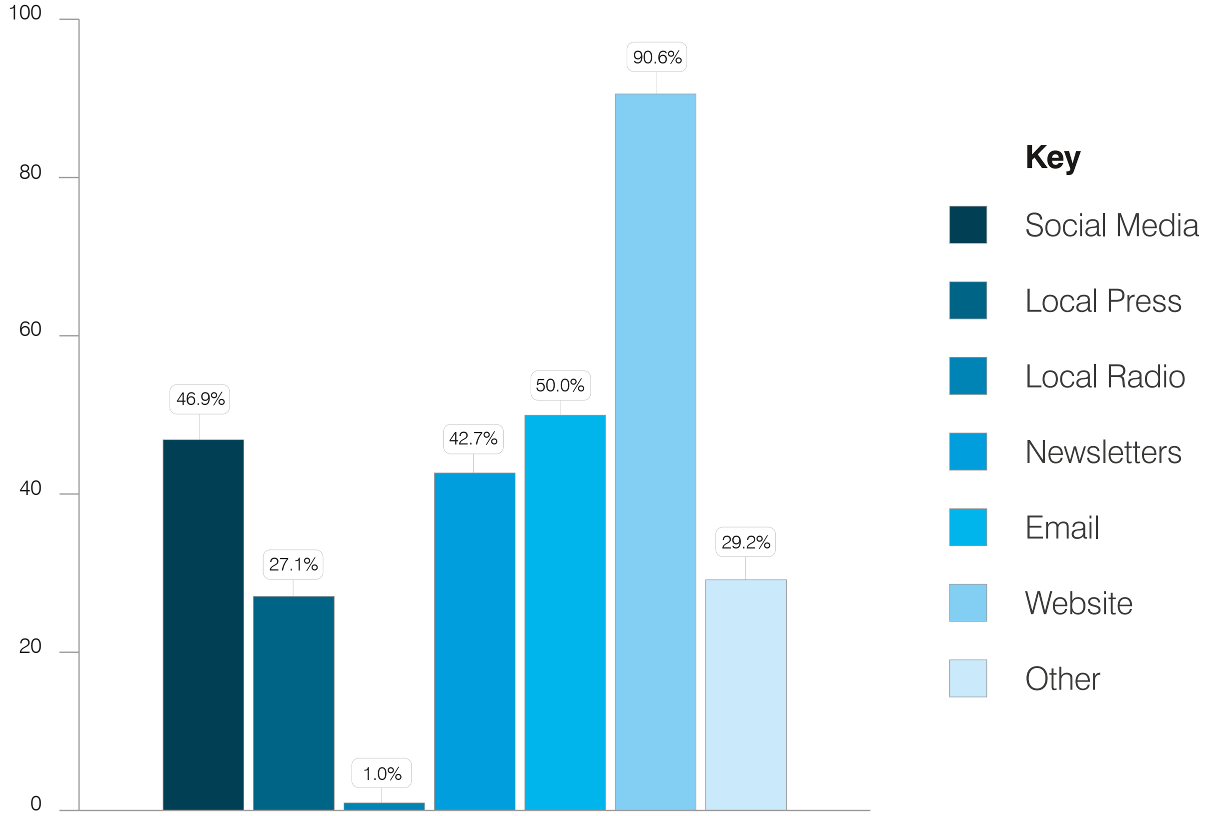
The other side of the coin is that **the 'budget' sector** is looking at 2013 with very little confidence with a rating average of 2.41.

Indeed, businesses that described most of their sales as 'budget' had a much harder time in 2012 than the industry average with over 75% of them reporting a difficult or merely 'OK' year.

Marketing

One of the new areas that we looked at in this year's survey was **marketing**.

Q: What marketing and advertising do you apply to your business? Please check all that apply.



"Our professionalism; we are told time and time again by clients and main contractors how impressed they are with the quality of our staff and their attitude."

Marketing

Not all of the survey respondents answered this question but all that did so were using more than one form of marketing.

No matter how the survey data was analysed, the graph on the left remained fairly constant. That is, businesses in the top end or those looking at a budget conscious market, large or small businesses, pool or spa or sauna businesses; all of these used a broadly similar media mix for their marketing.

Of course, that is all that this result shows; what media do you use for your marketing. The quality and its effectiveness cannot be judged here.

Word of mouth was the most popular marketing tool in the ‘other’ section.

“ It may be old fashioned but it has to be recommendation.”

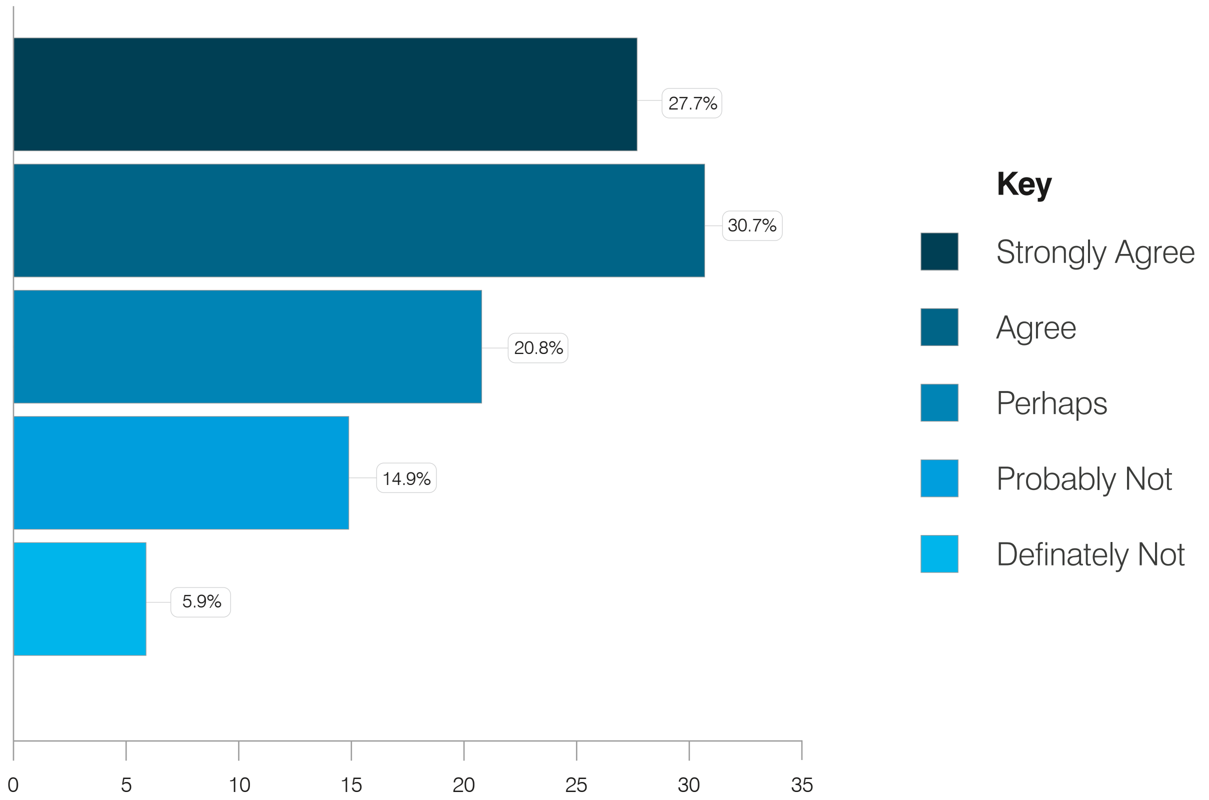
“ Our honest approach to clients without pulling the wool or degrading other businesses has paid off with our clients.”

Any Other Business?

The survey closed with **two final questions, which were pertinent to the whole industry.**

The first one concerned itself with safety concerns and subsequent regulation of the industry.

Q: With this years outbreaks of Legionella and continuing discussion regarding pool safety, should the wet lesure industry be more regulated?

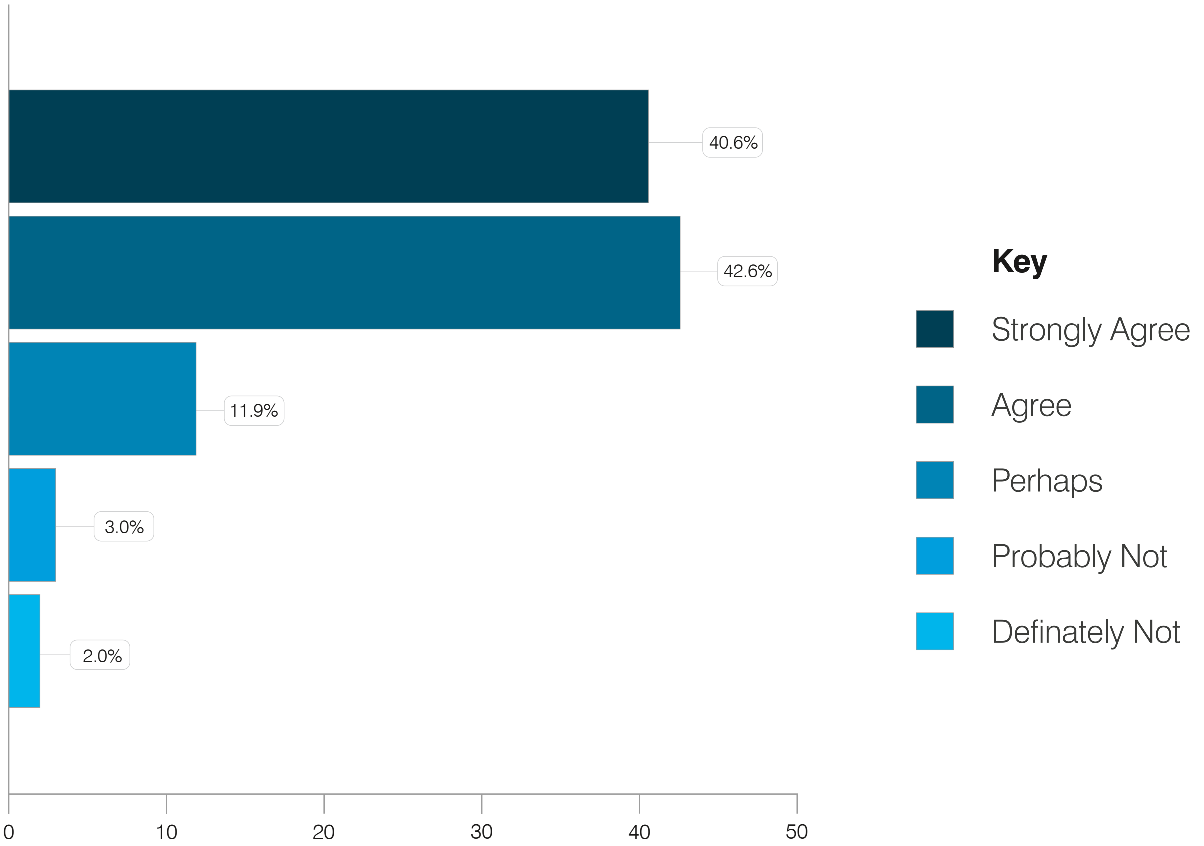


Clearly, with 58% or respondents agreeing or strongly agreeing there is a case to be made for pressing for industry regulation.

Any Other Business?

The second question concerned **promoting the positive aspects of the wet leisure industry to the public in general.**

Q: Do you think more should be done to promote the wet leisure industry in general to the public?



In this instance, 83% of respondents agreed that our industry should do more to promote itself to the general public.

In Conclusion

In conclusion, we hope that the information in this report has been of interest to you and we hope that you can use it to sharpen your business strategy by understanding the market better.

Our industry, like all industries, is constantly changing and evolving and it is only by being able to see and chart those changes that sound business decisions can be made.

"Making sure you have a business plan in place that reflects the trading environment. It is challenging but trying new ideas, thinking out of the box works."

This report has certainly been made more insightful and useful by being able to draw comparisons with the previous years survey, The State of the Wet Leisure Industry, 2011.

We would like to thank everyone who took part in the survey and encourage every member of our industry to take part in next years survey so that this pool of shared information can grow in size and accuracy.

As one respondent said;

"Well done for putting together this initiative. I look forward to reading the results and seeing how my views compare with others in the industry."

With special thanks to Simon Minchin.

“Issues that have challenged us for the past few years are likely to stay a while longer. We will have to modify the way we do business to survive and develop into the future.”

Survey Respondent

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