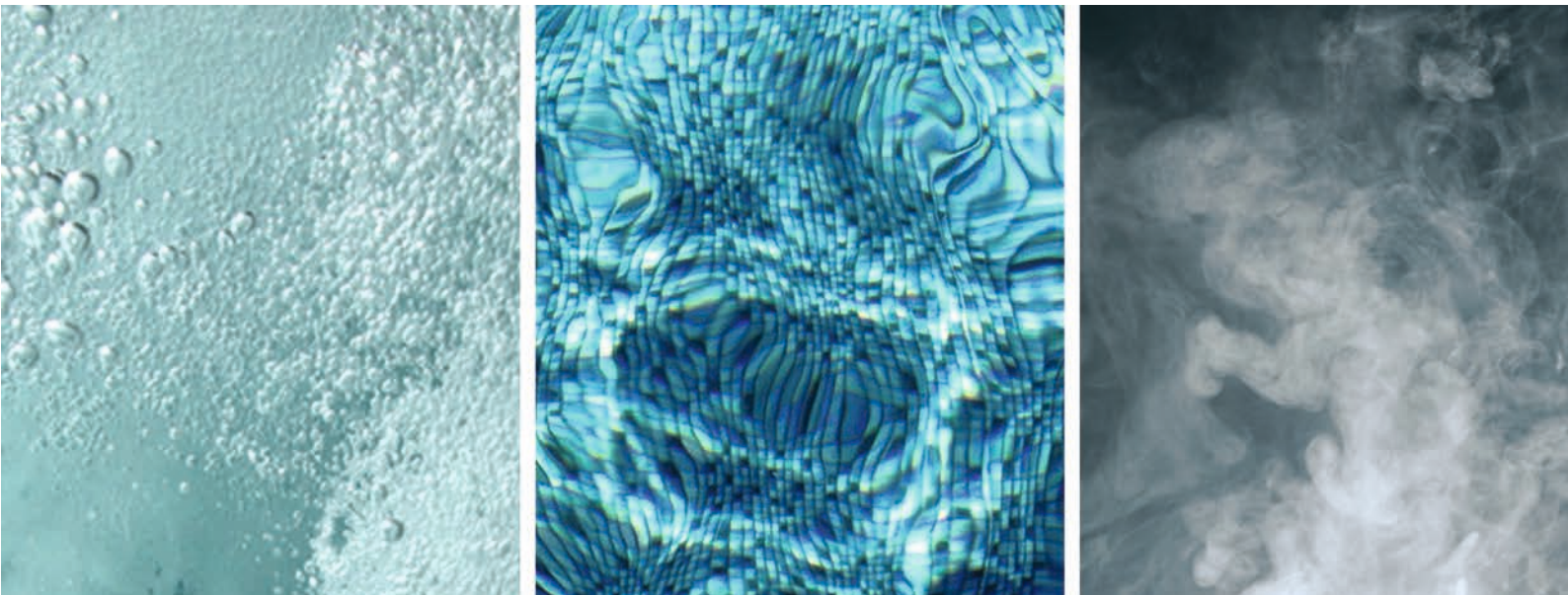


The Wet Leisure Survey Report 2013



Wet Leisure Industry Survey Results 2013

This is the third year of the Wet Leisure Industry Survey.

This year we received about 15% more responses than last year. As we build data year on year and as the number of respondents grows, the picture that is revealed about our industry becomes more and more accurate, more and more useful.

There are some definite trends appearing in this year's survey; some of them you might have expected, some of them might surprise you. The survey shows what areas of our industry are growing and where times are getting harder.

Once again, with the help and support of BSPF, we supplemented the on-line survey by sending out another survey form in the post.

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.

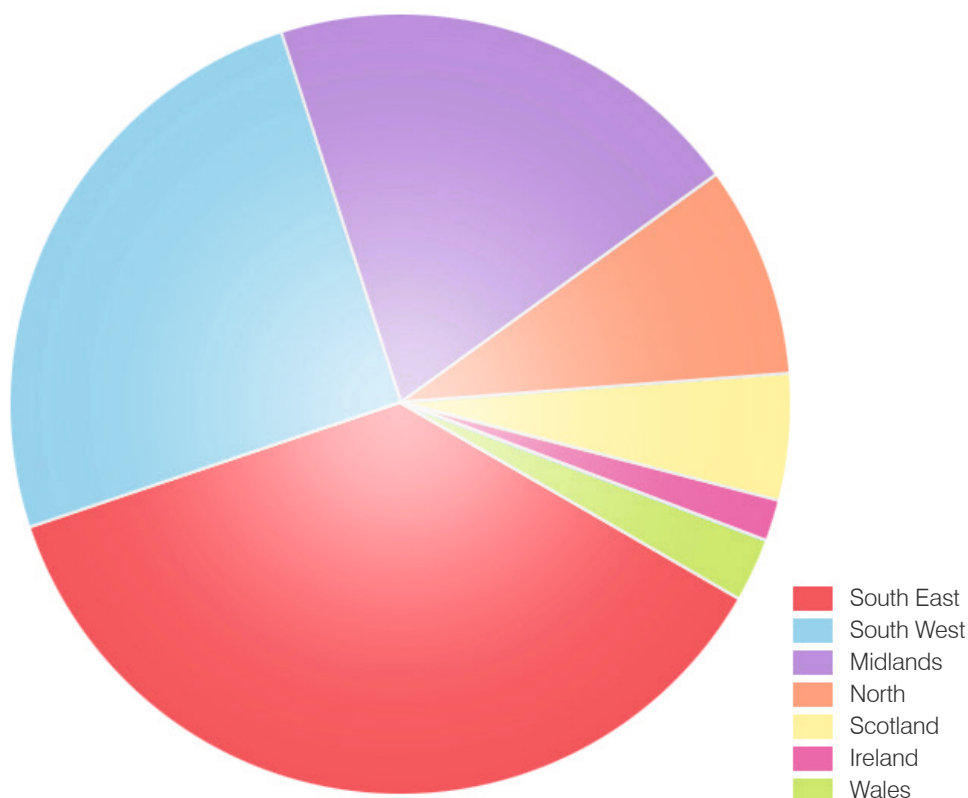
We hope that you find the findings included in this survey report interesting and helpful and we would like to thank everyone who responded to the survey and once again thank BSPF for their support and assistance.

What sort of businesses made up the survey sample?

For the third year in succession there was an increase in the number of businesses who took part in the survey and submitted either an on-line or postal response to our questionnaire.

All the responses are anonymous so we have no way of knowing actually how many new respondents there are this year, but it seems reasonable to assume that businesses who have filled in a questionnaire in previous years are more likely to continue to do so.

1. Which region of the UK does your business operate from?



The South East remains the region where the largest numbers of businesses operate; although as a percentage of the respondents its dominance has fallen slightly from 42% in 2012 to 35.7% this year.

All of the other regions with the exception of Wales and Scotland showed slightly higher numbers of respondents than in previous years.

It should be remembered that these figures don't really show regional growth – or a lack of it. They simply show where the survey respondents are based. (Some businesses operate nationally, some in more than one region.)

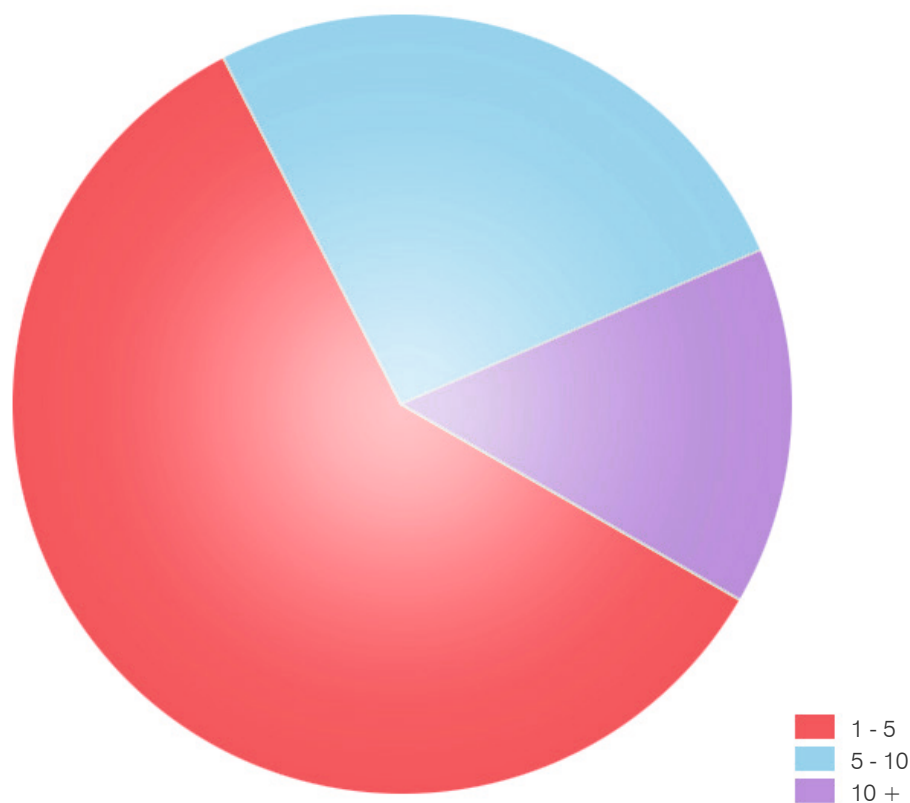
The relative strength of the South East, South West and the Midlands corresponds accurately to the regional variations that were shown in an Office for National Statistics survey on disposable income per head which

What sort of businesses made up the survey sample?

was published in 2012 so, put simply, these are wealthier areas where people have more money to spend on wet leisure.

The anomaly is Scotland, which did well in the survey on disposable income but is under-represented in our wet leisure respondents.

2. How many employees do you have in your business?



Last years survey reported a significant rise in the number of respondent businesses who employed 10 or more people.

This years survey shows an equally significant drop in the same group. Businesses with 10 or more employees have fallen from about 26% to just over 15%.

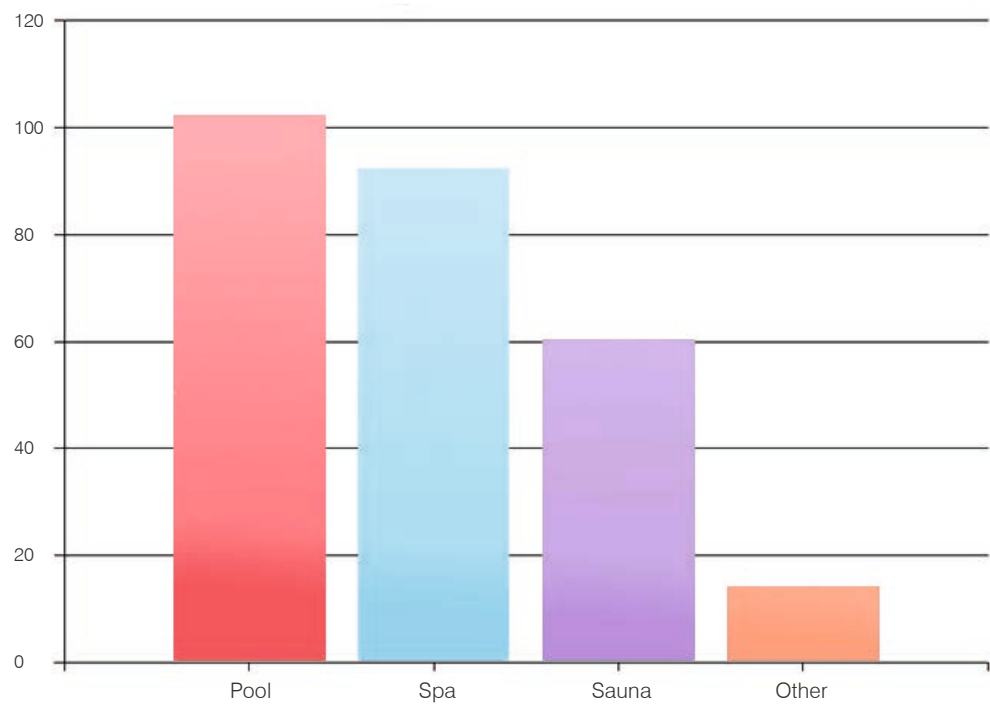
It certainly appears that the businesses that responded this year are employing less people.

When a survey, such as this, doesn't poll exactly the same respondents each year you should exercise a little caution when drawing conclusions from changes in figures, however one possible answer is that businesses are becoming more efficient.

What sort of businesses made up the survey sample?

The last few years has seen the UK in recession and businesses are constantly under pressure to cut costs; but no one likes firing staff. So reductions in the number of employees a business has tend to lag behind the economic pressure that drives those decreases in staff numbers.

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



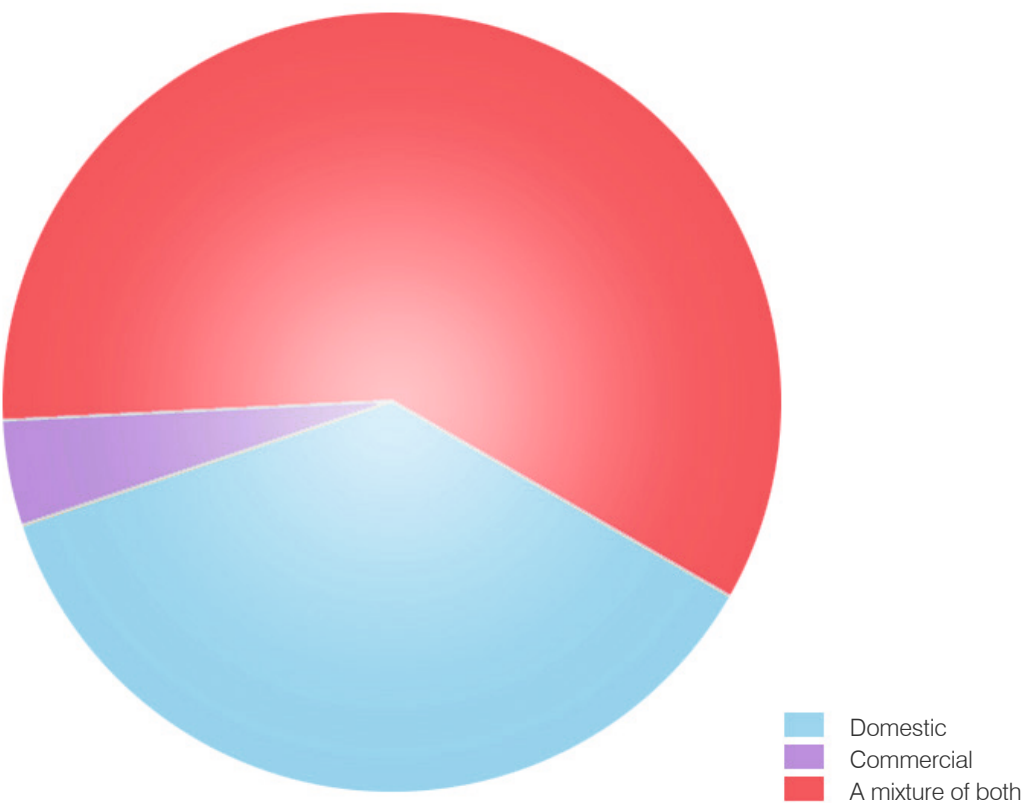
The underlying trend for wet leisure businesses to operate across all three sectors of the industry continues.

The growth of the sauna sector continues; this year with over 50% of respondents involved in selling and installing saunas as opposed to just over 40% in last years survey.

Where the growth in sauna is occurring can be seen in more detail in some of the specific responses to the question. ‘Spa developments’, ‘steam rooms’ and ‘bathrooms’ were all areas specifically mentioned and perhaps point to the fact that this area is growing and developing in a slightly different way to where we would see ‘traditional’ wet leisure business.

What sort of businesses made up the survey sample?

4. Are your customers and clients domestic, commercial or a mixture of both?



The responses to this question in this years survey were broadly similar to the 2012 results.

Businesses working in a mixture of both the domestic and commercial sectors remain the most common type of business in the wet leisure industry.

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

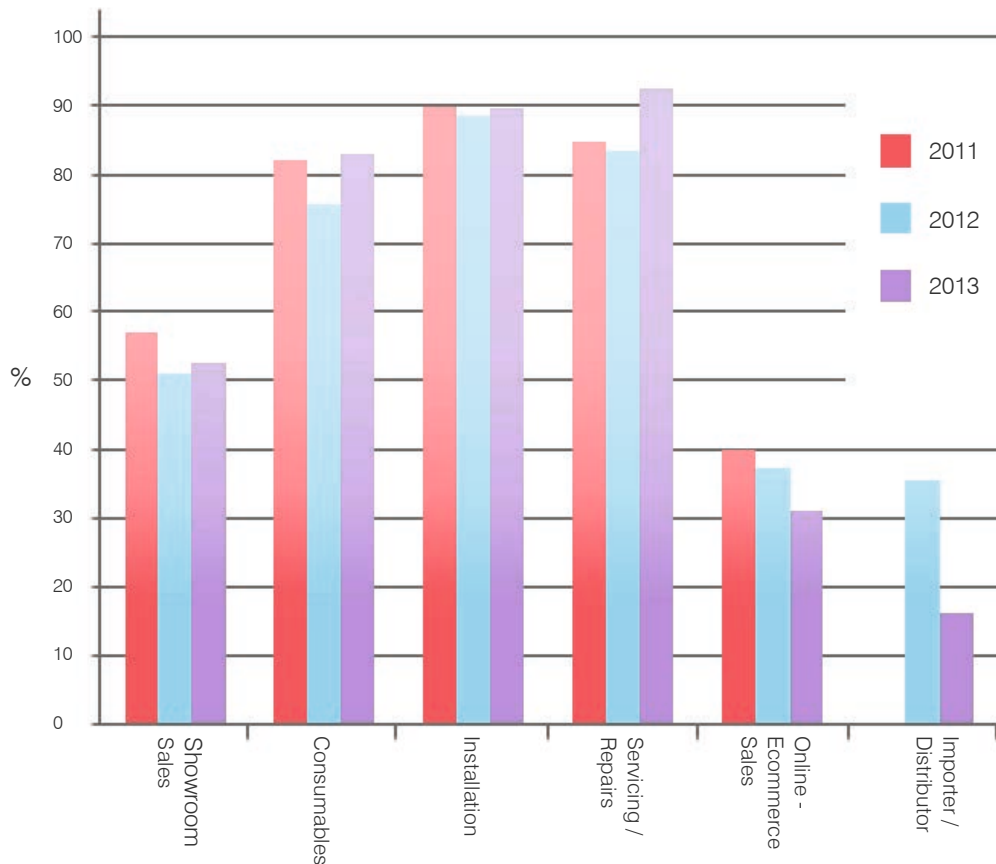
In terms of the services that respondents offered their customers, once again the picture has remained fairly static.

There are two areas of change however; the first is a rise in consumables that is mirrored by a rise in service and repairs.

Could these two be linked? It seems reasonable that offering consumables is at least associated to servicing a customer's pool or spa. The UK's DIY culture is probably on the wain and certainly at the upper end of the market or with a more complicated installation, it seems more and more likely that a pool or spa owner will call in a service professional.

What sort of businesses made up the survey sample?

What are the services that you offer your customers?



Another factor must be that the overall number of pools and spas in the UK that are running is on the increase. They are being built and installed at a greater rate than they are being decommissioned or coming to the end of their useful lives.

The second area of change was a slight decrease in the percentage of respondents who were involved in ecommerce. That group fell from 37.5% to just over 31%. The fall is not a dramatic one but does suggest that web-based retail businesses don't have things all their own way. They may have lower overheads but price comparison on the Internet is easy and margins are often forced lower and lower.

“Prices have to be kept keen with Internet competition so our margins were 3% down.”

In fact, over the three years covered by the Wet leisure Survey (2011 – 2013), online and ecommerce sales are the only group to have shown a steady and constant decline.

How was it for you?

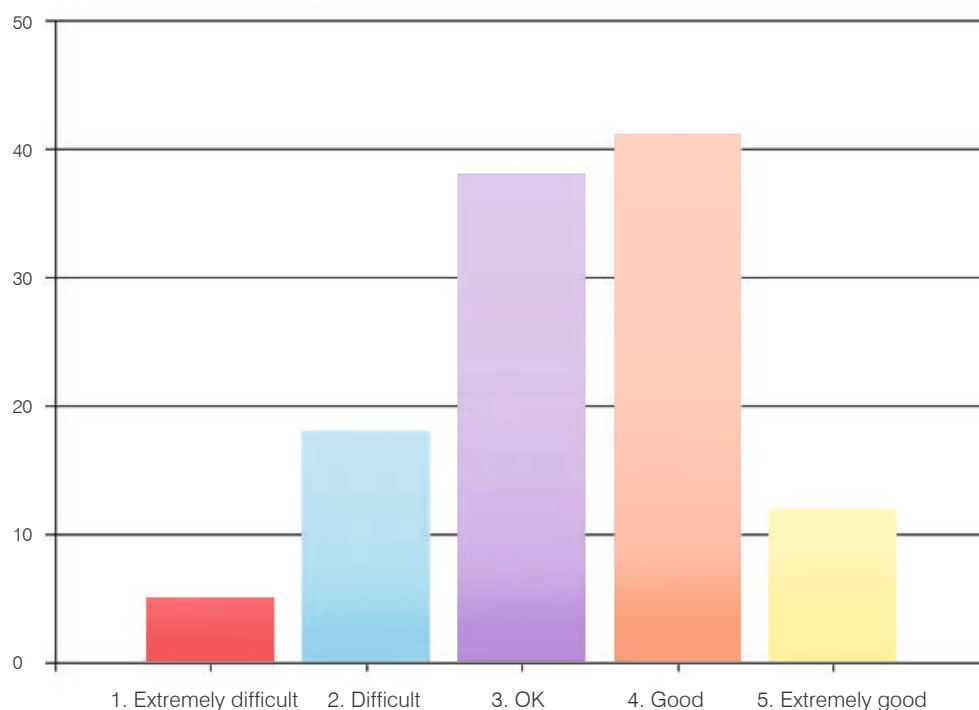
The questions and their responses so far give a good, overall picture of the wet leisure industry in the UK.

They tell us broadly what sorts of businesses are in operation in which areas and what sectors.

Of course, what we are all interested in is, how are those businesses doing?

Respondents were asked to rate how they had found business conditions in 2013

On the following scale , how did you find business conditions this year?



The results show what appears to be a pretty healthy industry.

Some businesses will always have an extremely difficult year, not necessarily because of market conditions but because of challenges and problems specific to that business.

The same is true for businesses that have an extremely good year. No matter how hard a business works or how buoyant a market is, luck will play a part in any particularly successful trading period.

But almost 70% of businesses reported a year that was 'OK' or 'Good'.

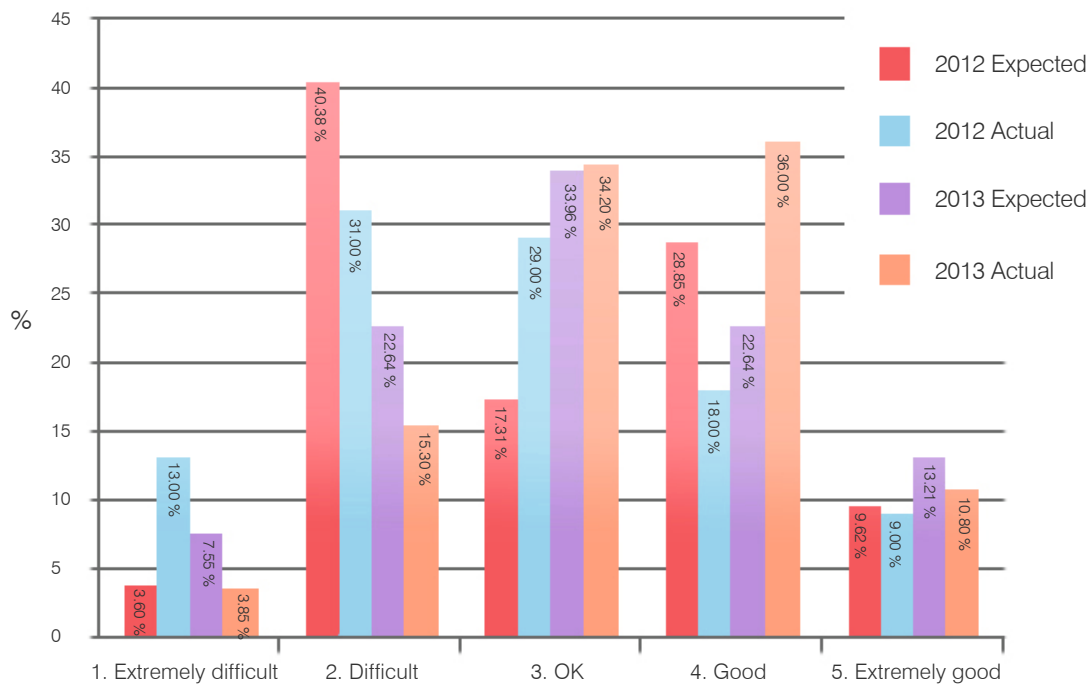
That seems impressive. Yes, we had a better summer than we have endured in recent years but much of the media coverage on the economy is still about austerity and slow growth.

How was it for you?

Of course, one of the most important benefits of this survey is not just to see how things have been across our industry but to have some information that can help us all plan for the future.

And in previous years we have asked businesses what they expected the following year to be like rated on the same, 5 point scale.

Expectation vs. Reality



So we can compare expectation with reality across the last two years.

And in the main, what we see is that we are an industry of pessimists.

Looking at the middle ground of the table – ‘Difficult’ to ‘Good’ – businesses consistently expected a harder, less successful year ahead than they in fact experienced.

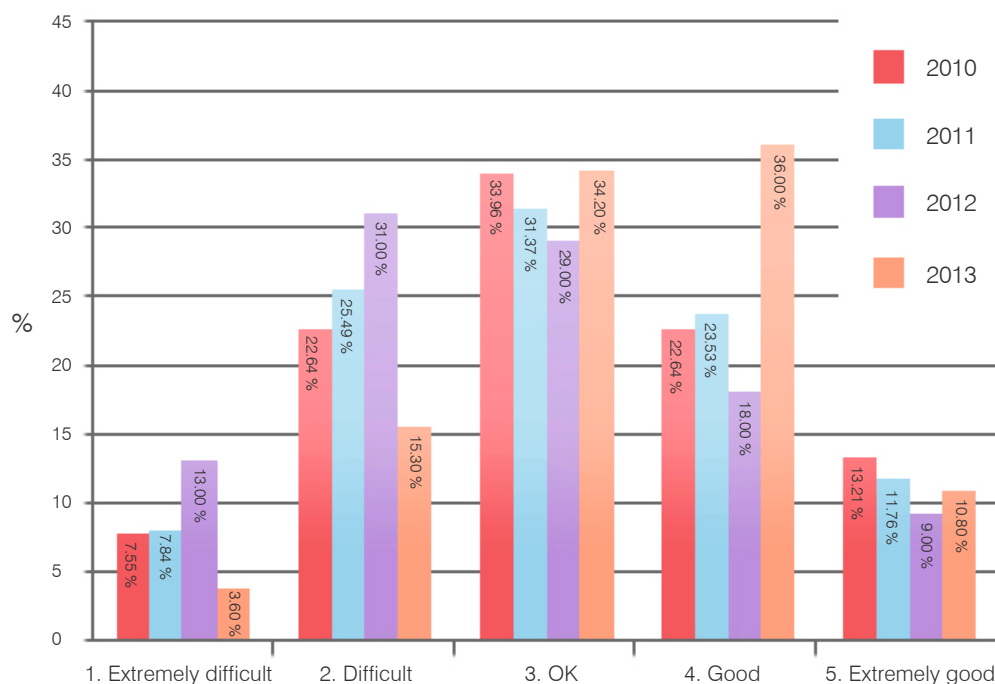
There is one exception; 28.5% of businesses expected 2012 to be a good year but only 18% experienced it as such.

Looking back, 2012 appears to have been a tough year with either ends of the spectrum – ‘Extremely difficult’ and ‘Extremely good’ – both reporting worse conditions than had been expected.

The Wet leisure Survey has now collected data on actual business conditions for 4 trading years – 2010 – 2013 – so what pattern does that show?

How was it for you?

On the following scale, how did you find business conditions this year?



The pattern is fairly clear.

Our industry was having an increasingly difficult time until this year. The question must be, what caused that trend and what caused 2013 to go against it?

When asked, what were the things that had the biggest influence on your business this year, the weather and the economy consistently come top of the list and by a considerable margin.

The recession in the UK was at its deepest in 2008/2009 and the story since then has been of very slow recovery. However this year has shown signs of growth in the economy but would they be enough to influence such a change?

When we look at the weather over those 4 years, specifically the summer weather, we find a pattern that fits rather more persuasively.

“The weather is always the defining factor. Economy makes a difference but poor weather no matter how the economy is always difficult.”

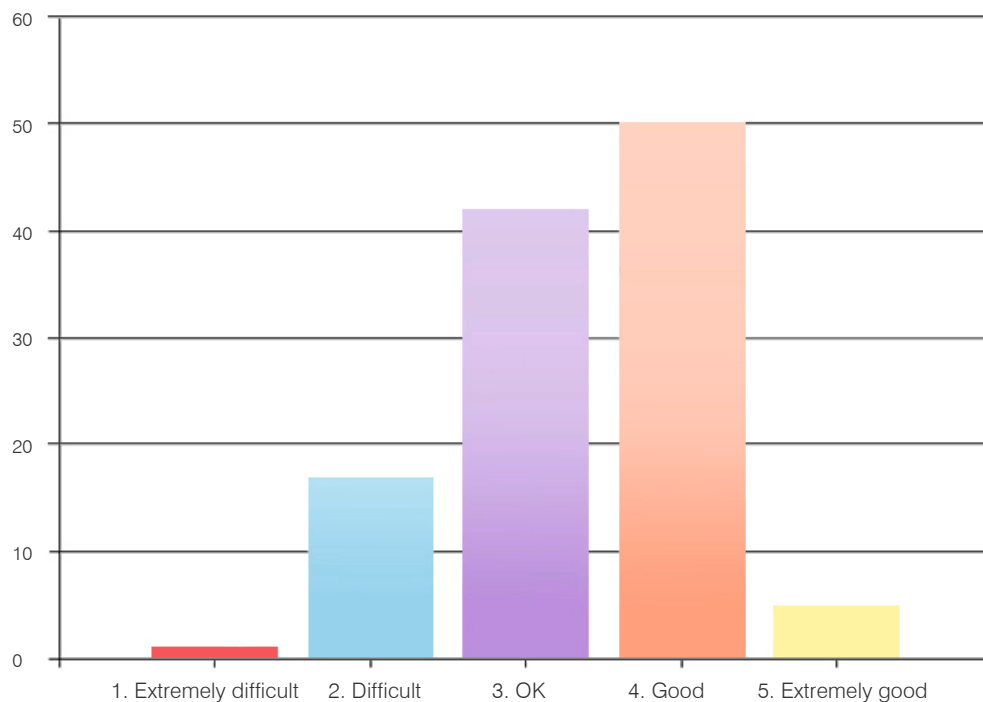
The summer weather in 2010, 2011 and 2012 was not only poor, it got progressively worse over those years. Mean summer temperatures were consistently below a 30 year average but it was the rainfall that got heavier. 2011 was wetter than 2010, 2012 was the wettest summer on record with rainfall 157% heavier than the 30 year average.

How was it for you?

2013, of course was different. 2013 was the sunniest summer since 2006 and the driest since 2003.

We asked the respondents to this years survey what their expectations were for business conditions in 2014.

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



84.3% of respondents expect 2014 to be an 'OK' year or better; a slight increase on the 81% of respondents who found 2013 to be 'OK' or better.

Which presumably means that they are expecting good weather in the summer.

Well, as we've already mentioned, the purpose of this survey is to help people make informed decisions and plan for the future of their businesses; to try and help everyone have an 'OK' or better year.

To do that we need to look a little deeper; we need to look at what marketing people are using, what end of the market they are focussing on and what differences there are between the three sectors.

Lets take a closer look.

As we did in last year's report, the first group that we will take a closer look at are **those respondents who enjoyed an 'extremely good' year** in 2013.

10.8% of respondent businesses fell into this category – up from 9% last year.

Over 80% of these businesses were in the South East, South West or the Midlands – but that should come as no surprise.

This year they were predominantly smaller businesses employing 1-5 people whereas in 2012 over 76% were in the 10+ category. This reflects the overall reduction in 10+ businesses that was noted earlier.

These businesses placed almost equal emphasis on pools, spa and sauna, which meant that the importance of sauna had grown for them by almost 50% from last year.

Their focus on consumables and service/repairs had also grown from last year's results but, once again that reflects an industry wide trend.

Interestingly, they feel no threat from the Internet and their use of social media and a brochure website was in line with industry norms.

In both years these businesses were predominantly working at the top-end of the market.

“We have pushed harder towards the top end market.”

In previous year's survey reports we have then looked at **respondents who experienced an extremely bad year**.

This year, only 3.6% of the businesses that responded to the survey fell into that category and rather than look at such a small number of respondents more closely, we will simply wish them all the best for 2014.

The wet leisure industry by sector has traditionally been the next area for analysis and once again, we will have to make a change.

Over the three years of the survey we have seen a trend of diversification where businesses, in the main, now deal in all three sectors – pool, spa and sauna.

This year that trend has become so pronounced that, statistically speaking, we can no longer differentiate between the results and responses of those three sectors.

This appears to be true across all the metrics that the survey covers. Even if we look at rating averages for business conditions in 2013 and expected business conditions in 2014, all three sectors return practically identical results.

Lets take a closer look.

Which is in itself, interesting.

In the 2012 survey, respondents average rating for their experience of business conditions that year was 2.79. (Where 1 is extremely bad and 5 is extremely good.)

Their expectations for 2013, they rated as 2.68.

In this year's survey, the average experience of 2013 was rated as 3.30 and they expected 2014 to rate at 3.33.

The entire wet leisure industry has been amazed at how good a year 2013 has been compared to their expectations.

The entire industry is suddenly much more confident about the year ahead.

Even though the entire industry believes, and we have shown evidence to support their belief, that a good year is dependent on good summer weather.

The UK weather. Something we have no control over and, it seems, little chance of accurately forecasting.

“Being known as reliable and delivering exactly what is requested with exceptional quality. That’s what works.”

Business confidence is important; in order to do well, it helps to believe that you will. However, disappointment is simply the difference between expectation and reality.

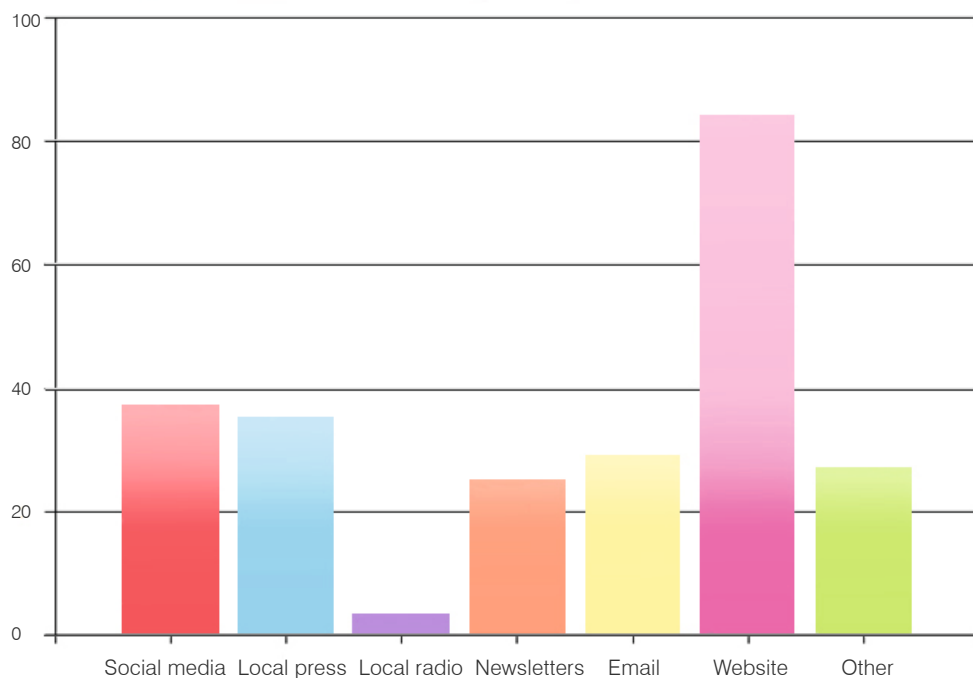
We also applied these **business condition average ratings** to two other sectors of the industry; those that focussed on **top-end** customers and those who were active in the **budget** market.

Here we did see a difference. The respondents who described most of their sales as top-end experienced a year that they rated at almost 3.50 – compared to the survey average of 3.30 – while the budget sector's average rating was an extremely low 2.55 which is even lower than the industry average for 2012.

This probably explains why less than 10% of the respondents to this years survey said that most of their sales came from the budget conscious market.

Lets take a closer look.

6. What marketing and advertising do you do for your business? Please check all that apply.



How successfully you market your business is just as important in the good years as in the bad.

In what we are led to believe is an increasingly digital world where more and more marketing activity takes place on the internet, this question in this years survey had some surprising results.

Amongst respondents, the use of social media fell from 47% to 36.5%.

The use of email as a marketing tool for the respondent businesses dropped from 50% to 29%.

There was a rise in respondents using local press from 27% to 34.5% and a very slight increase in the use of local radio.

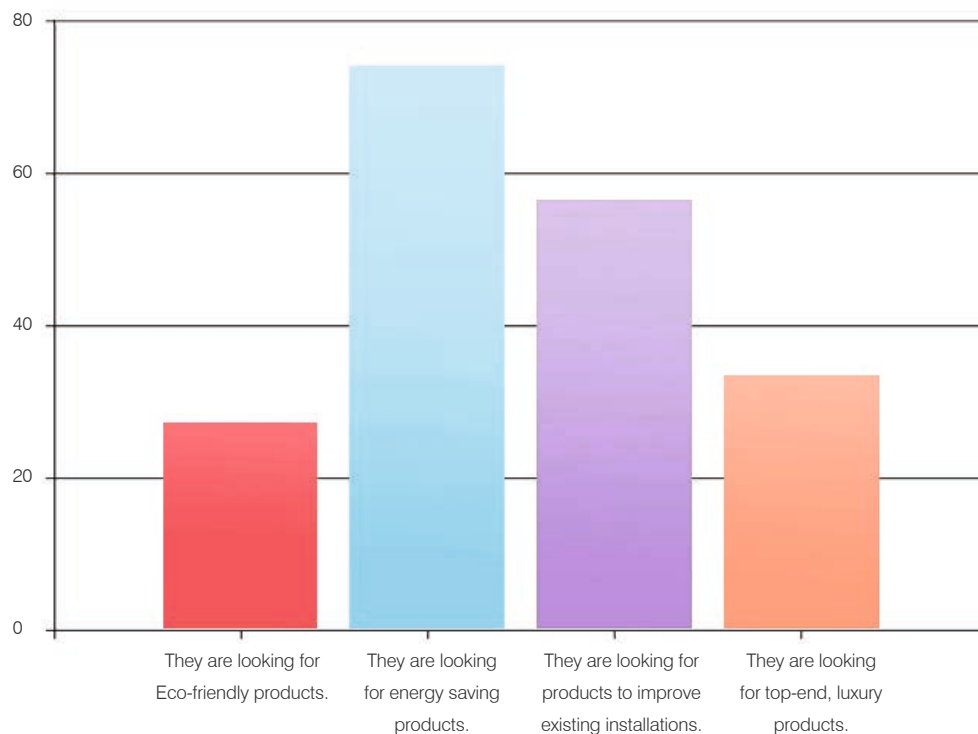
However, it did appear that businesses that were using on-line marketing were doing so in a more sophisticated way with specific mention being made of Google AdWords, search engine optimisation and pay-per-click advertising.

“Google - it’s where people look for everything nowadays.”

Looking into the future.

It is always useful to know about what the growing trends are in any particular market and so we asked the respondents exactly that.

Which of these market trends are your customers following?



Energy saving products are clearly the most sought after of any of these market trends. In the respondent businesses who reported an extremely good year in 2013, their 'popularity' rose from almost 70% to just over 80%. It is obviously a growth area to watch.

Retro-fit products designed to improve an existing installation were next on the list with a score of just over 50%. In respondent businesses who describe most of their sales as coming from the middle of the market, this rises to over 60%.

Top-end, luxury products are the third biggest trend with an industry wide score of over 30%. This, of course, rises to 55% if we look at just those businesses mostly serving the top-end of the market. However, those respondents do add that even this sector is looking for value for money.

A successful luxury product may well be expensive, but it must be seen to be worth that premium price in the customer's eyes.

“With the recession people are hunting around more for better value for money, offer a great service for reasonable money.”

Finally we have what are described as eco-friendly products. 25% of the industry report customers looking

Looking into the future.

for this type of product but that rises to over 36% if we look just at the businesses that reported an extremely good year in 2013.

7. What do you think are the biggest challenges your business will face in 2014?

The survey this year has shown some large, industry wide trends but the old adage, 'all businesses are different' remains true.

This years picture of the wet leisure industry appears to show more industry wide trends and commonalities than ever before and yet, when we look at the challenges individual businesses think they will face next year we see that the broader picture is made up of individuals operating in their own, specific business environments.

Their challenges include:

The economy and confidence.

Finding staff with the right skills.

Continued growth after such a big year.

The weather.

Just getting people to spend money on a luxury item.

Red tape.

Poor sales due to the economy.

Cash flow.

Business rates and insurance costs are disgraceful.

Old age.

Getting the right staff to help out in a growing business.

Marketing.

Maintaining high standards.

The Internet is the biggest challenge.

Unpredictable weather.

Recruitment.

Keeping the positive feelings going throughout 2014.

2013 The year at a glance

The South East, South West and the Midlands remain the UK's strongest regions, both in terms of the wet leisure industry and their respective economies.

By the same token, there should be potential for growth in Scotland although the population density does pose a challenge for businesses.

Businesses in the wet leisure industry appear to have become 'leaner' with a reduction in the number of respondent businesses who reported 10 or more employees.

Businesses are now most commonly operating over all three sectors of the industry – pool, spa and sauna – with sauna showing the most real, year on year growth.

As the number of existing pools, sauna and spa installations in the UK grows, this appears to be reflected in growth in consumables, service and repair and retro-fit products.

The top-end of the market remains strong and the budget sector appears to be under the most pressure.

Energy saving products are likely to be a large growth area.

2013 was a good year but how much of that was down to the weather and what products, services or sectors can provide revenue growth that are less weather dependant?

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 help focus your business strategy by understanding the market better.

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.

The report is full of facts and figures and graphs, but what it does is tell part of the story of the people who work in our industry. When asked, "What do you think are the biggest challenges your business will face in 2014?" one of our respondents replied,

"Old age, again!"

“The weather is always the defining factor.
Economy makes a difference but poor
weather no matter how the economy is
always difficult.”

Survey Respondent