WetLeisure

Survey Report 2017

In association with

BSPF
'promoting pools, spas & allied leisure'

Sponsored by

Golden Coast

Welcome to the seventh year of the Wet Leisure Industry Survey.

The first Survey took place in the autumn of 2011 and the results were published at SPATEX 2012. The original concept behind the Survey was simply that other industries had facts, figures and statistics that were freely available to help people make better decisions and grow better businesses and that our industry should be no different.

Over the years, the Survey has gathered the support of the BSPF and of an increasingly large number of business owners who have responded to the Wet Leisure Industry Survey questionnaire and provided the information and insights that you will find in this report.

As Chris Hayes of the BSPF says,

> ***"The value of the annual Wet Leisure Survey is the fact that it can draw on an increasing number of years findings to demonstrate trends in what business owners are thinking, which is helpful for the whole industry when planning future investment."***

This printed form of the Wet Leisure Survey Results 2017 is available to everyone who attends SPATEX; the report is available for download at Golden Coast's website (www.goldenc.com) and this year's report, as well as all previous years, can be viewed online at www.wetleisure.com.

Please remember to take part in next year's survey when it comes out in November. The more businesses that take part and submit their responses, the more accurate a picture of our industry everyone has.

We would like to thank everyone who took part in this survey and once again thank the BSPF for its support and assistance.

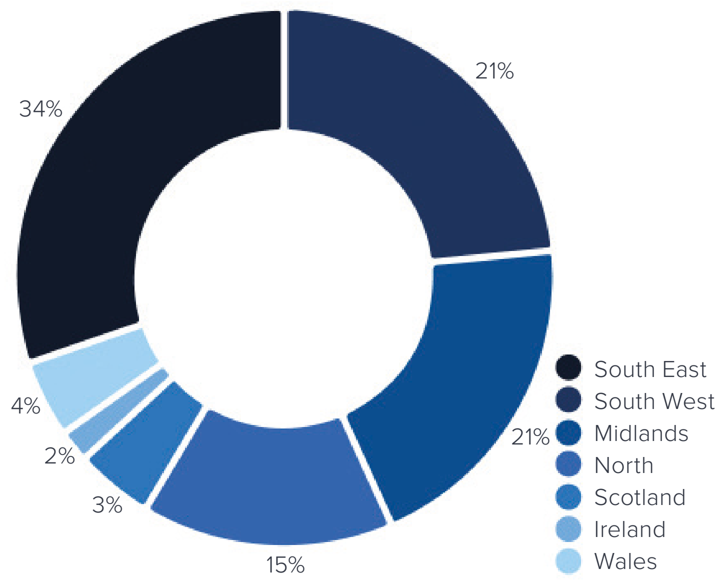
All the best,

Jamie Adams
Managing Director. Golden Coast

What sort of businesses made up the survey sample?

The questions in this section are designed to show what sort of businesses answered the survey and, in doing so, they also give a good overall picture of the wet leisure industry.

Which region of the UK does your business operate from?



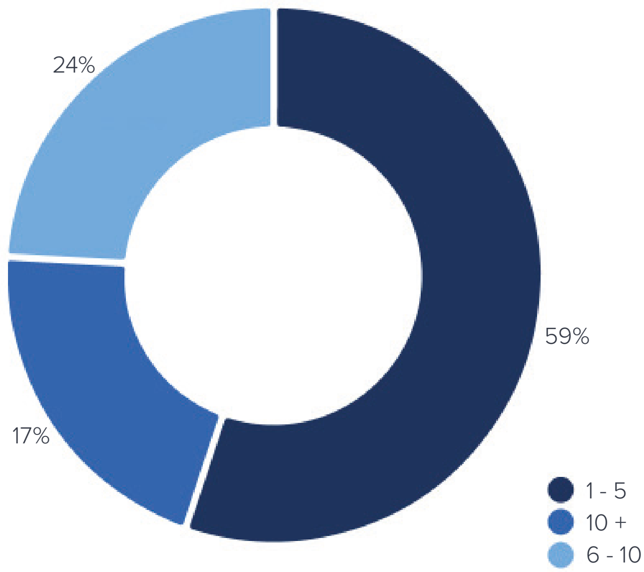
The order of size of these UK regions has stayed the same throughout the seven years of the survey and, to a large extent, simply reflects the relative economic size and power of those regions.

The one significant change that can be observed over time is that the North has shown steady and consistent growth, almost doubling in size from the 2011 figures.

However, when the regions are examined in more detail there are pronounced differences in the form that the wet leisure industry takes in each one and those differences are so noteworthy that we will examine them in depth later in the report.

What sort of businesses made up the survey sample?

How many employees do you have in your business?



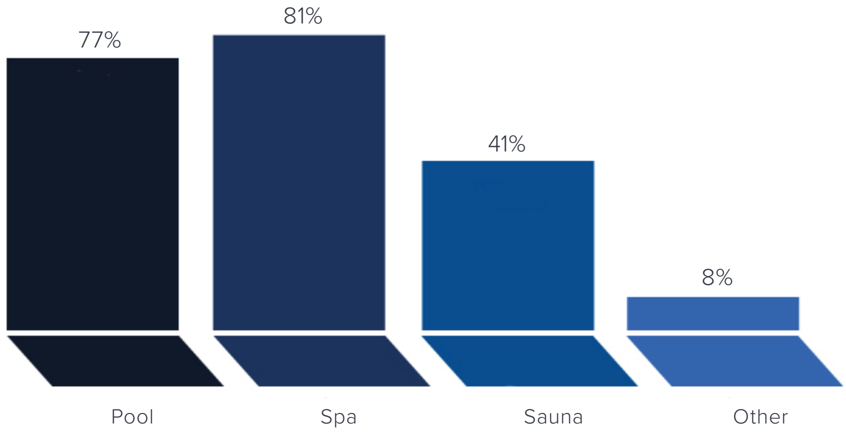
The wet leisure industry is predominantly made up of smaller businesses with between 1 and 5 employees. Businesses of that size make up 60% of the sample this year and that has been approximately the case over the whole history of the Wet Leisure Industry Survey.

More than 70% of the larger businesses (10 or more employees) are based in the South East or the Midlands. They are more likely to be involved in the spa and sauna sectors than the survey average. It was therefore not surprising that their business year was much less influenced by the weather. On the other hand, they were affected by the vagaries of the economy and the influence of Brexit. The majority of these businesses were trading as a spa distributor as well as a retailer.

But let’s put that into context.

What sort of businesses made up the survey sample?

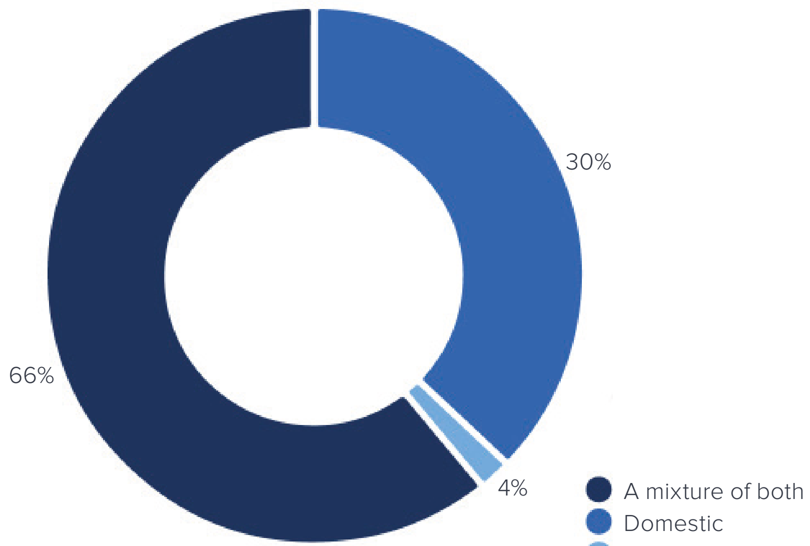
Which Sectors of the wet leisure industry do you serve? Please check all that apply.



This is the first year that the spa sector has outgrown the pool sector in our industry sample. 77% of our respondents are building or refurbishing pools but almost 81% are selling spas and hot tubs. For every sauna dealer there are 2 spa dealers.

The 'Other' section includes animal hydrotherapy installations as well as steam rooms and swim spas.

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



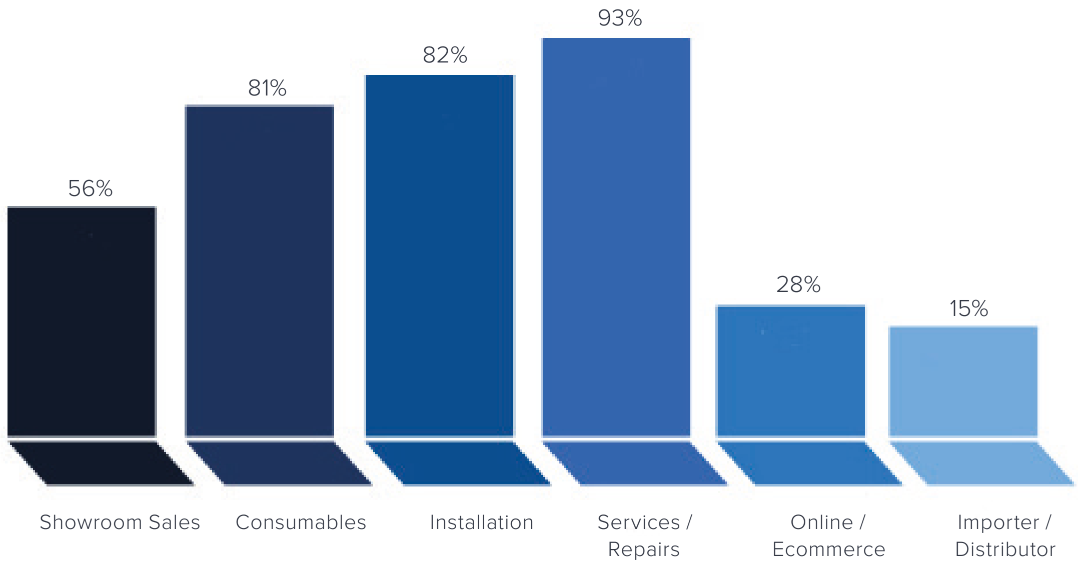
What sort of businesses made up the survey sample?

This years survey shows an increase in the purely commercial sector from 2% in previous years to almost 4%. It is too early to describe this as a trend but it is true to say that the importance of pools, spas and saunas in the leisure and holiday accommodation sector has shown marked growth in recent years.

As the market gets bigger and installations become more complicated it is a reasonable assumption that some businesses will decide to specialise in that field.

Having said that, with automated control and dosing systems as well as UV water treatment and LED lighting becoming as popular in domestic installations as commercial ones, the two main sectors of the industry are, if anything, becoming more and more similar in terms of necessary skills and technical knowledge.

What are the services that you offer your customers? Check all that apply.



Service and repairs has been the most commonly offered service by survey respondents since 2013 and, at 92%, it has increased in importance even on last year's figures.

If we look back to the first year of the survey, 2011, then we are looking at an industry where Installations, at almost 90%, represented the most commonly offered service but in 2013 that began to loose share to Servicing and Repairs and that trend has steadily grown over the last 4 years.

What sort of businesses made up the survey sample?

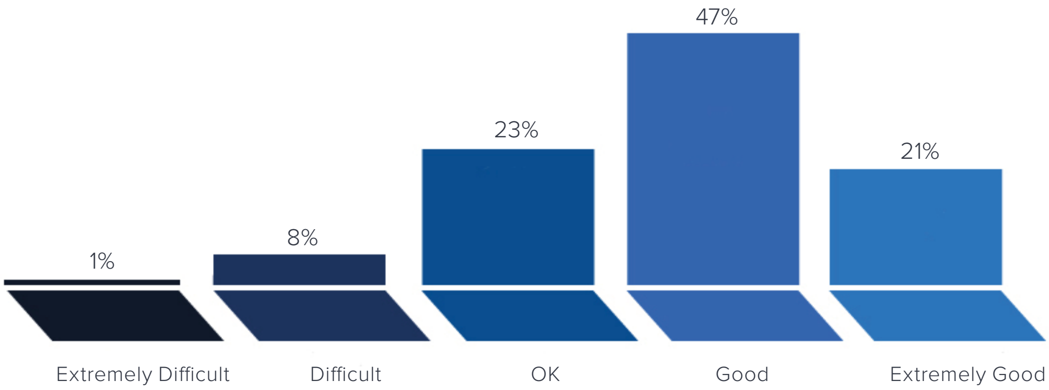
There are a number of potential reasons for this growth in importance of Servicing and Repairs:

- The country's stock of existing pool, spa and sauna installations is slowly growing. There are more installations to offer service contracts on.
- Wet leisure installations are becoming technically complex and are less suited to DIY maintenance.
- Service contracts are popular with commercial installations whether those are health clubs, hotels or holiday rentals.
- Service contracts provide regular income for wet leisure businesses and support an on-going customer relationship that can make it easier to sell in further products and services such as refurbishments.

Online and e-commerce sits at 27% this year, just two points down from last year's figures but that is a significant drop from the 39% reported in 2011 and 2012.

The world of e-commerce is a fast moving one and has changed significantly in the last 5 years. It is true that the overall market value of e-commerce has grown and is continuing to grow but the digital landscape is a highly competitive one where fewer, bigger players are starting to dominate. It could well be that is beginning to be the case in the online, wet leisure market too.

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



Over 90% of the survey respondents enjoyed a year that was somewhere between OK and Extremely Good.

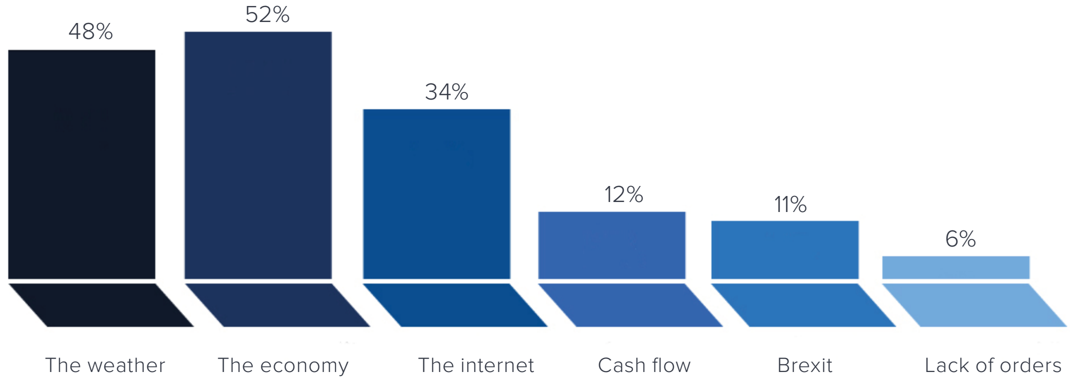
That's in a year that didn't have the best weather during the season and was troubled by the uncertainties that came with the Brexit negotiations and a general election and those influences might explain why this figure is a little down on last year's.

Unfortunately, there were some respondents who reported an Extremely Difficult year, but that was less than 1% of the survey sample. If we look back to the first survey in 2011 more than 7.5% of businesses were seeing business conditions in that way.

To put that in some perspective, the UK economy grew by 2.2% during 2016. It was the seventh consecutive year of growth since the recession and left the economy 8% larger than its pre-crisis level. House prices rose by an average of 6.9%. The employment rate was high nationally, although there were big regional variations, and the median household income for a childless couple after tax rose to £25,500. Having said that, the Office of National Statistics is quoted as saying, 'Retired households' incomes have soared in recent years.

If we look at regional variations, London and the South East have a higher than average household disposable income and the South West has the UK's highest proportion of retired people.

What would you say were the things that had the biggest influence on your business this year?



For the second year in a row, the survey sample saw the state of the economy as having the greatest impact on this notoriously weather-sensitive industry of ours.

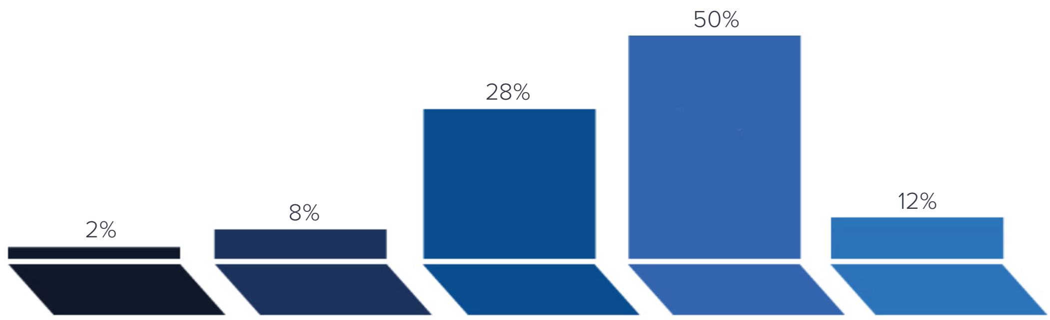
If we look at a word cloud drawn from the respondents' actual comments, then it is even more noticeable.

We have taken a look at how the economy was performing in 2017 but what about the weather?

The UK 2017 summer was wetter but also warmer than average. It was the 11th wettest summer on record and the insights from previous Wet Leisure Industry Surveys suggest that rainfall has more of an effect on business than temperature.

The season began well with June ranking as the fifth warmest since 1910, and it appears that business reflected that with many businesses experiencing a good start to the season, which then slowly tailed off.

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



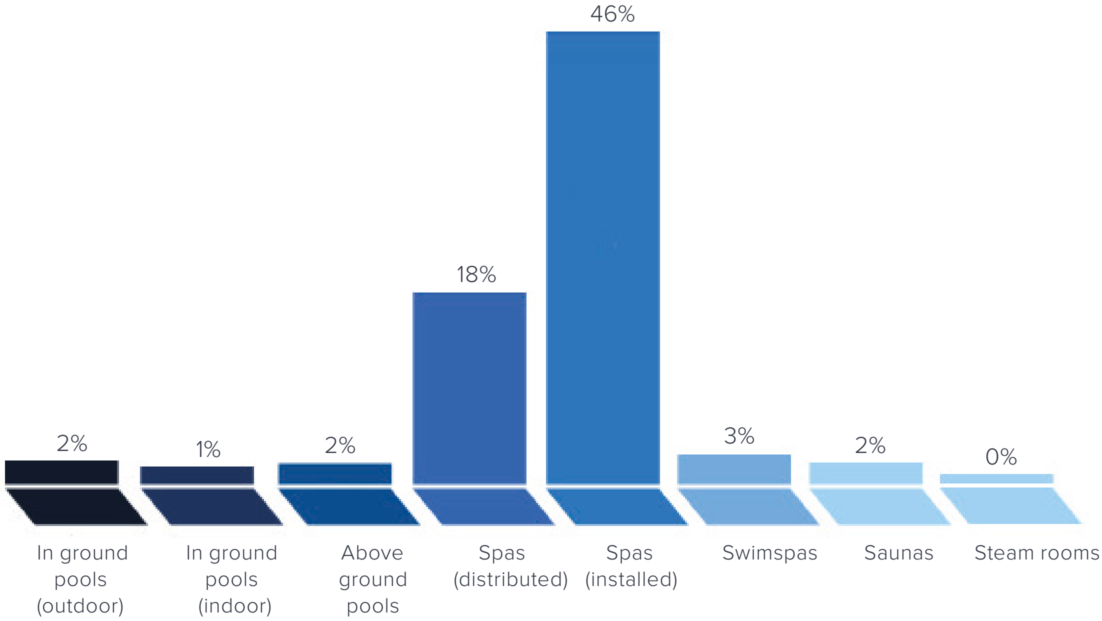
The overall shape of this graph is the same as the responses regarding business conditions in 2017.

The slight differences are most noticeable at the two extremes with more businesses expecting an extremely difficult year and less expecting an extremely good one.

This pessimistic view of the future, particularly when the industry has actually enjoyed a relatively good year is a recent trend – this year and last – and seems to be influenced by larger outside factors such as Brexit.

What sort of businesses made up the survey sample?

During 2017, how many of the following products did you install?



Spas and hot tubs were always going to be the big sellers so no surprises here but this year we have differentiated between distributor and retail sales to avoid the possibility of the same spa being counted twice.

However, in order to compare with previous years we need to look at the combined figure. Last year we recorded combined sales of 3,446. This year, if you combine the two figures – 861 and 3,196 - you get 4,057.

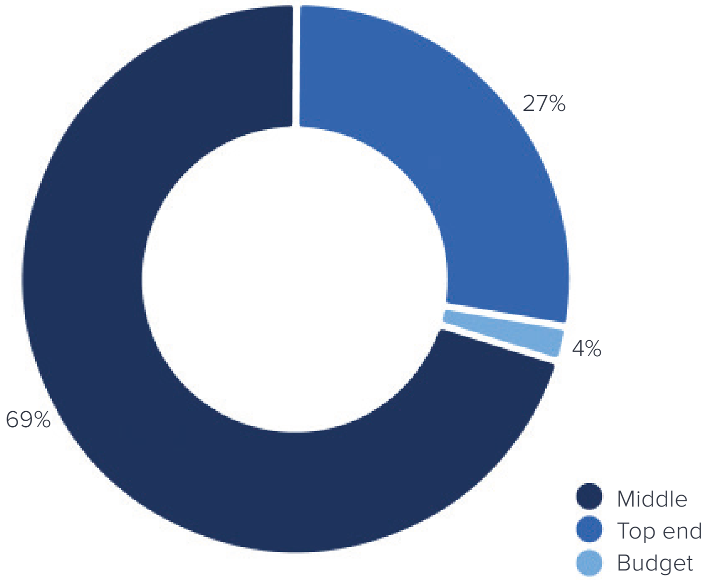
This year, the average retail sales over the course of the year, were 45 units per dealer.

There has been movement in the pool sector with survey totals of 132 outdoor in-ground pools (147 last year), 74 indoor pools (133 last year) and 81 above ground pools (12 last year). These are, of course, numbers reported just by the survey sample and do not indicate industry totals.

Nevertheless the above ground pools figure shows a massive increase over last year's figure and as these types of installation are often seen as leading on to more expensive, in-ground pools that could be good for the industry.

Sauna sales have dropped from 186 to 103 where as steam rooms have increased from last year's survey total of 43 to this year's figure of 53.

Would you describe most of those sales as being at the top-end of the market, budget conscious or somewhere in between?



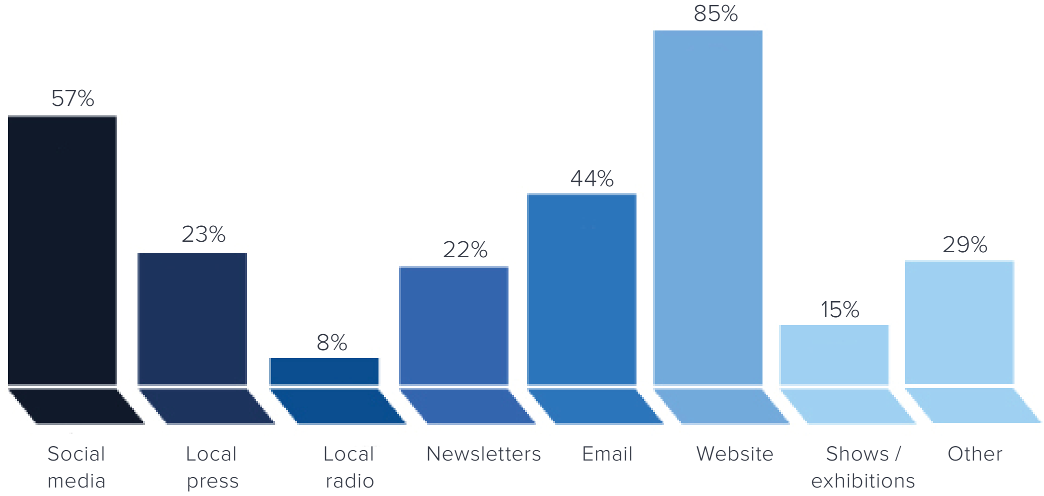
The most noticeable change here compared to last year's survey is the budget sector growing from 1% to 4% and that, in statistical terms, is a fairly small increase. If we look back 5 years, that budget sector was sitting at over 14% of respondents.

Businesses reporting a higher proportion of top-end sales were selling a lot fewer spas than the survey average but were strong in in-ground pools. Otherwise they conformed closely to the survey norms.

In comparison, the businesses concentrating on the budget market were confined to the Midlands and the North and they only sold spas and swim spas.

What sort of businesses made up the survey sample?

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



The relative weights and importance placed on these major marketing and advertising channels is the same as last year. In fact over the course of the survey the only real and noticeable change has been, not surprisingly, the inexorable rise of social media.

We also asked respondents what their favourite form of marketing was.

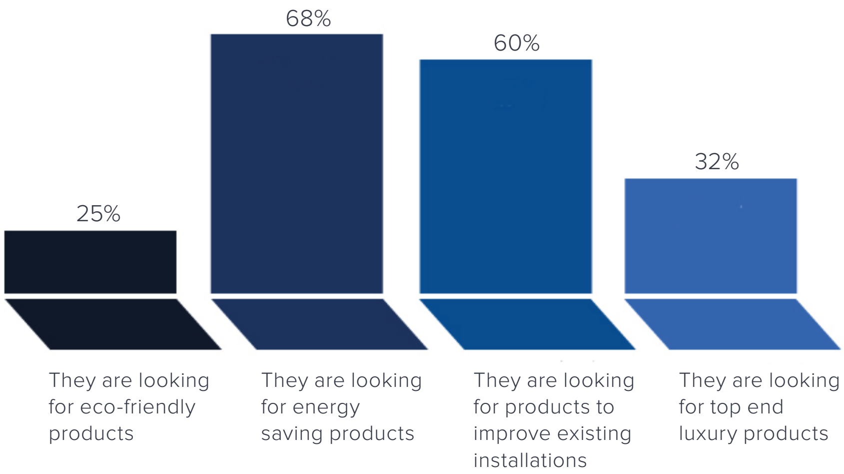
Interestingly, word of mouth and recommendations are, in a way, the pre-internet forms of social media.

Facebook have mooted plans to make all advertising on the platform paid media. That is, business pages would no longer have even the relatively small amount of organic reach that they do now. How that effects businesses opinions of Facebook as a marketing tool remains to be seen but it should really make very little difference as most are only communicating with about 15% of their fans via organic reach already.

Google AdWords was also specifically mentioned on a number of occasions.

What sort of businesses made up the survey sample?

Which of these market trends are your customers following?



Energy saving products and products to improve existing installations, such as in the refurbishment of pools, continue to dominate customer trends.

Energy saving – and therefore money saving – has become an important aspect of practically every consumer purchase. Everything from white goods to cars are ranked with an Energy Efficiency Rating, even houses.

Consumers are going to be expecting the same from our industry and perhaps it is time that wet leisure products went through the same testing procedures and also carried efficiency band ratings.

Of the responses we received from businesses operating in the pool sector, over 88% said that they were mostly or party refurbishing existing pools leaving only 11% saying that they were mostly working on new builds.

As the stock of existing pools in the UK increases and as the options for pool refurbishment grow with new technologies and practices, this is a trend that is set to continue for some time.

For Aren Grimshaw's Marketing Presentation from this and previous SPATEX, visit www.goldenc.com/ebook

What sort of businesses made up the survey sample?

Looking specifically at the three main areas of the wet leisure industry:

Spas and hot tubs.

We have already seen that the hot tub and spa market this year has been robust.

We commented last year, and it has probably also been true of this year that spas have had positive exposure in the media and that their popularity in hotels and rented holiday accommodation means not only increased sales to those areas but also that more and more people are getting to experience the enjoyment and benefit of a spa and may well choose to buy one of their own.

'B & Q have started selling spas which has clearly affected sales.'

Spas have become mainstream and this can be both a benefit and a danger to the industry. B&Q have 18 spas for sale on their website from a couple of hundred pounds up to £23,000. Tesco Direct have 75 listings on their site under the heading 'Hot Tubs & Spas' and they also offer a spa for just over £20,000. Homebase offers a 20' swim spa for £23,000 including free delivery and installation. They are selling spa covers, spa steps and other accessories.

'With the amount of cr**py imports, I no longer bother selling or repairing spas.'

For many spa dealers the focus of their attention, if you ask about competition, is on 'cheap imports sold on the Internet'. If these major UK retailers put their infrastructure and marketing muscle behind making greater and greater inroads to the spa market, then that surely is a far more worrying threat to the wet leisure industry as we see it.

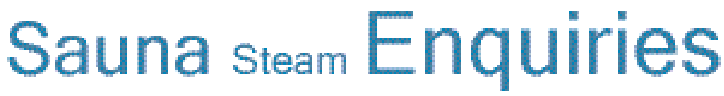
Swimming pools.

Refurbishments dominate the swimming pool sector. The numbers say it and the comments say it.

'We do more major and minor refurbishment than pool building' and ***'Plant refurbishments and repairs are what we do, alongside maintenance.'***

That being said, the survey did see growth in the ‘entry level’ above ground pool market for the first time in many years. Quite why this should have happened remains a mystery. There was certainly no summer heat wave and we aren’t aware of any increased exposure in the media.

Sauna and steam.



In the main, the comments regarding the sauna and steam sector talk about a lack of enquiries.

There are, of course, some exceptions such as,

> ***‘We have seen good growth in saunas sales during 2017. Customers are far more aware of the benefits to be gained from sauna and steam bathing’.***

In previous years we had seen steady growth in the sauna sector balanced by a concern that, as sauna installations changed according to customer taste, it was possible that people would look first to bathroom installers for an en-suite sauna rather than the wet leisure industry.

There is certainly a lot of interest in sauna and steam in the on-line media and that is probably generating interest and sales, but we simply aren’t seeing that reflected in this year’s survey results.

Finally we would like to take a closer look at the three strongest geographic regions that the survey looked at; the South East, South West and the Midlands.

South East.

34% of the survey respondents this year were based in the South East.

In terms of size, their employee numbers conform to the survey averages and they sell a slightly above average amount of consumables.

They start to become a more distinct group when we look at the sectors of the industry that they are involved in. They are much more likely to be involved in the pool sector than the survey average and they focus on service and repairs even more than the rest of the UK.

> ***‘More people seem to be having staycations, therefore want to make sure their pool is usable all season.’***

Swimspas are a big part of business in the South East, as are sauna and steam installations. In the pool sector, businesses in the South East are even more involved in refurbishment than the survey average probably reflecting the South East's larger stock of pre-existing pools.

South West

20% of the survey respondents this year were based in the South West.

A higher than average proportion of them are working in both the domestic and commercial sectors which probably reflects the importance of tourism – hotels and holiday rentals – to the region. By the same token, service and repairs are very important to businesses in the South West.

> ***'Maintenance in holiday homes has been strong.'***

The weather was seen to have a far, far bigger influence on business than the economy. Indeed, the economy in the South West has remained fairly strong.

> ***'We tend to do a lot of high-end refurbishments and new builds with far more products than past years. Site liners have doubled as well as safety covers. People are spending a lot more on high end products.'***

Midlands.

20% of the survey respondents this year were based in the Midlands.

This region tends to be home to slightly larger businesses, at least in terms of employee numbers.

Spas are more popular in the Midlands, as are saunas. In fact, about one third of all the spa sales reported by the survey were made in the Midlands.

In contrast to the South West, it is the economy that is seen to affect business here.

> ***'Brexit on its own isn't an issue, however, the political uncertainty over the year, in particular the impact of the General Election and negativity of the media has impacted consumer confidence and buying moods.'***

In Conclusion.

Like most years, 2017 was a mixture of good and bad. As one respondent said,

> ***'Good start - poor finish. Just like the weather.'***

Brexit and the economic and political uncertainty that goes with the process continue to stifle consumer confidence and the exchange rate driven price rises that distributors were forced to bring in at the beginning of the year probably haven't helped; although not one respondent mentioned those exchange rate issues as having had a specific effect this year.

Another 'price related' business issue would be the perennial problem of customers being able to look up products on-line and say to dealers, 'But I have seen exactly the same product on the Internet for only...' This erosion of margins is probably more detrimental to the financial health of much of the UK wet leisure industry than 'cheap imports'.

The Internet's continued enthusiasm for offering, 'ready for immediate and free delivery,' also puts pressure on distributors stock availability and delivery costs.

Refurbishment, particularly of existing swimming pools continues to be an area that grows and grows. However, in the short term at least this may not be a bad thing. In fact, as one respondent says,

> ***'High-end pool refurbishing is still a strong market. Some pool refurbishments are actually more lucrative than building new pools.'***

Other sectors of the leisure industry are having a positive impact on our industry. In particular, travel and tourism continue to boost sales and exposure of pools, spas and saunas.

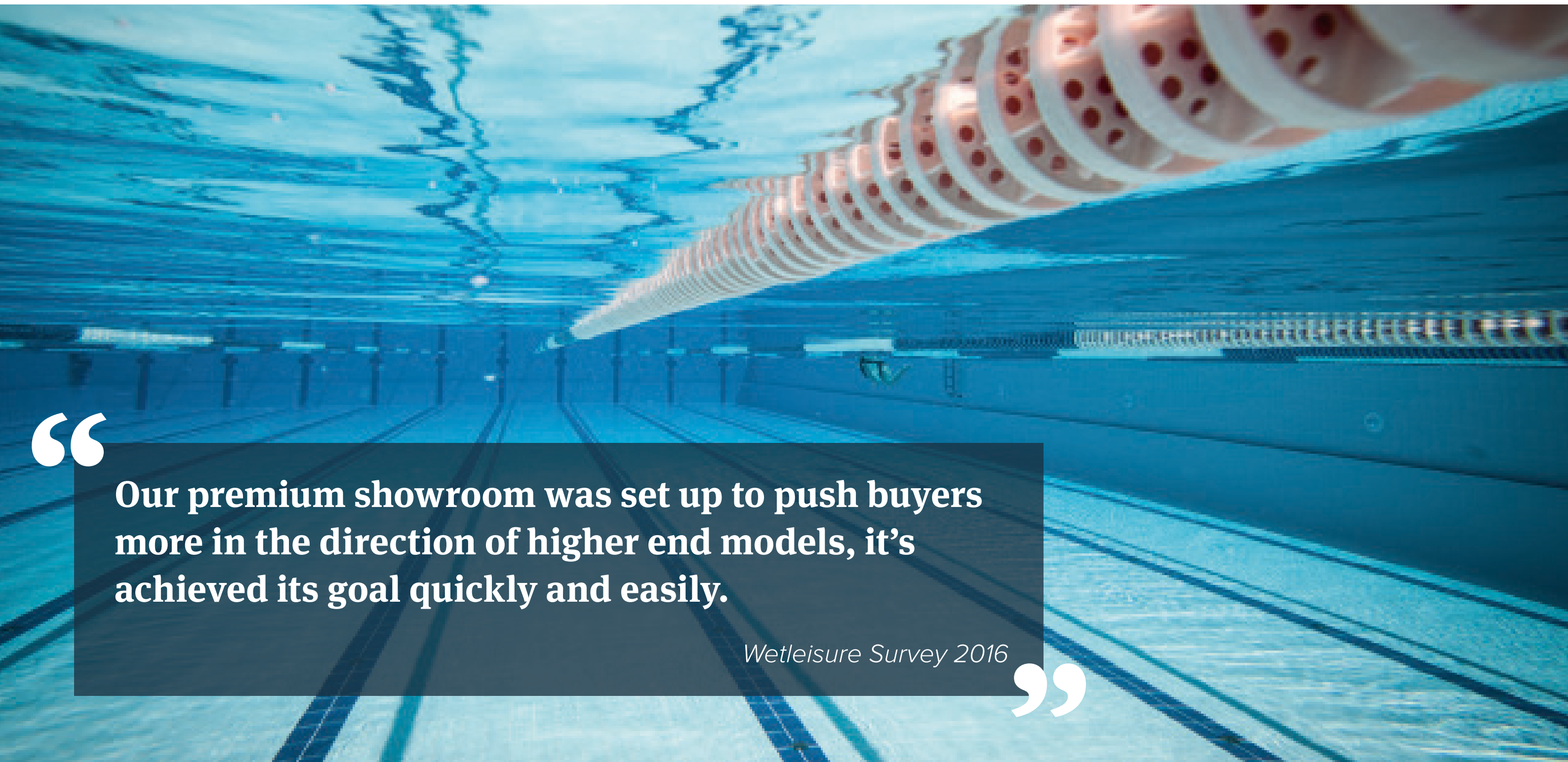
> ***'People buying lodges to let to holiday makers are advised – by holiday sellers - that a tub can significantly increase bookings.'***

Energy saving not only remains an important consideration for our customers but is growing in importance in businesses of all types. When customers are used to seeing Energy Efficiency Ratings on fridges, cars and even houses, how long can it be before they demand the same of spas, pool pumps and heaters?

Hopefully the information in this report has been of interest and we hope that you can use it to help improve your business.

We would like to thank everyone who took part in this survey and encourage every member of our industry to take part in the future so that an even more detailed and accurate picture of our industry may be drawn.

And we would like to wish you all the best for the season ahead.



Golden Coast Ltd | Fishleigh Road | Roundswell Commercial Park West | Barnstaple | Devon | EX31 3UA
Phone: +44 (0) 1271 378 100 | Fax: +44 (0) 1271 371 699 | Email: swimmer@goldenc.com | Web: www.goldenc.com