Conducted by

Golden Coast

WetLeisure Industry

Survey Report 2018

in association with

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

This year the survey has had the support of the BSPF, Swimming Pool News, ISPE, Swimming Pool Scene, Hot Tub and Swim Spa Scene, SPATA, BISHTA and WhatSpa. The most important contribution however has come from the people who have responded to the survey. Without their answers to the questionnaire none of this would be possible.

The idea of the Survey is simply to gather facts, figures and statistics about our industry and make them freely available to anyone. With this knowledge businesses can make better decisions, they can prosper and our industry as a whole can grow.

The Survey Results lets you compare your business and your trading year to similar businesses in the industry. It lets you spot trends and perhaps encourages you to move into potential growth areas that you might not have otherwise considered.

The Wet Leisure Survey Results 2018 in printed form is available to everyone who attends SPATEX, the digital 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.

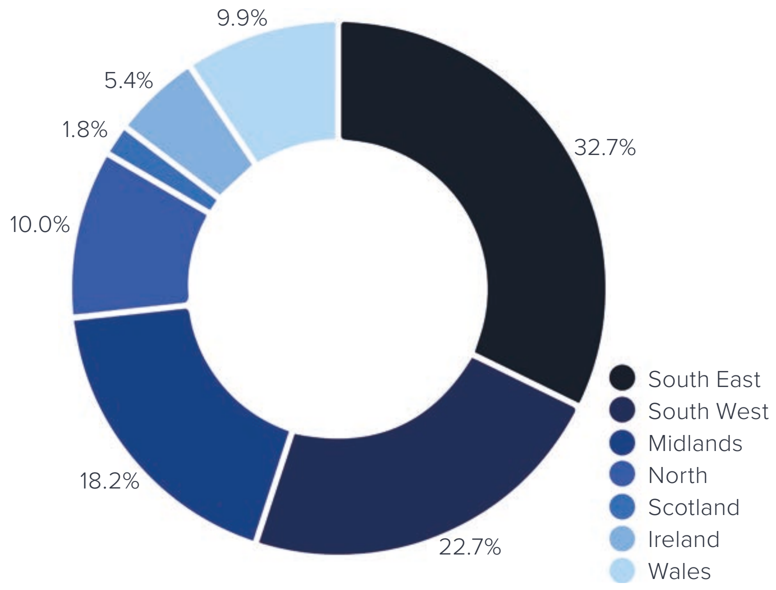
All the best,

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 they also give a good overall picture of the wet leisure industry.

Which region of the UK does your business operate from?



No surprises here, in fact the order of size of each of these regions is almost identical to last year's sample and has stayed the same since the first Survey in 2011.

When we look back at all the survey results there are two trends that are worth noting.

The South East has always been the largest region but its relative size has diminished over time, from 40% of the 2011 sample to 33% of this year's. This doesn't necessarily point to less business being done in the South East; rather it can be an indicator of the growth in the other areas.

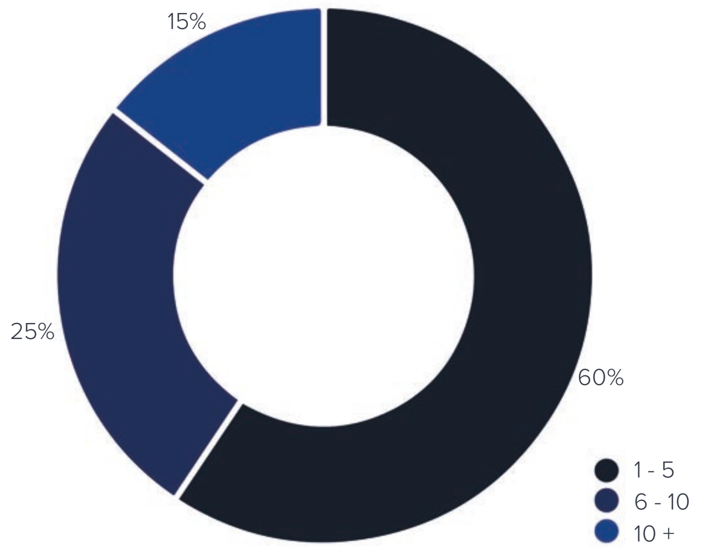
The North in particular has shown consistent growth although this year's figures show that to have fallen back a little.

This year, Wales has grown from a steady 5% of the sample over the years to 10% of 2018 responses.

We will examine the regions in greater depth later in the report.

What sort of businesses made up the survey sample?

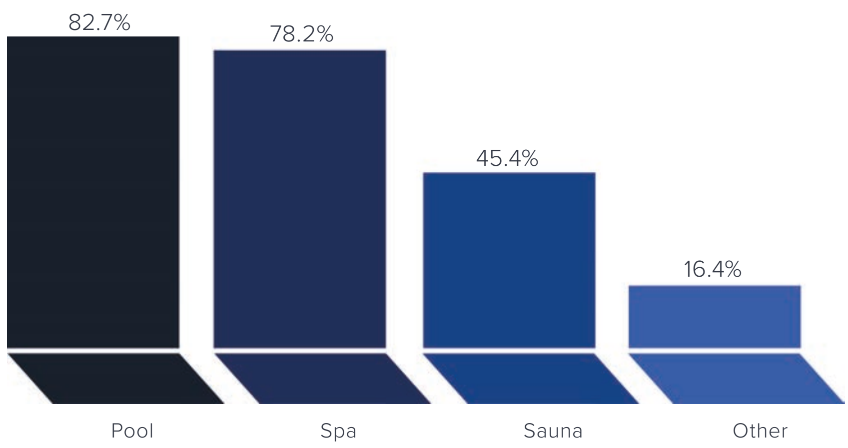
How many employees do you have in your business?



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.

What sort of businesses made up the survey sample?

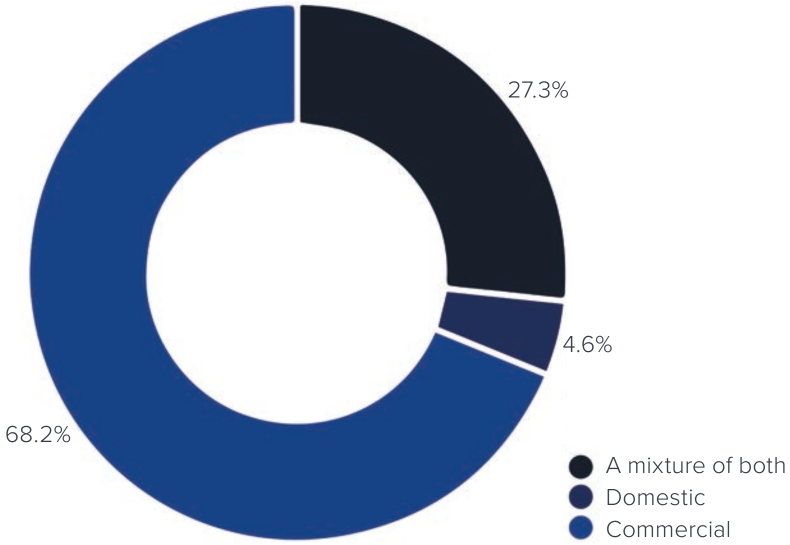
Which sectors of the wet leisure industry do you serve? Please check all that apply.



Last year the spa sector had inched ahead of the pool sector but in this year's survey we see pools returning to the top spot.

Of the 16.4% of respondents who ticked the 'Other' box, the vast majority of them were involved in steam installations.

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



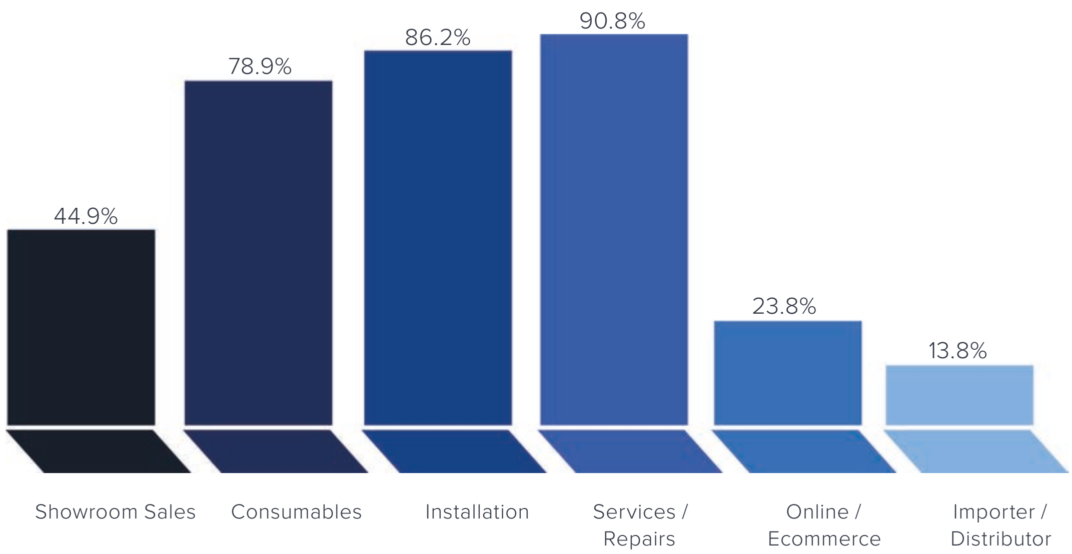
What sort of businesses made up the survey sample?

Once again we see growth in the purely commercial sector, up from 2% in previous years to 4% last year and 4.6% in this year's survey.

The importance of pools, spas and saunas to the holiday accommodation industry has certainly been growing to the extent that one respondent to this year's survey said, "There is a growing need for recognising the growth in holiday rental maintenance and guest change over services."

Looking into the numbers a little deeper we can see that the respondents dealing purely with the commercial sector focus on service, repair, maintenance and refurbishment, as might be expected and they work predominantly in the pool and spa sector.

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



The overall shape of this graph has stayed broadly similar since the survey began and that is only to be expected.

What is worth pointing out is that Showroom Sales has dipped to an all time low of 45%. This follows a trend that has been visible since the survey began.

Service and Repairs continues to be the dominant activity in the industry as it has been since 2013 when it overtook Installation.

Under the Service and Repair heading we can probably put a host of separate activities; commercial maintenance contracts as well as domestic ones, holiday rental maintenance and commercial and domestic pool refurbishment. This last category – refurbishment - has grown strongly within the industry and has provided work for many businesses.

An indirect benefit of refurbishment is that the work often makes pools more energy efficient, reduces their chemical usage and extends filter life, making them more environmentally friendly. However, looking long term into the future, it might be possible that this activity could start to show an affect on sales of consumables.

In summary.

When we look at the sort of businesses who responded to the Wet Leisure Survey and accept that they are a representative sample of our industry then what overall picture do we see?

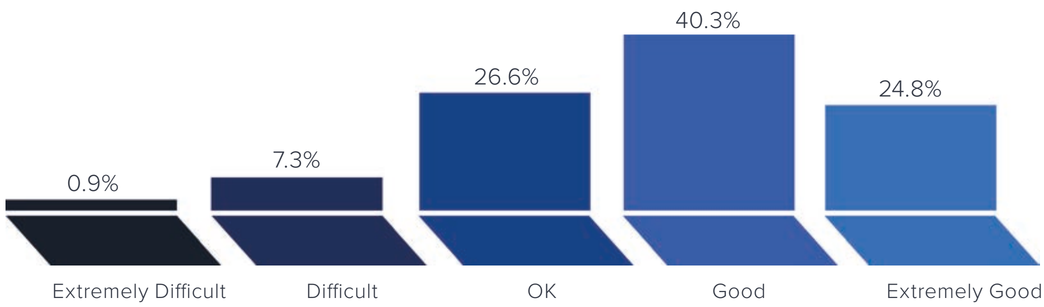
Wet leisure appears to be a reasonably mature and stable industry. Compared to seven or eight years ago there are relatively few fluctuations in the aspects of the business that these first five questions examine; the relative strength of each region, the number of employees, the sectors served and services offered.

2018 certainly held many challenges for businesses across all sectors of the UK economy but it seems that they have at least not changed the overall shape of our industry. In that regard, we have successfully weathered a stormy year.

Summer 2018 was warm, dry and largely sunny. Temperatures were well above average and we received only about 75% of a typical summer's rainfall.

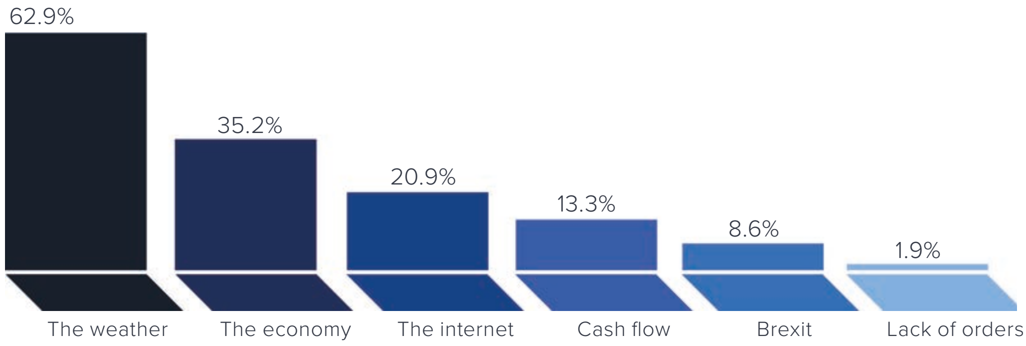
The economy recovered from the financial crisis but growth remained sluggish. The pound fell, inflation rose over 2% and interest rates remained low. Probably the most influential economic factor of the year was the continued uncertainty over Brexit but on the whole, a reasonable economic picture and a very good summer. How did that translate into our industry's performance?

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



An almost identical picture to the one given last year; once again over 90% of the survey respondents enjoyed a year that was somewhere between OK and Extremely Good.

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



This question is always open to interpretation. Is that 'biggest influence' a positive or a negative? Well, 2018 was a good year for business and we enjoyed a very pleasant summer so let's assume that the weather is a positive influence.

To add a little more detail to the picture, let's look at some of the comments to this question.

"There seems to be very little confidence out there. Everyone is holding back, or buying cheaper products."

"Seems to be plenty of money around."

"Despite a poor economical feeling created by uncertainty, the weather has been exceptional and more than compensated."

"The Internet is killing off small pool builders such as me. We rely on equipment and chemical sales to keep us afloat during the lean months. Before long there won't be any pool builders left."

"2018 has been a good year for us as a result of working hard on introducing new and innovative products for our customers."

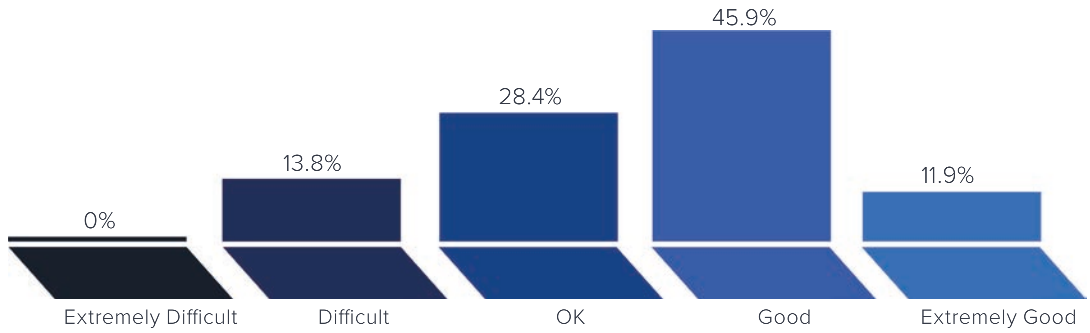
"GBP is low against the USD making our imports more expensive."

"Brexit has created uncertainty in consumers. They have the money and desire to buy products but everyone is being cautious and holding off to see what happens."

One thing seems apparent, over 30 months after the referendum, the uncertainty over Brexit has become a constant background to business in the UK. Even as this report is being compiled, we have no real idea of how the Brexit issue will stand when the report is published in just a few weeks time.

But let's try and look into the future anyway.

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



Over 86% of the survey respondents expect to enjoy a year that will be somewhere between OK and Extremely Good.

One of the insights that the Survey has given over the years is that businesses typically expect next year to be pretty much like the year just gone.

So most respondents have an optimistic view of 2019, but we also asked what actual challenges did they think that the year might hold?

These were some of the responses that we got.

"Maintaining customer expectations as their demands get higher and higher."

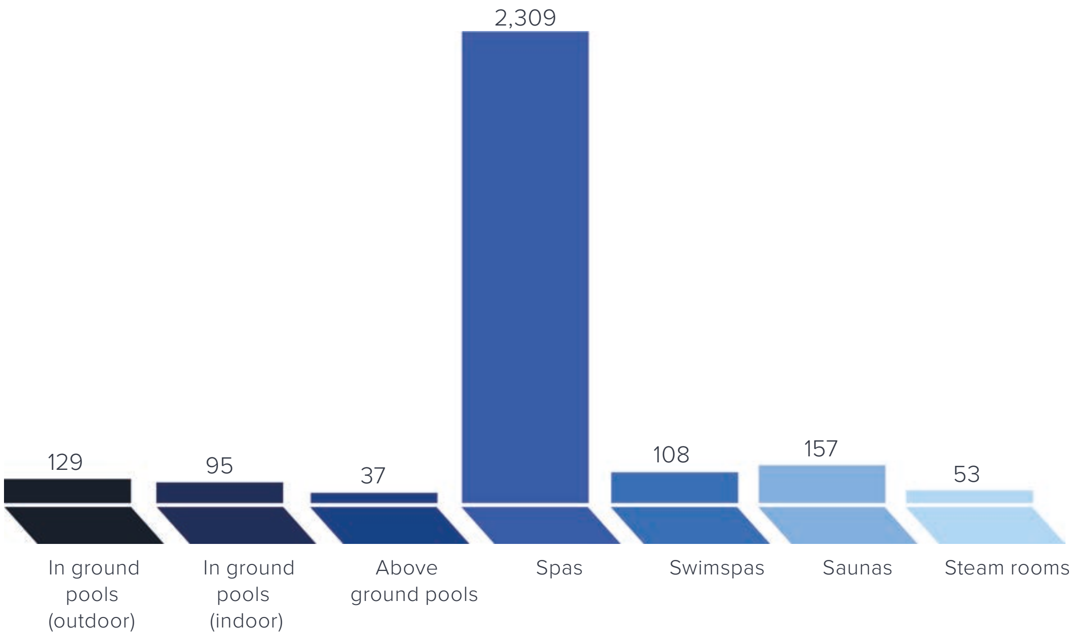
"Training new staff." *'Keeping up with the amount of work we have on."*

"Legislation updates." *"Brexit."*

Just over 30% of the comments specifically mentioned Brexit but 20% of the comments were about staffing issues, particularly the difficulty in finding staff with the right qualifications and training.

We were extremely glad to see that the person who has responded to the question with the comment *"Old age."* every year for the last eight years, is still with us.

During 2018, how many of the following products did you install?

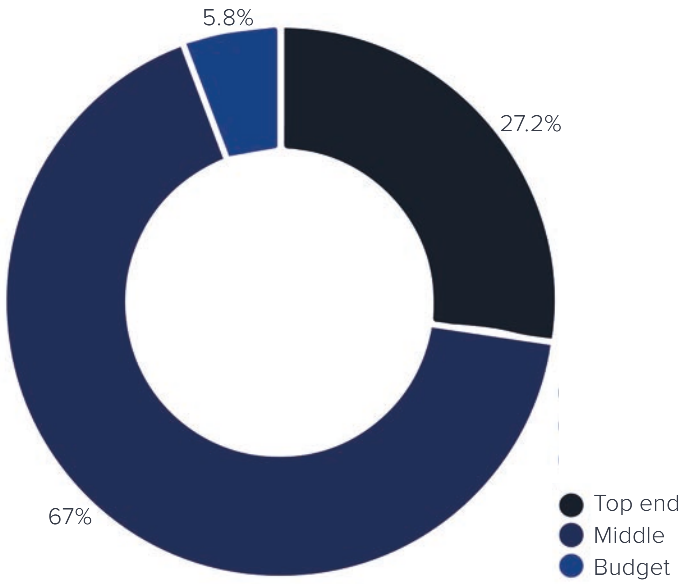


In the main, actual reported sales are down on last year's figures although these are numbers reported by survey respondents and do not indicate industry totals.

The sales figures relative to each other have remained the same with two exceptions. The total number of sales, in this sample, of saunas and steam rooms has doubled when compared to last year's figures. There has also been some growth in in-ground indoor pools – 74 last year up to 95 in this year's sample.

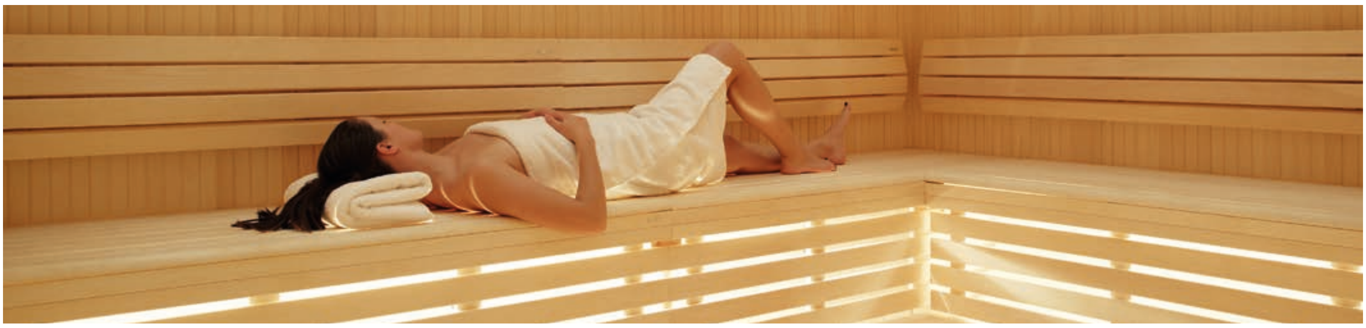
This question always raises the issue of actual, accurate industry wide totals for some of these sales. It would be useful to know exactly how many pools exist in the UK and how many new pools are being built every year. There has already been comment on the fact that far more pools are being refurbished than new installations being built. It would be useful to have industry wide figures on this as it does have implications for the shape of our industry in the future.

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

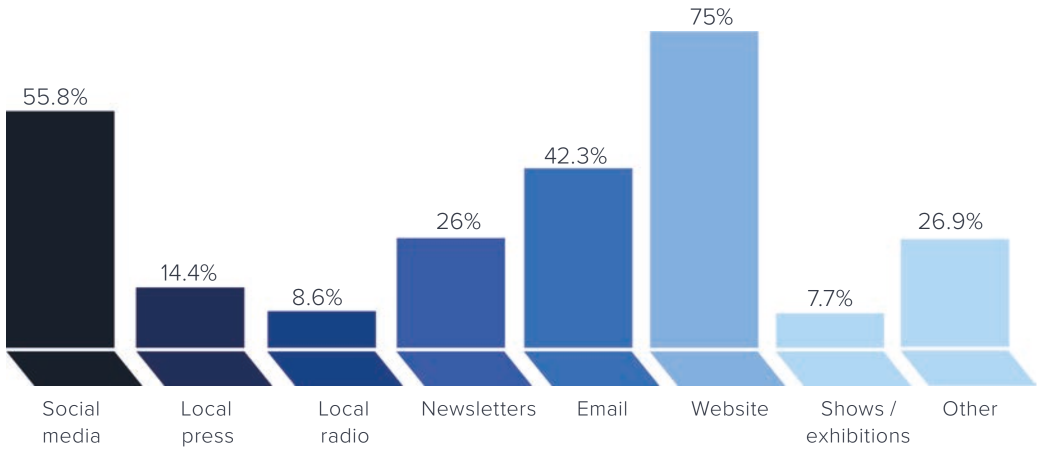


The budget sector of the market continues to slowly grow from 4% last year to almost 6%. This year, the respondents falling into this category were predominantly based in the Midlands and the South East. Typically, they were in the pool and spa sector servicing and repairing commercial installations.

Respondents who were dealing with customers looking to buy at the top-end of the market were distributed fairly evenly throughout the UK. They were more involved with new installations than the survey average and those installations covered the whole industry spectrum from in-ground pools to steam rooms however, they were installing relatively fewer spas than the survey average. Recommendations and word of mouth were by far their most popular form of marketing. They were less active in refurbishment than the sample average.



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

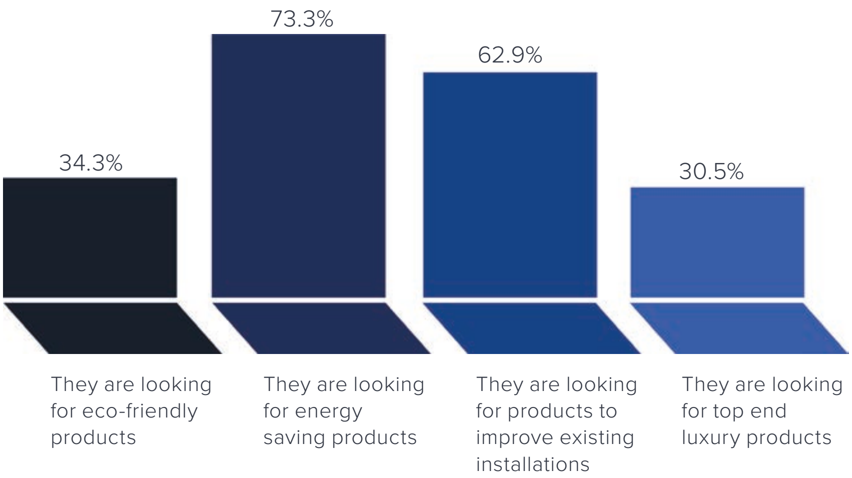


The relative importance placed on these marketing methods and advertising channels has remained basically similar over the course of the survey other than the rise of Social Media from a level of about 40% when the Wet Leisure Survey began to the 56% reported this year.

When respondents were asked what form of marketing works best for them, recommendations and word of mouth were by far the most popular answers.

Local radio, although not so popular with the industry as a whole, is the media of choice for many spa dealers.

Which of these market trends are your customers following?



Saving energy and improving existing installations stay at the top of this chart so no real surprises there although there were some interesting points made in the comments section.

"Eco friendly and chemical free".

"Most things are still based on style and design and the industry is still slow to respond to this at supply end".

"They are looking for materials to make their pools look as natural as possible. Customers are also keen to make their pools as self sufficient and easy to maintain as possible."

"They are looking for safety features - covers in particular."

Now lets look at the three main areas of the wet leisure industry:

Spas and hot tubs.

Spas are the volume sector of the wet leisure industry, its where we find the big numbers of sales every year and we always will.

There has been some slow and steady change in the sector though.

Last year we pointed out that Tesco had 75 listings on their web site under the heading ‘Hot Tubs & Spas.’ This year, Tesco are not selling spas or spa accessories at all, but that is due to a change in their business model – Tesco Direct has closed down – and not an indicator that selling hot tubs wasn’t profitable for them.

Of the big retailers, a cursory glance shows that Homebase, B&Q and Argos have a wide range of hot tubs and spas on their websites from cheap inflatable units to seven and eight seat hot tubs retailing for thousands of pounds and hot tub swim spas on sale for over £23,000. In fact, all three of those major retailers are offering swim spas - Argos with an impressively priced £28,999.99 and all three are offering a range of hot tub covers, steps and cover lifters.

These are not ‘cheap imports sold on the Internet’, these are products sold with the support of some of the UK’s biggest and most respected retailers. Those retailers can probably afford to beat a specialist dealer on margin but what they cannot provide is the knowledge and support that a wet leisure industry business can give a customer.

The other major trend in the spa sector is the continued and steady growth in providing, servicing and maintaining spas and hot tubs specifically for the holiday rental accommodation market. With the rise of AirBnB, this is no longer restricted to regions in the UK that are typically a holiday destination – such as the South West – but is a growing market all across the UK.

Swimming pools.

Just as it did last year, refurbishment dominates the pool sector.

Customers are looking to upgrade their pools in terms of finish and design but often they are looking to make the installations more energy efficient, more eco friendly in terms of chemicals and consumables and to reduce the amount of time they have to invest in pool maintenance and upkeep.

The wet leisure industry is well supplied with technologies and products to help them achieve this.

There is some concern however that the lack of new design and build pools is contributing to an increasing shortage of people with the appropriate skills in our industry. Are skilled staff leaving to work in other industries? Are new staff being trained as thoroughly as they might have been in the past?

Sauna and steam.

This year's survey reported a 50% increase in the actual number of steam and sauna installations sold but the numbers are still relatively small. Respondents comments did seem to indicate a strong increase in enquiries regarding steam rooms and steam showers.

This sector of our industry is still growing and is seen by the media to be more accessible than it was in the past however it is still to really grab the public attention and pass the tipping point over into a mainstream choice.

Argos, B&Q and Homebase are all selling saunas; all below the £3,000 price point and all the models on offer are Infrared saunas.

It's also worth pointing out that only 50% of respondents offer their customers sauna and people are not going to buy what they haven't seen.

Finally we would like to take a closer look at the geographic regions, the South East, South West and the Midlands.

South East.

32% of respondents operate in the South East.

They are much more likely to be involved in the pool sector than the survey average and they focus on refurbishment, service and repairs even more than the rest of the UK. This is the same picture of the region as we drew from last year's survey results.

Commercial contracts are twice as important to businesses here than the UK average.

South West.

23% of respondents operate in the South West.

60% of the respondents from the South West are involved in the steam and sauna sector, which is more than the survey average.

Midlands.

18% of respondents operate in the Midlands.

Hot tubs and spas are particularly strong in this region and 40% of the respondents have seen growth in the spa market over the year.

North.

10% of respondents operate in the North.

These tend to be slightly smaller businesses in terms of staff size and they are mostly typically spas and sauna, but this is another region that isn't looking to mind their budget as all the sales were reported to be either top-end or in the middle of the price range.

Scotland.

Barely 2% of the survey responses are from businesses operating in Scotland.

Within this admittedly small sample, sauna and steam are as important as spas and hot tubs. All of the sales are reported to be mid-range when it comes to price and there is little refurbishment work being done. Perhaps Scotland had a smaller stock of pools to begin with.

Ireland.

5.5% of the survey respondents operate in Ireland.

All of these businesses see sauna as being equally important as the pool and spa sector. Once again, it is a region where customers are apparently only looking at top-end and mid-price installations.

There are retrofit and refurbishment projects being undertaken in the region.

Wales.

9% of the survey respondents operate in Wales.

All the businesses that took part in the survey worked with a mixture of both domestic and commercial clients with middle price spas being the strongest and most rapidly growing part of their business.

In Conclusion.

Against a background of political and economic uncertainty, the majority of the wet leisure industry enjoyed a successful 2018.

Almost 90% of respondents expect 2019 to be at least OK and possibly extremely good. We hope that proves to be true.

Certainly Brexit remains as the biggest question mark on the horizon. Whether you see it as a problem or an opportunity, it's true to say that no one really knows what the affect might be.

There are questions around the level of training and skills in the industry and therefore a feeling that good staff are increasingly hard to find. Should the industry as a whole put more resource behind training?

The refurbishment market remains strong but can that last forever? There are only so many pools in the UK that can be improved and no one knows what that level of stock is.

The number of businesses involved in the service and maintenance of spas in the holiday let sector is growing and growing. Although HSG282 provides guidelines for the work, it's clear that most spa owners see the benefit of a spa professional maintaining the water quality.

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 year ahead.

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