For the third year, the Northeast Spa & Pool Association has conducted its Pool & Spa Industry Survey. This year’s survey was launched at the 2018 Pool & Spa Show in Atlantic City in January. The Pool & Spa Industry Survey was distributed to industry professionals throughout the greater northeast in early 2018. Participation was limited to business owners and executive staff and respondents were asked to anonymously provide detailed information how their business performed in 2017 and what they expected their business to be like during the 2018 season. The survey was distributed to over 2000 top executives and the participation rate was 12%.

In this year’s survey report, we will provide insights specific to this year’s survey results as well as highlight trends over the last three years.

Key takeaways:

- There is an overall optimism reflected in this survey and a feeling that improvements in the economy has resulted in more households with disposable income and more prospective customers
- Companies are challenged with finding, managing and keeping quality employees that will help grow their business
- A deep dive into customer service challenges provide insights in the dilemma between empowering employees to handle tough customers and relegating that to top management
- Social marketing and referrals are key strategies used throughout the industry to maintain and grow their customer base.
FINANCIAL INSIGHTS

Participants were asked to estimate their company’s annual revenue. The largest percent of participants (27%) had revenue between $1 million and $5 million. The second largest revenue range (23%) was between $0 and $250,000.

While there was a very strong positive feeling throughout the survey, we did see this dip a bit from previous years. This year 61% (70% in 2017 Survey and 65% in 2016 Survey) of people reporting their company performed better in 2017 than in 2016 and 8% (4% in 2017 Survey and 5% in the 2016 Survey) felt that their company did worse in 2017 compared to 2016.
When asked specifically about their net profits for 2018, 91% of participants saw their net profits rise in 2017 (down slight from 95% last year’s survey) and just 9% saw a decline.

**Percentage of Net Profits Up or Down in 2017**

When considering why their net profits improved in 2017, the improved economy was overwhelmingly the top answer with 51% (up from 27% in 2017) while marketing efforts remained a leading factor with 24% selecting that reason (down from 28% in 2017). Only
13% selected “other reasons” (down from 30% in 2017). “Other reasons” mentioned included reputation, customer referrals, better staff training and good weather.

Those who responded that their profits were down attributed it to the economy, big box retailers, lack of qualified employees and internet competition.

To learn more about how companies were positioning themselves for a more successful season, we asked what they invested in to improve their productivity.
Investments in training and development of staff continue to be a top method to increasing productivity with 59% of companies investing in education in 2017 (53% in the 2017 Survey). Investments in IT Software programs rose this year with 33% indicating their companies invested in these types of productivity tools (27% invested in software in 2016).
EMPLOYMENT TRENDS

In 2017, 33% of companies who took the survey invested in new hires to improve their business's productivity. Participants of the survey were also asked about their company’s employment levels last season (2017). Two-thirds of participating companies had 10 employees or less (66%) with 84% having 20 employees or less during the 2017 season.

![Number of Employees in 2017](chart)

When asked approximately how many of their employees were seasonal, 19% of companies classified all of their employees as seasonal (same as the previous year) while another 21% considered none of their employees as seasonal (up from 19% last year). This year almost two-thirds of companies considered 50% or more of their workforce seasonal.

![What percentage of your employees is seasonal? (approximately)](chart)
For the second time, we asked what percentage of employees was considered full-time. While 12 percent of companies considered none of their employees full-time (down from 14% in the 2017 Survey), nearly a quarter considered all of their employees full-time.

What percentage of your employees is full-time (approximately)

- All 24%
- Three Quarters 15%
- Half 20%
- a Quarter 29%
- none 12%

Once again we took a close look at how companies attract the best season talent to work for them. Many of the survey respondents were themselves asking the same question as finding quality employees continues to be a big concern for the industry. Many responded with “feels impossible,” “haven’t figured it out” and “good question”. Out of those who seemed to be successful in finding quality seasonal employees, many relied on word of mouth and especially on referrals from current employees or even customers. They also mentioned good pay, good training and long-term relationships with employees.

When asked about which benefits they provide to employees, respondents were allowed to select all that applied. In this year’s survey, employer-paid training (53%) topped incentives/bonuses (49%). This was a reversal from last year when incentives were the top benefit.
Beyond which benefits they offer, we asked survey participants to consider which benefits they thought motivated their employees the most. The overwhelming response was bonuses or other financial incentives. Companies also mentioned they felt the overall benefits package—salary, environment, comradely etc. were what motivated employees to perform well and return season to season.

This year’s survey also asked each participant to consider what investments they made to improve their company’s productivity in 2017. Education and training continued to be the top area companies invested in (59%) with other areas with high response rates being additional equipment (54%) and IT hardware (53%). These three areas were also in top areas in the 2017 survey with 53% for Training/Education, 52% for Additional Equipment and 52% for IT Hardware.
Participants were also asked which investments had the biggest positive impact and while the answers were varied, investments in software programs continued to be mentioned the most. Types of software programs mentioned included – Customer relationship management programs, Photo Sharing, GPS Tracking, Paperless Billing, Online/live scheduling and Point of sale software. Another investment which high returns according to survey participants was employee training including both online and in person training.
NEW! CUSTOMER SERVICE APPROACHES

New to this year’s survey we asked several questions about customer service – what are the challenges, lessons learned and the training companies provide. As with most businesses, good customer service is one of the keys to unlocking long-term success. We asked our survey participants to share their insights on this important topic.

We started by asking “How do you train your employees to handle customer service issues?” There were clear differences in the approaches taken by companies with many saying difficult customer service challenges are brought to top management but other companies determining that training and empowering field staff is the best tactic for their businesses.

- Ongoing weekly service meetings where issues and solutions are discussed.
- Being pro-active. On-the-job learning from each other.
- The boss handles most issues
- We have guidelines for employees to follow in a given circumstance.
- Three approaches - We empower our employees. In-house we learn and train on communicating and going beyond communicating to connecting. We attend seminars.
- Staff speaks directly to the customer to handle any problem. We will follow up with the customer.
- One on one coaching and from what we have learned through the years.

When asked whether providing a high level of customer service is a challenge for their companies, respondents were split pretty evenly with 47% agreeing that customer service is an issue and 44% saying it is not an issue for them (9% were not sure)
Comments of those who are challenged by customer service

- They need more formal training in both sales and customer service.
- Handling disgruntled customers can be challenging and detrimental to the company if not handled properly.
- Usually we’re understaffed and with a high work load. Employees want to plow through their work. They don’t like being "held up" by customers.

Comments of those who feel customer service is not a challenge for them

- We empower our staff and provide them the time and tools to do so.
- Providing a high level of customer service is not a challenge with the right training.
- They are taught to respect the customer, listen to their needs, address their needs appropriate to their and the company satisfaction.

We asked survey participants to share the toughest service problem they encountered and how they dealt with it. For many unrealistic customer expectations were the toughest to overcome, while miscommunications between customers and staff or even between various staff members were another key concern.

- Miscommunications between person who takes phone messages and the service tech team in terms of meeting customer’s expectations of the job, the cost, the timing, etc.
- Unreasonable expectations.
- The customer has unrealistic goals concerning the condition of the swimming pool - for example, haven’t added a chemical in 5 months but is upset water is green and feels it is our fault he needs to add more chemicals. Or customers do not follow directions properly.
- When customers speak to a team member in an inappropriate, demeaning, or disrespectful manner. Our team members are too polite and respectful, they do not deserve to be treated.

Finding the best way to deal with customer service issues for many companies required involvement from the management team and going the extra mile for the customer.

- Owner steps in to mediate and resolve.
- We try to find common ground.
- We do the best we can to manage expectations, but we haven’t been able to resolve this problem.
- Time consuming individual hand holding.
- Set up meetings to walk through issues of conflict.
MARKETING STRATEGIES

When asked which marketing strategies they invested their time and money in to promoting their business, the responses showed that most companies use a variety of marketing tactics to achieve their marketing goals. Compare the 2017 and 2016 Survey response to 2018.

What marketing strategies do you use to promote your business? (check all that apply)

![Marketing Strategies Bar Chart]

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Social Media Sites</td>
<td>58%</td>
<td>52%</td>
<td>53%</td>
</tr>
<tr>
<td>Customer Ref...</td>
<td>43%</td>
<td>40%</td>
<td>42%</td>
</tr>
<tr>
<td>Search Engine Opt.</td>
<td>39%</td>
<td>38%</td>
<td>42%</td>
</tr>
<tr>
<td>Direct Mail..</td>
<td>39%</td>
<td>37%</td>
<td>42%</td>
</tr>
<tr>
<td>Print Ads</td>
<td>34%</td>
<td>32%</td>
<td>40%</td>
</tr>
<tr>
<td>Email Campaigns</td>
<td>32%</td>
<td>36%</td>
<td>40%</td>
</tr>
<tr>
<td>In-store Promotions</td>
<td>25%</td>
<td>26%</td>
<td>32%</td>
</tr>
<tr>
<td>Other (please..)</td>
<td>19%</td>
<td>13%</td>
<td>17%</td>
</tr>
<tr>
<td>Paid Online Ads</td>
<td>18%</td>
<td>13%</td>
<td>14%</td>
</tr>
<tr>
<td>Radio Advertising</td>
<td>15%</td>
<td>13%</td>
<td>9%</td>
</tr>
<tr>
<td>None</td>
<td>12%</td>
<td>9%</td>
<td>9%</td>
</tr>
<tr>
<td>Television</td>
<td>7%</td>
<td>3%</td>
<td>6%</td>
</tr>
</tbody>
</table>
Over the last three years, we’ve seen social media marketing become the leading marketing tool for pool and spa contractors with customer referral programs being a key partner in nearly all marketing programs. Most companies are looking at how best to create integrated marketing programs that make the use of traditional marketing tactics and digital marketing outlets.

We also asked participants to share what they considered to be their most effective marketing strategy and share how it has impacted their business.

Customer referrals from satisfied clients continues to be a valued marketing tool

- Customer referrals, hand down. We no longer advertise and only take new jobs based on a referral
- We are lucky enough that word of mouth from our customers, and friends and family bring us the best customers
- Customer referrals are very effective. While they do not "get you the business," they do get you an interested and attentive audience to present your services & products.
- Deliver a quality product for a reasonable price & ask for referrals.
- Customer referrals are the most effective. At least 50% of new pool builds are referrals.

Many of the responses focused on digital and online marketing tactics including social media, email campaigns, SEO and online ads.

- Houzz and Facebook have been very useful. People use them and they either email or call us.
- Social media is the way to go. We are currently upgrading to a more aggressive social media agenda.
- Search Engine Optimization has helped a lot.
- Web presence, gets more and more over time, a business driver
- Email campaigns. It’s effective, quick and cost effective. Results are measurable.
Companies were then asked to consider their marketing tactics based on dollars spent, time invested and effectiveness.

**MONEY SPENT**

- Search Engine Optimization: 17%
- Social Media Sites: 16%
- Customer Referral Programs: 12%
- Direct Mail Campaigns: 12%
- Print Advertising: 11%
- Email Campaigns: 9%
- Paid Online Advertising: 7%
- Radio Advertising: 7%
- In-store Promotions: 6%
- Television advertising: 3%
- In-store Promotions: 6%
- Television advertising: 3%

**TIME INVESTED**

- Social Media Sites: 24%
- Search Engine Optimization: 16%
- Customer Referral Programs: 12%
- Direct Mail Campaigns: 11%
- Print Advertising: 11%
- Email Campaigns: 8%
- Paid Online Advertising: 6%
- Radio Advertising: 5%
- In-store Promotions: 4%
- Television advertising: 3%
Participants were also asked to share what they considered to be the primary function of their business website. This year we saw Brand Awareness take the lead as the top goal for company websites (36% in 2018; 25% in 2017) and lead generation drop to number two (20% in 2018; 25% in 2017). The number of companies that did not have a website dropped size percent (12% in 2018; 18% in 2017).

**What is the main purpose of your website?**

- Brand Awareness: 36%
- Lead Generation: 20%
- Product Information: 16%
- Customer Service: 12%
- Search Engine Optimization: 16%
- Direct Mail Campaigns: 13%
- In-store Promotions: 4%
- Paid Online Advertising: 7%
- Social Media Sites: 20%
- Print Advertising: 9%
- Email Campaigns: 10%
- Customer Referral Programs: 13%
- Radio Advertising: 6%
- Television advertising: 2%

**EFFECTIVENESS**

- I don't have a website: 12%
- e-commerce: 4%
- Brand Awareness: 36%
- Lead Generation: 20%
- Product Information: 16%
- Customer Service: 12%
- Search Engine Optimization: 16%
- Direct Mail Campaigns: 13%
- In-store Promotions: 4%
- Paid Online Advertising: 7%
- Social Media Sites: 20%
- Print Advertising: 9%
- Email Campaigns: 10%
- Customer Referral Programs: 13%
- Radio Advertising: 6%
- Television advertising: 2%
Participants were asked to share what they did to improve traffic to their website over the last year (2017). Over 80% of survey participants didn’t do any work to improve traffic to their websites. Those that did work on boosting traffic focused on Adwords advertising campaigns and search engine optimization. Additional there was a focus on website redesigns and making their websites mobile friendly.

To the 58% of those taking the survey that use social media as a marketing tactic we asked which sites their companies had a presence on in 2017. Facebook continues to dominate with over 74% of companies using social media searching for “likes” on Facebook (up from 68% in 2017). All of the other social sites and online communities had usage of 35% or lower. Instagram saw significant growth in usage this year with 25% indicating they had a presence on the site (up from 18% in 2017). Customer referral websites including Angie’s List and Houzz have seen significant dips since we started surveying three years ago:

- Angie’s List – 2018: 10% | 2017: 15% | 2016: 26%
- Houzz - 2018: 8% | 2017: 12% | 2016 25%.

Which social media sites or online communities do your business have a presence on? (check all that apply)

![Social Media Presence Graph]

For the second year, we asked what types of content companies posted to social networks and how frequently they posted. Most companies felt that they didn’t post frequently
enough and needed to do more. Those that post regularly shared project pictures, promotions, and tips for their clients.

- We post pools and spas, entire yards and customer reports on their completed projects.
- Minimal advertisement. I let reputation do its job. It works like a charm.
- Post weekly during season, every other off season. Typically post reminders, sales, pictures.
- I hate doing it but I post on Facebook every once in a while. I just "like" Facebook posts from Hayward and stuff like that. I need to do it more.

When asked whether they felt social media impacted different aspects of their business, the majority felt that it had a positive influence on their sales, lead generation and customer loyalty while a significant percentage continue to have a difficult time determining the medium’s impact.

<table>
<thead>
<tr>
<th>Has your social media presence impacted your company’s</th>
<th>Yes</th>
<th>No</th>
<th>Not Sure</th>
<th>N/A</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales</td>
<td>52%</td>
<td>9%</td>
<td>23%</td>
<td>16%</td>
</tr>
<tr>
<td>Lead Generation</td>
<td>60%</td>
<td>10%</td>
<td>18%</td>
<td>12%</td>
</tr>
<tr>
<td>Customer Loyalty</td>
<td>38%</td>
<td>16%</td>
<td>32%</td>
<td>15%</td>
</tr>
</tbody>
</table>
A LOOK AHEAD

The Survey concluded by asking participants how they felt the 2018 season would treat the industry. There continues to be the same positive mood that we’ve been tracking since we started this survey three years ago.

Starting with employment levels, once again, over 50% felt their employee levels would increase in 2017 with 9% of them feeling that they would increase substantially (up from 7% in 2017 and 3% in 2016). A total of 98% of respondents felt that employment levels would increase or stay the same in 2018.

While there positive outlook throughout the survey, respondents were realistic when it came to how costs would change for various services and goods needed to operate their businesses with participants overwhelmingly feeling that these costs would rise or at least remaining consistent for 2018. There was an uptick from the previous year on those who felt the fees and taxes might decrease (2018 survey: 5% | 2017 survey: 1%).

<table>
<thead>
<tr>
<th>Service</th>
<th>Increase</th>
<th>Stay the same</th>
<th>Decrease</th>
<th>N/A</th>
</tr>
</thead>
<tbody>
<tr>
<td>Business Insurance</td>
<td>67%</td>
<td>29%</td>
<td>2%</td>
<td>2%</td>
</tr>
<tr>
<td>Fees &amp; Taxes</td>
<td>64%</td>
<td>30%</td>
<td>5%</td>
<td>1%</td>
</tr>
<tr>
<td>Healthcare Costs</td>
<td>55%</td>
<td>18%</td>
<td>0%</td>
<td>26%</td>
</tr>
<tr>
<td>Marketing/PR</td>
<td>39%</td>
<td>48%</td>
<td>3%</td>
<td>10%</td>
</tr>
<tr>
<td>Media Advertising</td>
<td>33%</td>
<td>46%</td>
<td>2%</td>
<td>20%</td>
</tr>
<tr>
<td>Training and Education</td>
<td>39%</td>
<td>56%</td>
<td>0%</td>
<td>5%</td>
</tr>
<tr>
<td>Payroll</td>
<td>76%</td>
<td>20%</td>
<td>0%</td>
<td>4%</td>
</tr>
<tr>
<td>Materials</td>
<td>78%</td>
<td>18%</td>
<td>1%</td>
<td>3%</td>
</tr>
</tbody>
</table>
When asked specifically how they felt their company would perform in 2018, the answer was resoundingly positive with 85% feeling their sales will increase and 78% thought profits would increase this year.

<table>
<thead>
<tr>
<th>Increase</th>
<th>Stay the Same</th>
<th>Decrease</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales</td>
<td>85%</td>
<td>13%</td>
</tr>
<tr>
<td>Profits</td>
<td>80%</td>
<td>17%</td>
</tr>
<tr>
<td>Purchases</td>
<td>74%</td>
<td>22%</td>
</tr>
</tbody>
</table>

When looking deeper into the responses, we saw that a large percentage of participants were confident that their sales, profits and purchases would increase significantly in 2018. Comparing responses from 2017, those expecting large sales increase was up 5% (2017: 18%).

<table>
<thead>
<tr>
<th>Will Increase Substantially</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales</td>
</tr>
<tr>
<td>Profits</td>
</tr>
<tr>
<td>Purchases</td>
</tr>
</tbody>
</table>
WORDS OF WISDOM

We ended this year’s survey with three open-ended questions that allowed them to share their thoughts looking ahead and a chance to look back at the best lesson they learned in their years working in the pool and spa industry.

**What is the biggest challenge you will face in 2018?** There were a few central themes in the responses to this question – finding & managing employees, dealing with regulations and the economy.

- Being a seasonal company hiring and maintaining employees/manager.
- Increasing regulations and permit costs effecting our business
- Keeping up with the small weekend warrior pool service guy working out of his trunk
- Maintaining highest level of professional service
- Amazon, Un-licensed contractors and distribution that sells against the brick and mortar trade.

**What is the biggest opportunity you have in 2018?** Many saw opportunities as potential customers are feeling more confident in the overall economy. Many noted renovations and repairs for existing pools are on the rise and are profit opportunities.

- Good economy generates more high-income households.
- Lots of real estate being sold in area influx of new people wanting pools
- Pool rebuilds - it's getting to be the golden years following the big install push 10 years ago.
- I have more trained staff this year than I have had in a long time.
  A lot of demand from customers

**What is the most important lesson you’ve learned during your years in the pool and spa business?** While responses varied they nearly all boiled down to honesty, integrity and good customer service.

- Plan all winter for the spring. Go to the office for a few hours a day to keep in the rhythm of working.
- Reputation goes a long way. Have loyalty to customers.
- Creating a niche and setting my business apart from others is a huge advantage. Keeping the process simple. Focus on work that is profitable. Treating employees and customers with respect
• Do the right thing every time with no exceptions
• Call everyone back.
• Treat customers well, provide better than expected service from caring, knowledgeable technicians and your customers will keep coming back.
• Customers are getting worse, harder to deal with and don't want to pay their bills.
• Treat customers well, provide better than expected service from caring, knowledgeable technicians and your customers will keep coming back.
• Treat every pool as you would your own.
• The market is always changing with new competition.
• Customer service is king, there will always be issues, it's how you respond!