

STOREFRONT

WE TAKE A PERSONAL LOOK
AT THE GREAT BRAND DEBATE

MARKETING

WHY CUSTOMER FOLLOW-UP
CAN MAKE OR BREAK YOU

OPERATIONS

EXPERT ADVICE TO NEGOTIATE
YOUR NEXT LEASE WITH EASE

RESEARCH

CONSUMERS RATE DEALER
SERVICE, BACKYARD MAKEOVERS

SpaRetailer

INSIDE THE HOT TUB INDUSTRY

FALL 2007

DEBUT ISSUE



Alice Cunningham and Blair Osborn
Olympic Hot Tub Company
Seattle, Washington

SpaRetailer.com

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THE STATE OF THE INDUSTRY
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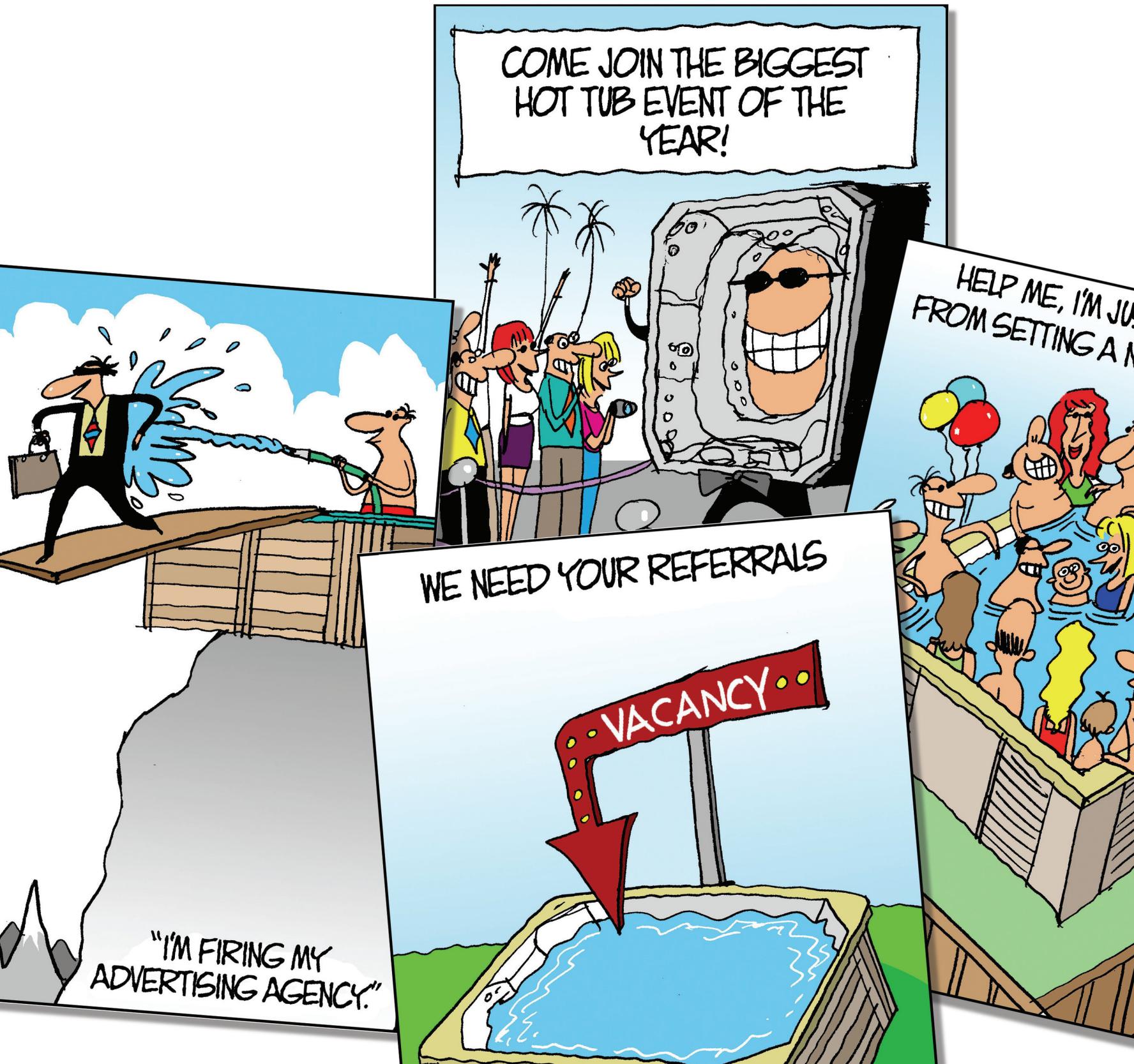


0046-07

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In fact, in a recent survey, over 40% of the small business owners revealed that referrals brought them the biggest returns over other traditional marketing methods such as advertising, direct mail and networking.

When was the last time you got a personalized card from a business?

We don't mean some random computer form letter, but a genuine greeting card thanking you for your business and asking you for a referral. The problem is while everyone likes getting a card, the hard part is taking time out of your day to shop for the right card, write an appropriate message, then wasting valuable time to drive to the post office to mail your letter.

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A hot tub referral campaign is very simple to set up. Here's all you need to do:

STEP 1 - Define your hot tub referral campaign.

STEP 2 - Select cards for the campaign.

STEP 3 - Tell the system at what interval you want them sent out.



REFERRAL PROGRAM COMES WITH 25 HOT TUB CARD TEMPLATES



BONUS CARDS
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15 HOLIDAY CARDS TO
COMPLIMENT YOUR
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Enroll today at hottubcards.com as a card distributor and receive an additional 200 points (sends 100 cards!) and 7 stamps to start, PLUS 100 points per month thereafter. (sends 50 greeting cards). Must enter promo code 25835.

Enroll Now!
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promo code: 25835



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Listening to customers is the biggest challenge facing the hot tub world today. Retailers are optimistic a new campaign strategy will turn the industry's image around one step at a time.

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After customers received the initial brochure for their new hot tub, when did the retailer make its first follow-up attempt? How long do customers shop around for spas? The answers are insightful – and some are downright discouraging.



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Fall 2007

SpaRetailer

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A woman with blonde hair, wearing a black swimsuit, is smiling and looking towards the camera. She is in a swimming pool, with water splashing around her. The background is a light blue.

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About Us

Who We Are



ON OUR COVER

Olympic Hot Tub owners Alice Cunningham and Blair Osborn photographed in their Seattle store by Michael Clinard.

What We Promise

- Support hot tub retailers whose livelihoods are dependent on the long-term market viability of the hot tub industry.
- Offer fair and accurate editorial coverage of the hot tub industry.
- Present our editorial content in a professional and visually appealing manner.
- Refrain from covering the swimming pool industry or related pool products.

MAGAZINE *SpaRetailer* magazine is published quarterly. Each issue is dedicated exclusively to the hot tub industry.

E-NEWSLETTER Our online newsletter is published monthly and delivered electronically to industry professionals. It features current news, events and industry topics.

INNER CIRCLE™ The SR Inner Circle™ is an exclusive peer-to-peer business network sponsored by *SpaRetailer* magazine. It is comprised of fellow retailers and industry colleagues with a common desire to promote the hot tub industry to consumers and share tips, ideas and techniques to maximize profitability, customer satisfaction and referrals.

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SpaRetailer

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Let's Go Big or Not at All

INTRODUCING SPARETAILER

I was recently in a jewelry store and overheard a young couple shopping for engagement rings. The young man pointed out a ring that was very nice, but obviously smaller than his bride-to-be expected. The woman turned to her fiancé and said, "Honey, you need to go big or not at all." If 17 years of married life has taught me anything, it's that going all out is important, and the same can be said about the hot tub industry.

Some call me a rogue supporter of hot tubs. Others think I am unfairly challenging the status quo. Regardless of the label, like many of you, I share a passion for the hot tub industry and think the time has come for those of us inside the industry to 'Go Big or Not At All.' For far too long, the industry has been the sidekick to the swimming pool industry, buried and overshadowed by it.

As an industry, we need to realize our true competition lies not with our fellow retailers and manufacturers, but with products outside our industry such as RV's, boats, tourism and other luxury items vying for homeowners' discretionary dollars.

As an industry, we need to promote our own hot-tub-specific marketing initiatives that will ensure long-term sustainable growth.

As an industry, we deserve an exclusive trade-only magazine to promote a healthy exchange of ideas and opinions among retailers, manufacturers and suppliers.

■ **STOREFRONT** is focused on "big picture" topics affecting the hot tub industry and local spa retailers. Emphasis is on content tailored to retail owners and managers.

■ **MARKETING** is a collection of features, "how-to" departments and case studies to help retailers maximize financial returns from advertising while leveraging media to promote your message to qualified prospects.

■ **OPERATIONS** contains features to help streamline financial productivity, from effective expenses management to regulatory and compliance issues impacting the industry.

■ **RESEARCH** will help retailers understand the market and consumer buying habits that affect industry growth, featuring market research and analysis.

To support that promise, *SpaRetailer* will:

- Support hot tub retailers whose livelihoods are dependent on the long-term market viability of the hot tub industry.
- Offer fair, balanced and accurate editorial coverage of the hot tub industry.
- Present our editorial content in a professional and visually appealing manner.
- Refrain from editorially covering swimming pool topics or related pool equipment.

That being said, *SpaRetailer* remains a work in progress. As with any new magazine, we will undoubtedly be tweaking and refining our news content, editorial features, departments and research to ensure we deliver quality content to our subscribers with every issue.

I hope you will join us on this journey. I encourage you to respond with suggestions to help *SpaRetailer* become your preferred hot tub trade magazine.

A handwritten signature in black ink, appearing to read "David Wood" followed by initials.

David Wood
Editor & Publisher
dwood@bigfishpublications.com

SpaRetailer Exclusive: Research and statistics on the latest trends in the industry. See page 73.

“With the Emerald Spa Retail Environment, our sales skyrocketed.”



— Cynthia Blechschmidt
Emerald Spa Dealer



“At Aqua Spas & Pools, we’ve witnessed first hand the power of the Emerald Spa custom retail environment. Since its installation, our sales have skyrocketed, and we’ve been able to recoup our investment ten times over in the first year! Emerald’s marketing materials clearly convey the quality of their spas, and this has been instrumental to our success in growing spa sales this past year.”

— Cynthia Blechschmidt
Gig Harbor, WA



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Beyond the Book

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Coinciding with the launch of *SpaRetailer* is SPARETAILER.COM. With even more news, content and features, this online counterpart is an essential resource for the spa professional. Browse our online library of images, sign up for a webinar, read online-only articles and join the exclusive members-only section, the Inner Circle™, just to get started. Take a look at just some of the features SPARETAILER.COM has to offer.

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Imagine having step-by-step online presentations geared toward the spa industry that are easy to follow or being able to ask real-time questions and get a response. *SpaRetailer*'s webinars are just that, geared toward making your business run like a well-oiled machine.

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The Inner Circle™ is the members-only area of SPARETAILER.COM. Joining this area gives you, the spa professional, access to content and special features that aren't available to regular visitors. From special features to essential downloads, The Inner Circle™ is the best online resource for the spa retailer.



FREE SERVICE

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Don't know when the next trade show is? Want to speak your mind at the next council meeting? Head over to SPARETAILER.COM for the most up-to-date calendar of events in the industry. Find out where, when and why to make sure you don't miss a thing.

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This Just In

We hope you're as excited about the debut of *SpaRetailer* as we are. As the only trade magazine dedicated to retailers, suppliers and manufacturers of the hot tub industry, we need to know what you think of the information and editorials we've provided so we can make *SpaRetailer* a spectacular product. Would you like to see more on a particular topic? Have we overlooked a critical industry issue? Write to us at editor@bigfishpublications.com or 14300 N. Northsight Blvd. Suite 127, Scottsdale, AZ 85260.

A LONG TIME COMING

We've waited 30 years for a spa only publication! I'm very excited to see the debut of this media!

ROBERT STUART

President, Springs Spas &
Home Recreation
Colorado Springs, Colorado

HOPE SPARETAILER MATCHES SPASEARCH'S QUALITY

I can't wait to see the interest my dealers are going to have. If *SpaRetailer* is of the same quality of *Spasearch* it'll be the best publication in the industry.

JEFF PARKER

Marketing Manager,
Baja Products, Ltd.
Tucson, Arizona

OPPORTUNITY TO PROP UP INDUSTRY

Historically, industry publications and trade journals don't do the industry justice because they aren't willing to publish information that may not be flattering to different manufacturers or dealers. I'm looking forward to seeing *SpaRetailer*'s approach.

KELLY KING

General Manager, Mountain Hot Tub
Bozeman, Montana

LOOKING FORWARD TO "INDEPENDENT RESEARCH"

Knowledge is power. *SpaRetailer* promises to deliver independent research on the industry. This is definitely news I can use to improve my business. Good luck with your new publication!

ALICE CUNNINGHAM

Co-owner, Olympic Hot Tub Company
Seattle, Washington

KUDOS TO SPARETAILER

I applaud the dedication to the spa industry, first with *Spasearch* – educating consumers about hot tubs, and now with *SpaRetailer* – targeting the important issues facing today's hot tub-focused businesses.

LISSA POINCENOT

Marketing Manager,
Watkins Manufacturing
Vista, California

"AN EFFECTIVE TOOL"

SpaRetailer sounds like it will be an effective tool for helping our dealers succeed and grow.

JAMES KEIRSTEAD

Owner, Arctic Spas
Thorsby, Alberta

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APSP to Spend Millions on Hot Tub Ad Campaign

DETAILS ARE YET TO BE REVEALED, BUT THAT HASN'T STOPPED TOP INDUSTRY PLAYERS FROM SOUNDING OFF ABOUT AN UNPRECEDENTED PROMOTION. BY DAVID VOLK

While details of a plan by the Hot Tub Council to boost sagging spa sales won't be announced until December, the effort is already being met with plenty of mixed reviews.

The Hot Tub Council Initiative is expected to include an effort to certify spa dealers, improve the buying experience and emphasize benefits of hot tub ownership through a multi-million dollar advertising campaign similar to those used by boating, recreational vehicle and dairy industries.

"The spa council seems to be on a really positive track and a track that really appears to be industry focused. They want to see the water rise so that all the boats go up," says Scott Bittner, Hot Tub Council member and vice president of sales at spa products company King Technology Inc. "I think only good is going to come out of this."

"It does sound very promising, following along the lines of the dairy council and creating more of a household name for our product," says Chris Callanan, a member of the California-based Association of Pool and Spa Professionals (APSP) Retailers Council. "Just trying to raise public awareness and not make it such an unattainable dream is the direction that they're trying to head, and I think it's a very noble cause."

But some industry players outside the council are more cautious.

"In principle I think the program is wonderful," says ThermoSpas CEO Andy Tournas. "But I think we have a responsibility to identify how we are going to spend the money first before beginning an aggressive fund raising campaign. This strategic initiative has to work for everyone regardless of size or location. If executed properly, I can't imagine why anyone wouldn't participate."

Originally called the International Spa and Tub Institute, the APSP was purchased by the National Pool and Spa Institute in the early 1980s. The 19 members of the Hot Tub Council – renamed from The Spa and Tub Council in the mid 1990s – have met at least twice yearly to discuss concerns of manufacturers, wholesalers and retailers.

But after a lawsuit forced the first trade organization to file for bankruptcy, marketing APSP members' top products successfully has proven difficult.

One of the biggest ongoing problems has been overcoming narrow self-interest among those in the industry, especially smaller manufacturers, according to Chris Robinson, APSP council division director. He says many "saw no benefit to a national advertising campaign" if they were only interested in marketing to one region of the country.

Others worried that competitors who didn't invest in such a campaign would reap

the benefits without bearing the costs.

But even when members could agree on the need for a national effort, financing proved problematic, according to Lauren Stack, APSP director of marketing and promotion. While a national public relations and advertising campaign would likely cost millions, she says the council has just \$200,000 to spend in any given year.

But that hasn't kept the council from trying. In the mid 1990s, it plowed money into Internet advertising and later launched a Web site, HOTTUBLIVING.COM. The industry also funded the Love Tub campaign in summer 1998, centering on a \$300,000 cross-country promotional tour that garnered coverage wherever the promotion stopped along the way.

But the impact was limited, and any sales gains were short-term.

"It was a good first attempt at doing something. Looking back, it probably wasn't the wild success that everyone had hoped," says Aquaflow CEO Dirk Caudill, who adds that it taught the council an important lesson. "Everyone realizes that \$100,000 or \$200,000 isn't enough to move the needle," he says.

An increase in sales followed the Sept. 11 terrorist attacks, as Americans traveled less, began nesting and invested in home improvements. But purchases have plummeted over the last two years.

Most concerning to retailers, the downturn in the industry has come during an economic climate in which every other backyard-related category has posted double-digit percentage gains in recent years.

Meet the Hot Tub Council

Officers

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Gorlin Pools and Spas

Todd Whitney Vice Chair
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Jim Jennings Sec./Treas.
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Sunstar Spa Covers, Inc.

James Hedgecock
Dimension One Spas, Inc.

APSP council member and owner of Gorlin Pools and Spas.

Most concerning to retailers, the downturn in the industry has come during an economic climate in which every other backyard-related category has posted double-digit percentage gains in recent years. But Robinson says the slide has prompted many in the industry to consider a new sales strategy. "It's got people concerned enough that they're willing to compromise," he says.

Robinson and Gorlin estimate that the national campaign will cost about \$10 million, with much of the funding to come from a levy against manufacturers.

The campaign is expected to follow the example set by the "Go RVing" and "Discover Boating" campaigns, as the recreational category faced similar challenges, including limited awareness of the product, bad consumer buying experiences and poor post-sales service. "You can almost take the boating industry's blueprint and put the word 'spa' in there," says Larry Giles, national sales manager for Diamond One Industries.

But without more campaign details, Tournas sees the push as an excuse to do something out of desperation. He says that desperate times should never be a factor in launching a major campaign, because it may lead the industry to make marketing mistakes

While some drop-off may have been inevitable in the short term, a recent Hot Tub Council study shows that there's still plenty of room for growth. Experts say there are 54 million American households that don't own, but have the means to afford, a hot tub.

"They have all the income and fit the demographics, but they've never thought about owning a tub," says Steve Gorlin,

it would not have otherwise made.

James Hedgecock, a manager of business development at Dimension One Spas, says he's encouraged by increased cooperation among industry players to increase awareness, but worries about the soundness of the business plan, the amount of buy-in by major players and the need to focus on improving the customer experience. "If we can do it, it's going to make a big difference," he says.

Other industry insiders say the council is missing the boat by not focusing enough attention on hot tub health benefits. Both pointed to a two-year National Swimming Pool Foundation study that showed the physiological impact of hot tub immersion. If the findings are as favorable as expected, they believe publicizing the results should have an immediate impact on awareness and sales.

But even if the campaign succeeds and interest in ownership increases, the industry will face one final obstacle, according to Gorlin: its spotty sales and service record. He says the purchase process is difficult at best and buyers are often upset over the lack of after-sale maintenance and service.

"There are many people out there who feel like their tubs are orphans," Gorlin says. "If people have a bad experience in California, that affects my sales in New Jersey."

That's why the council initiative will include a dealer and technician certification program to address the concerns of Gorlin and others.

Kathleen Carlson, spokesperson for the nine-store chain Aqua Quip, likes what she's been hearing so far. "I think we have to think outside the box and be smart," she says. "Really, our product is invisible to the public. It's amazing how many people don't think about it. Our job is to convince you to use one."

"There are two things you can do if business is down: You can pull in your reins and hide or you can go out and try to cause change. I'm one who says if you're going to be an ostrich and wait for things to get better, then you're blind. If things aren't working, why wouldn't you be doing something different?" ■

SILKBALANCE TARGETS WOMEN WITH WATER TREATMENT SYSTEM

SilkBalance Water Management believes it has created the ultimate tool in developing stronger relationships with female hot tub and garden spa customers. Its newest water treatment system focuses on addressing the personal concerns of women in terms of after-bathing inconveniences connected to chemical treatment methods.

"We have eliminated the dry, itchy aspect of chemical-oriented spa bathing and can help people who suffer from mild irritations," says Christina Edwards, SilkBalance managing director. "We also wanted to provide a revolutionary packaging concept that communicated the soothing effects of SilkBalance."

According to Edwards, benefits of the new product include an automatic pH balance and improved stability. It also eliminates excess calcium buildup, keeping spa components in better operating condition and reducing warranty and service costs.

The new system includes silver, which improves performance and actively reduces the ability of bacteria to multiply. It also contains Biofilm Dispersion Technology designed to eliminate biofilm, which accounts for up to 95% of spa bacteria and colonizes in spa piping. Edwards says traditional chemicals do not address this problem. "We view chlorine or bromine as complimentary to what we do, and at reduced levels, these chemicals can provide an extra measure of security in multiple bather or party situations if the spa does not have an ozone or UV system," she says.



Marquis Aids Make-A-Wish

EMPLOYEE-OWNED COMPANY HOLDS THIRD ANNUAL CHARITY GOLF TOURNAMENT IN EFFORT TO PREVENT CHILD ABUSE

Barto Pool & Spa, a Marquis dealer in Phoenixville, Penn., won an in-kind supporter award from the Philadelphia and Southeastern Pennsylvania chapter of the Make-A-Wish Foundation. The honor was given after Barto delivered a spa to a 15-year-old Make-A-Wish child in Royersford, Penn. Chelsea, an avid swimmer who suffers from non-Hodgkin's lymphoma, wanted a spa to help relax sore muscles.

"I consider it a great privilege to be a part of the marvelous cause of the Make-A-Wish Foundation," says Amy Barto, co-owner of Barto Pool & Spa. "I'm honored and humbled when I see the impact my crew and I can have in a child's life simply by delivering a hot tub. The experience is priceless."

Chelsea loves the new spa – in particular, the waterfall and colored lights, according to her mother.

Marquis Spas and its dealers continue to prove they are dedicated to giving back to their community.

An employee-owned company based

in Independence, Oregon, Marquis held the third-annual Chip in Fore Children golf tournament July 20 at Illahe Hills Country Club in Salem, Ore. Proceeds from the tournament, along with a dinner and silent auction, go to Family Building Blocks, a local non-profit child abuse prevention program that works to keep children safe and families intact.

Over 100 golfers participated in last year's tournament that raised over \$46,000 for Family Building Blocks. "Marquis Spas and Family Building Blocks are grateful to all the individuals and companies who help us make this tournament a great event," says Sam Collins, Marquis senior vice president. "It's a terrific venue with so many positive aspects. Participants have a fun day on a great golf course, local companies get exposure and Family Building Blocks gets much-needed funds."

For details on funds raised at this year's Chip in Fore Children event, log on to SPARETAILER.COM. ■

■ NEW COVER VALET LIFTER UNVEILED

Cover Valet, a manufacturer of spa cover lifters, recently introduced its newest edition. The Cover Slide requires less than one foot of clearance as it slides the spa cover back and drops into a vertical position. Cover Valet says the Cover Slide mounts easily onto the spa cabinet. The item comes with a 24-hour shipment guarantee. Visit COVERVALET.COM for details.

■ SPA FROG HOPS ONTO MARKET

King Technology Inc. has introduced a 2-step, reusable spa care product. The SPA FROG Floating System features a reusable holder and two replaceable cartridges. One cartridge contains minerals that last four months, while the second cartridge lasts 2-4 weeks.



Located in Hopkins, Minnesota, King Technology says the SPA FROG allows spa owners to benefit from minerals and reduced levels of bromine regardless of spa size. It comes "with minerals helping to control bacteria use by 50%, which results in softer water with an added shine," according to the King Technology brochure. "Best of all, it can be used in any spa with no special equipment required. It floats while you relax and enjoy."

■ ARCTIC SPAS ENJOYS MORE ACCOLADES

Blue Falls announced that Arctic Spas Oakville Group has been recognized by *Profit* magazine as one of the 100 Fastest Growing Businesses in Canada for 2007. Oakville was officially ranked 52nd by the magazine on June 4.

Located in Edmonton, Alberta, Blue Falls was on the Profit 100 list for five straight years, and has also been named one of Canada's 50 Best Managed Companies for the past two years.

"To be listed among such great Alberta businesses is very gratifying," says James Keirstead, vice president of marketing for Blue Falls. "We have put a considerable amount of energy into our growth strategy."

Arctic Spas Oakville Group, which operates five Blue Falls stores in Canada, was a 2003 Fortune finalist for Retailer of the Year, and received the Oakville Business Award for Excellence Retailer of the Year in 2005.

■ PADDOCK OPENS THIRD NEVADA SUPERSTORE

Paddock Pools, Patios & Spas opened its newest Backyard Superstore in North Las Vegas, NV on July 7, its third such store in Nevada. "People in the community and surrounding areas can now design their new pool, enjoy a lifetime limited Paddock warranty, add personalized options and select their backyard décor accessories all in one location," says David Ghiz, president of Paddock's retail division. Paddock is based in Arizona.



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Beachcomber Introduces Trifecta of New Products

LIGHTING SYSTEM, MASSAGE INSERTS AND LIGHTED SAFETY PACKAGE UNVEILED BY CANADIAN-BASED MANUFACTURER

Beachcomber Hot Tubs, a Canadian-based spa manufacturer, recently introduced three unique items to the spa world.

The Eclipse Lighting system, named for its lights that resemble small lunar eclipses, was unveiled at the 'Shaping our Destiny' Owners' Workshops in Palm Springs, Calif. The system casts a light glow over an entire hot tub that doesn't interfere with a customer's ability to see nearby objects and people. "We've made a commitment to our dealer network this year that we would continue to give them improvements that give them a unique selling position, and Eclipse certainly delivers on that promise," says Jason Wharrie, president of Beachcomber Hot Tubs Group.

Also introduced were Britewerx Massage inserts, which feature stainless steel face with a translucent five-spoke cover. The inserts will be available for most new Beachcomber hot tubs, and will allow anyone with a Beachcomber from as far

back as 2005 to upgrade.

"They have a very classy appearance and will really increase the appeal of Beachcomber Hot Tubs," says Lyndon Throness, marketing director. "We expect a lot of customers who were undecided about which brand to choose to finally take the plunge when they see this package."

Finally, Beachcomber's new Guiding Light safety step lighting system is designed to make entry and exit safer and easier. The system illuminates Beachcomber's Double Tiered Protec step in four locations, including the ground in front of the step, allowing the hot tub owner to see the steps and grown going in and coming out of the tub.

"We've always made sure that safety features were a big part of Beachcomber's product offerings," says Throness, "and now with the Guiding Light, we can offer our exclusive Beachcomber dealerships the safest and most attractive lineup that will turn heads and create sales."

"SHARK-BITE" CREATED TO SIMPLIFY POOL AND SPA PIPE INSTALLATION

Whitlam/Plumb-Pro just introduced its new Shark-Bite One Step Pool and Spa PVC Cement. The product is a medium-bodied solvent weld cement that is specifically formulated for the pool and spa contractor.

Located in Wadsworth, Ohio, Whitlam/Plumb-Pro says Shark-Bite works well on wet or dry pipe and doesn't require a primer before assembly of pipe and fitting. It's also excellent for immediate pressure testing of a system, according to the company.

Shark-Bite's blue dye allows the user to see the cement upon application. It is available in 1/4 pint, 1/2 pint and 1 pint, and also comes in 1-gallon and 55-gallon metal containers. Visit SHARKBITEGLUE.COM for more information.



HACH INTRODUCES TEST STRIP READER, STARTER KIT

Hach Company, the manufacturer of AquaChek Pool & Spa Test Strips, has unveiled a pair of new products.

The new AquaChek TruTest Digital Test Strip Reader is the first meter of its kind, according to Hach. It couples test strip and digital technologies to keep testing simple while boosting accuracy. The meter tests the three most commonly tested parameters: free chlorine, pH and total alkalinity. Free bromine results can also be calculated.

"With this handheld meter, we have developed a product that adds a new level of confidence to water testing," says Ron Merwin, Hach's director of sales. "And because the meter will read the colors on the test strips, testing pool and spa water has now become faster and easier."

In addition, the Dealer Starter Kit includes six AquaChek TruTest Digital Test Strip Readers, six blister carded bottles of TruTest Pool & Spa Test Strips, a point of purchase display and a ceiling dangler in one box. The readers include a 25-count bottle of test strips, a user's guide and a guide to pool water care and treatment.

"The Dealer Starter Kit was designed for the retailer who wants a complete package," Merwin says. "With the purchase of the kit, the retailers can easily stock their stores with the test strip readers and the refills, as well as have a means to display the product attractively for their customers."

Both products come with directions available in 15 languages.





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Storefront



PHOTOGRAPH BY MICHAEL CLINARD

STORES

As a high-powered administrator at the U.S. Department of Labor in the 1970's, Alice Cunningham knew she had her work cut out for her, but she always knew what her work was. It was in the inbox on her desk waiting for her every day. Someone had already paid for her office furniture, the phone, electricity, her staff's salaries – and all she had to do was show up.

All that changed when she and a University of Washington engineering professor she had just met at a World Future Society Conference decided to quit their jobs and prove that men and women could work together. Granted, it was the 70's and people were doing that type of thing all the time, but most didn't face this couple's biggest stumbling block: They didn't know what they wanted to do now that they had grown up.

"My first thought was 'Let's start a business. How hard can that be?'" Cunningham says. "It's the hardest thing on the planet."

Thirty years, five showrooms and 15,000 hot tubs later, Seattle's Olympic Hot Tub Company has grown to become a \$10 million a year business and one of the country's top sellers of Hot Spring Spas, but there was a time when it looked like

\$10 Million Woman

WHY ALICE CUNNINGHAM LEFT THE U.S. LABOR DEPARTMENT FOR THE SPA BUSINESS. BY DAVID VOLK

Rookies 30) Coaching 32) Opinions 34) Profile 36) Hot Tub Council 38) Feature 40)

they'd never get off the ground.

She wanted to consult; he wanted to sell a product. Although husband Blair Osborn won, they didn't know what product they would sell until they visited an old hot spring in California and saw a company selling spas.

"It looked like lots of fun and it looked so do-able," says Cunningham, who serves as company spokesman while Osborn handles the technical end.

Then, the enormity of the challenge started sinking in. Since there were no pre-made tubs, Osborn built the first one himself (a two week task at the time), then had to line up his own manufacturer, track down suppliers, find a good location, set up shop and figure out a way to market spas to a public that had never heard of the contraptions – at a time when blue collar Seattle was known more for Boeing builders than Microsoft millionaires.

Even their banker was incredulous. He asked if they liked beans because they were going to have to eat a lot of them, Cunningham recalls.

Their mistakes were many. They created a beautiful glossy brochure to get the word out, but the materials were so expensive it cost \$3 to print each one. They opened a showroom with a water view, a kitchen and plenty of room to set up a spa so visitors could try one, but the location was hard to find and parking was non-existent.

But they got a lucky break when someone died.

A long time exhibitor at the annual Seattle Home Show passed away at a time when the event was moving from the Seattle Center to the Kingdome, leaving his booth space on main floor up for grabs. Olympic Hot Tub Company jumped and was assured of having the same space year after year.

"We were able to reach a huge number of people with the booth," Cunningham says.

Their next major challenge came with the appearance of manufactured fiberglass hot tubs with built-in plumbing, eliminating the need to spend a week building and installing the spas. Osborn, an engineer who just happened to do his dissertation on heat and plastics, hadn't been impressed with the plastic spas until a representative of a spa manufacturer paid them a sales visit. The couple traveled to the factory and were so impressed that they agreed to sell the line even though the maker required them to buy three tubs at a time.

The decision paid off immediately when a woman walked into the store, said she'd heard that Olympic

"If we haven't educated a buyer as to why our product is better, we haven't done our job."

was selling portable spas and wanted to buy one, no questions asked.

When Cunningham asked why, the woman said, "This looks nice, you've been in business a long time, I'll take one."

Since Osborn and Cunningham both come from highly theoretical fields – academia and government – they rely heavily on business theory and have often brought in consultants when sales flagged. Even now, as she sits in an office above Olympic's main showroom, Cunningham talks about business seminars they've attended and advice they've received from consultants, as well as business books like *The Gemini Effect* and its Seven Benchmarks of Successful Companies.

Warning to the task, she talks about the significance of having the right person in the right job, the need to share personal values and vision with employees and customers, and the importance of deciding how to compete.

"Where are you going to be in the marketplace? Are you going to be the cheapest? We thought we were going to take the high road and focus on quality and education over hard sell techniques and bashing the competition," she says.

"If you're not selling the best, why bother?"

MARKETING FOCUSED ON SELF, NOT OTHERS

For the most part, Olympic's marketing strategy hasn't changed much despite increased competition. The couple has always focused the quality of their company, their products and the experience instead of focusing on their competition. Add to that their ongoing effort to educate buyers and it's easy to see why they've carved out their own market niche.

"Education is our main thing," Cunningham says. "If we haven't educated a buyer as to why our product is better, we haven't done our job."

Olympic's Web site features numerous pages designed to educate consumers covering everything from what to look for when shopping for a tub and a dealer, to health benefits and hot tub etiquette. Cunningham even features customer responses to just-for-fun surveys like the one posing the age-old question, "Nude – or Not Nude?"

If their research is any indication, the approach has been paying off. Almost half of their business comes from referrals, which isn't just from satisfied customers. They're from salesmen at other dealerships and community members familiar with the company's reputation.

Cunningham calls such community members and her large pool of satisfied customers "brand ambassadors" and says they pop up at the oddest times. One Olympic





Cunningham serves as spokesperson for Olympic Hot Tub Company, while her husband, Blair Osborn, handles the day-to-day operations.



customer saw a woman looking at a Costco spa and said, "Miss, I can't let you do this. These are not very good quality. You have to go to Olympic Hot Tub Company."

Cunningham's favorite referral story, though, occurred when an informed consumer called the reference desk at a local library and asked for information about hot tub companies only to have the librarian say, "I've heard that Olympic has a good reputation."

As a result, the company has relied very little on advertising. It has recently begun doing radio ads featuring Cunningham's voice, but the campaign has been limited, focusing on a few stations with a highly targeted audience.

Olympic markets to its satisfied customers as well, touching base with them five times a year, Cunningham says. The effort includes a newsletter sent out three times a year, a postcard on the anniversary of their purchase featuring special offers, and a call either before they receive the card or shortly after. She knows it's working because she recently heard from a customer who asked why they didn't get a card on the second anniversary of their spa purchase.

"The reason to do that is so you have top-of-mind awareness when they want to buy another one," Cunningham says. Given that Olympic's own in-store surveys show that 43% of their customers have owned a hot tub before, the approach makes perfect sense.

KEEPING IT SIMPLE

It also helps that Cunningham stresses simplicity when it comes to sales.

"If there's one thing I've learned after successfully operating a business for more than 28 years, it's the importance of making products or services easy to buy [and] easy to own," Cunningham said in a May 2006 article in the *Puget Sound Business Journal*.

As she puts it, "Is this going to give me the relaxation that I want with the least amount of hassles?"

Instead of relying on hard sell tactics, Olympic's sales force lets the product speak for itself and listens to what consumers have to say. In some cases, the sales effort

starts with a test soak in a showroom hot tub. The stores not only have bathing suits and towels on hand; they also keep the tubs spotlessly clean. It may sound basic, but Cunningham says not all dealers pay attention to that simple detail.

The company's salespeople also ask questions about what buyers are looking for. How will they use it? Do they want jets? Where do they want the jets to be? How many people do you want to entertain? Olympic also goes a step further by offering a PerfectFit™ Backyard consultation in which a representative of the company visits buyers' homes and helps them find the right match for their living space and lifestyle.

At the same time, staffers also make sure to remind customers of the joys of home spa ownership including potential health benefits and improved quality of living. "We really feel if we're doing our job, they'll get wound up and buy one," Cunningham says.

Everything in the process is designed to make a spa purchase as easy as possible, regardless of whether that means easy-to-understand terms, offering financing or ensuring trouble-free ownership with a five-year parts and labor warranty on every Hot Spring and Tiger River spa it sells.

Complying with the manufacturer's warranty can be costly, but keeping customers satisfied makes it worth the effort, she says. Olympic responds to all warranty calls quickly, even those from high maintenance customers, but she does admit, "We did have a party when one person's warranty ended."

Cunningham plans to take her goal of trouble-free ownership one step further by introducing a valet service. Instead of worrying about routine maintenance such as draining and filling the spa, all customers will have to do is enroll in the service to have technicians come out and do the work for them. ■

David Volk is an investigative journalist and frequent contributor. He is an active member of the SpaRetailer editorial advisory board.

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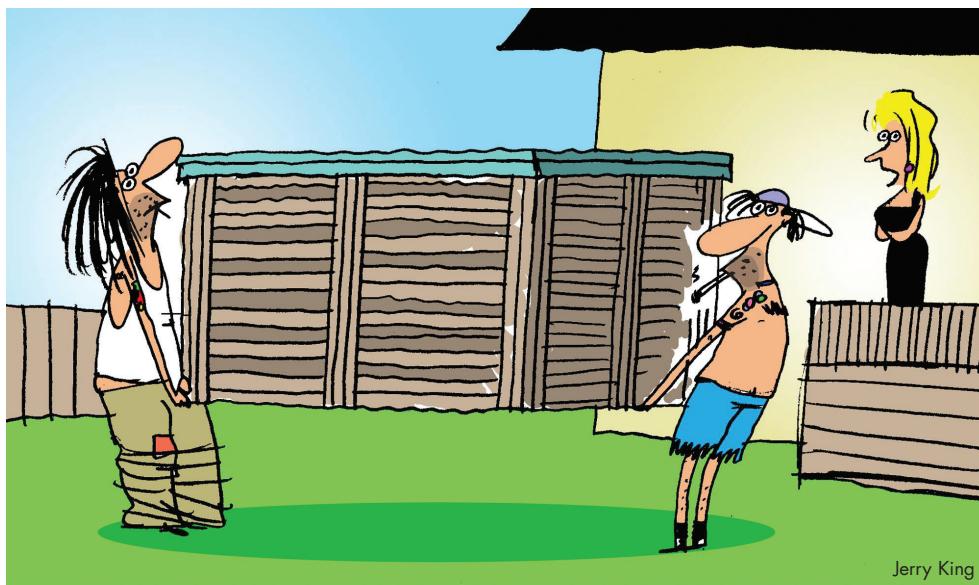
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Jerry King

"WHAT SPA STORE DID YOU GUYS SAY YOU WERE FROM?"

Make a Good Last Impression

DON'T OVERLOOK THE IMPORTANCE OF HOME SPA DELIVERY. IF DONE RIGHT, THE PROCESS WILL NET MANY SATISFIED CUSTOMERS. BY BROOKE PIELLI

1

Wear Uniforms to Inspire Confidence
"When making a delivery of a hot tub," says Kent Mordasky, owner of Nutmeg Spas in Palmer, Mass., "It's a good idea for the delivery people to wear uniforms. It helps them to look neat and organized. That inspires confidence that the company knows what it is doing." Confidence in delivery people is also important since they are entering a private residence to install a major piece of equipment. A sloppy appearance as the last thing a customer sees can make customers question the quality of future service.

2

Make Customers Feel at Ease It is important to understand how disruptive a delivery can be to a family. Making the customer feel at ease will increase trust in the hot tub retailer, and increase the likelihood of future business. Ways to ensure this include being prompt, keeping chatter to a minimum, and paying attention to the environment so as to prevent accidents.

3

Be Careful It's critical to limit or eliminate the chance of collateral damage to people's homes. "Installing a hot tub," Mordasky explains, "can be messy. I make every attempt to avoid that by taking my time to prevent an accident. For hot tubs that go on the second floor, I use a boom truck and crane them in."

4

Prepare Ahead of Time "We are like fine furniture movers," Joe Sarcia, owner of Sunwrights Spas in East Hartford, Conn., says. "We go and do a site visit beforehand to be sure delivery will be smooth and without problems. That is the final impression our customers have of us, and we want it to be a good one. Even before we deliver, we do everything to make the customer feel comfortable and relaxed. Many don't even feel the need to be there. When we finally make delivery, we are prepared. I believe that is why we get kudos from our customers."

5

Ask About the Purchasing Experience One sure way to know how your company is perceived is to ask your customers. A short, printed survey presented at time of delivery is a good way to find out your customer satisfaction rating. ■

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Take Focus off Rude Customers

RICK SEGEL SHARES HIS EXPERIENCE, INSIGHTS AND IDEAS ON NEW APPROACHES TO RETAIL MARKETING AND THE STATE OF CUSTOMER SERVICE IN TODAY'S RETAIL COMMUNITY.

Did you ever focus on the wrong thing and have it hurt you? Of course you did. Everyone does. Let me show you how counterproductive it can be and what we can do about it.

Last week I received some evaluations back from a recent speaking engagement. The evaluations were terrific. They included 72 people who rated my program as excellent

with a 4-point ranking out of 4. Four people rated my performance as good, or 3 out of 4. Then there was one person who gave me a "fair" rating of 2 out of 4, and one person who apparently hated me and only gave me a 1 out of 4. That is a 3.88 overall rating,

and it was the highest of all of the other speakers who presented at the conference.

But am I happy? No! Why not? Because I am focusing on the two people who didn't like me. Shouldn't I be focusing on all of the positive comments?

Of course I should be focusing on all the positive comments, not the negative ones. What made it worse for me was that there were two people who didn't like the program. If it was one, I probably could have justified it. But two? The sky is falling, the sky is falling! What will I do with evaluations like that?

Here is the other component: The meeting planner called and booked me for next year

but that didn't matter. How could this happen to me? Poor me. I tried so hard to be perfect, but two people didn't like me.

This is like *déjà vu* from the days I was a retailer. Someone comes in and complains about my prices, my displays, or just having a customer simply say to their friend, "They have nothing!" This would drive me crazy, especially after I had just gotten in a massive amount of merchandise and had finally gotten it into stock.

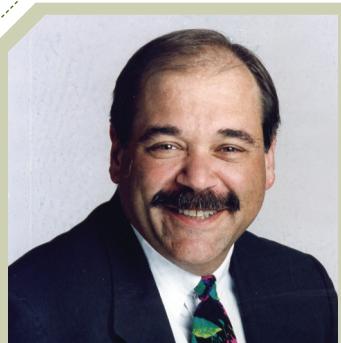
I am about to give some advice I need to take myself: Focus on the customers who love and appreciate you. We are never going to please everyone, and the more we think we are, the worse it gets. I avoided doing other work just to satisfy one fruitcake.

Remember, 4% of your customers belong to the PLO: Pushy, Loud and Obnoxious. Don't focus on the 4%, but focus and build on the customer base who loves you and what you do. It's all part of business. We must take the bad with the good. Worrying over things that we can't control is counterproductive.

I wasted more time worrying about something that I had no control over. Just get up for each customer and do your best and listen to your good customers. They will help you build your business. The complainers of the world will almost always be the complainers of the world who are just trying to make the world a miserable place. Don't let them get to you, as I will try hard not to let them get to me.

OK, time now for a group hug and a couple bars of "Kumbaya." Doesn't that feel better? ■

**Remember,
4% of your
customers
belong to the
PLO: Pushy,
Loud and
Obnoxious.**



ABOUT OUR COACH

Rick Segel, CSP, a seasoned retailer of 25 years, owned one of New England's most successful independent woman's specialty stores. He is a contributing writer for numerous national publications, and a founding member of the Retail Advisory Council for Johnson and Wales University. Segel is the director of retail training for the Retailers Association of Massachusetts.

Segel earned his CSP (Certified Speaking Professional) designation from the National Speakers Association making him part of an elite group. Out of almost 4,000 members, only 7% hold the CSP, the highest earned designation in professional speaking. Segel has been a featured speaker in 47 states, on four continents, delivering over 1800 presentations. Segel has authored eight books including *Retail Business Kit for Dummies*, two training videos and a six-hour audio program.

ricksegel.com

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The Great Brand Debate

SHOULD I STOCK ONE BRAND OR MULTIPLE MANUFACTURERS?

WHY WE STOCK MULTIPLE SPA MANUFACTURERS

ROBERT STUART // SPRINGS SPAS HOME AND RECREATION

Why carry multiple brands? What are the benefits? We started out with Marquis but found that we did not want to limit our customers to one philosophy and brand. We also did not want to put all our eggs

in one basket, so to speak. Every manufacturer has their up and downs, slow times and product slumps; if you count on only one manufacturer, you're taking a chance that they will always be able to provide what you need when you need it.

Some customers may prefer more bells and whistles and accept that some of the flashier add-ons don't have as long of a life. I'm not willing to make

that choice for my customers – if I force them to buy what I believe in 100% of the time, I'm going to lose some that I wouldn't have with other choices. This is their purchase, not yours, and they have the right to decide what they want for their money. I want to give myself every chance to fulfill their wants and needs so that they indeed purchase from us.

Are there any disadvantages? Most of the larger manufacturers offer special packages for single brand stores to insure their own interests. Many stores are not large enough to show enough spas of one brand, let alone more. It requires a lot more floor space.

"If you count on only one manufacturer, you're taking a chance that they'll always be able to provide what you need when you need it."

You have to stock more warranty parts, proprietary accessories, and most of all, covers.

How did you decide to choose the brands you did? We shopped the products we sell much like our customers shop us, but on a much bigger level. The difference is that it is probably easier for us to move to a new brand than it is for our customers. We have tried other brands and found that they did not fit our company or customer base well. Some were great products but didn't have a dealer support system that worked for us.

Does carrying multiple brands hinder your produce expertise? I feel that we've actually learned more by carrying multiple brands. When you have multiple brands running on the floor side by side, in addition to servicing and working with the different factories at the same time, you learn a lot that you wouldn't have if you'd never had a chance at such a direct comparison. One thing we have learned is that there are manufacturing philosophies that don't work well in our area. We were able to see those differences stronger by selling the brands side by side.

Do you feel carrying multiple brands gives your customer a more unique experience? Yes, I do. For all the struggle that it is selling more than one brand and dealing with more than one manufacturer, that is the bottom line – the customer experience.

We are unique in the respect that we have a large enough facility (15,000 square feet) and enough exposure to support more than one brand well. We've even won Dealer of the Year for both Dimension One and Marquis three times each, which shows we're doing something right to represent each brand. ■

ROBERT STUART
SPRINGS SPAS AND
HOME RECREATION

Location Colorado
Springs, CO

Manufacturers

Dimension One,
Marquis Spas and
Nordic Hot Tubs

Products Carried

Spas, swim spas,
aboveground pools,
billiards, game
tables, grills,
smokers, outdoor fire
pits and gazebos.

Years in Business

7 years

springsspas.com

719-487-7487

You've done the necessary research to find the perfect location, designed your company logo, you've even put together those sleek brochures to hand out to everyone even thinking about purchasing a spa. But you're stuck on the most vital component: Deciding between carrying just one brand, or offering a plethora of tubs. For this edition of Opinions, we sat down with two spa retailers who sit on opposite ends of the spectrum to help you figure out the answer to the vital question: how many brands to carry? INTERVIEWED BY CRYSTAL COONS

WHY WE STOCK A SINGLE SPA MANUFACTURER

CHRIS WEAVER // ARCTIC SPAS MILE HIGH

Why carry just one brand? What are the benefits? When a new client walks through my doors, I believe it shows them how passionate we are about Arctic Spas when that is the only brand they see. They can see that I, myself, am sold on this product, and therefore it is more comforting to them to make a large purchase like this. I still believe in the old philosophy that people buy things from people they like, and they like the fact that we will sell them just the best spa, rather than show them the best, only to find out they have budgeted for a less expensive product, and then show them that one.

Do you worry that you're cutting off some potential customers? I don't think we are cutting off potential customers. As I mentioned, even if someone comes in looking for another brand, we take that as an opportunity to show them our benefits. We earn their business through our passion for just this one brand.

Why do you think your competitors would carry more than one brand? They cover a larger part of the market by carrying more than one brand of spa. Our focus is on quality and consistency rather than solely on volume. The happier my clients are, the more likely they are to send friends and family my way. We will continue to sell tubs, and continue to increase volume from year to year long after the original deal is sold.

Is cost a factor? Do you get better cost for exclusivity? There isn't any real cost break for exclusivity. I guess my break would come in the way of shipping. By just getting containers from Arctic, I save on having multiple shipments come in.

Do you feel that carrying one brand gives your customers a more specialized and customized experience in your establishment? Absolutely. I think clients have a different experience in my establishment because we carry just Arctic Spas. There is more of a focal point in our store. People do not become distracted by seeing multiple spa signs or even multiple brands on our floor. The experience is customized for each individual that comes in, depending on what else they have looked at. At first glance, a lot of tubs look primarily the same. But once we have established where the client has already been, we move forward,

showing them our differences! It's funny, because sometimes I find myself talking about the floor of our spa long before I get into the way we insulate our tubs, which is one of our biggest differences and advantages.

One time I had to catch myself because the client asked how to drain the spa first thing, and I went into a 20 minute sales presentation on how the spa is drained.

Sometime after 20 minutes, I looked at him and said: "Why are we talking about draining this spa? The whole point is to keep hot water in it and use it every night!" He nodded in agreement and another hour later, we were writing up a contract. ■

"They can see that I, myself, am sold on this product, and therefore it is more comforting to them to make a large purchase like this."

CHRIS WEAVER ARCTIC SPAS MILE HIGH

Location

Denver, CO

Manufacturer

Arctic Spas

Products Carried

Spas, billiards, gazebos, spa and pool accessories and spa chemicals

Years in Business

2 years

Business Partner

Brett Weaver,
brother

**arcticspas
milehigh.com
303-422-2835**

Former Industry Outsider Shapes Future

CHRIS ROBINSON // LUCITE INTERNATIONAL // DIVISION DIRECTOR

EX-FIREARMS EXECUTIVE RELOADS IN HOT TUB INDUSTRY AND TRIGGERS A CHANGE

Though your best laid plans don't work out, you can still end up in the right place at the right time. That's what happened to Chris Robinson, director of sales and marketing for Lucite International. As the Hot Tub Council's division director, he's a key player in shaping the direction of the portable spa industry.

A mechanical engineering undergraduate student who went on to receive a masters in business administration with a minor in marketing, Robinson started his career in an industry where

the mission couldn't be any further from the hot tub industry's goal of helping people relax. He worked at the Remington Arms division of DuPont, building parts for firearms. Since DuPont encouraged its employees to try several positions before settling on a career within the company, he jumped to the tub and spa division at Lucite International.

It wasn't because he knew much about spas, though. He just wanted to get out while the getting was good.

"My feeling was that [Remington] was not a core business and that it

was going to be sold," Robinson said. He was right. DuPont sold Remington in 1993. It sold Lucite the same year. "Well, that didn't work," he joked.

As he looks back on his gamble with humor, he sounds more amused and engaged than one might expect from a person who made such a miscalculation. Of course, it helps that he landed in the Lucite division that makes sheet for spas at a time when hot tubs were beginning to take off and pioneers were starting to put the right pieces together.

"I've seen the industry grow. I love working with entrepreneurs and watching their business grow," he says. "That's the part I like about it. You can touch it, feel it and watch it change. It's more fun than the bath business because it tends to be white [acrylic] sheet and nothing ever changes. Fashion in hot tubs changes every year."

"There has to be momentum. There has to be a defining event that catalyzes people to make a change."

After 20 years in the industry, he's found himself becoming more than just a supplier, however. While he didn't plan it, he's become one of the movers and shakers who may end up helping those in the industry come together to help themselves. Call it another case of being in the right place at the right time.

An outsider looking in, Robinson says he believes an on-going Hot Tub Council initiative could do more than just pull spa sales out of the doldrums, it could also take the industry to the next level.

As he sees it, the key will be getting everyone in the industry to find common ground. He understands it's a sea change for manufacturers, for example, because most run regional businesses and haven't seen the point for national advertising if it won't directly affect their sales. The business has been so competition-oriented that manufacturers spend more time bashing competitors than worrying about the industry as a whole. They also worry that others might reap all the benefits without making any investment.

"They're not typically marketers. They're entrepreneurs with good ideas [and] they don't trust that everyone's going to participate," Robinson says.

Now that sales have been down for three straight years, many are willing to consider something other than business as usual.

"There has to be momentum. There has to be a defining event that catalyzes people to make a change. For them it was a couple of down years. It's got people concerned enough that they're willing to compromise."

And if the success of the recreational vehicles and boating industries are any indication, the effort could pay off. Both sectors had had a similar run of luck before the players got together and advertised the recreation category, rather than a single company. One year later, sales were up and their slogans were as familiar as "Got Milk?" and "Beef, it's what for dinner."

"We want to get out the message that hot tubbing is a fun family activity," Robinson says. As he sees it, it will succeed only if everyone cooperates. "The key thing is for people to participate. It won't change if you're not willing to help change." ■

CHRIS ROBINSON



HTC Looks for Industry Support

HOT TUB COUNCIL WANTS A VOTE OF CONFIDENCE FROM SPA RETAILERS ON THE NEW GROWTH INITIATIVE BY STEVEN GORLIN

As a well-respected businessman who is passionate about family and the hot tub industry, I am deeply concerned with the sales down-turn in our industry. I am a veteran member of the Association of Pool and Spa Professionals (APSP), the world's largest international trade association representing the swimming pool, spa and hot tub industry. As an industry volunteer, I encourage you to join the efforts of the APSP's Hot Tub Council (HTC) and help grow our category.

At the International Pool and Spa Expo last November in Las Vegas, HTC Chairman Larry Giles picked me to begin a 12-month term as council chairman. Concurrently, the first ever *Hot Tub Technician Manual* was made available. With over 300 pages of color graphs and charts, it is a must-read reference for hot tub technicians and industry employees. The volunteer authors from the APSP Service Council and the HTC included engineers and experienced industry professionals like you. We joined together to form the Hot Tub Technician Task Force and brought this project in under budget (and record time). I co-chaired that task force and worked with such amazing people to put out a quality publication. The first printing sold out and the second is flying off the shelves.

The Strategic Planning Committee of the HTC, chaired by Giles, is developing the architecture for a long-range initiative, in the same vein as the successful 'Got Milk,' 'Where's The Beef,' 'Go RVing' and 'Go Boating' campaigns. The many legs of the foundation are based upon four pillars of the APSP: Education, promotion, advocacy and research. Most taskforces, with objects and strategies, have already been established.

In business, as in life, it is proven that the more one gives, the more one receives. We need your help and want you to work alongside the best this

industry has to offer. I urge you to be a part of the solution. Right now, you can serve your industry by becoming a part of this exciting initiative.

With six months left as chairman of the HTC, I find the industry, my fellow Council members and myself at a crossroads. The good news: there has never been a convergence of like-minded individuals representing like-minded companies with the resources to stop our industry's spiraling downturn.

A recent meeting in Chicago demonstrated that 60-80% of the industry supports a comprehensive initiative that will annually raise funds toward research, marketing and promotion solely for the hot tub category. We need to enlarge the pie for all dealers, OEM's, distributors, and special interest companies, and reverse declining sales in the short term to attract those 54 million households in our demographic in the long term. We need to inform consumers on the benefits of hot tub living and to utilize credible information sources to overcome consumer barriers to entry. We need to speak to the world with one voice and promote the "Total Backyard Living Room," with the hot tub becoming the new "sofa."

Team work is critical. We need you to be missionaries for the industry by getting involved in organization activities, utilize the educational benefits, and supporting this HTC initiative. For more information on how you can help, please contact APSP HTC staff liaison Lauren Stack at lstack@theapsp.org. ■

We need your help and want you to work alongside the best this industry has to offer.



APSP
The Association of
Pool & Spa Professionals

HOT TUB COUNCIL TASK FORCES & CHAIRS

Funding

Chris Robinson
Lucite

Organization

Dirk Caudill
Aqua-Flow

Research and Statistics

James Hedgecock
Dimension One
Spas

Certification

Steve Gorlin
Gorlin Pools and Spas

Marketing

Larry Files
Vita Spas

Organization

Todd Whitney
Aristech



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wanting to grow with us.**

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or call,

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State Of the Industry

MOST HOT TUB RETAILERS AGREE THAT A NEW MARKETING STRATEGY IS NEEDED. BUT THERE SEEMS TO BE LITTLE AGREEMENT ON WHAT THAT PLAN SHOULD LOOK LIKE.

BY PAULA HUBBS COHEN

In a nutshell, there's the good, the bad and the ugly. Let's get the not-so-good out of the way.

It's well known in the industry that at the same time the economy experienced a slowdown, the competition for available dollars for 'luxury' items increased exponentially – can you say high definition TVs, home theaters, boats and exotic vacations? Additionally, an overpopulated marketplace is another factor seen as impeding sales growth. In fact, Rich Werber, President of Great Atlantic Pool, Spa, Sauna and Fireplace of southeast Virginia and northeast North Carolina, believes one reason home shows and off-site venues are not as productive as they were in years past is consumer confusion.

"Consumers attend a home and garden show and see eight to ten different spa retailers," he says. "Then they come by one of the booths and say they thought they wanted a hot tub, but the industry is too confusing because there's such a proliferation of claims and different models."



"I think it would be better for our industry to have regulations on manufacturers because the bad ones hurt everybody's reputation."

- Scott Clark
Owner, Spa and Sauna Shop
Reno, Nevada

TALK OF THE TOWN

"Ten years from now, there will be different ways to deliver our message. As that continues to increase, we will continue to get our message out to our potential audience."

RICH WERBER
President, Great
Atlantic Pool, Spa,
Sauna and Fireplace

On one hand, some manufacturers feel that consumers in the middle are being forced to choose between gas for their vehicles or luxury items for their homes. Jeff Parker, director of marketing for Baja Products Ltd., says his company sold more high-end spas this year than any other. "That shows me that people with disposable income are still spending it on spas, but those customers who have to watch what they spend are not buying luxury items," he says.

But for some retailers, the not-so-robust economy caused mid-level lines to move more briskly than ever before. That's what happened to Scott Clark, owner of the Spa and Sauna Shop in Reno, Nevada.

"Our sales used to be pretty evenly distributed between the low, middle and high end, but with the economy slowdown, the biggest thing we've noticed is that sales are squeezed to the middle a little bit," he says. "Recently, our mid-level sales have been far and away the best for us. Someone who would have spent \$8,000 or \$9,000 in years past is being a little more conservative and might just be spending \$5,000 to \$6,000. Some folks at the bottom of the market have dropped out of the market completely."

BABY BOOMERS MAY BE SHORT-TERM SAVIORS

The good news is that there is a huge baby boomer demographic experiencing an increasing need for the health benefits provided by hot tubs. David Ghiz, senior vice president of Paddock Pools and Spas in Phoenix, says that not just the boomers, but the entire health conscious movement, has been instrumental in getting people more interested in spas.

"People are exercising a lot and it's nice to have something to come home to for relaxation and massaging your aches and pains," he says. "There are also tremendous stress-relief benefits from sitting in warm water for 15 to 20 minutes."

In addition to the heightened awareness of the health benefits of spas, North Americans have experienced a psychological shift that includes a philosophical return to hearth and home.

"This 'cocooning' phenomenon has helped drive a significant amount of sales over the past decade," says James Keirstead, director of marketing and IT for Arctic Spas in Thorsby, Alberta. "Because of that, we've been fortunate to see our sales hold firm during what many describe as an industry slump."

IMAGE ISN'T EVERYTHING, BUT IT SURE DOES HELP

So where do in-the-trenches gurus see opportunities for improvement, as well as solutions? Some say stricter regulations would be a good first step.

"Personally, I've always been kind of an anti-government regulation kind of guy, but I think it would be better for our industry to have regulations on manufacturers because the bad ones hurt everybody's reputation," Clark says. "There always seems to be new spa brands popping up every few years. They're here a year or two, sell a lot of stuff, then they're gone, leaving all their customers calling everybody else for service, repairs and information."

Kelly King, general manager of Mountain Hot Tub in Bozeman, Montana, says that one of the things that drives him crazy is how many dealers set up shop for two years, then leave town when the going gets tough.

"When we see these guys coming, we're not afraid of losing sales to them, but we're very afraid of the negative perceptions they'll bring to the industry," he says. "If I lose one sale to them, but that person has a bad experience, that could take away ten opportunities for us to sell down the road."

To counteract those perceptions, King points out that "in the last ten years, we've seen five or six dealers come and go, while we're still around."

But King is blunt in his assessment that the industry needs a better image. "Surveys show that people don't generally hold spa dealers in very high regard, kind of like the old stereotype of a used car salesman," he says. "People who give a bad image to the industry should clean up their act or go away."

Along with spiffing up the industry's image, consumers' attitudes need to be shifted from a fun and glamorous perception of hot tubbing "to the multitude of health

A CONSUMER'S PERSPECTIVE

Karen and Robert Templeton of Virginia Beach, Virginia, recently purchased a Caldera spa from Great Atlantic Pool, Spa, Sauna and Fireplace. SpaRetailer caught up with Karen as she was cooking dinner for 'the gang.'

"Our spa was our big Christmas gift to each other," Karen says. "We absolutely love it."

Proving that word-of-mouth is one of the best ways to advertise, Karen recalls that the reason they selected the spa they eventually purchased is because their neighbor and the neighbor's brother both own one.

"The brother has triplets and another child. I figured if their four children, plus all their friends, can use and abuse the spa and they still love it, then it would probably be great for our eight grandchildren," she says. "And I was right, because all our grandkids, from ages 2 to 15, do love our spa."

Karen sells real estate and says the spa is great for de-stressing. While the only negative she could think of was that the massage jets can't reach her neck, the positive attributes of owning her spa are many.

"I was in a bad car accident that did my back in, and both Robert and I have a touch of arthritis that we've seen a massage therapist for," she says. "But since we've had our spa, it's done a beautiful job of keeping us 'massaged' and I haven't been back to the therapist, and neither has Robert. I can't say enough good things about it, we just really, really enjoy our spa."

Karen says that while they did look at other brands and other dealers, they ultimately went back to their first choice because of what they saw and what they already knew.

"Our salesman, John, probably had something to do with it, too," says Karen with a laugh. "It turns out his wife is from the same small town that I'm from – Indiana, Pennsylvania, which is also the home of Jimmy Stewart."

Which just goes to show that you never know where somebody's coming from.

benefits that people can enjoy with a hot tub," says King. "We need to bring some awareness to those benefits, so that people can justify spending money on a hot tub instead of a new television."

Werber says there is a huge potential base of consumers that meet the industry's profiles. "Yet, as we saw with the unit sales declines in 2006, this tremendous audience chose not to buy a spa either because we were not important enough to them or they simply were not aware of our product's benefits," he says.

Many insiders assert that the only way to attack these issues effectively is for the industry to speak to the consumer with one voice to get the benefits message across and compete with other leisure products.

But how?

"The industry must pull together from retailer to manufacturer to supplier to accessories so that we can collectively fund a national campaign to bring our message to potential consumers," says Chris Robinson, director of sales and marketing for Lucite Acrylic Surfaces.

GOT SPA?

If this happens, experts agree that the messages must be clear, concise and consistent. Ghiz uses the analogy of the dairy industry's 'Got Milk?' campaign. "That worked very well for them," he says. "We need a similar national campaign to create awareness and mindset."

Where there's a will, there's a way.

To meet the need for a united-front image and benefits campaign, members of the Hot Tub Council are moving forward to develop a strategic plan and funding model that will address these critical issues.

"Some will say this has been tried in the past, but there is a renewed sense of purpose in the group that met in April in Chicago," Robinson says. "I believe wholeheartedly that we will develop and implement a robust plan that will drive this industry for many years to come. There is nothing like a change in market dynamics to focus your attention."

WHERE DO WE GROW FROM HERE?

Robinson believes the industry is perfectly positioned to take advantage of the aging population, along with 'family nesters.'

"Incredible amounts of money are being spent on the backyard and we need to have our product be top of the mind with these consumers," he says. "We need spas to ultimately be the key feature for the masses as they design a backyard living area."

Werber adds that the industry's biggest strength is its product.

"We sell a backyard solution that provides relaxation, togetherness, improves health, relieves stress and sore muscles, helps you sleep more soundly, enhances a home's value and just plain feels good," he says. "I doubt there is any other product that can make those claims." ■

TALK OF THE TOWN

"There are so many things to spend disposable income on. Spending \$3,000 on a TV would have been unheard of five or ten years ago, but is done all the time now. There are a lot of products out there competing for the same money, so we have to figure out how to make people excited about buying spas again."

KELLY KING
General manager,
Mountain Hot Tub

"A big comment we hear from people is that they used to have a spa, but it was a pain in the butt to take care of. We have to convince them it's not anymore."

SCOTT CLARK
Owner, The Spa
and Sauna Shop

"I think there needs to be a drive to greater professionalism, which includes education for both sales and service staff and solid business models for dealers. And retailers really need to grasp that the after-sale service is every bit as important as the sale, if not more so."

JAMES KEIRSTEAD
Director of marketing
and IT, Arctic Spas

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Marketing

4 Easy Steps to Get Your Business Online

STEP 1 Register Domain

Picking the right Internet name is critical to your Internet success. Visit GODADDY.COM, REGISTER.COM or NETWORKSOLUTIONS.COM for name availability and pricing.

STEP 2 Web site Hosting

A web host is necessary to store and display your content to the general public. Check out HOSTING-REVIEW.COM for a complete list of providers.

STEP 3 Upload Content

Your content doesn't have to be amazing, just accurate and professional. In fact, a single page is sufficient if it includes the right information such as your store bio, spa product lines and, most importantly, store directions and a way to contact you for additional information.

STEP 4 Check Email

Follow-up is key. If you invest in a Web site, you need to check your e-mail at least daily. People who leave an e-mail message expect to be contacted within 24 hours and are 11 times more likely to buy from someone who responds.

ESTIMATED COST

Under \$100 a year

INTERNET

Internet Must be Used Effectively by Retailers

NEARLY HALF OF RETAILERS AND MANUFACTURERS HAVE YET TO CREATE A WEB SITE. HERE'S WHY YOU NEED ONE.

TIt's no secret that the Internet has been a boon to the hot tub industry. Most potential spa purchasers are savvy Internet users, a reality that isn't likely to change as time goes by. One significant impact of this sociological sea-change is that customers can be driven to your Web site, and hopefully to your retail location, at a fraction of the cost-per-contact of other types of marketing and prospecting.

"Those coming out of college now get all their information online. The more they use the Internet for information and shopping differentiation, the better that will be for us," says Rich Werber, president of Great Atlantic Pool, Spa, Sauna and Fireplace. "Then they come into our stores very knowledgeable, which is good because it greatly adds to the level of efficiency in the sales presentation."

Scott Clark, owner of The Spa and Sauna Shop, adds that every day, people come in having already narrowed their selections to three or four brands. "They've done their research ahead of time and only want to look at the ones that had something that appealed to them," he says.

Stranger Danger

Nearly half (47%) of spa retailers do not

have a Web site. And with a prevalence of misinformation in cyberspace, it can certainly be difficult – if not impossible – for non-experts to separate fact from fiction, which can lead consumers and retailers down a slippery slope.

"It's true that the Internet in some ways has made our job easier because people can get educated and know what they're looking for and what they're looking at," says Kelly King, general manager of Mountain Hot Tub. "On the other hand, anybody with a keyboard and an Internet connection can post whatever they want, and it's not always true."

High Tech Versus High Touch

The reality of the situation is that there's just something about a spa that needs to be seen and touched.

"The Internet channel will ultimately bring more people into the showrooms of professionally run specialty retailers," Werber says, "but even a very informed customer still wants to experience a hot tub before they make a purchase decision, and that's why the specialty spa retailer that understands this customer's new shopping process will have a bright future." ■

Local Publicity Generates Profit Windfall

FREELANCER FOUND VIA ONLINE AD HELPS COMPANY CREATE EFFECTIVE PRESS RELEASE AND BOOST SALES IN A WEEK

CHECK OUT THE FACTS

CAMPAIGN

Goal

Sell more swim spas quickly and raise awareness of local dealer

Locations

2 retail stores

Timeframe / 7 days

1 day  1 month

EFFORT

Personal Time / Less than 2 hours

1 hour  40+ hours

Difficulty

Novice  Expert

COSTS

Total / \$128.42 (excluding labor)

No Cost  \$1000+

RESULTS

3 swim spas in 7 days

Profit / \$37,292

Low  High

A spa retailer recently launched a three-pronged media campaign. The goals: generate public awareness of swim spas, identify owner and stores as experts in the field, and drive consumer traffic to their two-store locations to evaluate the merits of swim spa ownership.

With a limited budget and little time, the retailer decided to initiate a public relations campaign directed toward journalists within a 50-mile radius of their stores. The following is that retailer's story.

Note: At the request of the retailer, We have removed their store name and location in an effort to not alert their competitors.

DAY 1: HIRED WRITER

COST: \$45.00

I am not a very good writer, so I posted a request on CRAIGSLIST.COM for a freelancer to write a 500-word press release about our stores and an 81-year-old customer who recently purchased a swim spa from us. In some large cities, a \$25 posting fee is charged, but I got the listing for free. Within 12 hours, I received responses from 13 freelancers willing to write my story for less

than \$45. I e-mailed a local writer and she agreed to deliver the draft within two days.

DAY 2: FOUND LOCAL JOURNALISTS

COST: \$83.42

Other than seeing journalists on TV, I had no idea how to contact them. After a quick search online, I found an especially useful Web site called EASYMEDIALIST.COM, where for \$8, you can download an Excel file of all local journalists including media company, address, telephone and e-mail address. Our stores are located in a metropolitan city, so the list actual cost me \$83.42 for 98 journalists in my area.

DAY 3: DISTRIBUTED PRESS RELEASE

I received the finished story from the freelancer, which was perfect. I also attached a JPG photograph of my customer using our swim spa to the article and e-mailed the information to the 98 journalists from my EASYMEDIA.COM list. I took the photo myself using a basic point-and-click digital camera we have at the office. Within two hours of sending my release, I was notified my story was posted on a local city Web site covering current events, sports, news, etc.

WEB SITE GETS THE SCOOP ON LOCAL JOURNALISTS

Most retailers would agree that a great way to generate leads is to leverage media outlets to cover your store in your local newspaper, TV or radio station. But once you have an event to publicize, how will you get the word out?

A successful marketing plan includes targeting your media contacts so field experts can reach your desired audience. While you want to keep brand awareness in the public's mind, it's not enough to submit press releases, even if you are sending them regularly.

What hot tub retailers need are methods of contacting media resources that can most effectively publicize your program or event in by using subject expertise to reach specialized markets.

A great place to start is the mass media Web site MONDOTIMES.COM. With links to trusted listserves and databases of every media outlet in your area, you can target magazines, television programs, radio stations and other advertising venues that will grab the attention of the consumers you want to reach.

One especially useful link is EASYMEDIALIST.COM, where a retailer can spend just \$7 for

leads to the writers and resources that will best serve your interests. Want to tell the world you're carrying new propane grills? Search for the names of journalists who specialize in backyard luxury living. Want to announce a grand opening? Locate news anchors and writers invested in supporting and stimulating local small businesses. And once you've purchased your list of media contacts, it's yours to use and reuse as much as you like.

Imagine the way your profile will skyrocket once your event, product or sale is in the hands of a local professional media representative; one who understands the unique requirements of your business.



DAY 4: JOURNALIST CONTACT

The next day, I received a call from the local news desk inquiring about the gentleman who purchased the swim spa from me.

DAY 4-5: BUSINESS AS USUAL

For the next two days, nothing happened, so I was beginning to get a little discouraged.

DAY 6:

My swim spa story ran almost verbatim in the Wednesday edition of my local newspaper. At least 10-12 families visited our stores inquiring about swim spas within that week.

RESULTS:

Within seven days of creating the campaign for \$128.42, my story ran in two local newspapers and at least four Web sites. We documented 12 families who visited our stores after reading the story, and our traffic seemed higher for several weeks after. Best of all, we sold three swim spas less than 24 hours after the story ran. Profit to us was \$37,292. We were ecstatic with the results and plan to run many more campaigns in the future.

If you have created a promotional home run, we want to hear from you! If we publish your results in our magazine or on SPARETAILER.COM, you will receive a 1-year complimentary subscription to SpaRetailer magazine. E-mail your story to pr@bigfishpublications.com.

We sold three swim spas in less than 24 hours after the story ran and profit to us was

\$37,292



PHOTOGRAPHY BY CRAIG PRICE

Reflection Spas Adds Fireplaces, BBQs

RETAIL OWNER BRETT BERGSTROM TALKS ABOUT THE ADVANTAGES OF ADDING PRODUCTS, RELOCATING TO SPRAWLING PHOENIX SUBURB

THE BEFORE AND AFTER PICTURE

SQUARE FOOTAGE

Former Location: 1,800
New Location: 4,800

NUMBER OF SPAS ON DISPLAY

Former Location: 11
New Location: 17

NUMBER OF WET TUBS

Former Location: 2
New Location: 4

NUMBER OF BAR-BE-QUEs ON DISPLAY

Former Location: 0
New Location: 3

CHEMICAL RACKS

Former Location: 1
New Location: 2
(Plus display counter)

Brett Bergstrom, the owner of Reflection Spas, recently moved his retail hot tub business from a modest-sized building in a small town to an expansive showroom in fast-growing Tolleson, Arizona. We asked Brett what convinced him to make the move.

SPARETAILER: Moving to a new location is always risky. Why was it worth the risk for you?

BERGSTROM: The reason we moved was twofold. First: location. We were in a smaller town before, Surprise, Arizona, which was difficult to get to from Phoenix. We're an exclusive dealer for Marquis and wanted to reach more people in the metro market.

Secondly, we realized if we were going to grow and stay successful, we were going to have to offer more than spas and hot tubs. After a year like the last one with the market so soft, we wanted to expand into indoor and outdoor fireplaces and barbecue units – right now we carry both Napoleon and Vidalia inserts.

Moving locations after three years at the old one was extremely risky. Our overhead probably tripled, but we felt that in order to survive long-term, we needed to be able to offer more than just one product. To avoid a situation like last year, we now have something else we can fall back on. It's also great cross-selling outdoor products because of the word of mouth. We have more stuff now that people can talk about.

A disadvantage is a lot more overhead. The rent's a lot higher and the utilities are a lot higher. I got my first utility bill, and even for Arizona, it was a shocker.

We've been here two months. Some advantages are more space, and more room for complimentary products. It's a better location with better visibility. We advertise in *West Valley View*, our little local newspaper and I was very surprised that our ad there has driven a lot of traffic to our store. But 80% of people say they saw us driving by and decided to stop in. ■

HOT TUBS BBQ FIREPLACES

SPA
SALE

We realized if we were going to grow and stay successful, we were going to have to offer more than spas and hot tubs.

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Major Industry Players

FIND THE RIGHT BRAND FOR YOUR RETAIL LOCATION RIGHT HERE!

Looking for the biggest names in the hot tub industry in one place? Look no further. Here, you will find all you need to know (and more) about the top brands: years of service, types of spas sold, model pricing, new models and awards. You will also discover what type of marketing, manufacturing, shipping and training are available. And if you have additional questions, give 'em a call!

Awards

SC = Spassearch Certified
SA = Spassearch Approved
CD = Consumer's Digest
PS = Poolandspa.com Best of Class
QB = Pool & Spa Living Quality Buy

BAJA SPAS
800-845-2252
hottubs.com

ABOUT BUSINESS

Number of Years in Business: **36 YEARS**
Awards: **SC**
Portable Hot Tubs: **YES**
Inground Hot Tubs: **YES**
Swim Spas: **NO**
Number of Spa Molds: **16 MOLDS**
Lowest MSRP Model: **\$4,900**
Highest MSRP Model: **\$11,998**
Number of New Models: **5 MODELS**
(Last 12-months)



MANUFACTURING

Custom allowed: **YES**
Average delivery: **2 DAYS**
ISO-Certified: **NO**
Product Recalls: **NONE**
(Last 12-months)

MARKETING

Dealer financing offered: **YES**
Consumer Financing: **YES**
Exclusivity available: **YES**
Co-op Offered: **YES**
Dealer seminars: **YES**
Consumer Leads: **YES, NO CHARGE**

INTERNATIONAL

Exports allowed: **YES**
Distributorship
Available: **CAN., UK, PAC. RIM, AUST.**



BEACHCOMBER HOT TUBS
800-663-6557
beachcomberhottubs.com

ABOUT BUSINESS

Number of Years in Business: **29 YEARS**
Awards: **QB**
Portable Hot Tubs: **YES**
Inground Hot Tubs: **NO**
Swim Spas: **NO**
Number of Spa Molds: **16 MOLDS**
Lowest MSRP Model: **\$4,995**
Highest MSRP Model: **\$16,495**
Number of New Models: **1 MODEL**
(Last 12-months)

MANUFACTURING

Custom allowed: **YES**
Average delivery: **2 DAYS**
ISO-Certified: **NO**
Product Recalls: **NONE**
(Last 12-months)

MARKETING

Dealer financing offered: **YES**
Consumer Financing: **YES**
Exclusivity available: **YES**
Co-op Offered: **YES**
Dealer seminars: **YES**
Consumer Leads: **YES, NO CHARGE**

INTERNATIONAL

Exports allowed: **NO**
Distributorship
Available: **UK, PAC. RIM, AUST.**

TRAINING

Onsite training program: **YES**
DVD training program: **NO**
Online Image Library **YES**
Online Training Manuals: **YES**



beachcomber
HOT TUBS

CLEARWATER SPAS
800-791-1190
clearwaterspas.com

ABOUT BUSINESS

Number of Years in Business: **31 YEARS**
Awards: **SA, PS**
Portable Hot Tubs: **YES**
Inground Hot Tubs: **YES**
Swim Spas: **NO**
Number of Spa Molds: **21 MOLDS**
Lowest MSRP Model: **\$3,999**
Highest MSRP Model: **\$16,400**
Number of New Models: **7 MODELS**
(Last 12-months)



MANUFACTURING

Custom allowed: **YES**
Average delivery: **7 DAYS**
ISO-Certified: **NO**
Product Recalls: **NONE**
(Last 12-months)

MARKETING

Dealer financing offered: **YES**
Consumer Financing: **YES**
Exclusivity available: **YES**
Co-op Offered: **YES**
Dealer seminars: **YES**
Consumer Leads: **YES, NO CHARGE**

INTERNATIONAL

Exports allowed: **YES**
Distributorship
Available: **CAN., UK, PAC. RIM, AUST.**

TRAINING

Onsite training program: **YES**
DVD training program: **YES**
Online Image Library **YES**
Online Training Manuals: **YES**



EMERALD SPA CORPORATION
800-766-7727
emeraldspas.com

ABOUT BUSINESS

Number of Years in Business: **30 YEARS**
Awards: **QB**
Portable Hot Tubs: **YES**
Inground Hot Tubs: **NO**
Swim Spas: **NO**
Number of Spa Molds: **9 MOLDS**
Lowest MSRP Model: **\$3,980**
Highest MSRP Model: **\$9,000**
Number of New Models: **6 MODELS**
(Last 12-months)

MANUFACTURING

Custom allowed: **YES**
Average delivery: **21 DAYS**
ISO-Certified: **NO**
Product Recalls: **NONE**
(Last 12-months)

MARKETING

Dealer financing offered: **YES**
Consumer Financing: **NO**
Exclusivity available: **YES**
Co-op Offered: **YES**
Dealer seminars: **YES**
Consumer Leads: **YES, NO CHARGE**

INTERNATIONAL

Exports allowed: **YES**
Distributorship
Available: **CAN., PAC. RIM, AUST.**

TRAINING

Onsite training program: **YES**
DVD training program: **NO**
Online Image Library **YES**
Online Training Manuals: **YES**



It's where you want to be...

FREEFLOW SPAS
909-947-9471
freeflowspas.com

ABOUT BUSINESS

Number of Years
in Business: 10 YEARS
Awards: N/A
Portable Hot Tubs: YES
Inground Hot Tubs: NO
Swim Spas: NO
Number of Spa Molds: 9 MOLDS
Lowest MSRP Model: \$2,495
Highest MSRP Model: \$3,995
Number of New Models: 5 MODELS
(Last 12- months)

MANUFACTURING

Custom allowed: YES
Average delivery: 14 DAYS
ISO-Certified: NO
Product Recalls: NONE
(Last 12- months)

MARKETING

Dealer financing offered: YES
Consumer Financing: NO
Exclusivity available: NO
Co-op Offered: NO
Dealer seminars: NO
Consumer Leads: YES, NO CHARGE

INTERNATIONAL

Exports allowed: YES
Distributorship Available: PAC. RIM, AUST.

TRAINING

Onsite training program: YES
DVD training program: YES
Online Image Library YES
Online Training Manuals: YES



**GREAT LAKES
HOME & RESORT**
616-392-5947
greatlakeshomeandresort.com

ABOUT BUSINESS

Number of Years
in Business: 30 YEARS
Awards: CD, QB
Portable Hot Tubs: YES
Inground Hot Tubs: NO
Swim Spas: NO
Number of Spa Molds: 6 MOLDS
Lowest MSRP Model: \$3,495
Highest MSRP Model: \$7,995
Number of New Models: 6 MODELS
(Last 12- months)

MANUFACTURING

Custom allowed: YES
Average delivery: 14 DAYS
ISO-Certified: NO
Product Recalls: NONE
(Last 12- months)

MARKETING

Dealer financing offered: YES
Consumer Financing: NO
Exclusivity available: YES
Co-op Offered: YES
Dealer seminars: YES
Consumer Leads: YES, NO CHARGE

INTERNATIONAL

Exports allowed: YES
Distributorship Available: CAN., UK, PAC. RIM, AUST.

TRAINING

Onsite training program: YES
DVD training program: NO
Online Image Library YES
Online Training Manuals: YES



ARCTIC SPAS
800-309-1744
arcticspas.com

ABOUT BUSINESS

Number of Years
in Business: 13 YEARS
Awards: SC, SA, PS, QB
Portable Hot Tubs: YES
Inground Hot Tubs: NO
Swim Spas: NO
Number of Spa Molds: 21 MOLDS
Lowest MSRP Model: \$3,895
Highest MSRP Model: \$16,000
Number of New Models: 6 MODELS
(Last 12- months)



MANUFACTURING

Custom allowed: YES
Average delivery: 30 DAYS
ISO-Certified: NO
Product Recalls: NONE
(Last 12- months)

MARKETING

Dealer financing offered: YES
Consumer Financing: YES
Exclusivity available: YES
Co-op Offered: YES
Dealer seminars: YES
Consumer Leads: YES, NO CHARGE

INTERNATIONAL

Exports allowed: YES
Distributorship Available: CAN., UK, AUST.

TRAINING

Onsite training program: YES
DVD training program: YES
Online Image Library YES
Online Training Manuals: YES

Known for product quality and innovation, Arctic Spas® are among the finest hot tubs available. With operations that extend across North America, Europe and Australia, Arctic Spas® is winning the world over.

Thanks to innovative spa designs, incorporating advanced technologies, Arctic Spas® customers substantially save on operating and maintenance costs. Our patented HeatLock® technology is just one example of our groundbreaking energy efficient designs. It is this commitment to excellence that ensures the highest levels of customer satisfaction.

Arctic Spas® also offers the Coyote line of spas. With a focus on adaptability, Coyote Spas® are ideal for growing families, changing weather and smaller budgets. Boasting a number of the same features that make Arctic Spas® top-of-the line, Coyote Spas® provide big value to owners.

The strength of these two product lines, combined with a grass roots dedication to customer service and support, make Arctic Spas® a true world leader.





CAL SPAS

800-CAL-SPAS

calspas.com



ABOUT BUSINESS

| | |
|---|------------|
| Number of Years in Business: | 28 YEARS |
| Awards: | SC, SA, CD |
| Portable Hot Tubs: | YES |
| Inground Hot Tubs: | YES |
| Swim Spas: | YES |
| Number of Spa Molds: | 100+ MOLDS |
| Lowest MSRP Model: | \$2,995 |
| Highest MSRP Model: | \$32,795 |
| Number of New Models: (Last 12- months) | 14 MODELS |

MANUFACTURING

| | |
|------------------------------------|---------|
| Custom allowed: | YES |
| Average delivery: | 5+ DAYS |
| ISO-Certified: | NO |
| Product Recalls: (Last 12- months) | NONE |

MARKETING

| | |
|---------------------------|----------------|
| Dealer financing offered: | YES |
| Consumer Financing: | NO |
| Exclusivity available: | YES |
| Co-op Offered: | NO |
| Dealer seminars: | YES |
| Consumer Leads: | YES, NO CHARGE |

INTERNATIONAL

| | |
|------------------|---------------------------|
| Exports allowed: | YES |
| Distributorship | |
| Available: | CAN., UK, PAC. RIM, AUST. |

TRAINING

| | |
|--------------------------|-----|
| Onsite training program: | YES |
| DVD training program: | YES |
| Online Image Library | YES |
| Online Training Manuals: | YES |

LIFESTYLE EXPERTS

Cal Spas®, the #1 global manufacturer of Home Resort Products, offers the most diverse selection of hot tubs on the market with features ranging from integrated self-rising televisions to waterfalls and LED lighting. Best of all, Cal Spas hot tubs are built to order in 5 days or less. You select the acrylic colors and cabinet to create a truly custom backyard paradise.

Cal Spas was founded in 1979 as a provider of premium-quality luxury hot tubs. Today the celebrated hot tub maker manufactures and distributes a myriad of lifestyle products from its headquarters in Pomona, California through a worldwide network of more than 500 specialty dealers.

The Cal Spas brand family of products includes Cal Spas hot tubs and swim spas, Cal Design gazebos, Cal Heat indoor and outdoor saunas, and Cal Flame high-end outdoor grills, outdoor kitchen islands, outdoor fireplaces and firepits.



L.A. SPAS

800-569-2344

laspas.com



ABOUT BUSINESS

| | |
|---|----------|
| Number of Years in Business: | 31 YEARS |
| Awards: | SA |
| Portable Hot Tubs: | YES |
| Inground Hot Tubs: | NO |
| Swim Spas: | NO |
| Number of Spa Molds: | 16 MOLDS |
| Lowest MSRP Model: | \$3,995 |
| Highest MSRP Model: | \$16,995 |
| Number of New Models: (Last 12- months) | 2 MODELS |

MANUFACTURING

| | |
|------------------------------------|---------|
| Custom allowed: | YES |
| Average delivery: | 10 DAYS |
| ISO-Certified: | NO |
| Product Recalls: (Last 12- months) | NONE |

MARKETING

| | |
|---------------------------|----------------|
| Dealer financing offered: | YES |
| Consumer Financing: | YES |
| Exclusivity available: | YES |
| Co-op Offered: | YES |
| Dealer seminars: | YES |
| Consumer Leads: | YES, NO CHARGE |

INTERNATIONAL

| | |
|------------------|---------------------------|
| Exports allowed: | YES |
| Distributorship | |
| Available: | CAN., UK, PAC. RIM, AUST. |

TRAINING

| | |
|--------------------------|-----|
| Onsite training program: | YES |
| DVD training program: | NO |
| Online Image Library | YES |
| Online Training Manuals: | YES |



LEISURE BAY SPAS

888-524-9475

spasbyleisurebay.com



ABOUT BUSINESS

| | |
|---|----------|
| Number of Years in Business: | 33 YEARS |
| Awards: | SA |
| Portable Hot Tubs: | YES |
| Inground Hot Tubs: | NO |
| Swim Spas: | NO |
| Number of Spa Molds: | 16 MOLDS |
| Lowest MSRP Model: | \$2,999 |
| Highest MSRP Model: | \$10,499 |
| Number of New Models: (Last 12- months) | 9 |

MANUFACTURING

| | |
|------------------------------------|---------|
| Custom allowed: | NO |
| Average delivery: | 10 DAYS |
| ISO-Certified: | NO |
| Product Recalls: (Last 12- months) | NONE |

MARKETING

| | |
|---------------------------|----------------|
| Dealer financing offered: | YES |
| Consumer Financing: | NO |
| Exclusivity available: | YES |
| Co-op Offered: | NO |
| Dealer seminars: | YES |
| Consumer Leads: | YES, NO CHARGE |

INTERNATIONAL

| | |
|------------------|-----------------------------|
| Exports allowed: | YES |
| Distributorship | |
| Available: | CAN., PAC. RIM, AUST., EUR. |

TRAINING

| | |
|--------------------------|-----|
| Onsite training program: | YES |
| DVD training program: | YES |
| Online Image Library | YES |
| Online Training Manuals: | YES |





MASTER SPAS

800-860-7727

masterspas.com

ABOUT BUSINESS

| | |
|---|----------------|
| Number of Years in Business: | 29 YEARS |
| Awards: | SC, CD, PS, QB |
| Portable Hot Tubs: | YES |
| Inground Hot Tubs: | NO |
| Swim Spas: | YES |
| Number of Spa Molds: | 30 MOLDS |
| Lowest MSRP Model: | \$3,695 |
| Highest MSRP Model: | \$28,500 |
| Number of New Models: (Last 12- months) | 7 MODELS |

MANUFACTURING

| | |
|-------------------|---------|
| Custom allowed: | YES |
| Average delivery: | 14 DAYS |
| ISO-Certified: | NO |
| Product Recalls: | NONE |
| (Last 12- months) | |

MARKETING

| | |
|---------------------------|----------------|
| Dealer financing offered: | YES |
| Consumer Financing: | YES |
| Exclusivity available: | YES |
| Co-op Offered: | YES |
| Dealer seminars: | YES |
| Consumer Leads: | YES, NO CHARGE |

INTERNATIONAL

| | |
|----------------------------|-----------------|
| Exports allowed: | YES |
| Distributorship Available: | PAC. RIM, AUST. |
| | |

TRAINING

| | |
|--------------------------|-----|
| Onsite training program: | YES |
| DVD training program: | YES |
| Online Image Library | YES |
| Online Training Manuals: | YES |



MASTER SPAS®

PDC SPAS

800-451-1420

pdcspas.com

ABOUT BUSINESS

| | |
|---|----------|
| Number of Years in Business: | 50 YEARS |
| Awards: | N/A |
| Portable Hot Tubs: | YES |
| Inground Hot Tubs: | YES |
| Swim Spas: | NO |
| Number of Spa Molds: | 14 MOLDS |
| Lowest MSRP Model: | \$3,200 |
| Highest MSRP Model: | \$11,027 |
| Number of New Models: (Last 12- months) | 2 MODELS |

MANUFACTURING

| | |
|-------------------|---------|
| Custom allowed: | YES |
| Average delivery: | 14 DAYS |
| ISO-Certified: | NO |
| Product Recalls: | NONE |
| (Last 12- months) | |

MARKETING

| | |
|---------------------------|----------------|
| Dealer financing offered: | YES |
| Consumer Financing: | YES |
| Exclusivity available: | YES |
| Co-op Offered: | YES |
| Dealer seminars: | YES |
| Consumer Leads: | YES, NO CHARGE |

INTERNATIONAL

| | |
|----------------------------|-----------------|
| Exports allowed: | N/A |
| Distributorship Available: | PAC. RIM, AUST. |
| | |

TRAINING

| | |
|--------------------------|-----|
| Onsite training program: | YES |
| DVD training program: | NO |
| Online Image Library | YES |
| Online Training Manuals: | YES |



CALDERA SPAS

800-669-1881

calderaspas.com

ABOUT BUSINESS

| | |
|---|--------------------|
| Number of Years in Business: | 31 YEARS |
| Awards: | SC, SA, CD, PS, QB |
| Portable Hot Tubs: | YES |
| Inground Hot Tubs: | NO |
| Swim Spas: | NO |
| Number of Spa Molds: | 18 MOLDS |
| Lowest MSRP Model: | \$3,695 |
| Highest MSRP Model: | \$11,095 |
| Number of New Models: (Last 12- months) | 4 MODELS |



PROMISES MADE. PROMISES KEPT.™

Since 1976, Caldera has been one of the world's most trusted spa brands. Certainly, trust is a crucial matter when choosing a spa manufacturer for the long term.

When you partner with Caldera Spas, you can rely on our superior product quality, full selection and timely delivery. You will receive unmatched responsiveness and dedicated customer service.

With Caldera, you will thrive on highly-effective sales and marketing programs and benefit from World Class retail sales training.

As part of Watkins Manufacturing, you can rely on our utmost integrity and visionary leadership.

When you consider everything that Caldera offers, combined with our well-earned reputation for delivering on our promises, you can rely on Caldera as your best choice for long-term success.

Contact Matt Teague, National Business Development Manager, 800-669-1881, ext. 4379 or matt.teague@watkinsmf.com
International: rick.schlottman@watkinsmf.com





JACUZZI

909-902-5287
jacuzzi.com



ABOUT BUSINESS

| | |
|---|------------|
| Number of Years in Business: | 50 YEARS |
| Awards: | SC, PS, QB |
| Portable Hot Tubs: | YES |
| Inground Hot Tubs: | NO |
| Swim Spas: | NO |
| Number of Spa Molds: | 15 MOLDS |
| Lowest MSRP Model: | \$5,000 |
| Highest MSRP Model: | \$16,000 |
| Number of New Models: (Last 12- months) | 5 MODELS |

MANUFACTURING

| | |
|------------------------------------|-------------------|
| Custom allowed: | YES |
| Average delivery: | VARIABLE BY MODEL |
| ISO-Certified: | YES |
| Product Recalls: (Last 12- months) | NONE |

MARKETING

| | |
|---------------------------|----------------|
| Dealer financing offered: | YES |
| Consumer Financing: | YES |
| Exclusivity available: | YES |
| Co-op Offered: | YES |
| Dealer seminars: | YES |
| Consumer Leads: | YES, NO CHARGE |

INTERNATIONAL

| | |
|----------------------------|-----|
| Exports allowed: | YES |
| Distributorship Available: | N/A |

TRAINING

| | |
|--------------------------|-----|
| Onsite training program: | YES |
| DVD training program: | NO |
| Online Image Library | YES |
| Online Training Manuals: | YES |



DIMENSION ONE SPAS

ABOUT BUSINESS

| | |
|---|------------|
| Number of Years in Business: | 30 YEARS |
| Awards: | SC, PS, QB |
| Portable Hot Tubs: | YES |
| Inground Hot Tubs: | NO |
| Swim Spas: | YES |
| Number of Spa Molds: | 20 MOLDS |
| Number of New Models: (Last 12- months) | 3 MODELS |
| Average delivery: | 10 DAYS |

d1spas.com



FREESTYLE SPAS

ABOUT BUSINESS

| | |
|---|----------|
| Number of Years in Business: | 2 YEARS |
| Awards: | PS |
| Portable Hot Tubs: | YES |
| Inground Hot Tubs: | NO |
| Swim Spas: | NO |
| Number of Spa Molds: | 5 MOLDS |
| Number of New Models: (Last 12- months) | 5 MODELS |
| Average delivery: | 14 DAYS |

813-425-6301
freestylespas.com

SUNBELT SPAS

800-258-7727

sunbeltspas.com

ABOUT BUSINESS

| | |
|---|----------|
| Number of Years in Business: | 28 YEARS |
| Awards: | QB |
| Portable Hot Tubs: | YES |
| Inground Hot Tubs: | YES |
| Swim Spas: | YES |
| Number of Spa Molds: | 70 MOLDS |
| Lowest MSRP Model: | \$3,895 |
| Highest MSRP Model: | \$20,995 |
| Number of New Models: (Last 12- months) | 6 MODELS |

HOT SPRING SPAS

ABOUT BUSINESS

| | |
|---|--------------------|
| Number of Years in Business: | 30 YEARS |
| Awards: | SC, SA, CD, PS, QB |
| Portable Hot Tubs: | YES |
| Inground Hot Tubs: | NO |
| Swim Spas: | NO |
| Number of Spa Molds: | 18 MOLDS |
| Number of New Models: (Last 12- months) | 1 MODELS |
| Average delivery: | 14 DAYS |

800-999-4688
hotspring.com



MARQUIS SPAS

ABOUT BUSINESS

| | |
|---|-------------------|
| Number of Years in Business: | 26 YEARS |
| Awards: | SC, QB |
| Portable Hot Tubs: | YES |
| Inground Hot Tubs: | NO |
| Swim Spas: | NO |
| Number of Spa Molds: | 16 MOLDS |
| Number of New Models: (Last 12- months) | 2 MODELS |
| Average delivery: | 7 PRODUCTION DAYS |

800-275-0888
marquisspas.com



INTERNATIONAL

| | |
|----------------------------|-----|
| Exports allowed: | YES |
| Distributorship Available: | N/A |

TRAINING

| | |
|--------------------------|-----|
| Onsite training program: | YES |
| DVD training program: | NO |
| Online Image Library | YES |
| Online Training Manuals: | YES |





The Automatic, Systematic Marketing Plan

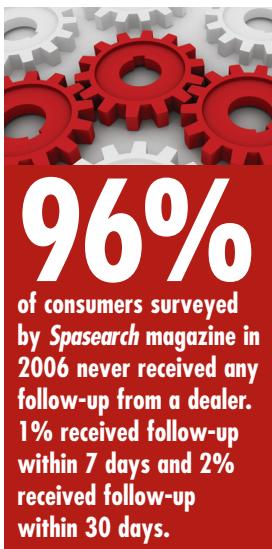
PUT YOUR MARKETING PLAN ON AUTOPILOT AND WATCH YOUR PROSPECTS BECOME CUSTOMERS. **DAVID FREY TELLS YOU HOW.**



THERE'S AN OLD SAYING IN THE WORLD OF SALES AND MARKETING: 'THE MONEY IS IN THE FOLLOW-UP.'

Surveys confirm this assertion. A recent survey of over 2,000 small business owners by MARKETINGBESTPRACTICES.COM revealed that 83% of all sales happen on or after the third contact with a prospect. This is especially true in the spa retail industry. In 2006, Spasearch magazine completed a survey specifically for spa retailers with even more startling results. It found that less than 4% of spa consumers received a follow-up contact from their dealer after their initial inquiry was made. The survey also found that in 2006, the average buyer took 93 days to purchase a spa, which represents an increase of 11 days over 2005.

But one of the most troubling statistics in the survey was that less than 6% of consumers received a response after making an online inquiry. In other words, a spa retailer that performs one or two follow-ups could be losing a lot of business. It's like filling the bathtub without putting the stopper in the drain.



In the same *Spasearch* magazine survey, over 400 spa retailers were asked, "What is the #1 reason you don't follow up on your leads?" The primary response was lack of perceived lead quality. The respondents stated that most consumers were reluctant to make an immediate buying decision, so they assume the lead was "bad." These responses automatically set off red flags that told me that they lack a systematic process for following up. If they did have a working system, every lead would have been reviewed.

The problem doesn't seem to be a lack of lead quality; rather, a lack of a proper follow-up system.

But those among the 90% of spa retailers that don't do any type of follow-up should not be disheartened. The good news is there is plenty of room for profitable improvement. Consistent follow-up creates a predictable and profitable stream of prospects and customers that buy. Spa businesses that capture leads – and follows up with them – enjoy higher conversion rates and a higher percentage of referrals than those that don't take the time.

WHAT DOES A GOOD FOLLOW-UP SYSTEM LOOK LIKE?

A good follow-up marketing system should have three attributes. First, it should be systematic. That means that the follow-up process is done the same way every time. Second, it should generate consistent, predictable results. And finally, it should require minimal physical interaction to make it run, meaning it should be able to run on autopilot.

Sounds like a dream come true for most spa retailers, right? Not only can it be done, but it's already being done every day. The secret to follow-up marketing is an automated system. This way, the retailer doesn't have to lift a finger as the job is done. And with today's technology, it's simpler than ever. Automating follow-up processes allows for more time to work *on* business rather than *in* business.

THREE TYPES OF FOLLOW-UPS

There are three groups that should be targeted in the follow-up process: suspects (people in the target marketplace), prospects (people who have responded to marketing but have not purchased), and customers (people who have purchased something already). Each follow-up message and offer will be different according to the individual. With suspects, enticing prospective customers to call or visit the store is smart. With prospects, it's vital to persuade them to make their first purchase. And with customers, it's necessary to convince them to come back, do more business and – most important – get referrals for the retailer.

Obviously, the most difficult type of follow-up is one who has yet to show interest in a hot tub – which creates a problem in terms of contact information. But that's not true with prospects and customers. Retailers should not only know who they are but should already have their contact info on hand. And when follow-up becomes routine, suspects will turn into prospects, and prospects into customers through referrals.

FOLLOW-UP MARKETING TOOLS

The principal follow-up marketing tools are the phone, direct mail and e-mail. Many hot tub retailers make the mistake of jumping right on the phone to follow up. However, most prospects don't want a pushy sales message right away, and most prospects have been trained to consider anyone who calls up to be an overzealous salesperson. Instead, retailers should develop a relationship of trust with prospects by quickly sending informational items such as special reports, audio CDs or videos before a phone call is placed.

Remember to always include a 'next-step-offer' to accompany educational materials. If the next step is a store visit, entice them with an appropriate offer. Or, if the next step is to call the retailer, entice the prospect to call immediately. People move through the buying process in baby steps, especially when considering buying high-ticket items such as hot tubs. The offer should always persuade them to take the next step.

YOUR FOLLOW-UP SEQUENCE

The power of the follow-up lies in the follow-up sequence, a series of communications with a prospect that are linked with each communication building on the previous message. For instance, start the second letter by saying, "10 days ago I sent you a letter," or something to that effect. Or, consider stamping the envelope "Second Notice" to let people know this is the second time they have been contacted. Referencing the previous communication will link the letter with what has already

been said, and reminds the prospect that the company cares enough to continue the conversation.

When doing direct mail, it's a good idea to include three to five mailings about seven days apart. When using a sequential autoresponder, use an unlimited amount of follow-ups as you want, since e-mail is free (that's why obtaining a prospect's e-mail address is essential). One of my clients has over 20 follow-ups in his autoresponder sequence that go out over a six-month period.

Each sequence should follow a logical argument and should bolster the offer with each communication using a deadline as a motivator to act now. For example, the third communication could say, "I'm surprised you haven't taken me up on my generous offer. What's holding you back?" Or consider saying, "I've written you three times and you still haven't taken me up on my offer, so I'm going to pull out all the stops and make you an offer you simply can't refuse." Notice how the language always links to the previous communication and increases the boldness of the offer. It's the same type of language one might use during a regular sales conversation.

HOW TO PUT YOUR FOLLOW-UP MARKETING SYSTEM ON AUTOPILOT

What I'm about to reveal to is the key to developing a powerful follow-up marketing system because it overcomes the number one reason most businesses don't follow up. Automating a follow-up system as much as possible, so that there are few, if any, physical interactions from employees with the system, is crucial. It's the required physical interactions (printing letters, sending e-mails, inputting leads) where 99% of all breakdowns happen in well-intentioned follow-up marketing systems.

In automating the follow-up process, consider using robotic marketing systems and outsourcing any manual interactions to a dedicated service. For instance, to capture leads, consider using a toll-free automated recorded message system that captures a prospect's contact information, automatically transcribes it and sends leads to a spreadsheet every morning via e-mail. The service that I use for this is

AUTOMATEDMARKETINGSOLUTIONS.COM.

When using a direct mail follow-up system (a good idea), find a fulfillment house to do the mailings. To find a fulfillment house, simply go to a local printer and ask to be referred to a fulfillment house in the area. I personally use custom card campaigns to do much of my follow-up marketing. In fact, I recently found a new Web site, HOTTUBCARDS.COM, that automates cards campaigns exclusively for spa retailers.

Now step back for a moment and see the power

of what I've just revealed. Imagine running an ad and having a prospect call up to give their contact information via an recorded message system. Leads will then be forwarded automatically to the fulfillment house via e-mail, after which the prospect will receive a five-sequence direct mail or custom card campaign containing an incredibly persuasive marketing message without the lifting of a finger!

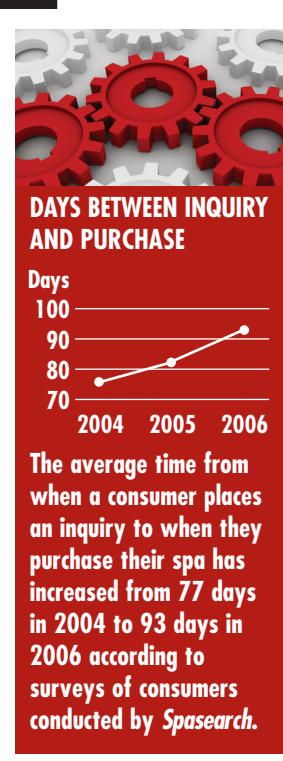
It's easy to set up the exact same type of 'hands-free' follow-up marketing system using an e-mail autoresponder system such as AWEBER.COM. The prospect will not only be receiving direct mail messages, but inserting e-mail messages between mailings becomes possible.

WHAT ABOUT CALLING TO FOLLOW UP?

Notice I didn't say anything about calling the prospect. That's because the prospect should have already received educational marketing messages and have most of their questions answered before they call. An educated prospect is the best prospect. They already know why this retailer is different, what the value proposition is and how the company is uniquely qualified to meet their needs. In essence, they've pre-qualified themselves without having actually spoken to them. This drastically reduces the sales cycle and increases the conversion rate because this spa retailer is properly positioned to be their only logical choice.

WRAPPING UP THE FOLLOW-UP PROCESS

Follow-up marketing will boost closing rates and dramatically increase customer satisfaction. Following up with systematic processes allow retailers to leverage the time of its salespeople and increase productivity, which results in more sales with less effort – and of course, that's what everyone wants. Start winning more sales today by implementing a follow-up marketing system that works. ■



DAVID FREY is the author of the 374-page manual and audio set titled *Recession-Proof Your Spa and Pool Business*, the spa and pool industry's only dedicated marketing system. For a step-by-step guide on implementing an automated marketing system, visit SPAPOOLSUCCESS.COM and SPARETAILER.COM.



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- 1% cash back on all other purchases
- 0% APR for up to 12 months on purchases and balance transfers



EXPENSES

Credit Card Considerations

WHAT TO CONSIDER BEFORE SELECTING A CREDIT CARD (OR TWO) FOR YOUR SPA RETAIL BUSINESS

BY SHANE DALE

Don't use your personal card for business "Business credit cards typically aren't reported on your personal credit report, and the rewards are pretty rich," Gerri Detweiler, author of the *The Ultimate Credit Handbook*, told *SmartMoney* magazine. Carrying extra debt from your business can hurt your credit score for years. Buying a business-only card separates business expenses from pleasure spending.

Select more than one "If one particular card gives you enhanced rebates on gas — say 4% or 5% in gas rebates — and you spend a lot on gas, you might want to use that card just for gas, and get another for everyday rebates," says Curtis Arnold, founder of CARD RATINGS.COM, who adds it's important to be familiar with your cards' fees. "Cards are becoming more fee-dependent for their bottom line, so if you're not on top of things, you are going to be hit with a late fee," he says.

Pick a rewards program that fits your business "The rule of thumb is, you don't want your rewards to cost you more than what you pay for them," Detweiler says. If you plan on carrying a heavy balance on your card(s), the annual percentage rate is more important than rewards. ■

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Service Techs: The Hot Tub Physicians

PROVIDING TOP-NOTCH TECHNICIANS FOR YOUR CUSTOMERS CAN LEAD TO GREATER COMPANY WELLNESS – BUT YOU NEED TO KNOW HOW TO BALANCE YOUR SERVICE COSTS. HERE ARE SOME PRESCRIPTION-STRENGTH POINTERS.

Proper handling of customers' service issues is vital to the success of your business and goes hand-in-hand with how you structure the costs and revenue stream of your service department. You need professional service people and technicians that will have them feeling good about their spa again.

Your service staff is the direct link between you and your customers, so training and compensation can make all the difference in overall satisfaction, happiness and referrals.

SERVICE TECHS AND DOCTORS ARE SYNONYMOUS

Look at medical doctors: They are the service techs that repair our bodies. Do we care how well they are trained and whether they are at the top of their field? If you think of a technician as a spa physician, you might change the way you hire, train and pay that tech.

The evolution of our industry tends to push those individuals with better customer skills into higher income sales jobs than service positions. But in reality, a

good tech should be able to earn a comfortable living while making you more money.

The average tech makes \$10-\$12/hour and a master tech can make as much as \$20/hour, while most companies charge \$75-\$125/hour for service. The problem is you can charge on the high side, pay a tech on the low side and still lose money. There are too many variables in place to depend on a profit from the difference.

PRESCRIBING A PROFIT PLAN

Let's take the cost of an average service call into account to see what you should pay. Paying off the cost of running a service van is at least \$300/month. Add the cost of insurance at \$100/month and maintenance (tires, oil, fluids, windshields, wear and tear) at \$200/month, and that van is costing you around \$600/month.

Now, add the cost of a tech making \$15/hour, along with employment tax, workers comp and benefits, and miscellaneous costs of \$400 per month for tools, cell phone, glue and other consumables, and you get a grand total of \$5,000/month to have that tech on the road.

Assuming they can do four calls a day at an average of 80 calls/month, you get an average call cost of \$62.50. Most service vans get around 15-18 miles/gallon, and the average call is 15 to 18 miles away. So, you can further assume, with gas at \$3.50/gallon, that you will be paying \$7/call on gas.

Round this to your average service call (about \$70). If you're charging the customer \$95/hour, you'll make \$25 on the call.

While this is all hypothetical, it doesn't leave a lot of room for growth, pay advancement or financial gain, and if you had to depend on that side of the business to carry you, it wouldn't get you far. Other profit streams are needed to make it grow: the sale of chemicals, covers and accessories by the tech, maintenance contracts and product upgrades. This is where the gravy is. This is where you and your tech can both improve your finances.

MOST EFFECTIVE FORM OF PAYMENT

For years, the most common way of paying a technician was to give them a modest hourly wage and supplement it with commission on parts and billable labor, much like the auto industry does. The problem is that the only way this is fair for the customer is if

everyone is 100% honest – and that just doesn't happen.

Here's an option: Pay your technician \$8-\$10/hour base wage, give an additional bonus of \$2/hour if they complete all paperwork, turn in all warranty forms and return parts weekly. Add another \$3/hour for completing 80 calls/month with less than a 10% call back and payment received on all calls. Add \$2/hour for working a 40-hour week with no accidents. Then, give them an incentive of commission on all sales of covers, chemicals and accessories.

If you can manage this program, you will be enlisting them in increasing your profitability while making them more responsible for their own performance.

Another option is to pay a base salary with a bonus on successful calls per week (all warranty parts returned, all paperwork filled out and payment received) and commission on added sales. For example, 15-20 completed calls per week pays \$400 salary; 20-30 pays \$500; 30-40 pays \$600 and 40 or more pays \$700.

Then, give them a sliding bonus structure for add-on sales. For example, 1-2 spa cover sales pays x amount, while 3-4 pays an additional amount, and so on.

With either of these programs, you'll need supply training that includes technical, customer service and sales. You can also bonus with tools, gear, trips and other incentives upon completion.

There are many ways of structuring, but the bottom line is that without competitive compensation, you won't find (or keep) quality technicians. You must base that compensation on performance, or you will not be profitable in your service department.

If you can manage this program, you will be enlisting them in increasing your profitability while making them more responsible for their own performance.

We welcome other unique ways of structuring compensation plans for the service departments and encourage your input. Please send all comments and suggestions to pr@bigfishpublications.com.



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Know the Rules for Hiring Contract Labor

WHY IT'S VITAL TO BUILD A SOLID UNDERSTANDING OF TAXES AND TERMS IS A NECESSITY BEFORE BEGINNING THE HIRING PROCESS

If you've recently opened a new hot tub store, hired temporary staff for home shows or used extra manpower during peak selling season, you need to be aware of the unique legal requirements associated with using third-party workers known as Independent Contractors (IC).

Before you post a "Help Wanted" sign, it's important to know the rules for hiring contract labor.

BE CERTAIN OF THE TERMS

An IC is a person contracted to perform services for another business. The relationship may be for a single project, or ongoing as needs arise. The most important distinction is that an IC does not have the legal status of employees. As such, employers do not have to pay the individual's federal or state payroll taxes, workers

compensation premiums or benefits (e.g., health insurance, vacation and sick leave).

Employers are also required to follow the IRS's procedures for reporting each IC's compensation. Payments of more than \$600 in any year must be reported for income tax purposes. Forms for submitting this information to both the IC and IRS are available at most office supply stores. (Note that a 1099 need not be filed if the IC has incorporated.)

Unfortunately, the distinction between IC and employee varies among state and federal agencies. According to *Nolo*, a publisher and online resource of legal information for small businesses, "Each is concerned with worker classification for different reasons, and has different biases and practices. Each agency normally

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IC Resources

For guidance in structuring your Independent Contractor relationships, contact the IRS (irs.gov), the U.S. Small Business Administration (sba.gov), the U.S. Department of Labor (dol.gov), *Nolo's* legal publications and software (nolo.com) and your state labor relations agency. Additional legal resources are available at SPARETAILER.COM.

makes classification decisions on its own and need not consider what other agencies have done, which means that one agency can find that a worker is an IC while another decides that he or she is an employee. It's also possible, though rare, for a worker to be deemed an IC in one state and an employee in another."

Without a clear, mutual understanding of this relationship, a hot tub retailer risks discovering too late that the IC qualifies to be legally classified as an employee – usually the result of a dispute or the individual's appeal to a state labor relations agency. Not only must the individual receive appropriate compensation, the employer may also face paying back taxes with interest, penalties, and possibly fines.

PLAN AHEAD

One way to help avoid these problems is to prepare a written independent contractor agreement that fully describes the services to be performed by the IC (including time, location, milestone deadlines and results), and the IC's compensation for these

services. For certain types of services, the agreement should clearly assign copyright ownership of the IC's work either to the IC, the employer or the employer's customer.

Nolo also recommends that employers retain all documents that show the individual's intent to work as a contractor. This includes business cards and stationery, advertising and invoices. Employers may also consider asking prospective contractors to complete a questionnaire that will help establish the individual as a separate business entity. The questionnaire should request information such as the contractor's business name (if any), address, phone and structure; professional licenses and affiliations and facilities and contacts at other companies where the individual has served as an IC.

Note that agreements, documentation and questionnaires may not guarantee that the relationship will be considered employer-contractor. They can, however, demonstrate the intent of both the employer and the IC at the outset of the relationship. ■

Source: SCORE.ORG



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WHILE THERE IS NO SUCH THING AS A PERFECT STORE LOCATION, THERE ARE A HOST OF FACTORS THAT CAN HELP DETERMINE WHETHER A LOCATION IS RIGHT FOR YOU.

BY LEAH WHEELER



Illustration by Eric Anderson

TIn deciding upon a new spa store location, which demographics should be considered the most? Visibility from street traffic? An aesthetically-pleasing building? Warehouse ambiance? The financial – and even gender – demographics of the community?

The answer is all of the above, and more. Picking the brain of a successful spa retailer may be more important to a new store's success than a well-lit, shiny building. A community of middle-class women might bring in more customers than a population of upper-class men. And friendly, helpful customer service could be more vital than product pricing.

While there is obviously no such thing as a perfect store location, there are a host of factors that can help determine whether a given location is the right choice – or if delaying building construction in lieu of finding a better area could prove more profitable.

Take a break. Remove the hard hats and put down the ground-breaking shovels. There are some things every would-be store builder should know before proceeding.

DEMOGRAPHICS

Most successful spa retailers study the demographics within a one-, three- and five-mile radius of the retail location they are eyeing. They analyze such local variables as home values, average family size, driving and shopping habits, ratio of owners to renters and average number of cars per household.

Some leisure retail analysts look closely at new home construction, while others view the number of pools within a given radius as good leading indicators. Others look for five- or ten-year old homes, and focus more on disposable income levels and population mobility.

"The right demographics are essential," says Brian Quint, president of Aqua Quip, which is about to open its 10th location in the Pacific Northwest. "In looking at a potential location, we sometimes compare an area's demographics to one of our existing stores and see how the variables line up. Of course, every market is different, but you definitely want a good demographic fit."

TRAFFIC

Any store's visibility can be measured by the number of potential customers who pass by daily. "We used to think we were a destination retailer and people would go out of their way to find us," Quint says. "Years of study showed us that this is not the case and visibility is critical."

"SYNERGISTIC" BUSINESSES

For a small retail store in its first year of operation, with limited funds for advertising and promoting, retail compatibility can be the most important factor in a store's survival. According to Dan Bish, CEO of Patio Pools & Spas in Tucson, Arizona, beneficial neighbors for a spa store might include a middle- to upper-end furniture store, a home furnishings showroom, a paint retailer or a home decorating or garden shop. Bish, who has done retail site selection for many companies, points out that in America, women make most of the buying decisions, as 83% of all purchases in America are driven by women. "Synergistic neighbors that hold appeal for women are especially desirable," he says.

"Synergistic neighbors will generate traffic for your store," says Brenna Lacey, vice president

FOR A SMALL RETAIL STORE IN ITS FIRST YEAR OF OPERATION, WITH LIMITED FUNDS FOR ADVERTISING AND PROMOTING, RETAIL COMPATIBILITY CAN BE THE MOST IMPORTANT FACTOR IN THE SURVIVAL OF A STORE.

TIPS FOR LOCATING A SPA RETAIL STORE

■ START EARLY

A realistic time horizon is 18-24 months. Use that time to look at all angles before setting up shop.

■ BE OBJECTIVE

Seek advice from someone who stands to gain nothing from where the store will be placed. Resist the temptation to listen to those who may mutually benefit from the location.

■ WORK WITH A QUALIFIED LOCAL AGENT

Know who the major players are in town – and how long they've been around. Find someone who knows the neighborhood inside and out.

■ DO YOUR HOMEWORK

Review local demographics and talk to successful long-time business owners in the city. **Ask as many questions as possible.**

■ RUN THE NUMBERS. RUN THEM AGAIN. AND AGAIN.

Look out for hidden costs. Have multiple accountants calculate expenses at least twice.

■ LOOK AT ALL POSSIBLE SCENARIOS

What if major road construction pops up once the move is complete? There will always be "what-ifs" that won't come to mind. Prepare for worst-case scenarios.

■ HAVE AN EXIT STRATEGY

Sometimes, poor choices are unavoidable, so it's important to be prepared to terminate a lease quickly if necessary.

of Volk Company and an experienced commercial real estate broker. "You want to think like your customers and make it easy for them. It doesn't hurt to be located near your competitors because people are definitely going to shop around for something like a spa."

THE SHOPPING EXPERIENCE

Since spas are a lifestyle item, there is a certain amount of emotion attached to the purchasing decision. Ask yourself what kind of experience shoppers enjoy when they come to your store. Does the location present itself as attractive and inviting? Is the parking lot well-lit, landscaped and maintained? Do other businesses in the area appear to be thriving with few, if any, vacant units?

A store's location is the first factor in shaping the customer's shopping experience. The invitation begins at the curb and continues through the entire shopping and purchasing.

A typical spa store ranges from 3,500 to 5,000 square feet. When combined with other lifestyle merchandise such as patio furniture or outdoor kitchen accessories, the retail footprint approach may be up to 20,000 square feet. However, the spa display area is usually distinct from the rest of the store. "The spa showroom is more environmental," Quint says. "We emphasize ambiance and project a lifestyle appeal rather than a product appeal. In that area of the store, there are no retail displays, no shelves and no visible pricing."

GET OBJECTIVE, PROFESSIONAL ADVICE

When it comes to retail site selection and commercial lease negotiation, it's easy to make mistakes and overlook important factors or combinations of factors. There may be hundreds of variables to consider.

Considering the consequences of a poor location choice, it pays to get assistance from an experienced broker. "I would highly

recommend working with a qualified local agent, someone who has deep experience in the market," Bish says. "He or she can help you do the due diligence and also be objective and make sure you ask the right questions."

"Projections are part science, part art. It is important to take emotion out of the decision making process, and this is where a commercial real estate agent can be invaluable."

In negotiating a lease, for instance, one needs to consider factors such as the length of time to be spent at the location, what options (if any) exist in expanding at that location, and the conditions of lease terms and renewal options. It's also important to determine total rent costs; whether the agreement pegs rent to sales volume (with a ceiling) or is fixed; if the lease protects the property owner; if it clarifies in writing the owner's responsibilities for repairs, finishing costs, construction and reconstruction, decorating, alteration and maintenance; and if it contains prohibitions against subleasing.

"The biggest mistake people make is to become too emotional about the process," Bish says. "It's a business decision; do your due diligence. A broker can really help you see a location with a critical, objective eye."

LOCATE IN HASTE, REPENT AT LEISURE

Selection of a retail location requires time and careful consideration, experts say. It should not be done in haste just to coincide with a loan approval, for example.

If a suitable location has yet to be found, hold grand opening plans until everything comes into place. A delay of a few weeks, or even months, is a minor setback compared to the massive and potentially fatal problems that result from operating a retail business in a poorly chosen place.

"A spa store is a destination, yes. But people remember where to go or where to go back," Lacey says. "In retail, your face to the outside is always important." ■

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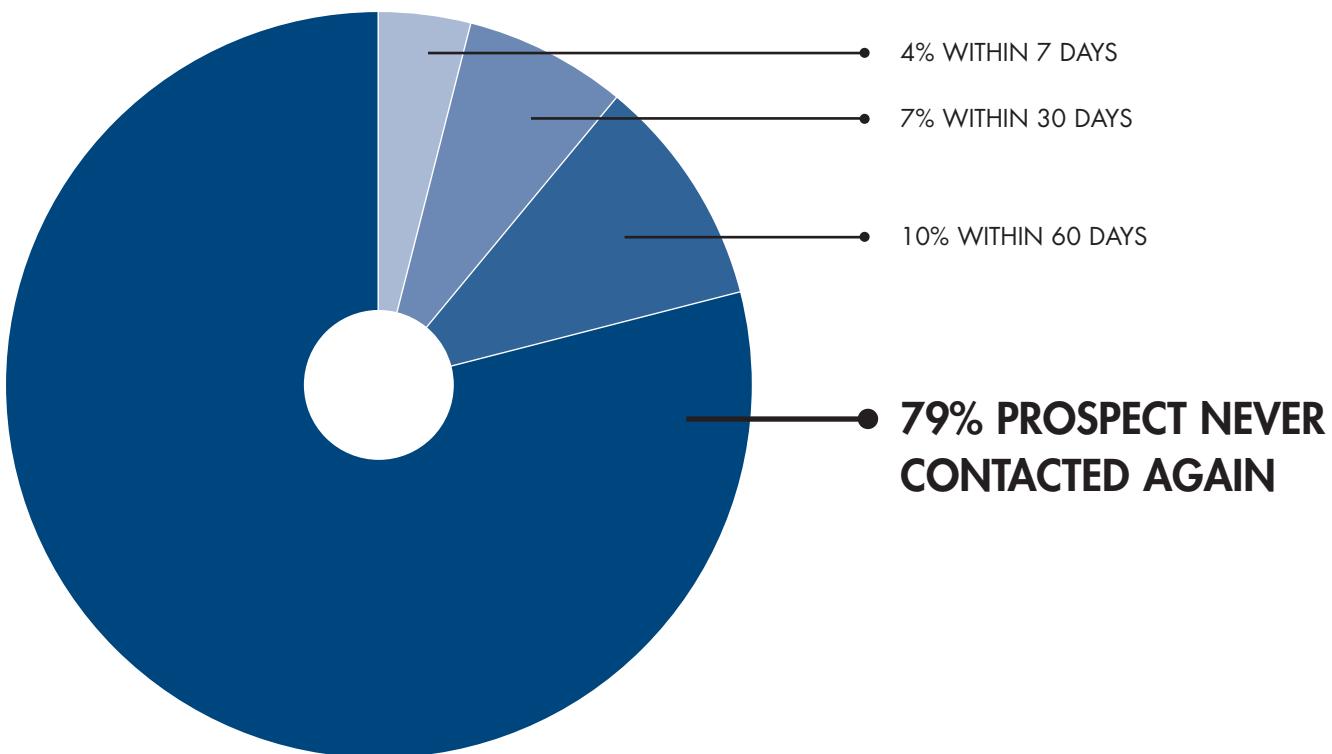
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Research

AFTER RECEIVING THE INITIAL BROCHURE FROM THE SPA MANUFACTURER,
WHEN WAS THE SECOND FOLLOW-UP ATTEMPT MADE?



After-Sales Contact Sorely Lacking in Hot Tub Industry

CONSUMERS TAKING GREATER TIME WEIGHING OPTIONS BEFORE PURCHASE

If there are any lingering doubts that there is a crisis with customer follow-up, the above graph should eliminate them for good. When four of five spa consumers say they never received a follow-up call from the seller, a red flag is immediately raised. Customers also report that they are taking more time in shopping for a spa – possibly because they are receiving fewer brochures from retailers and manufacturers. Almost unanimously, they say that frequent, prompt communication from sellers is a factor in their purchase. And with the Internet becoming the preferred purchase medium of many, verbal communication may be more important than ever in building a client base. ■

WHERE DOES ALL THIS RESEARCH COMES FROM?

Study: Spasearch

Sample Size: 1,837 consumers

Goal: To gather feedback on consumers who actively shopped for a hot tub between January 2006 and March 2007. Those surveyed were asked about their follow-up experience with their spa dealer.

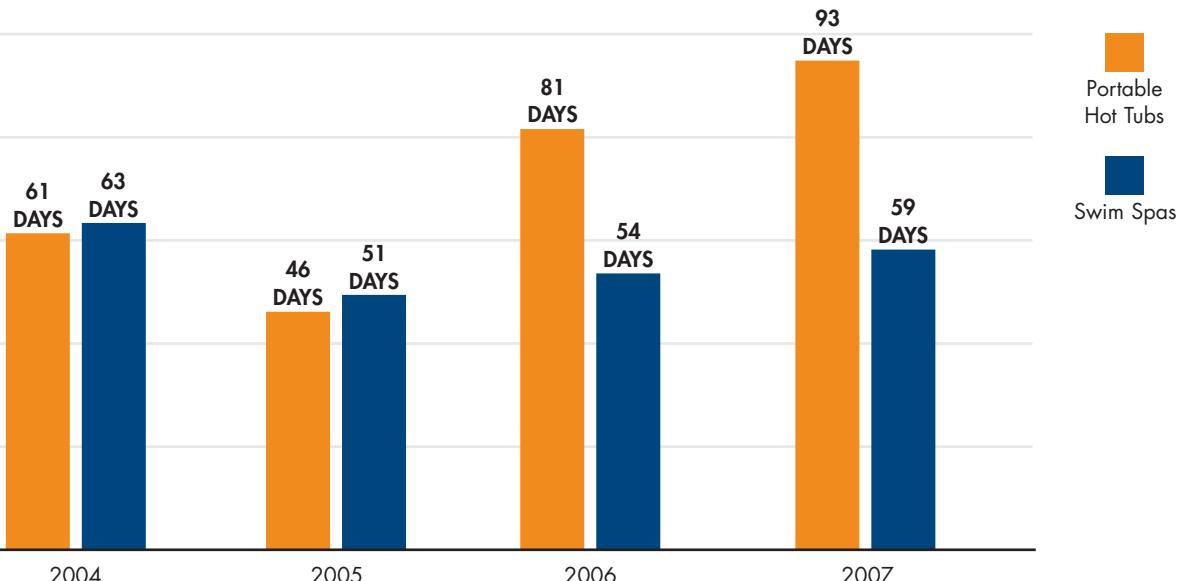
94%

OF HOT TUB CONSUMERS AGREED THAT DEALER FOLLOW-UP WAS A FACTOR IN THEIR DECISION TO PURCHASE A SPA FROM A LOCAL SPA RETAILER IN 2007.

In 2006, 88% agreed and in 2005, 84% agreed.

Research validated the claim that consumers feel frustrated by the lack of dealer follow-up after their hot tub purchase. Over 68% of hot tub buyers were dissatisfied with follow-up compared to other luxury consumer products such as boats, RVs and luxury vacations.

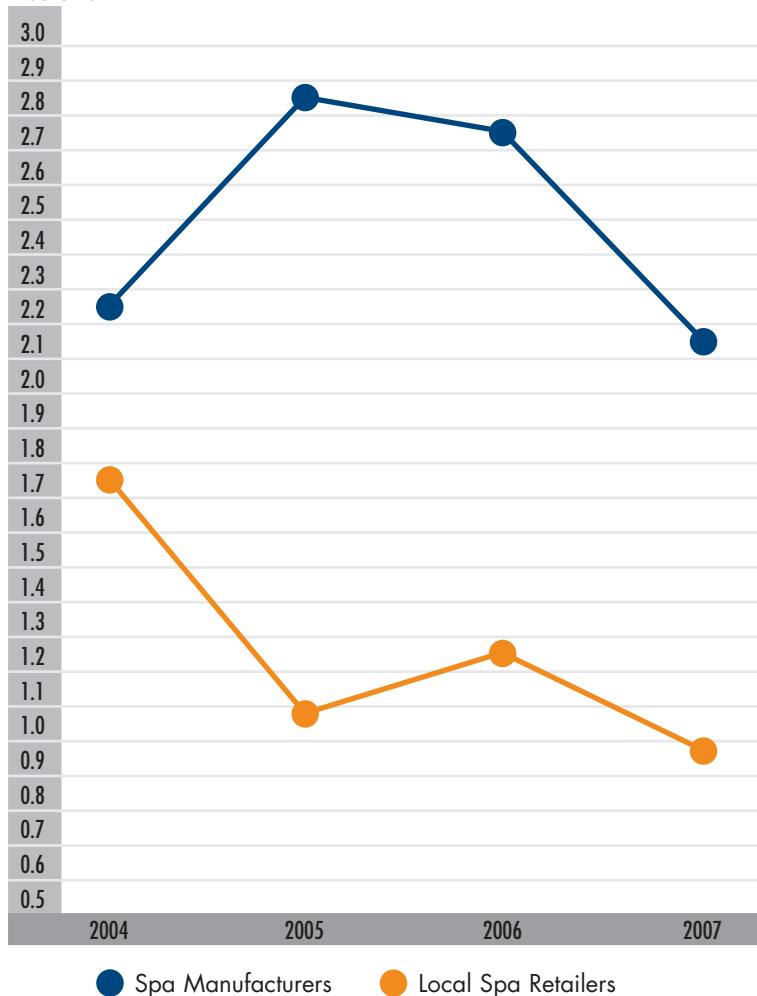
HOW LONG DID YOU SHOP FOR A SPA BEFORE MAKING YOUR PURCHASE?



HOW MANY SPA BROCHURES DID YOU RECEIVE?

Customers report receiving fewer brochures from spa manufacturers and local spa retailers this year compared to 2006. The number of retailer brochures received is down by almost half in the last three years.

BROCHURES



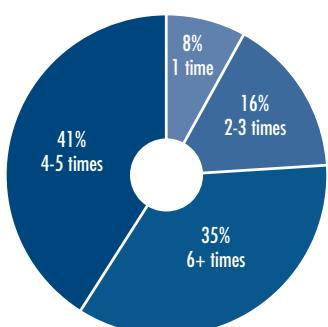
In 2006, 21% of consumers visited a hot tub retail location within 30 days of receiving their brochure; 9% of consumers visited at least two retailers during the same period.

86%

OF HOT TUB CONSUMERS SAID THAT WHEN MAKING A REQUEST FOR INFORMATION ONLINE, THEY EXPECT TO HEAR BACK FROM THE DEALER WITHIN 24 HOURS OF THE REQUEST.

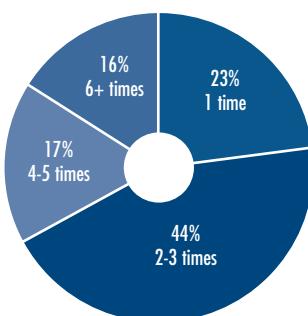
HOW OFTEN DID YOU VISIT A DEALER/MANUFACTURER WEB SITE BEFORE PURCHASING?

Three out of four online spa consumers researched dealer Web sites at least four times before coming to a conclusion. Buyers didn't spend quite as much time at manufacturer sites, as only one-third of those polled visited the site four times or more.



Dealer Web site

A plurality of buyers logged on 4-5 times, while another significant amount visited more frequently.



Manufacturer Web site

Nearly half of buyers logged on 2-3 times before their purchase. Almost 1/4 visited just once.

WHERE DOES ALL THIS RESEARCH COMES FROM?

Study: The Impact of Backyard Makeovers in Expanding New Pool and Hot Tub Sales

Sample Size: 100 consumers who recently completed a backyard makeover

Dates: Completed March 2007; Released Summer 2007

Study Overview: The extent to which the backyard makeover trend is impacting the sales of new pools and hot tubs should be of considerable interest to everyone in the industry. For that reason, the Association of Pool and Spa Professionals (APSP) commissioned P.K. Data to conduct a study of both landscape professionals and homeowners who have recently completed makeovers in order to learn more about how future backyard redesigns can help sell even more pools and hot tubs in the future.

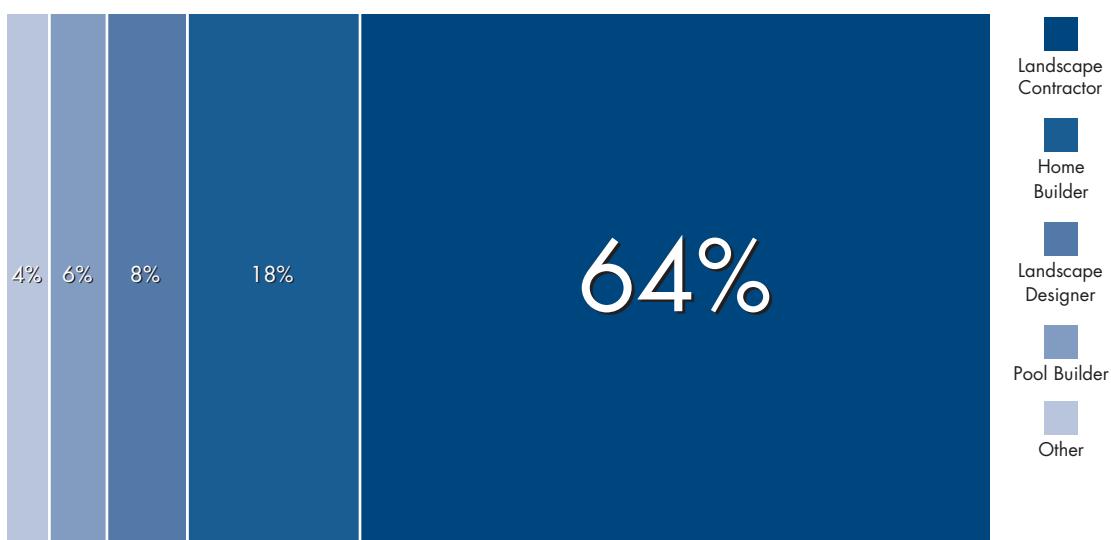
Request Survey: Contact William Kennedy, P.K. Data, Inc. 3675 Crestwood Parkway, Suite 220 Duluth, GA 30096, PKDATA.COM

THREE PRIMARY QUESTIONS POSED BY STUDY

- At what rate are swimming pools and hot tubs being included in backyard makeovers?
- To what extent is the backyard makeover trend selling additional pools and hot tubs?
- What are the factors that motivate homeowners to add a new pool and/or hot tub, especially if they had not previously planned to do so?

WHAT TYPE OF PROFESSIONAL MANAGED YOUR BACKYARD MAKEOVER?

Nearly two-thirds of respondents had a landscape contractor handle their makeover project, while nearly 1 in 5 had a homebuilder oversee the renovation. Less than 1 in 10 sought out a landscape designer or pool builder, and 1 in 25 said someone else spearheaded their makeover.



ANYONE WHO DOUBTS THAT BACKYARD MAKEOVERS ARE THE HOT NEW TREND IN HOME IMPROVEMENT NEED ONLY LOOK AT THE NUMBERS. FOR EXAMPLE, ACCORDING TO A RECENT STUDY PUBLISHED IN CASUAL LIVING MAGAZINE:

35%

of all upscale households have a finished outdoor room.

34%

of those without one plan to design and furnish an outdoor room within the next 12 months.

44%

of homeowners with outdoor living spaces update these rooms seasonally.

ALONG WITH OUR POLL QUESTIONS, WE ASKED HOMEOWNERS IF THEIR RECENT HOT TUB PURCHASE HAS ENHANCED THEIR LIVES. HERE ARE SOME OF THEIR RESPONSES:

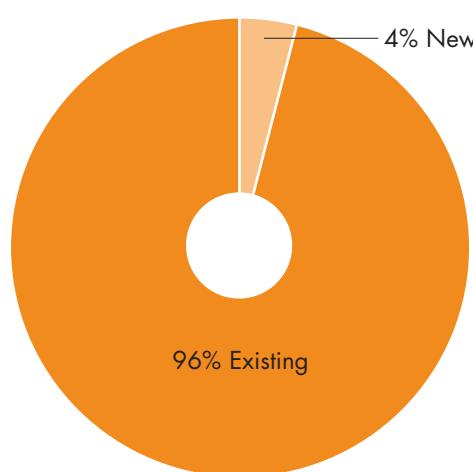
"They said that a hot tub is a great way to connect. I think they're right."

"Very. Not only is it a great feature of our yard but what a way to beat stress."

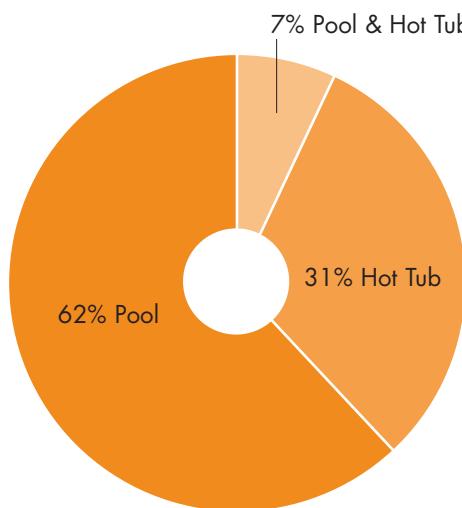
"It's turned out to be a great way to spend time with family and friends."

"This was our second makeover. I wish now we had added a hot tub the first time."

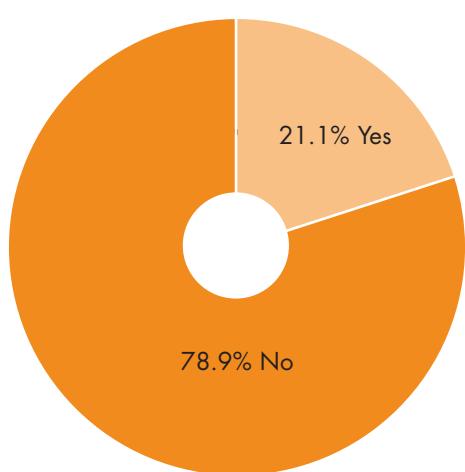
Was your backyard makeover an addition to a new home or an existing home?



What items did you include with your makeover project?



Did you plan to add a hot tub before speaking with a landscaper?



In thinking about the potential impact of the backyard makeover market on the pool and hot tub industry, the implications raised by this study's findings are significant. Given that, in an average year, some 400,000 new hot tubs are purchased, it's possible that as many as 14% of hot tubs are being added as a part of a backyard makeover. To request a copy of complete report, please contact THEAPSP.ORG or PKDATA.COM.

CLASSIFIED RATES

(INCLUDES SPARETAILER.COM WEBSITE LISTING)

LISTING PRICES:

| | 1 time | 2 x | 4x |
|--------------|--------|--------|--------|
| Per word | \$3.00 | \$2.75 | \$2.50 |
| Add Logo | \$99 | \$99 | \$99 |
| Add Red Text | \$99 | \$99 | \$99 |

Rates are per issue. Approx. 45 words per column inch.

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2) E-mail: classifieds@bigfishpublications.com

3) Mail:

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Add Visa, MasterCard and AMEX for payment

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The businesses that are for sale are all retail, service and repair. Sales between 800K - 1,400K. Very profitable and each with professional managers in place who are not owners. Great opportunity for someone to relocate to Sunbelt or expand current operation. Contact Rod Sterling at 770-936-9099 or rodsterling@sunbeltnetwork.com.

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INDEPENDENT SALES REPRESENTATIVE

Tree Top Builders, one of the leading tree house companies in the country is looking for aggressive individuals to sell this unique product. A selection of territories are available with great growth potential. Excellent commission program. See our website www.treetopbuilders.net or contact us at treetopbuilders@verizon.net or call Dan Wright at 484-880-6321.



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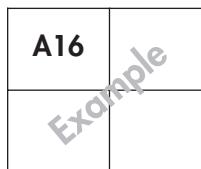
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Need a brochure?

Want more info about any of the companies or products you saw in this issue of *SpaRetailer*? It's easy. Just fill out the card at right and mail it to us. Here's how it works: Each category in the column at right has a letter assigned to it. Simply write the category letter and the company's number in a square on the form (example: "A16" for Marquis Spas). Please write just one entry per square, or simply write "All" in one of the squares, and we'll forward additional information for all the manufacturers and services listed.