



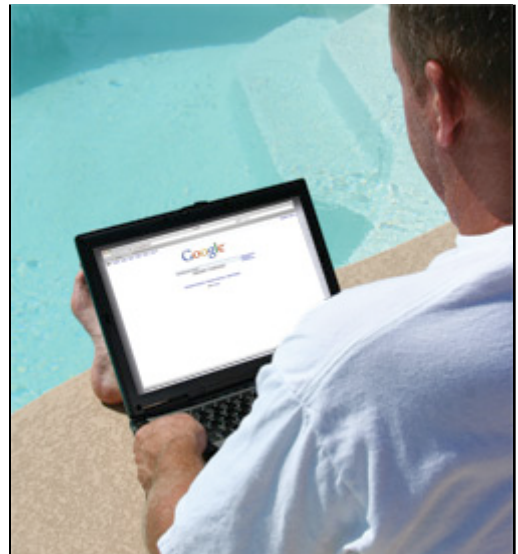
The Cautious Consumer

By: Scott Webb
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Automatic pool cleaner buyers are doing their homework

"What we're finding is that consumers are researching their purchases more carefully than they ever have before. They are just very cautious about where they're going to spend their money. It means more to them now than it did two or three years ago."— Kevin Braidic, product manager

That observation, while intended to address the automatic pool cleaner market, may summarize the current state of retailing in the pool and spa industry. There are consumers with money to spend. They're just a little more circumspect in a time when economic news varies between bad and horrible.



It contains both hope and caution, primary themes of a recent informal survey AQUA conducted of eight APC manufacturers. Respondents were queried on their outlook for the coming year, new products and other APC market issues. Their comments contain insights applicable to other segments of the pool and spa industry.

Survey Respondents

BK — Brian King, product manager, Pentair Water Pool and Spa, Sanford, N.C.

KB — Kevin Braidic, product manager, Zodiac Pool Systems, Vista, Calif.

LS — Lisa Sokolowski, marketing manager, Maytronics US, Norcross, Ga.

MD — Marchal DePasquale, director of marketing for automatic pool cleaners,

Hayward Pool Products, Elizabeth, N.J.

MR — Manuela Rief, vice president, Poolvergnuegen, Santa Rosa, Calif.

RG — Richard Garbee, vice president of sales and marketing, GLI Pool Products, Youngstown, Ohio

SS — Stephen Shulman, director of marketing, SmartPool, Lakewood, N.J.

GE — Gil Erlich, vice president of sales and marketing, Aqua Products, Cedar Grove, N.J.

Industry Outlook

While manufacturers understand the economic situation and hear the apprehensions of dealers, many believe there are products that can do well in this economic climate:

MD: Although there will be fewer pools built in 2009, we believe the aftermarket segment will remain at 2008 levels, with possibly a 5 to 7 percent increase. There are a few factors that are driving that assumption: A lot of people may have had service companies that are looking to maintain their pools themselves. That would bring those people into a retail environment to purchase an automatic pool cleaner, where they will be attracted to the relatively low cost of owning one.

BK: I believe that the cleaner segment will fare better overall than the rest of the industry, being down slightly year over year.

KB: We're prepared for a flat 2009, but we're optimistic that we're going to see an improvement in consumer confidence to some degree by the fourth quarter.

RG: We're a small company that's grown pretty quickly, and I'd like to think we have opportunities to continue that growth into 2009, but there certainly are concerns about the macroeconomic conditions of the country. We're budgeting cautiously, but on the plus side of the ledger.

SS: This year is shaping up to be not as bad as we feared. It's probably going to be a good year. If you can offer products with value, you're going to be OK. People are still buying things, they're just being more careful.

MR: It's not so grim. We haven't been affected so far, mostly because we're the little guy. We didn't double last year, but we did the year before. We haven't felt the effects because our niche is the higher end of the market, which hasn't been affected as much.

LS: The industry as a whole will come back, but I think it'll take a little longer than some people think. I've done several research papers on the pool industry, and it lags about 18 months behind what the other industries are doing, so I think the recovery in

the pool industry will lag behind the economy overall by about the same amount of time. Having said that, our Dolphin sales went fairly well last year, but we know that this year is going to be challenging.

Growth In Robotic

Of the three types of automatic pool cleaners — robotic, suction and pressure — robotic cleaners have shown the most sales growth in recent years. The reasons vary, depending on whom you ask:

RG: I think it's because it does a good job of cleaning the pool, and people have gotten over the fear of having an electric cord in the pool. Also, I think there's an energy-savings story associated with it, versus say, a pressure cleaner. A robotic only uses the energy of a 100-watt light bulb, but some pressure cleaners require an additional 11-amp motor. So the difference is pennies as opposed to dollars when you're comparing pressure cleaners and robotic cleaners.

SS: Robotics have become cheaper and more technologically advanced. Any bugs in them have been worked out and they're more reliable now. The robotics use far less energy, they cost just pennies to operate.

GE: Robotic cleaners help consumers save money. Not just in electrical savings. If our filter is able to catch particles down to two microns, how much is going into the main filter? They can reduce their backwashing requirements by 70 to 80 percent. So it's saving thousands of gallons of water along with the chlorine in it, and the impact on the environment of that chlorinated water.

Internet Influence

As in many other industries, the role of the Internet in the APC business continues to evolve, while at the same time remaining a dynamic force of change:

KB: We're finding that consumers are coming into retail, taking a brochure, getting information from their dealer, and then they're going home and doing independent research on the Internet. People want to hear from other pool owners about their experience with a particular product, so they're looking at APC blogs. There are a lot of those out there now.

As a manufacturer, you don't want any product problems. Because believe me, they will talk about them on the Internet. You go to epinions.com or poolforum.com, and you will see it. The homeowners are starting to make a change in the industry. They can now go online when they want to evaluate a product and have a look at what people are saying.

MR: But at the same time, there are a lot of disreputable sellers on the Internet, as well. A lot of these online guys just put the product online for \$5 more than what they

paid for it, thinking they'll sell a bazillion of them.

GE: The Internet is going to continue to drive down prices for cleaners across the board. It's dragging down the price because there's no overhead for Internet sellers. So the [bricks and mortar] retailers and the builders are getting hit because the consumer can just jump online and say, "Hey, I can buy the same thing you're offering me for even less than you can buy it for."

VGB

By now, few people inside the pool and spa industry do not recognize those initials. The Virginia Graeme Baker Act has had a large impact on pool suction orifices, such as the ones suction-side automatic pool cleaners use. Do these cleaner ports fall under the Act?

MD: No, the vacuum ports on the suction outlet covers are all sealed. They're hinge covers that remain closed when the vacuum lines are not being used. So it's not considered an open-flow suction outlet and therefore would not fall under the Virginia Graeme Baker Act.

Consumer Mind-Set

It's always the challenge of the marketer to gauge what the targeted consumer is thinking. In this tentative market, caution may extend to the type of technology:

LS: I think that people want to take care of their pools, but taking on a new technology at a time like this is a scary thought. They're not out there buying the highest level of technology, they're buying something they know and are comfortable with.

New Products

Manufacturers have come up with their own stimulus for the marketplace. These products are designed to excite consumers looking for easy and inexpensive pool maintenance:

MD: We are introducing a new robotic cleaner, in production now, called the SharkVAC. What makes this product unique is that it hits a very popular price point. Traditionally, in order to access the debris chamber in a robotic cleaner, you have to take the cleaner out of the pool and flip it upside down, and these units are pretty big and heavy. With the SharkVAC, you just hit a button and the top lid pops up and you have full access.

KB: We're going to introduce our first robotic cleaner in the spring. It's the only segment that we're not currently in. We're targeting May 1 for the release, and while I can't say anything more until then, it will be a robust robotic cleaner.

BK: We have a new suction cleaner being released called the SandShark. This cleaner offers programmed steering, squeegee-like scrubbing fingers that help loosen dirt and debris, and a wide, 12-inch footpad for faster cleaning.

RG: We're offering a robotic cleaner for above-ground pools called the Pool Boy. It's a program cleaner specifically for above-ground pools, which means it doesn't climb the walls. It has a lower price point, wheels instead of tracks, and really should be well received by the industry.

SS: Last year we introduced the Nitro — it's a wall-to-wall cleaner. This year we've taken it a step further with the Nitro Wall Climber and the Nitro Wall Scrubber.

LS: We came out with a new residential robot this year — the new DX 6. It is a dual-motor robot that scrubs the waterline. It has a remote control and is a bit more rugged for those areas of the country that have a lot more of that waterline scum.

GE: On our Aquabot Turbo T-Jet, the bottom lid assembly has been modified. With the new VGB-approved drain covers, a cleaner could easily get beached as it rolls over. But now with a rolling surface at the center point of the bottom lid, you can glide over virtually anything.

And you can modify the openings to accommodate leaves in the fall, and pollen and silt in the spring. And when you make it smaller, you increase the velocity of the suction. So it can pick up more particulates. So if one customer has leaves and another doesn't, they can each customize it accordingly.

Dealer Opportunity

There is a case to be made that pool owners seeking to save money in 2009 will buy pool cleaners in order to cut maintenance costs. According to this theory, APCs will do fairly well on a retailer's shelf:

MD: Yes, there are a lot of dealers who are nervous out there, but when it comes to automatic pool cleaners, there is a big opportunity that some people aren't seeing yet. If you're a dealer looking for something to help sales, this is the year to try them.

LS: We should be presenting cleaners as a way of saving money in hard times. Our message is that in the last year it cost only 15 cents a day to operate an automatic pool cleaner. I think that all the manufacturers understand that we've got to focus on educating the consumer that this is a way to save money.

Cautiously Optimistic

If these knowledgeable manufacturers are right, the days of the profligate consumer may be over for the moment, but there is still a solid market for products that pass

careful muster and meet the needs of a newly focused homeowner. Read on to find more exciting new offerings from leading manufacturers of APCs.

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