

# POOL & SPA

# NEWS

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## Entrapment Code Changes Considered

**By Rebecca Robledo** Members of the pool and spa industry are preparing to do battle at the International Code Council's biannual hearings on code development, set for Feb. 18-

31 in Palm Springs, Calif.

At issue is whether safety vacuum release systems should continue to be required on pools. The SVRS mandate was adopted in 2003 as part of

an appendix to the code.

The Association of Pool & Spa Professionals wants the ICC to incorporate ANSI/APSP-7 into its code. The

*continued on page 36*



## Phoenix Builder Stirs Controversy

**By John Miles** An Arizona pool builder has launched a controversial ad campaign accusing a number of his competitors of being involved in a kickback scheme.

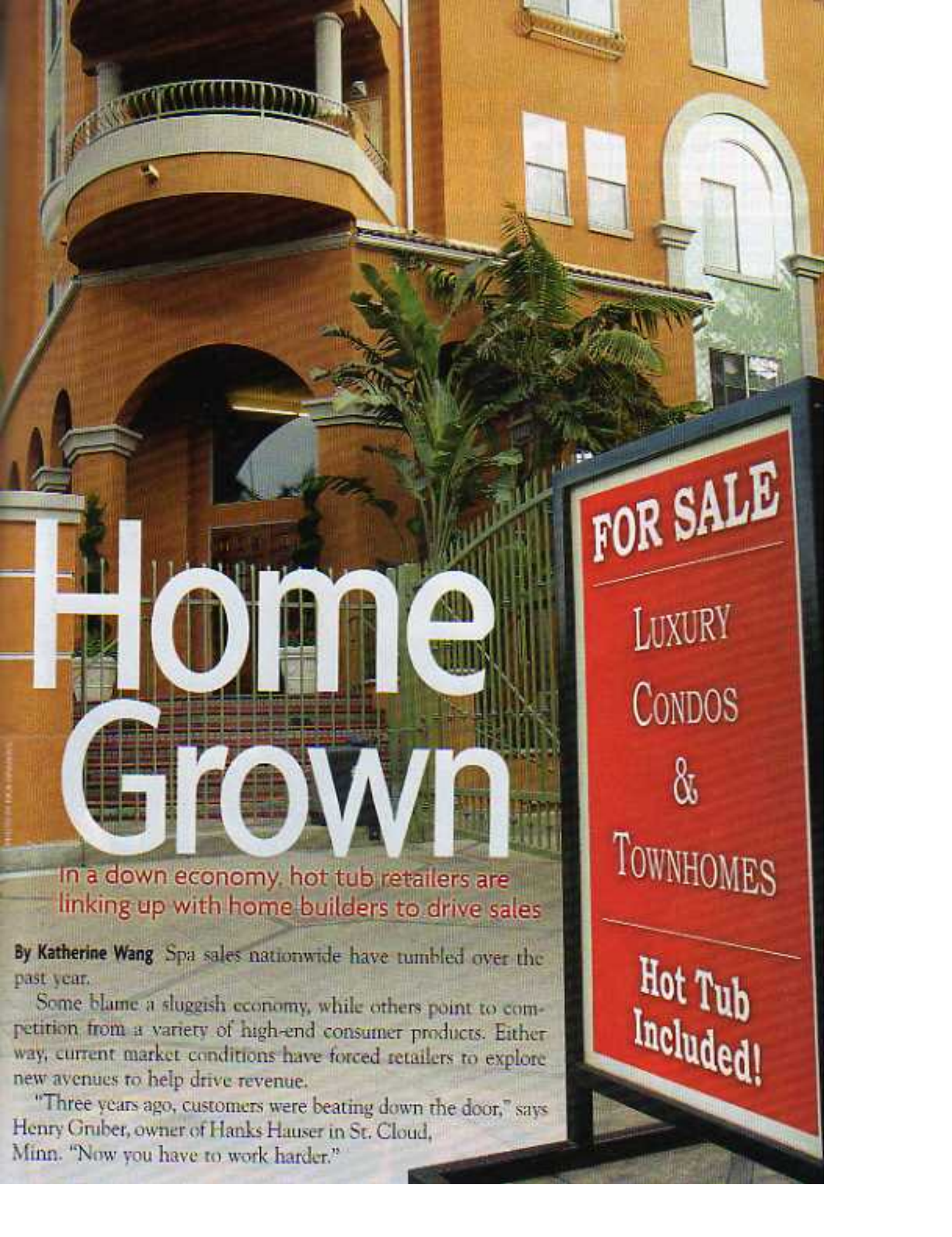
Ron Ostlund, president of Riviera Pools in Phoenix, claims that buyers of new homes are overpaying by up to 40 percent for pool construction. He alleges that the extra money collected by the pool contractor is then parceled out as kickbacks to the home builder, broker and real estate agent. Ostlund estimates that unsuspecting Arizona homeowners have contributed \$250 million in these kickbacks since 1997.

*The pool builders  
continued on page 38*

### Inside This Issue

**Raise Your Glass** See page 68





# Home Grown

In a down economy, hot tub retailers are linking up with home builders to drive sales

**By Katherine Wang** Spa sales nationwide have tumbled over the past year.

Some blame a sluggish economy, while others point to competition from a variety of high-end consumer products. Either way, current market conditions have forced retailers to explore new avenues to help drive revenue.

"Three years ago, customers were beating down the door," says Henry Gruber, owner of Hanks Hauser in St. Cloud, Minn. "Now you have to work harder."

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Responses from retailers have run the gamut, from beefing up advertising to expanding customer incentives to refocusing on other divisions, such as service departments.

But for another group of dealers, new spa sales have come from an unlikely source: the beleaguered housing market. In fact, despite falling home prices and mounting foreclosures in certain parts of the nation, some major population centers such as Charlotte, N.C., and Seattle are building more homes than ever before.

In fact, one Midwest retailer says brisk referrals have enabled him to remain steady even as his competition flounders.

"Our relationship with builders gives us more opportunity to sell spas," says Larry Berczyk, president of Valley Pools & Spas Inc. in Burnsville, Minn. "It's helping us maintain our hot tub sales."

There are several ways to establish these relationships, but retailers point to three distinct strategies: joining builder associations, becoming the one-stop shop for their niches and moving beyond the single-family residence.

#### The association

About five years ago, Joe Musnicki joined the Long Island Builders Institute.

The owner of Ocean Spray Hot Tubs & Saunas in Westhampton Beach, N.Y., saw a networking opportunity too inviting to pass up. LIBI members include home builders, as well as vendors of lumber, tile, plumbing, swimming pools, hot tubs and saunas.

The association soon yielded dozens of potential business partners.

"If you have a social relationship, you're probably going to do more business with [those] builders," Musnicki says, adding that his company now counts approximately 40 to 50 home builders as steady partners.

"We get 20 percent of our business from them," he notes.



Pay it forward: When consumers want a soothing soak, they often turn to their home builders for the names of spa dealers. Retailers such as Ocean Spray Hot Tubs & Saunas attribute 20 percent of their business to these referrals.

But it isn't enough to simply contribute your company name and mail in your membership dues. The key is staying active—and visible, Musnicki says. So he and his employees attend monthly meetings and dinners, serve on various committees for fund-raising and membership, and actively advocate construction-friendly legislation on the local and state levels.

Meanwhile, retailer Gruber belongs





Natural seller: Selling to landscape professionals can be more profitable for pool contractors than selling to individual customers. Designers often outfit a new spa with multiple products from the pool pro's showroom.

the national and state builders associations. Since joining, he's managed to forge partnerships with at least half of the local group's 150 builder-members.

#### Go-to guys

Michael Galica is a "green retailer." He owns Marin Outdoor Living, a Greenbrae, Calif., store specializing in eco-friendly outdoor products such as energy-efficient spas, clean-burning fireplaces and wood furniture certified by the Forest Stewardship Council.

In Galica's environmentally conscious market, businesses are going green all the time. Spurred by consumer demand, builders are using more recyclable materials in their projects. And designers are seeking alternatives to traditional water use and landscaping, such as substitutes for grass, which require less hydration and fewer chemicals.

"I work with a lot of landscape designers who have a sustainable approach to their design," Galica says. "I'm the one-stop shop for them."

Whereas individual shoppers tend to purchase one or two items, his landscape designer partners often outfit entire backyards from his shelves and showroom. They frequently take away complete packages — furniture, barbecues, umbrellas — which presents opportunities for add-ons and upselling.

#### Close to home

Thirty years ago, before Henry Gruber became a spa and sauna dealer, he designed homes. On at least two or three projects a year, he found himself ordering and installing a hot tub or sauna for free.

"Other than a local pool builder, in the early 1980s, no one was really doing anything with spas [around here]," says the current owner of Hanks Hauser in St. Cloud, Minn. Recognizing a lucrative opportunity, Gruber happily put down his pencil and drafting board to focus on retail.

The transition was gradual. For the first few years, he was still designing spas and saunas that went directly into homes. But when business boomed, he began to stock inventory. Eventually, he opened up a showroom.

Even when his attention turned to retail full-time, Gruber remained close to his former business associates. Some of his first installations were at the homes of his builders.

And when homeowners ask their builders for recommendations on backyard accessories,



Gruber often finds himself on the receiving end.

"If you treated [that builder] well on his personal project, you're going to be first on that list," he says. "When they give you a referral, they'll put their name and reputation on the line for you. Up here in [St. Cloud], if you do your job well, that's one of the bonuses you get."

It works both ways: Gruber refers business to his builders whenever the opportunity arises.

He's managed to cultivate these relationships over the past three decades. Currently, 25 percent to 30 percent of his sales are to home builders. Nowadays, he considers architecture a hobby — his main focus is on hot tubs and saunas.

— ESR

Galica attributes nearly half his sales to landscape designers and architects alone.

Another who has found success as the go-to guy in his market is Gruber. When a pair of major hailstorms struck the St. Cloud area in early 2007, builders were busy repairing siding and remodeling ravaged homes. Several called Gruber to replace damaged spa covers and for other accessories needed at those homes.

Gruber usually gets the call, in part because his company has been around for 27 years. "If I don't know the answer, I know the

one [to go to] to get that answer," he says.

He also takes a very hands-on approach to his business. "If I'm selling, I'd like to know everything [about the customer and the home]," he says, and that involves looking at blueprints and site surveys. On visits, he'll spend time with the home builder, often suggesting guidelines on how to lay out the electrical work. He'll even produce sketches and give creative advice on different placements for the spa, such as on a raised deck vs. a patio.

In addition, Gruber walks the builder

or homeowner through maintenance of various types of spas. Builders like his straightforward style.

"When they send a customer in, I know I'm not going to overstate [the qualities of] this spa, such as [saying] it's going to be chemical-free," he says.

Gruber also gets involved in his community. Every Friday morning, he meets his builders for coffee. "There are usually three or four at the table, sharing ideas—not just about hot tubs and saunas, but a lot of different things going on in the industry—so it helps keep me informed," he says.

#### Multifamily housing

Unlike the horror stories from California and Florida, the housing market had a much softer landing in New York, where a tighter market—for condominiums, in particular—meant milder price increases and fewer speculative buyers.

When square footage is at a premium, consumers often spend more on amenities such as granite counter tops and hot tubs.

"There was no line in New York [for condos]," says Jim Haughey, chief economist at Reed Construction Data in Atlanta. "Sellers didn't want to lose a home, so they made damn sure nothing bad happened up front. So, in some niches, the condo market didn't suffer quite like Florida."

Haughey says that when square footage is at a premium, consumers often spend more on amenities such as granite counter tops, stainless appliances and elegant bathrooms.

"I think the incidence of amenities such as a spa going into expensive condos is much higher," Haughey adds.

Rather than dropping prices, officials at Ocean Spray discovered that local developers were enticing buyers by offering

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high-ticket extras, including hot tubs.

"In the past two years, the real estate market had become a little soft in this area," Musnicki says. "Builders want to provide more perks or incentives for people to purchase."

So his sales manager, Bob Green, contacted local condo developers, and eventually landed contracts to install hot tubs in select units. The company says it could sign up to 70 more contracts this year in oceanside neighborhoods such as Montauk and Westhampton Beach, where

units run an average of \$3 million.

"I'm not just waiting for the door in our showroom to open," Green says. "Working with builders and contractors is a recycler business. When they finish in two years and start another project, who are they going to call? Us."

A competitive bid might be what developers seem most interested in, but other factors such as a quality product, service and reputation are important, too.

"You're selling it to the [builder], and they know the market," Green says, which

is why he invites them in for a test swim. "It is five minutes, and we have disposable bathing suits. It's a great selling point."

On top of warranty services, he also brings up aftermarket care. "It's something we created for [the builder]," Green says. "If the customer is from Europe or New York and they don't want to add the chemicals themselves, we would do it for them once a week for a slight charge."

Because Ocean Spray is a well-known local company and has worked with Westhampton Beach, N.Y.-based Gentry Construction in the past, it was one of the top choices.

But sometimes it takes a year to seal the deal. Developers tend to wait as long as they can to sign the contract because they continue to shop around for a lower price, says John McDonald, project manager at Gentry Construction. "The [builder] waited] a long time to get a commitment, but persistence [paid off]."

**Developers care about competitive bids — and quality products, service and reputation.**

Because these private developments don't usually get advertised, the builder interested in working with a builder needs to be proactive. Green looks at ads in magazines and real estate sections in the New York Times for development in the metropolitan area.

That's how he noticed a new project with high-rises in the city. "I said, 'Gee, it has a terrace in every apartment. I know the hot tub will go perfectly in that.' So I made a phone call [to the builder]," Green says.

After several tries, he got through to the right people and told them, "Look, I'll come in." He drove up to their Manhattan office with pictures. After piquing their curiosity, he convinced them to visit one of his showrooms.

"They came out and were impressed," Green says. "[Now] they're going to have a meeting. I let it sit and then I call again. They haven't said 'no' yet."



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