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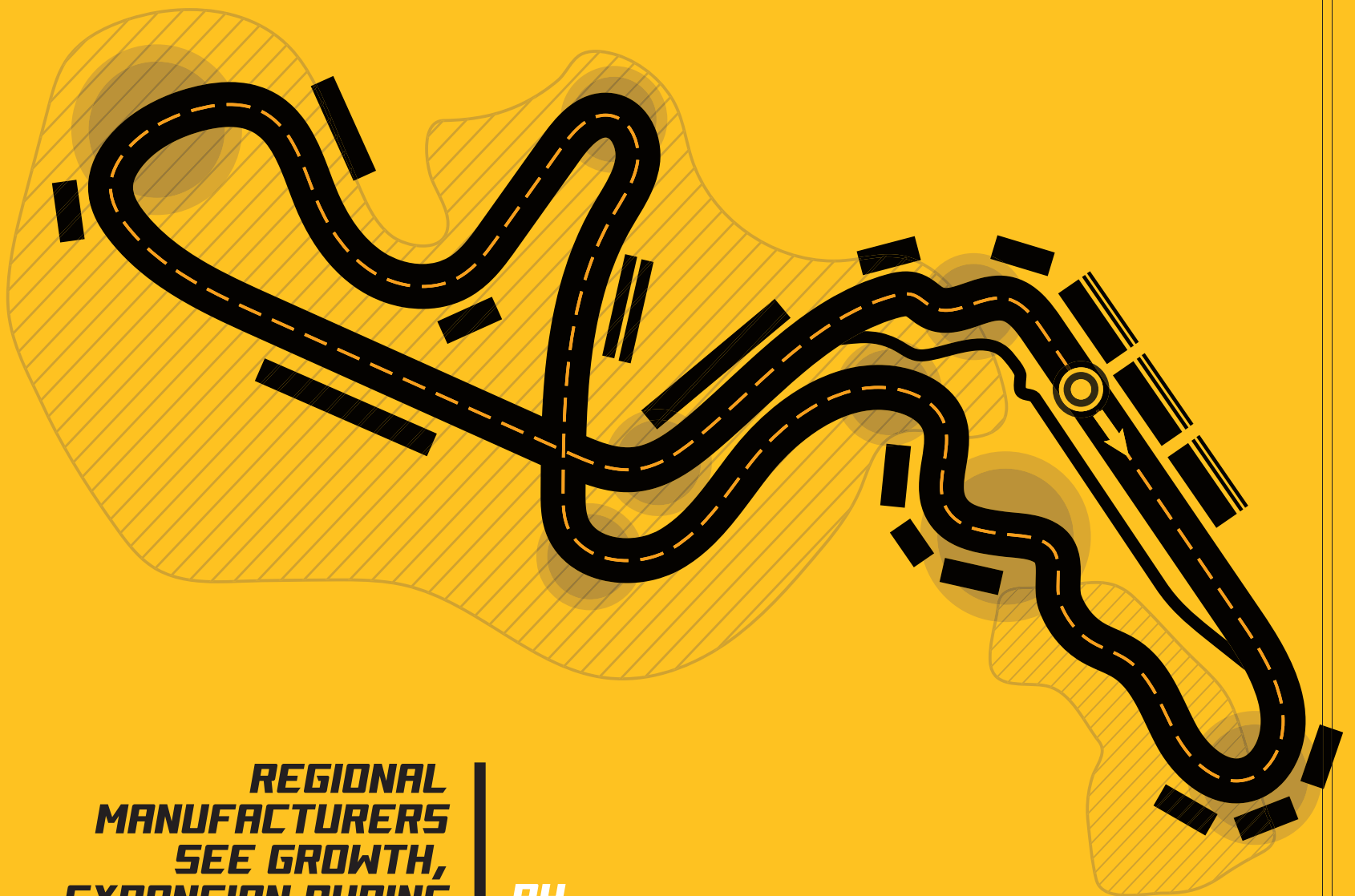
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# **COVID PAVED THE WAY**

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**REGIONAL  
MANUFACTURERS  
SEE GROWTH,  
EXPANSION DURING  
THE PANDEMIC**

**BY  
MICHELLE L. CRAMER**

**IN 2019, THE MAJORITY OF BUSINESS WAS INTERNATIONAL** for Sunbelt Hot Tubs, a manufacturer in Houston, Texas. There was some regional distribution, says sales manager Chris Harpham, and some sporadic sales throughout the United States, but Sunbelt mainly shipped hot tubs to the United Kingdom, Columbia, Uruguay, Israel and other smaller countries.

St. Louis manufacturer Aspen Spas had an established dealer network in the Midwest and United Kingdom, with a growing presence in the Southeast United States. The company had been working toward slow growth for some time before actively seeking to expand its U.S. dealer market, says sales manager Dan Boelhauf, adding that, pre-pandemic, the company had started to map out regions of interest for growth. “[The goal] had always been trying to build the foundation, so that when we do grow and get better, we’re able to do it the right way,” he says.

Wind River Spas — a small, family-owned company — has two showroom locations in Lafayette and Englewood, Colorado. As a manufacturer, Wind River does things a little differently: The company doesn’t partner with spa retailers, but has its own showrooms, selling spas directly to the consumer. Pre-pandemic, most Wind River spa sales were contained to Colorado, says owner Rick Hallett.

Then March 2020 happened, and these three regional manufacturers had no choice: growth was eminent.

## SHIFTING GEARS

Production was halted for Sunbelt Hot Tubs when the country shutdown in March 2020 because it was considered nonessential. During this time, office staff reached out to the Sunbelt dealer network directly.

“Every day, our goal was to call five customers,” Harpham says. “Just checking in, ask them how they were doing, what their plans were and just to stay in touch because we wanted them to know we would keep communication open.”

Sunbelt was able to start production again on May 1 (calls were made every business day until then) and Harpham says orders increased almost immediately. “If you just continuously call customers, it’s going to bring on sales,” he says. “It seemed like a tidal wave of sales with people ordering more and more spas — more than they would normally. Within two weeks, we started extending lead times and that brought on even more orders.”

Pre-pandemic, Wind River delivered to anywhere in Colorado for free, but after the shutdown, pulled the company back to providing free delivery within only 100-mile radius and service within 50 miles. Outside of that range, Wind River now partners with delivery services or other dealers for spa service. “We have a partnership with several dealers in the mountains and their service techs service our hot tubs in that 50-to-100-mile range,” Hallett says. “Customers know this when they buy a hot tub from us, and it doesn’t seem to affect them that we may not be the ones servicing it.”

## COASTING IN OVERDRIVE

Wind River sold 1,226 hot tubs in 2019, with numbers sharply increasing by June 2020 to close out that year with 1,564 hot tubs sold. As of July this year, Wind River had already sold 830 hot tubs. That increase was certainly reflected in Colorado, but the company now ships a couple of hot tubs a week to areas all over the country, including Florida, Texas, Michigan, Illinois, Utah, Wyoming, Nebraska and New Mexico.

“It’s not really our focus, but when someone orders one on our website, there’s not much you can do,” Hallett says. “We’ll ship anywhere. We just put it on a pallet and we ship it out, usually to a business [for installation]. If it’s to a residence, they have to figure out how to get it off the truck and into their backyard, but we have plenty of [customers] willing to figure that out.”

At first, Sunbelt Hot Tubs was taking every order the company could get, Harpham says, but dealers were wanting one and two truckloads of spas a month. It got harder to keep up when dealers were fulfilling what would have been an entire year’s worth of orders in just three months. “We had to slow it down a little and say, ‘Look, we don’t have any capacity for you right now,’ because we don’t want to take orders we can’t fulfill,” he says. Sunbelt had to limit some dealers to just a few hot tubs a month to make sure everyone received something.

A lot of Sunbelt’s increased sales came from current dealers who were previously ordering one or two hot tubs at a time. The company has, however, increased its dealer network by about 20% since the pandemic hit, Harpham says. This equates to 40 new dealers so far, with locations in Colorado, Washington, Texas, Oklahoma, Michigan, Arkansas, Arizona, New York and more.





It's been a similar situation for Aspen Spas. Boelhauf says the company's methodically slow growth over the past few years laid the foundation for the increased demand. Aspen had an expansion in the works before the pandemic — allowing for a third factory building to start production in June 2020 — that made the transition nearly seamless.

"We invested in a new facility, streamlined production processes and labor that allowed us to meet the surge in demand head-on," Boelhauf says, adding that it resulted in a 70% increase in production capability from 2020 to this year. "We were able to absorb a lot of the onslaught of orders [in that new building]."

Orders from established dealers across the board — locally, regionally and internationally — increased by at least 25% for Aspen over the last 18 months, Boelhauf says, and the company signed up many dealers looking for new avenues for providing spas.

"We have selectively made inroads in virtually every region in the U.S. now, while expanding growth in our more established areas of the Midwest, Northeast and Southeast," he says, adding that Aspen is also seeing growth in Canada, Sweden and the UK.

Of course, not everything has been smooth sailing. As with most any production industry, there have also been supply shortages that have caused delays and contributed to continuation of long lead times. Harpham says this sometimes leads to a pile up in the factory.

"What happens is you have a container load of spas that don't have this little bitty part — it could be the gasket or something — so you can't finish the spa," he explains. "Then we have stacks of spas just sitting to the side because we can't package them and get them out. Or you have customers that maybe didn't think you were going to get the spas done when you were supposed to and they weren't ready to pay or accept shipment, so the spas may sit around [the factory] for a few days. It's definitely not good for space constraints."

Hallett feels the strain, too. "Every day we're out of something right now," he says. "Just when you think there's a little bit of light at

**"The big guys want to go out and buy up everything they possibly can, but most of these vendors don't want to put the little guy out of business — and they've been really good at making sure we get our electronics and what have you."**

**Rick Hallett**, owner, Wind River Spas

the end of the tunnel, it's another train coming."

He's grateful, however, that parts and supply vendors have made room for regional manufacturers. "Most of our vendors are doing a good job about allocation," he says. "The big guys want to go out and buy up everything they possibly can, but most of these vendors don't want to put the little guy out of business and they've been really good at making sure we get our electronics and what have you."

As of August, regional manufacturers are reporting lead times similar to the rest of the industry of four to eight months for spa orders.

## THE ROAD AHEAD

Despite constraints, Harpham says Sunbelt has set a production goal and has continuously moved closer to hitting it. "For the last few months, we've probably been at 60% of that goal," he says. "I think we'll get closer as supplies become more readily available, and we [establish a system] to manage the incoming materials to the point that we don't have to worry about shortages."

Despite demand, Hallett has no interest in opening more showrooms right now — there was a third Wind River showroom from 2007 to 2009, but Hallett says it wasn't bringing in more revenue, just pulling sales from his other locations. Recognizing that this crazy demand may taper off eventually, he's instead investing \$300,000 in TV and \$100,000 in internet marketing this year hoping to grab enough market share in Colorado to have success for years to come.

Aspen's focus for the future is new dealer retention. Recognizing that many of the dealers the company has acquired the last two years are because it's so hard to get spas, Boelhauf says Aspen wants to make sure those new dealers stick around when lead times decrease.

The word is out, Boelhauf says, and dealers are more aware that there are viable options available from regional manufacturers. "It doesn't have to be one of the bigger brands, but dealers can source from someone more local, regional," Boelhauf says. "We work hard with our rep groups to qualify new dealers in the interest of developing a long-term partnership. We want to make them believers of Aspen Spas. We really have no interest in a temporary partnership — quality and loyalty are preferred over a quick buck."

Flexibility is key to dealer retention, Harpham says. Sunbelt

allows dealers to make order changes — colors, features and even models based upon what that dealer sells — because the company recognizes that it's hard to project what is going to sell when orders are placed in advance.

However, Sunbelt has a rule that once the cover has been ordered, no further changes can be made because obtaining covers has been a stress point. "Covers can take three to eight weeks, depending on the vendor," Harpham says. "We've had to expand our cover vendors from one to three based upon volume and availability. To keep new dealers, all we can truly do is show them our ability to manufacture a high-quality spa and show our loyalty to provide the products that they need, when they need them without a lot of issues or problems."

Boelhauf and Harpham both report that inquiries for new dealer partnerships continue to come in daily.

"We have to inform some of them that we cannot provide the service they are looking for at this time," Harpham says, "but we offer what we can provide and sometimes that makes the dealer happy enough to keep us as a brand they offer. We believe the more showrooms we can get into now, the better it will be in the future, as long as we don't over promise." ■

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