

INDUSTRY INSIGHTS

WADING INTO UNCERTAINTY:

Inflation, consumer spending, and business forecasting insights you need for 2023

Pool industry leaders and experts share their predictions and plans for 2023, which promises to continue a season of economic instability.

Whether you're a pool retailer, servicer, or builder, it can be hard to make financial projections when you don't know how much you'll be paying for materials or product.

Business owners in the pool industry have had a challenging time navigating price volatility, supply chain issues, and the highest inflation rate in four decades in 2022.

We spoke with experts to share their predictions and advice for the pool industry to help you prepare your business for the new year.

What can we expect for inflation?

National economists are forecasting inflation will decrease from roughly 7% to 3% by the end of 2023 (using the Consumer Price Index (CPI), which is the standard measurement for inflation). However, some think that projection [may be too optimistic](#).

Edward J. Sullivan, chief economist and senior vice president of the Portland Cement Association (PCA), has a more conservative estimate.

"I am expecting that inflation will ease very slowly, and by the end of the year we're at 5.5%," he says. "It's still high, but it's eased."

How can business owners handle price volatility?

"Normally, you get prices set for a season, and you don't have to worry about it," says Jane Merritt, who runs the retail store and delivery service for Anchor Pools & Spas in Easley, South Carolina. "Now every time you order something you have to check over the pricing to make sure you're staying on top of it. Bigger ticket items, they may jump \$20-\$80 one time to the next."

Our experts shared three strategies to help navigate price changes in 2023.

1. Price with a healthy cushion

Builders have had trouble estimating and bidding projects with the inflation and price volatility of the past two years. Don Bontrager, owner of Bontrager Pools in Elkhart, Indiana, kept up by pricing higher.

"Make sure your pricing is high enough to make sure you can make a living and cover expenses, even as you have stuff sold ahead," he explains.



JANE MERRITT



DON BONTRAGER

This advice also holds true for retail and service companies, if they can stay competitive.

2. Keep your systems up to date

Mark Thompson says the changing prices haven't hurt his business, Absolute Pool & Spa Care, which provides maintenance, repair, and renovation services in Atlanta, Georgia.

"Customers have been paying, whatever the cost," he says. "The complicated thing is making sure our costs are right in our system, so when the tech sells a part, it's up to date."

Thompson suggests business owners check every invoice so they can adjust the price of products in their system with changes. This is key to maintaining your profit margin for the next sale.



MARK THOMPSON

3. Buy in bulk

Buying enough product for the month or more is the best way retailers can avoid prices changing multiple times a week, according to Merritt, if you have the money and storage space.

"It's an ongoing process of 'order often and a lot,'" she says, adding that this approach has also helped her stay ahead of supply chain disruptions. "That's been my thing for three years. If I used to keep a two-month supply of something, now I'm keeping a six- or eight-month supply."

What can we expect for consumer spending and sales?

CONSUMERS WILL BE SPENDING ALMOST THE SAME AMOUNT OF MONEY IN 2023, BUT BECAUSE OF HIGH PRICES, THEY WILL BE GETTING LESS, according to Dr. Audrey Guskey, professor at Duquesne University and expert on consumer trends.

"People have less discretionary income, so they're cutting back," she says. This means looking for discounts, eating more at home, and taking cheaper or fewer vacations.

However, more time at home can mean more time in the pool. According to the PHTA Attitudes & Perceptions Consumer Study conducted in August 2022, two-thirds of households use their pools multiple times a week and over 94% use it at least every two weeks.

For this reason, Thompson expects demand will stay strong for pool services in 2023, as "people are going to fix what they have."

How can businesses counter a decline in sales?

The decrease in retail demand is prompting Anchor Pools' main change for the new year.

"For three years we haven't done any marketing because we've been as busy as we possibly could get," Merritt says. They'll be resuming marketing programs for 2023 as Merritt knows consumers "aren't going to walk in the door because they're just dying to find something."

Dr. Guskey agrees that having a strong, aggressive marketing plan — one that includes social media and a solid website — will be critical for retail.

Service businesses can also benefit from marketing, but it may not be an answer for pool builders.

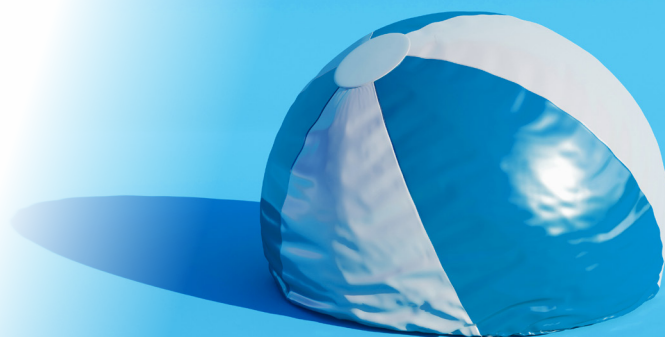
"I don't know what kind of marketing approach you can take to offset uncertainty, because so much of business will be affected by single-family building," says Sullivan.

What can we expect for demand for pool builds or remodels?

Demand for new builds and remodels is expected to decrease because of high inflation and interest rates.

"Not only are you seeing a dramatic increase in mortgage rates [at 7%] but it's coming on the heels of consecutive years of double-digit price increases, which has hit consumer affordability," says Sullivan.

Since builders are booked six months in advance or more, the slowdown hasn't showed up yet, but "eventually those order books will shrink."



What can we expect for consumer spending and sales?

Sullivan says builders need to be prepared with a direct response.

"You need to batten down the hatches more severely," he says. "Make sure you're well financed now so you can ride it out. We do see residential building begins to recover after a one-year decline. While the business might look somewhat bleak, it gradually improves in 2024, 2025, and beyond."

Understanding your KPIs and watching and diligently maintaining your budget will allow service companies to be proactive, according to Thompson.

"I'm going into 2023 optimistic but knowing a slowdown's coming," says Merritt. Much of her confidence rests in her people. She says the best thing you can do is take care of your employees.

"During the entire pandemic, never once did any of my guys waver," she says. "If you take care of them, they help you, and a lot of the other problems you're having kind of go away."

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