Business Climate 2015: America and Pool and Spas

Putting Style Back into the Business

Dr. Jim Taylor

January 27, 2015

Annual Meeting National Pool and Spa Association

THE SURVEY OF AFFLUENCE & WEALTH IN AMERICA

Time Inc. YouGov®

THE SURVEY OF AFFLUENCE & WEALTH

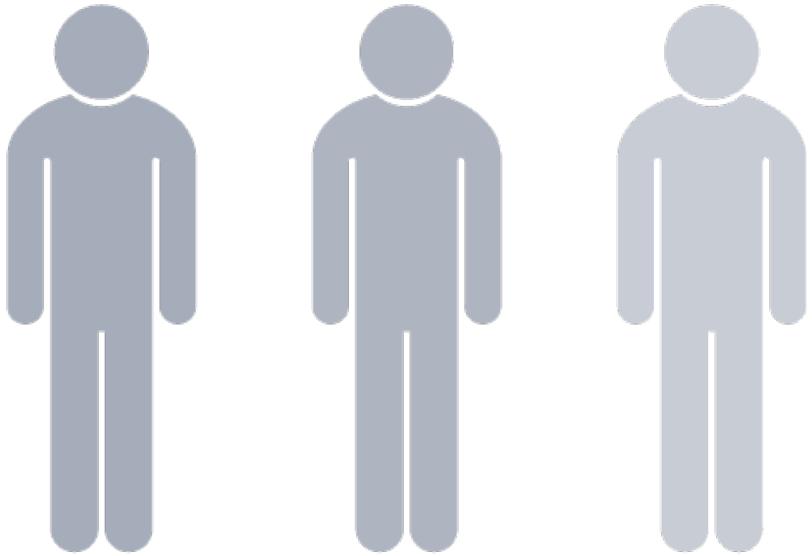
20,000+
Interviews
Since 2008

3,400 U.S. Consumers

HH Annual Income of $125k+
($100K+ after housing) each year

Q1: 1,700 consumers
+ Q2 re-contact of 1,000 Q1 participants

Q3: 1,700 consumers
+ Q4 re-contact of 1,000 Q1 participants



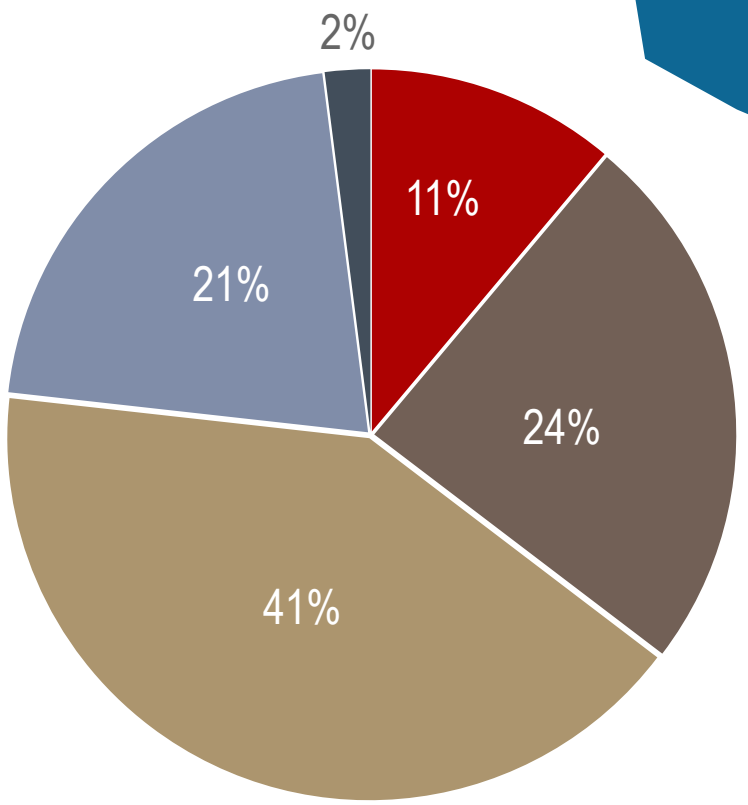
Upper Middle Class | Core Affluent | One Percenters

Today's Agenda

- Global Trends
- The Role of Fashion and Designer Brands
- Brooks Brothers: Market Position
- The Brand Suite
- Competitive Customer Profiles
- Brooks Brothers: Customer Segments

Memory of fear runs deep

In 2009, 76% of U.S. Affluent & Wealthy Consumers said it was at least somewhat likely that the U.S. was heading into a Depression



- Extremely Likely
- Very Likely
- Somewhat Likely
- Not Very Likely
- Not at all Likely

Global personal wealth
has reached a new all-time high of

USD $263 trillion

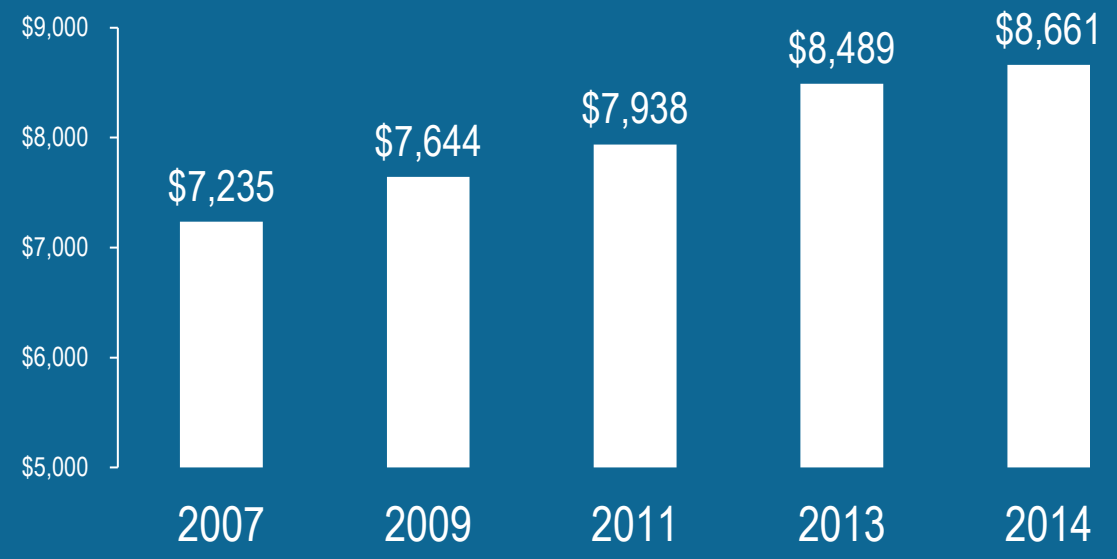
up 4.9%
since 2012

and 68%
since 2003

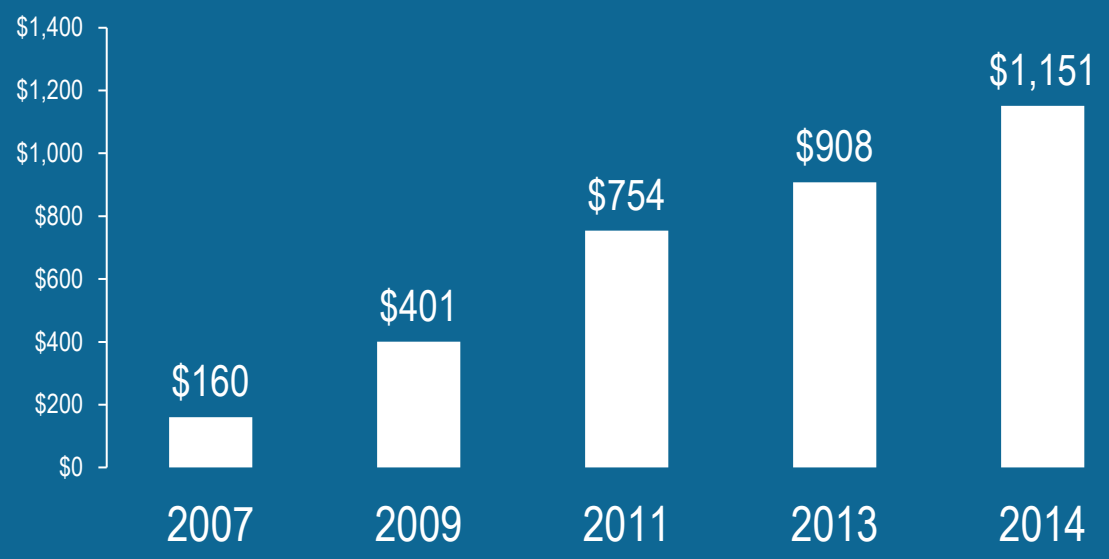
Source: Credit Suisse Global Wealth Report 2013, published Oct. 2013, reflecting mid-year 2013 data. Global wealth is defined as the marketable value of financial assets plus non-financial assets (principally housing and land) less debts.

Astonishing personal growth in cash

Personal U.S. Savings and Money Market Mutual Funds
(in Billions)



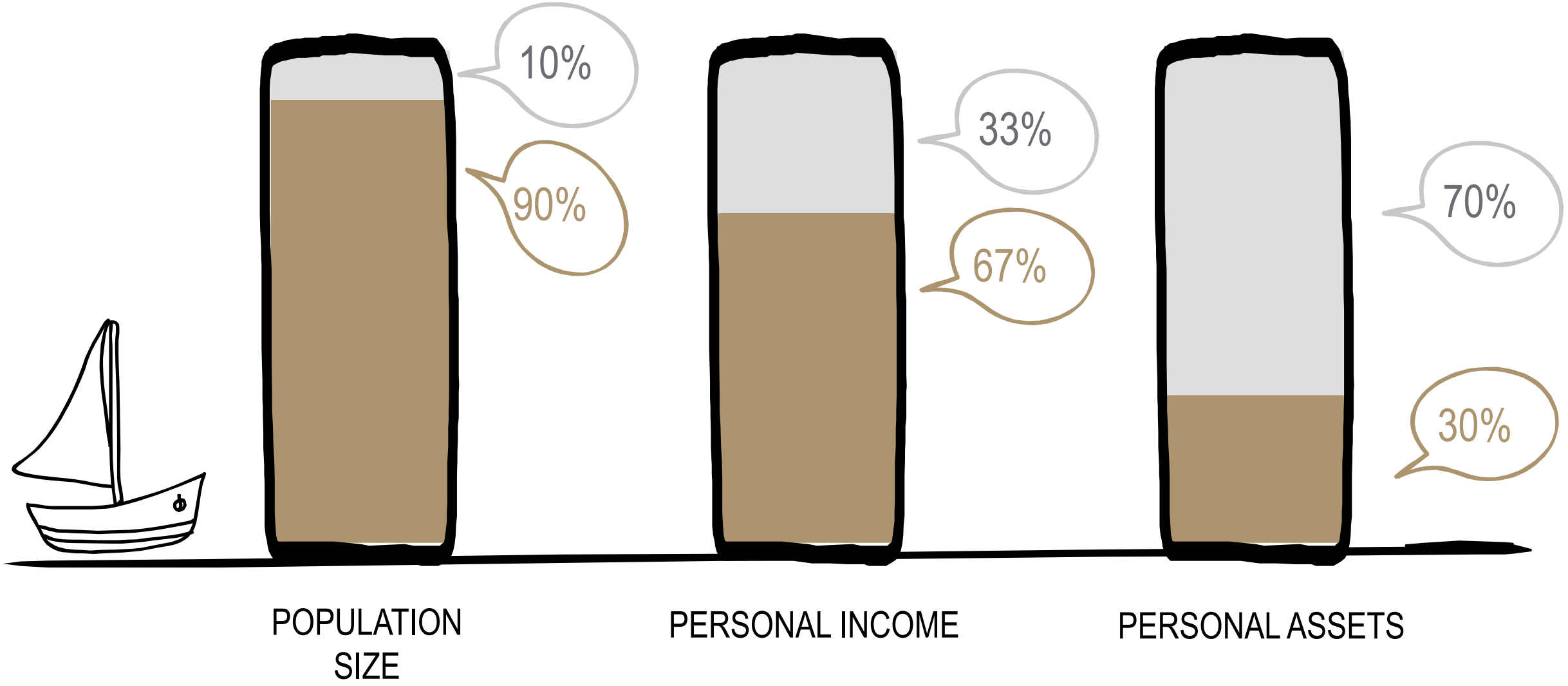
Personal U.S. Checking
(in Billions)



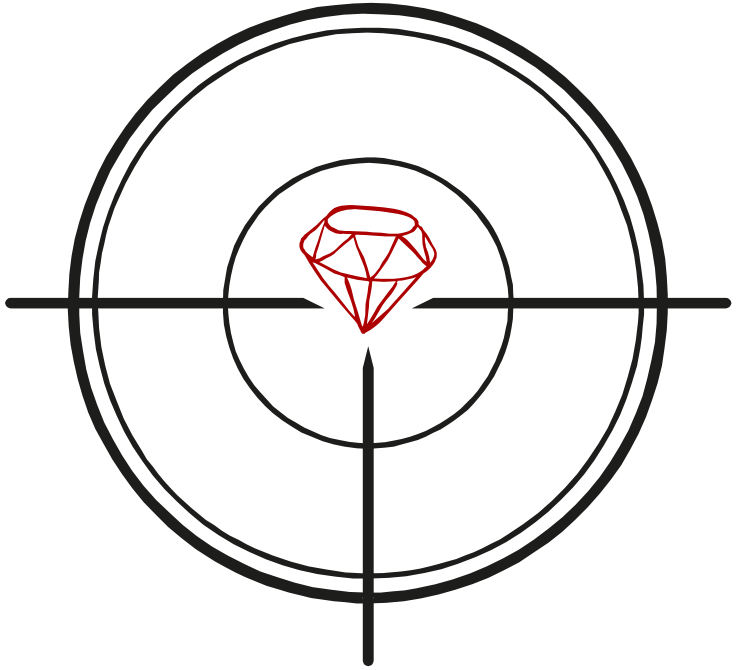
Source: Federal Reserve Flow of Funds Accounts, March 2014.

TimeInc YouGov

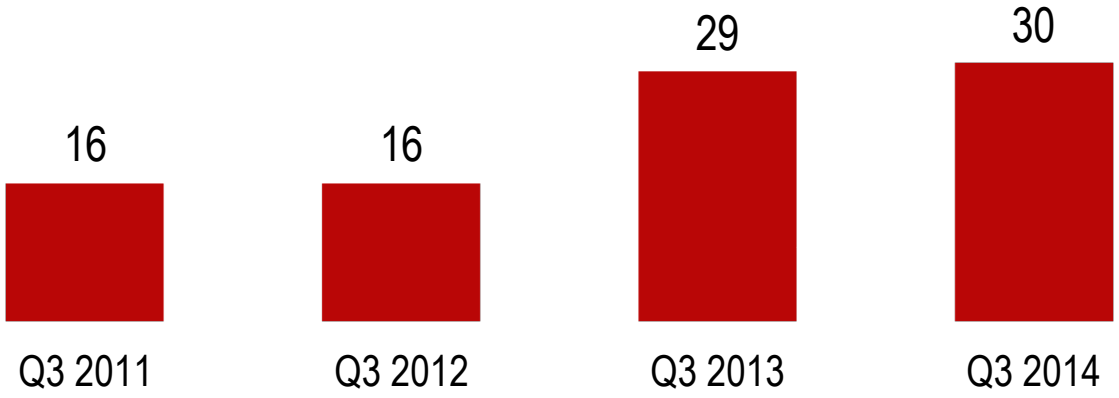
Tides have not raised all boats equally: US Data



“Luxury” on the Radar



I am **looking forward** to
buying luxury goods and services
more now than I did a year ago



% Agree

The Goal

A FULFILLED LIFE

Thriving Index

SUCCESSFUL

HAPPY

OPTIMISTIC

(STRESS)

64

Calculated on 100 pt scale

Building a Moat with Cash and Enlightened Self-Interest

RESOURCEFUL

SELF-RELIANT

PLENTY OF CASH

DEFENDING QUALITY IN LIFE

THRIVING

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The Gap & Consumption

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Global Concerns on the MIND

Concerned about….

Ineffective politicians **79%**

Potential New War in Iraq **46%**

Turmoil in Russia and Ukraine **44%**

Turmoil between Israel and Palestine **43%**

Unexplained uncontrolled events (e.g. Malaysian airlines) **24%**

Rise in health related disasters (e.g. Ebola) **38%**

The divide between the top 1% and the 99% **38%**

That the economic "bubble" might burst **43%**

Racial tensions **35%**

Rising price of food **42%**

Theft of Personal Information **51%**

Internet "Cloud" security **36%**

Climate change **41%**

Presence of ISIS around the world **65%**

Extremely/Very Concerned

They see the gap everyday

I have friends and/or family who are still suffering from the impact of the recession

74%

U.S. affluent consumers

Recessionary Hangover?

U.S. Consumers were asked to rate how often luxury brands live up to their promise of quality, craftsmanship and design & artistry

Always

3%

Always/Often

30%

The Information Market: Enlightened Self-Interest at Work

Better quality information online?

Yes: 71%

User comments influential?

Yes: 72%

Expert comments influential?

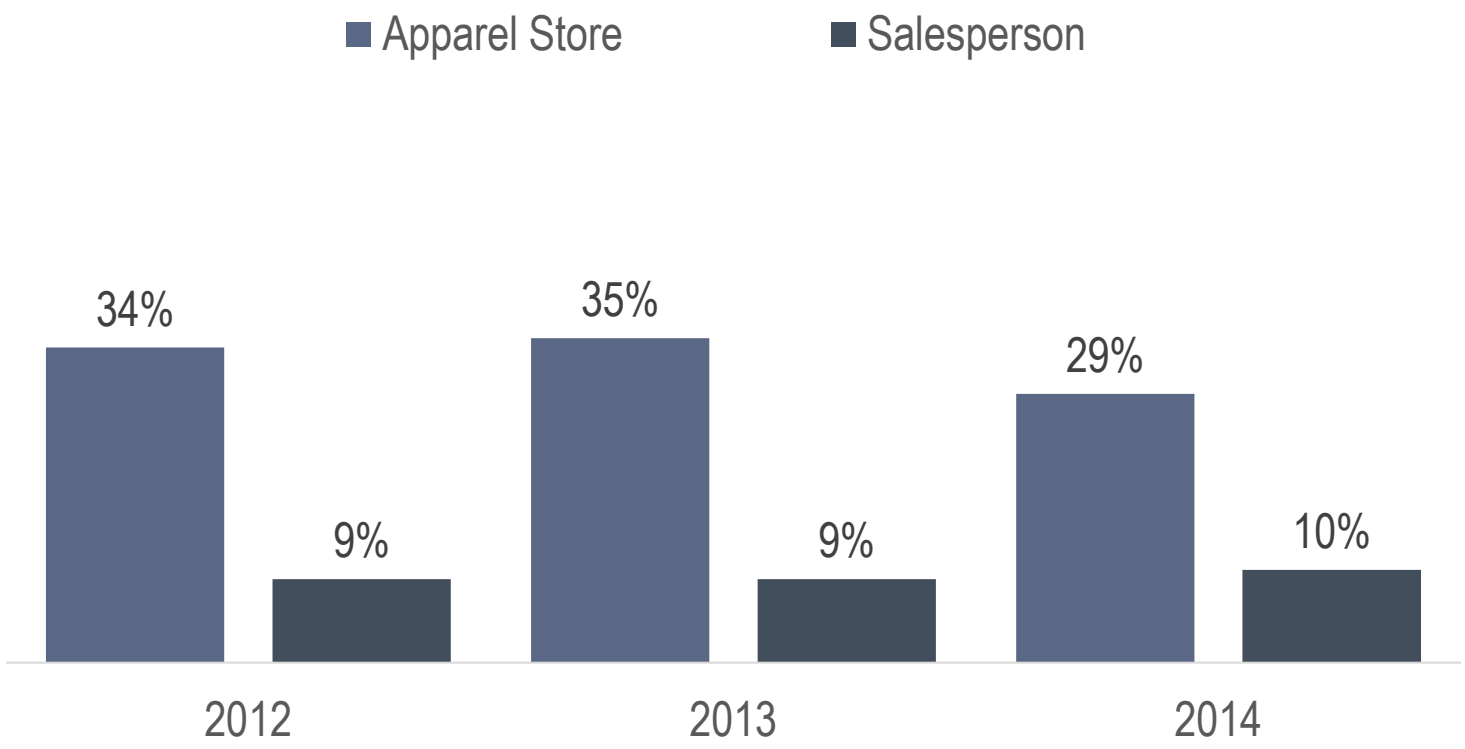
Yes: 64%

Compare features and prices online?

Yes: 62%

Loyalty to stores declines slightly

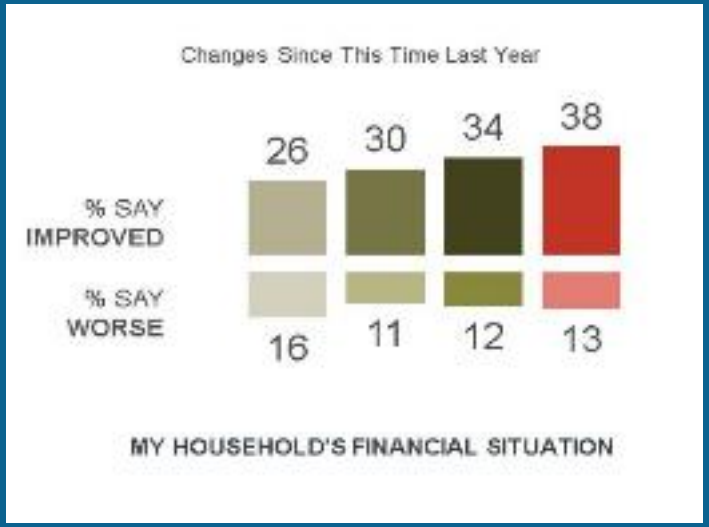
% have relationship with loyalty to…



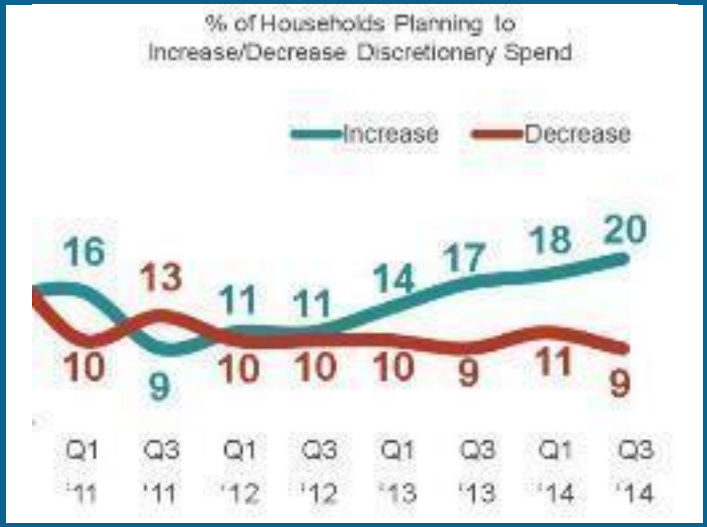
But Still, the Mood to Spend is Upbeat

We Know…

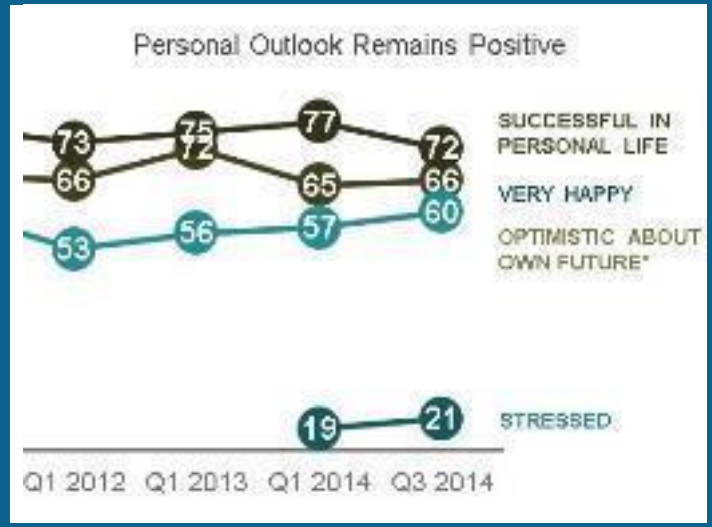
They are Confident in their Personal Economies



They are ready to spend



They are hopeful and happy



Research

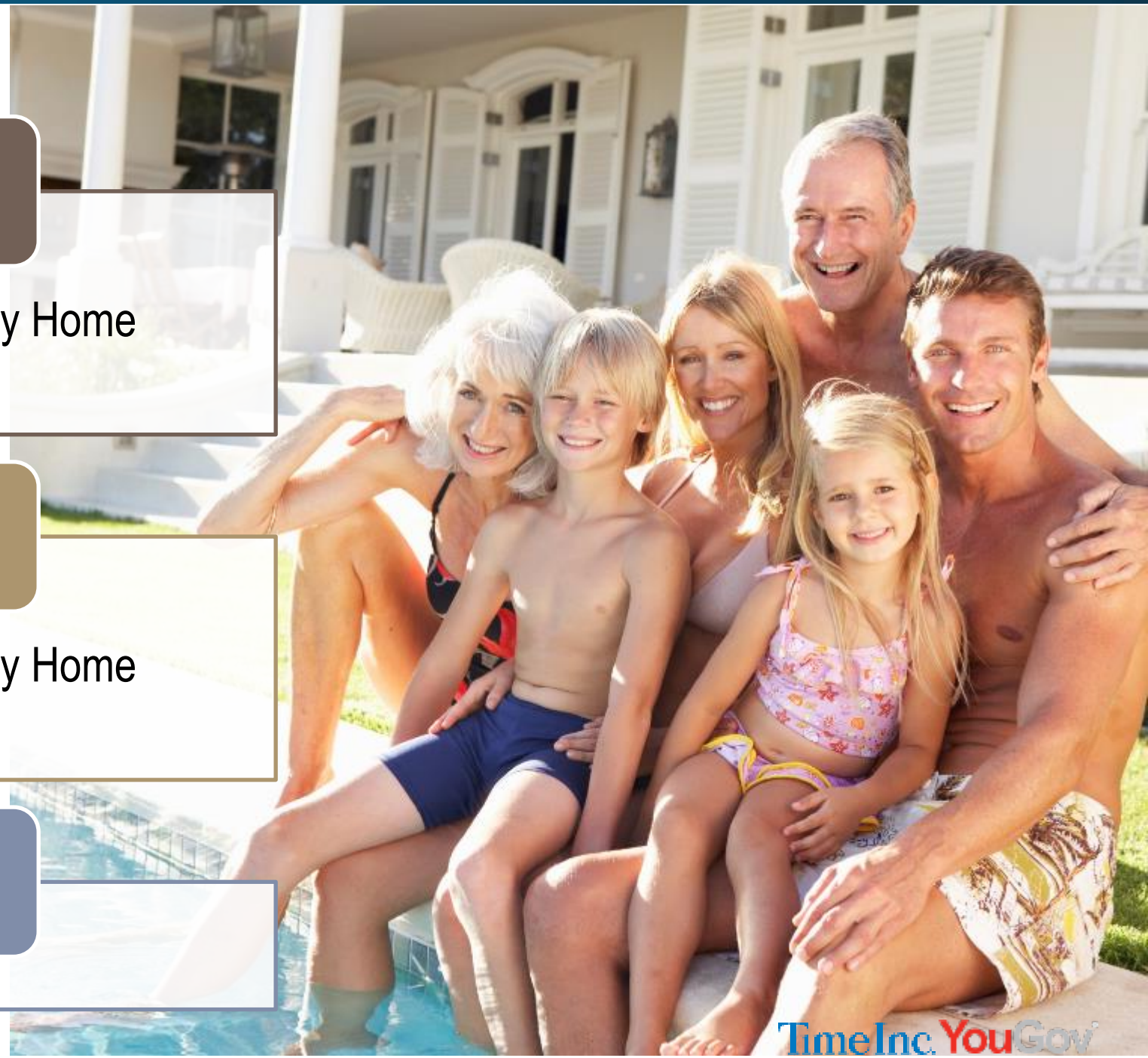
Pool Owners and Prospects

- $75K+ HH Income. Single Family Home
- N=632 Adults ages 18+

Hot Tub Owners and Prospects

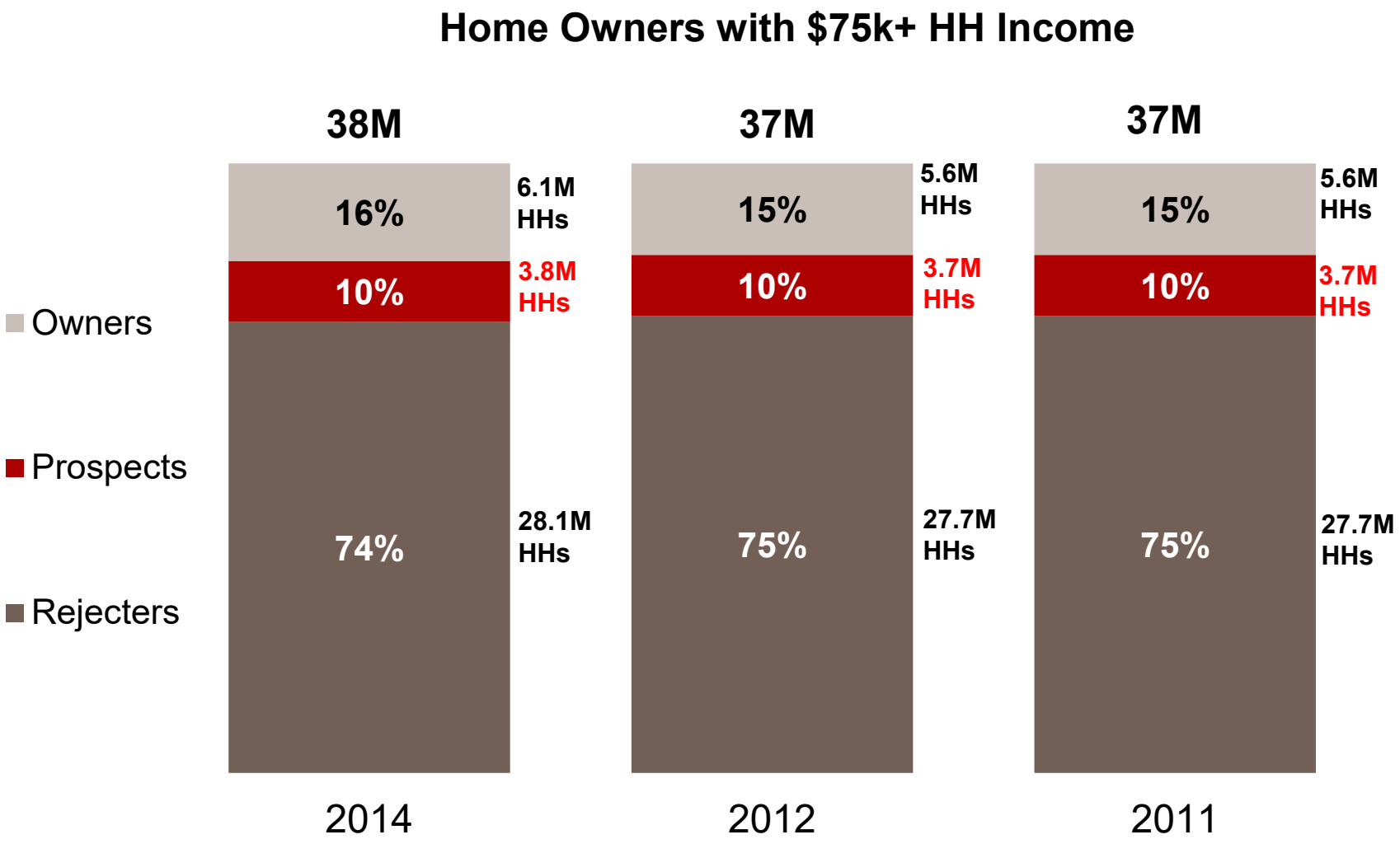
- $50K+ HH Income. Single Family Home
- N=968 Adults ages 18+

US Census Balanced



Pool Owner/Prospect Population Remains Stable

Population/income growth responsible for any increases occurring



Prospects view Pool Ownership as being in Decline

Popularity in Owning a Pool Increasing or Decreasing?	Owner	Prospect
More Popular	31%	12%
Neither more nor less popular	46%	55%
Less Popular	23%	38%

Does it feel like pool ownership in America has become more or less popular than it used to be?

4% of the Population has Plans to Install a Pool

Some of these intentions will give way to other financial demands/interests

How often do you think about installing a pool?	$75K+ Non-Owning Population
Regularly, in fact we are planning to install one in the NEXT 1-2 YEARS	4%
Occasionally, we will install one at some point in the NEXT 5 YEARS	14%
Don't think about having a pool much, and PROBABLY WILL NOT INSTALL ONE	82%

Parents of 7-12 Year-olds/Teenagers Top Prospects

How often, if ever, do you think about installing a pool?

Pool Mindset…	6 or under	7 to 12	13 to 18	19 to 24	25 to 30	Grandparents
Regularly, in fact we are planning to install one in the NEXT 1-2 YEARS	8%	12%	11%	6%	2%	5%
Occasionally, we will install one at some point in the NEXT 5 YEARS	23%	15%	19%	13%	9%	13%
Don't think about having a pool much, and PROBABLY WILL NOT INSTALL ONE	69%	73%	70%	80%	89%	83%

q22 - In your view, do you feel it has become more or less popular to own a hot tub than it was before the recession?

Are we Considering Ethnic Markets?

How often, if ever, do you think about installing a pool?

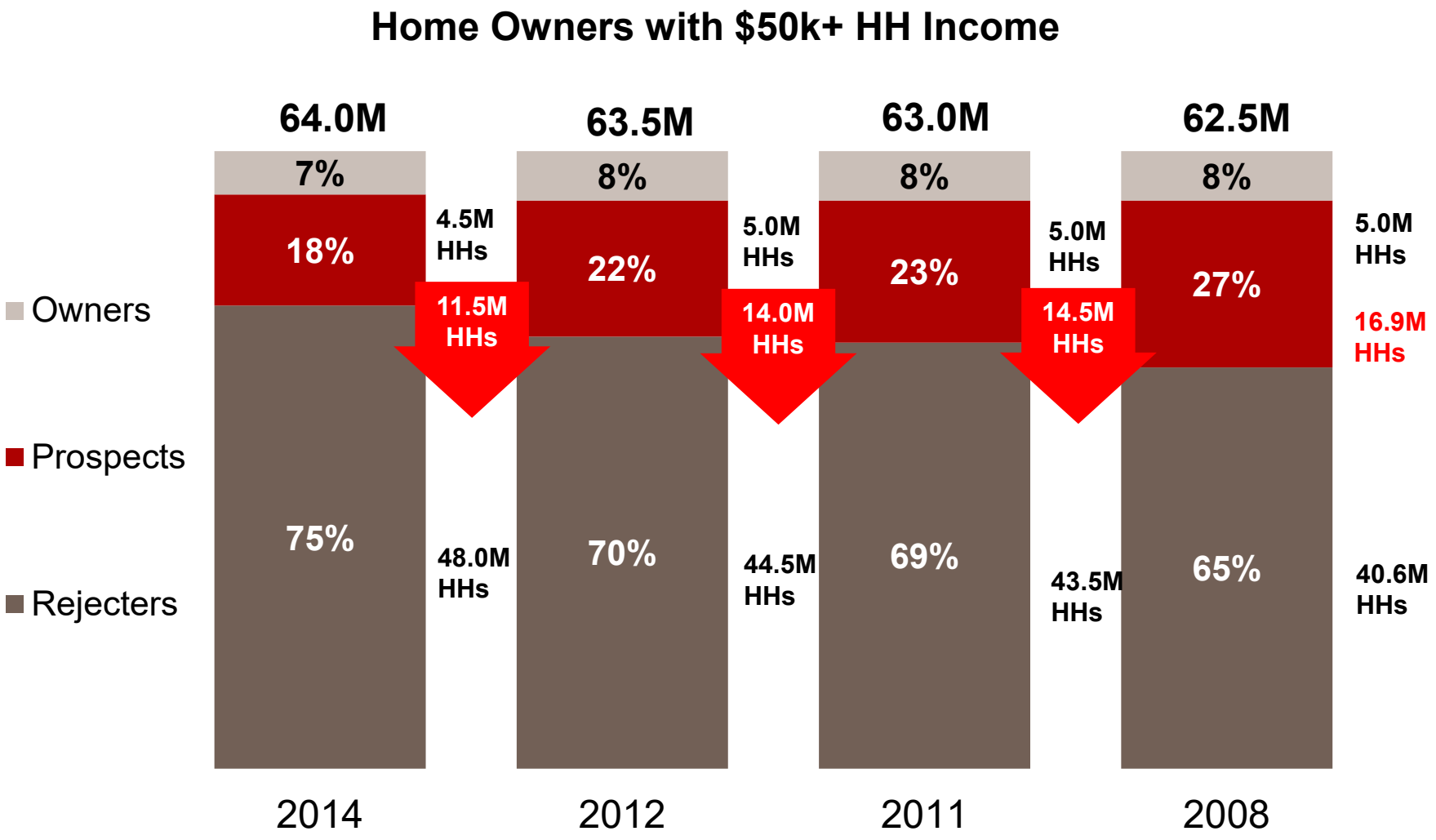
Pool Mindset…	White	African American	Hispanic
Regularly, in fact we are planning to install one in the NEXT 1-2 YEARS	4%	*4%*	*14%*
Occasionally, we will install one at some point in the NEXT 5 YEARS	14%	*14%*	*20%*
Don't think about having a pool much, and PROBABLY WILL NOT INSTALL ONE	82%	*82%*	*66%*

Sites/Blogs Where Users Can More Actively Share Interests and Opinions are the Location for Strongest Prospects

(Pool Prospects) Which of these social media sites are you actively involved with?

Current Members of:	Instagram	Pinterest	Tumblr	Facebook	LinkedIn	Twitter
N=	47	91	20	339	205	131
Regularly, in fact we are planning to install one in the NEXT 1-2 YEARS	*14%*	9%	*12%*	*6%*	*5%*	*6%*
Occasionally, we will install one at some point in the NEXT 5 YEARS	*14%*	13%	*15%*	*14%*	*15%*	*16%*
Don't think about having a pool much, and PROBABLY WILL NOT INSTALL ONE	*73%*	78%	*73%*	*80%*	*80%*	*77%*

Hot Tub Prospect Population Continues to Shrink



Prospects See Hot Tubs Losing Popularity

Popularity in Owning a Pool Increasing or Decreasing?	Owner	Prospect
More Popular	40%	14%
Neither more nor less popular	44%	48%
Less Popular	16%	38%

Does it feel like hot tub ownership in America has become more or less popular than it used to be?

5% of the Population has Plans to Install a Hot Tub

Some of these intentions will give way to other financial demands/interests

How often do you think about installing a Hot tub?	$50K+ Population
Regularly, in fact we are planning to install one in the NEXT 1-2 YEARS	5%
Occasionally, we will install one at some point in the NEXT 5 YEARS	23%
Don't think about having a pool much, and PROBABLY WILL NOT INSTALL ONE	72%

Parents of Kids >6 and Singles Top Prospects

How often, if ever, do you think about installing a hot tub?

Hot Tub Mindset…	6 or under	7 to 12	13 to 18	19 to 24	25 to 30	Grandparents
Regularly, in fact we are planning to install one in the NEXT 1-2 YEARS	7%	11%	10%	5%	10%	4%
Occasionally, we will install one at some point in the NEXT 5 YEARS	20%	24%	22%	19%	20%	22%
Don't think about having a pool much, and PROBABLY WILL NOT INSTALL ONE	73%	66%	68%	77%	71%	74%

Are we Considering Ethnic Markets?

How often, if ever, do you think about installing a hot tub?

	Hot Tub		
	White	African American	Hispanic
Regularly, in fact we are planning to install one in the NEXT 1-2 YEARS	5%	12%	9%
Occasionally, we will install one at some point in the NEXT 5 YEARS	20%	21%	16%
Don't think about having a pool much, and PROBABLY WILL NOT INSTALL ONE	76%	67%	75%

Sites/Blogs Where Users Can More Actively Share Interests and Opinions are the Location for Best Prospects

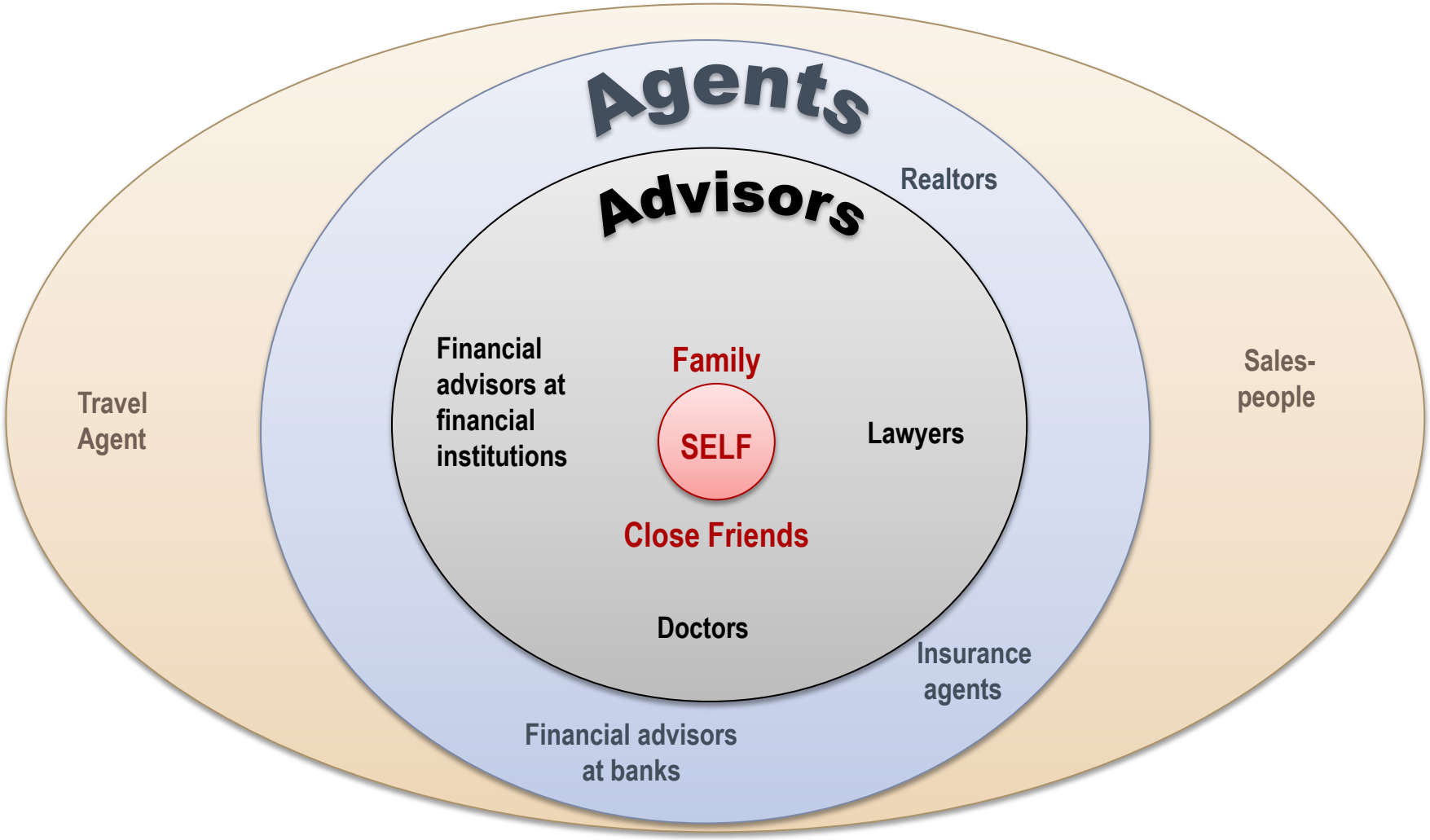
(Hot Tub Prospects) Which of these social media sites are you actively involved with?

Current Members of:	Instagram	Pinterest	Tumblr	Facebook	LinkedIn	Twitter
N=	78	152	37	570	294	222
Regularly, in fact we are planning to install one in the NEXT 1-2 YEARS	10%	7%	*9%*	7%	5%	8%
Occasionally, we will install one at some point in the NEXT 5 YEARS	23%	27%	*12%*	20%	17%	21%
Don't think about having a pool much, and PROBABLY WILL NOT INSTALL ONE	67%	67%	*80%*	73%	79%	71%

The Key Question: How Do We get Back in Style?

1. Building Relationships Through Service

The Paradox: Tough to Enter the Circle of Trust



The Paradox:
Can't Enter on the Basis of Product and Price Information

84%

I can get **information faster** on the Internet than dealing directly with a company's customer service representative

+

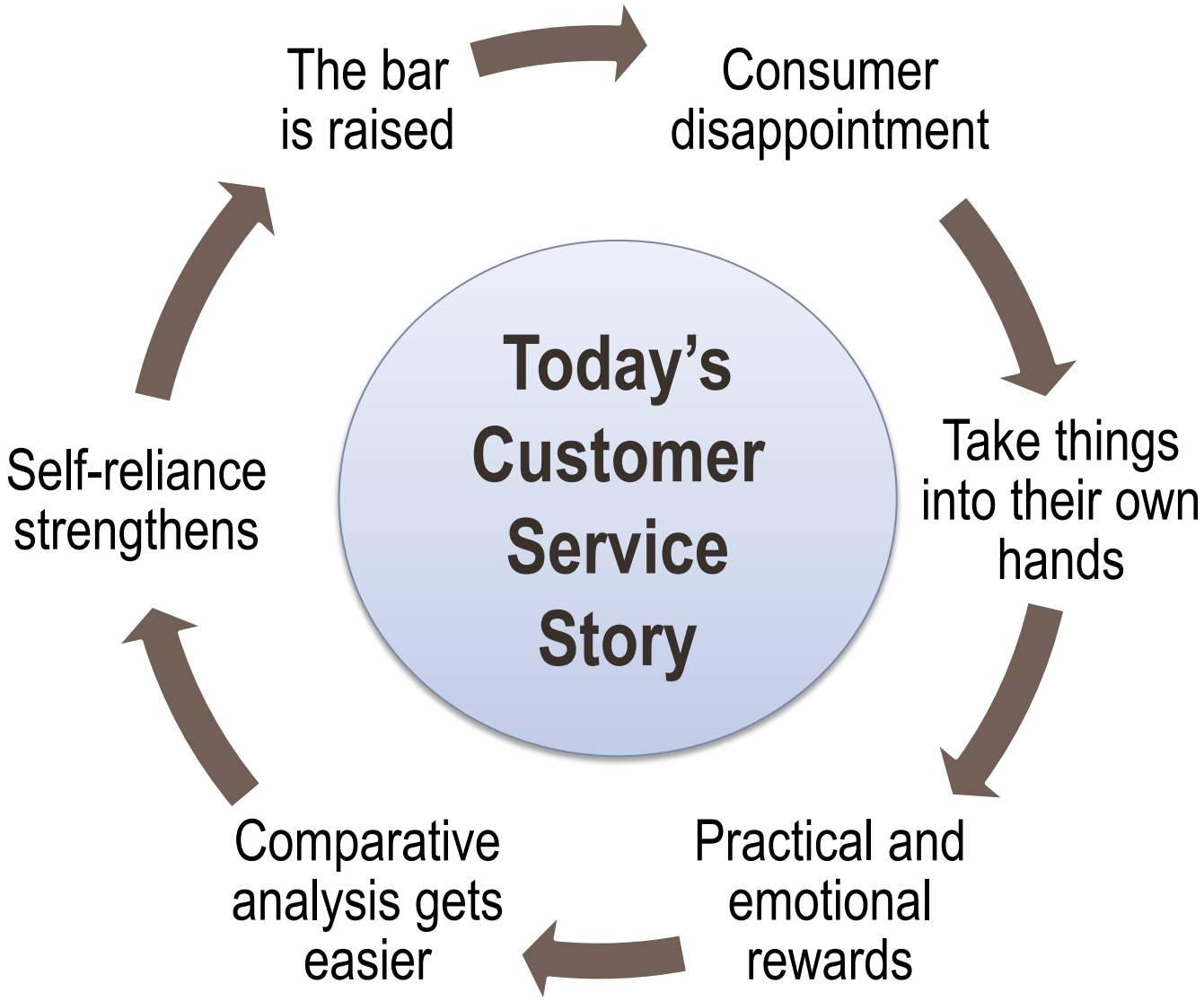
72%

I can get **better quality** information on the Internet than dealing directly with a company's customer service representative

=

90%

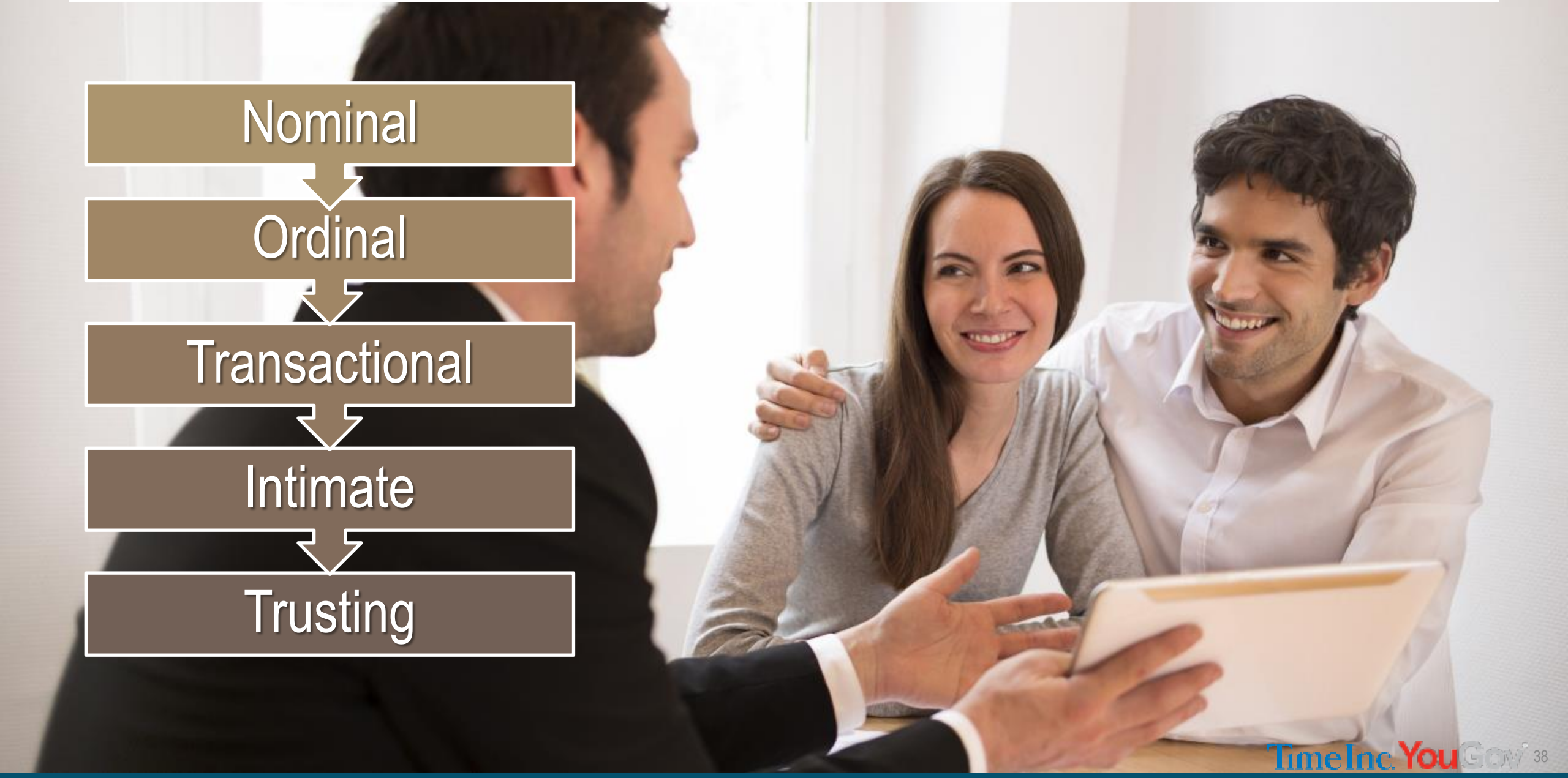
I usually **know what I want** and what I am willing to pay before interacting with a salesperson


Today's Customer Service Story
The bar is raised
Consumer disappointment
Take things into their own hands
Practical and emotional rewards
Comparative analysis gets easier
Self-reliance strengthens

Relationships Among Today's Luxury Shoppers Need to be Based On:

- Respect and kindness
- Details of distinction that support quality in life
- Refuge

Building Relationships: Stages of Reciprocity



Nominal

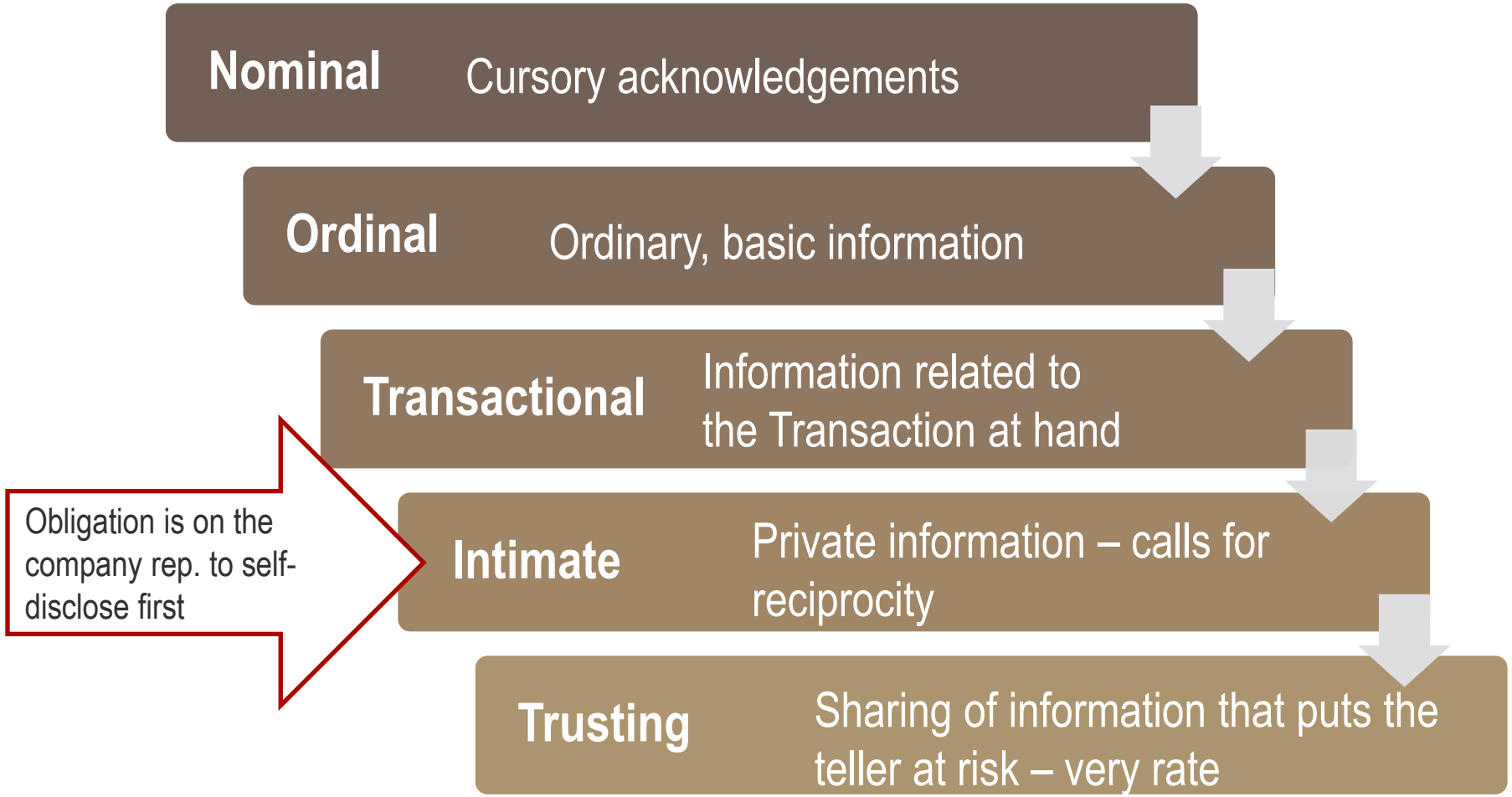
Ordinal

Transactional

Intimate

Trusting

Building Relationships: Stages of Reciprocity



2. Communicating Through Social Media

Involved in Media as Much as we Work

HOURS PER WEEK

13.3	8.9	7.1	5.8	4.1	4.1	3.3
Watch TV/ TV shows (on a TV or any other device)	Spent time online for purposes other than work or email	Listen to radio	Read books (print, digital or online)	Read newspapers/ newspaper articles (print, digital or online)	Participate in social networking sites	Read magazines/ magazine articles (print, digital or online)

% of Affluent & Wealthy doing each…

81%	92%	74%	73%	81%	66%	71%

Facebook Dominates

Facebook
65%

Pinterest
16%

Google+
15%

LinkedIn
41%

Twitter
23%

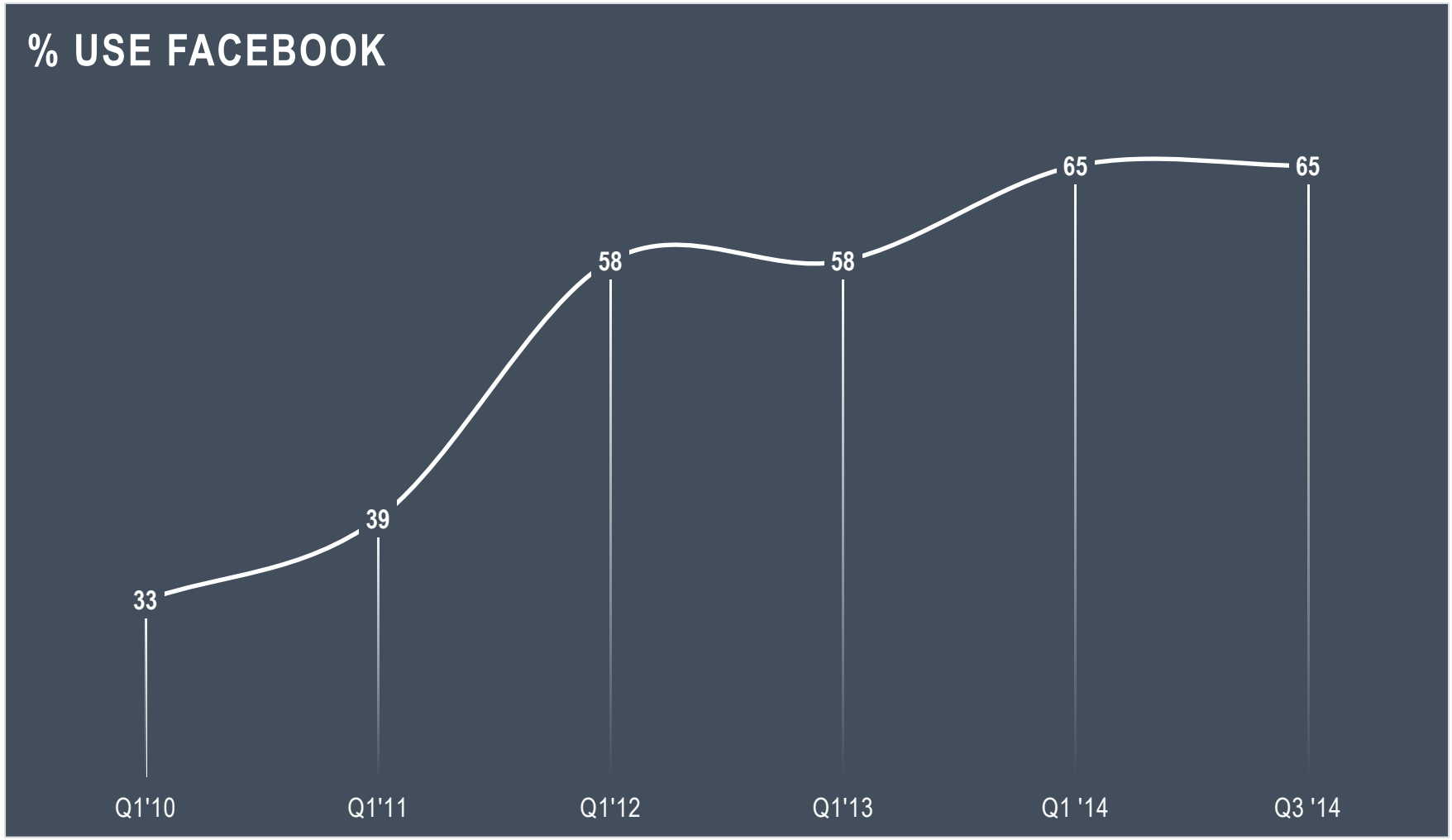
Instagram
12%

51% *use more than one site*

6% *use more than five*

Foursquare, Flickr, Snapchat, Tumblr, Vine, Meetup, Tagged, CafeMom, Flipogram, Keek, LiveJournal all less than 5%

Have we reached the peak?



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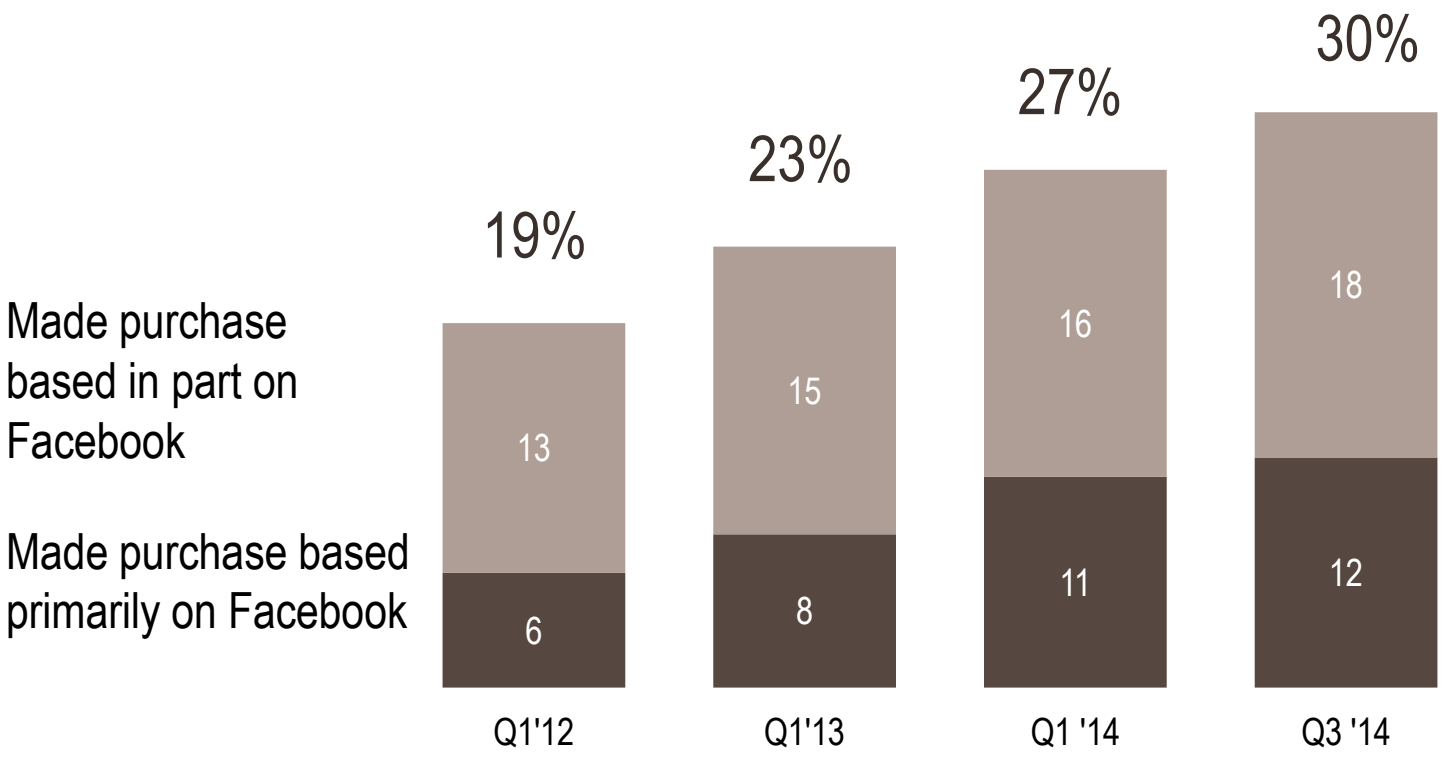
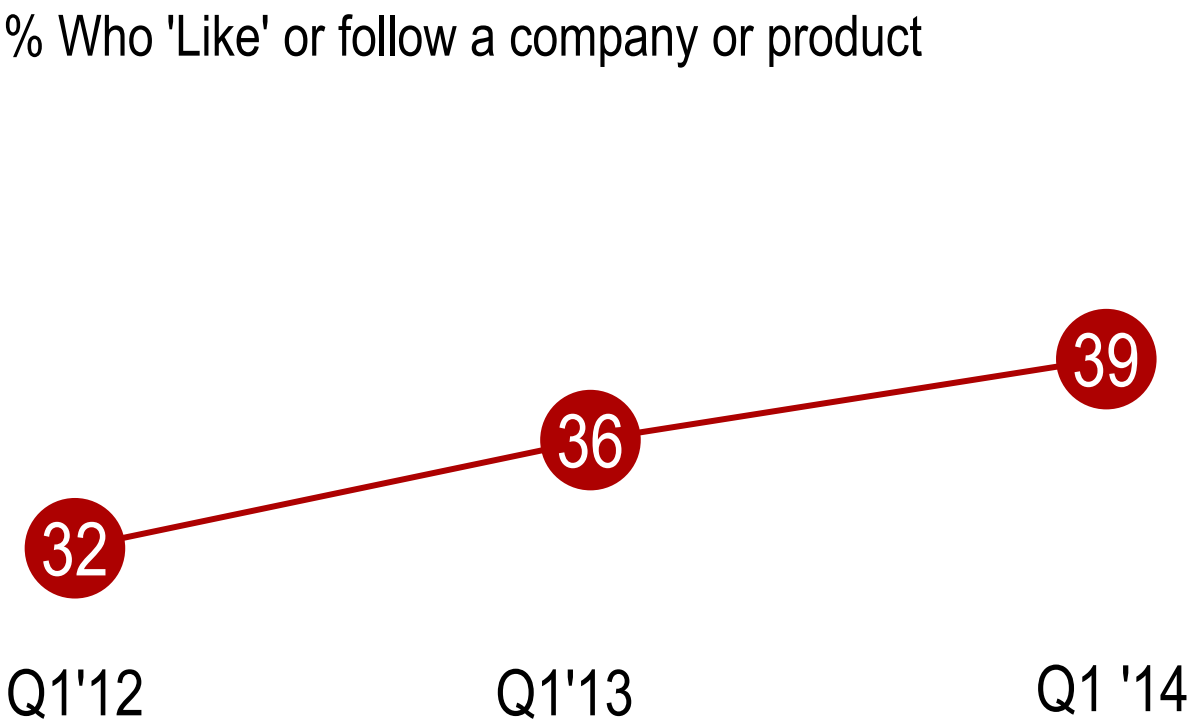
Facebook as a Purchase Influencer: Still Growing



For some more than others

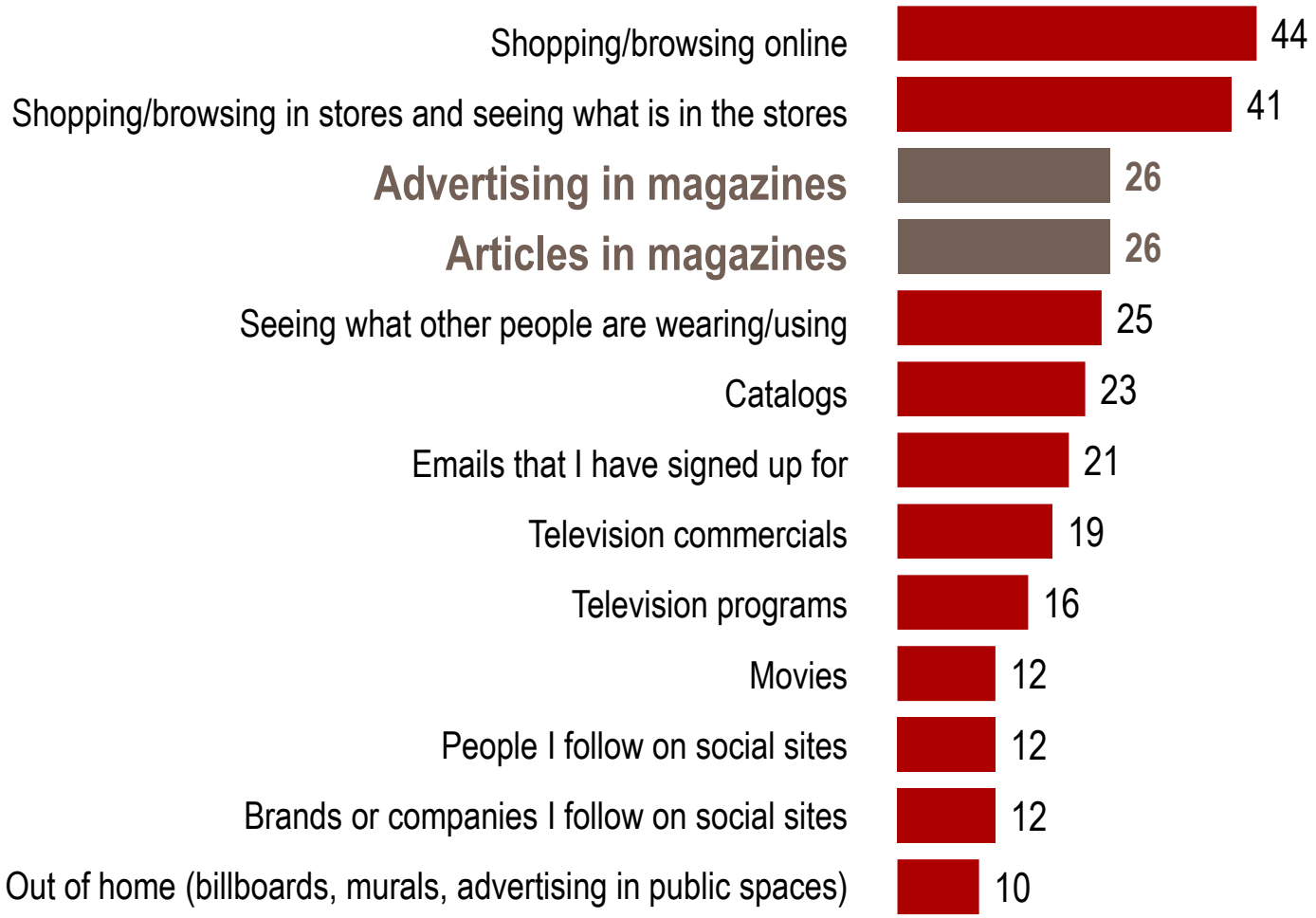
Made decision primarily/at least in part based on feedback from Facebook

4 in 10 consumers now engage brands on social media



The Power of Magazines

Where do you find information about luxury brands and experiences?



	HOURS
Watch TV	13.3
Online (other than work/email)	8.9
Radio	7.1
Books	5.8
Newspapers	4.1
Social Media	4.1
Magazines	3.3

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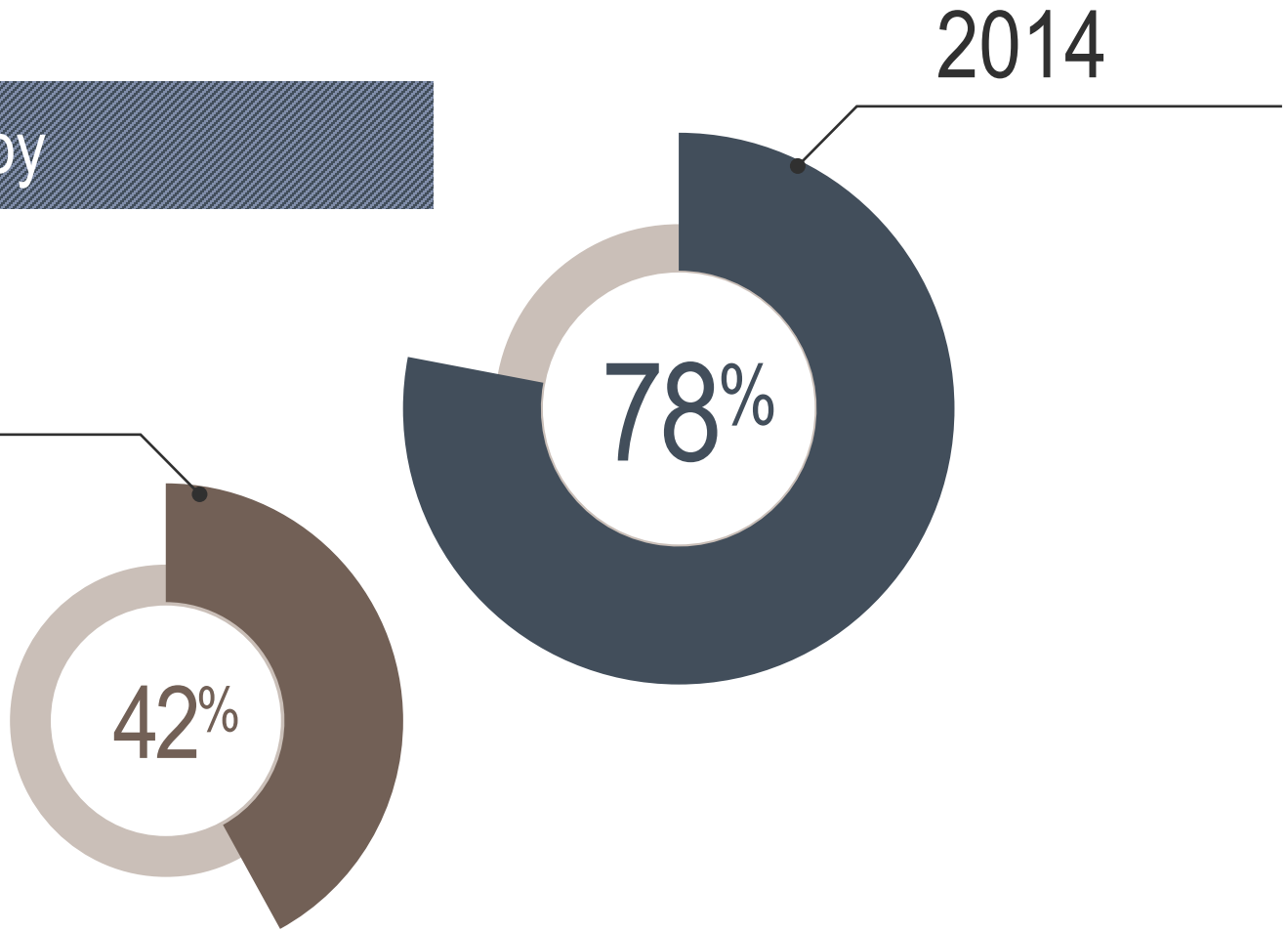
Insulated from risk

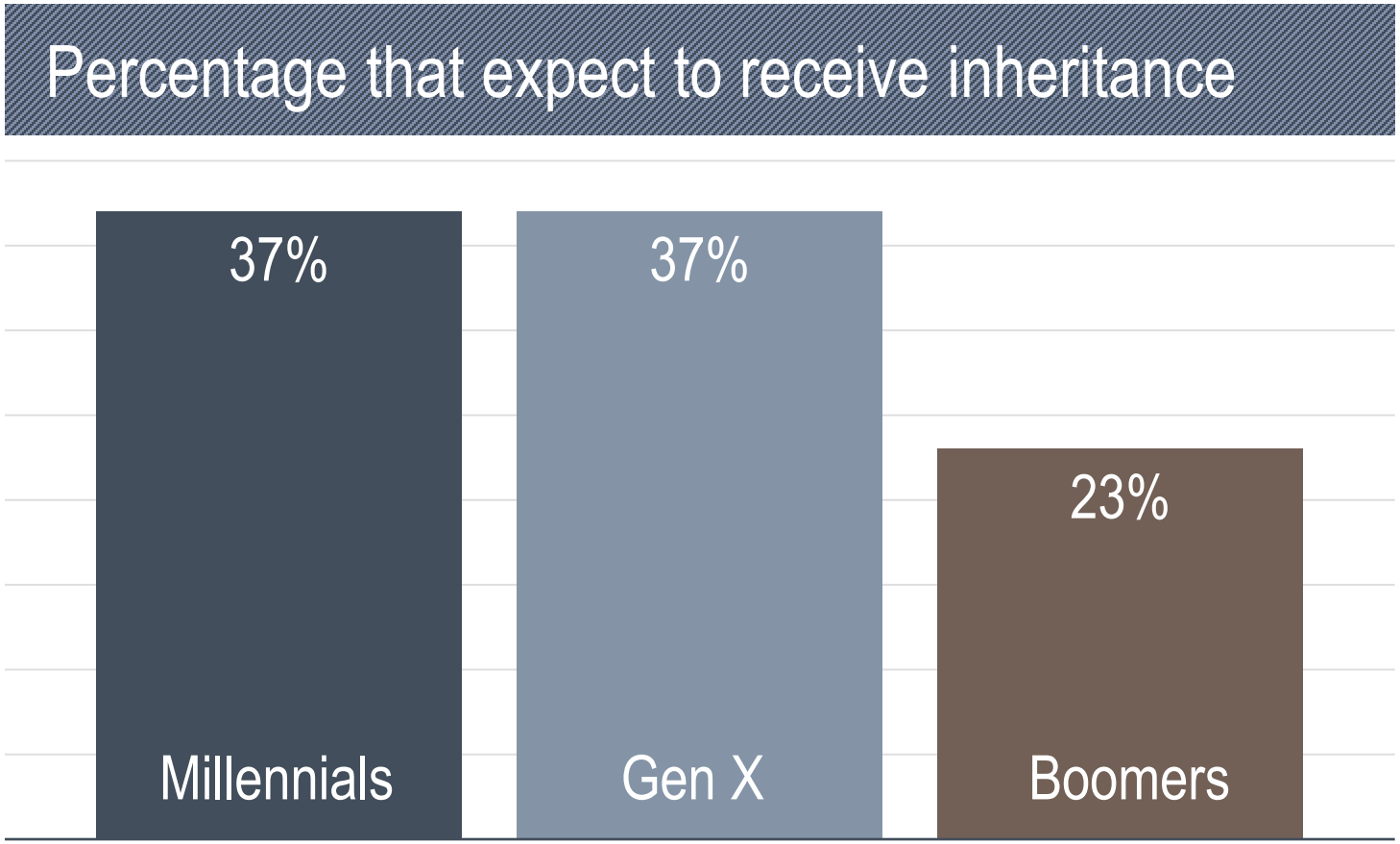
Assets $5 Million or More…	2009	2014
ANNUAL HOUSEHOLD INCOME	$1,037,000	$1,071,000
Savings & Investments	($364,000)	($283,900)
Mortgage & Taxes	($165,000)	($134,500)
Credit Card Debt	($17,630)	($12,700)
Charitable Giving	($32,800)	($49,500)
Est. Fed Income Tax	($183,400)	($188,200)
Est. State Income Tax	($40,400)	($41,300)
Est. Benefits Tax	($34,300)	($36,700)
INSULATED CASH FLOW	**$199,470**	**$324,200**
PER MONTH	**$16,600**	**$27,000**

The Recession's Silver Lining

I am very happy



Widening the lens: Future clients



HOW MUCH?

$4.6 mil
Millennials

$3.1 mil
Gen X

$2.1 mil
Boomers

3. Understanding Worth

Worth vs. Deal: Post-Recession Paradigms for Understanding Clients in the Service Marketplace

WORTH

DOMINANT

Willing to pay to marginal cost for ***quality, craftsmanship*** and ***service***. Extraordinary Messages are an integral part of who they are and how they create the life they live.

DEAL

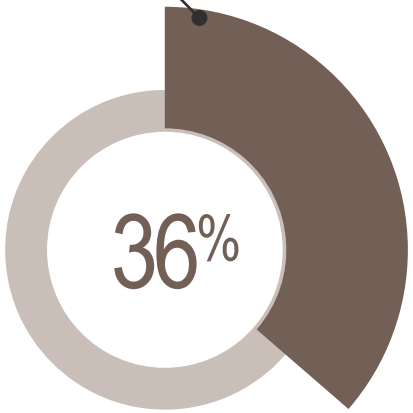
DOMINANT

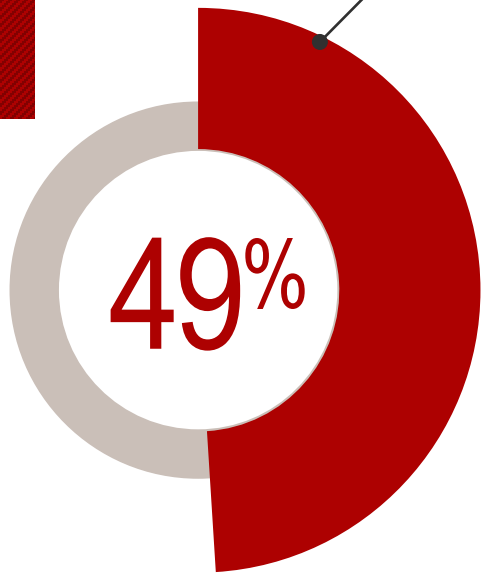
Look to ***save money*** because it provides for a feeling of winning. Pride of ownership is found in the deals they make, not the Messages they possess.

4. Remember the Gap

Concern About Wealth Concentration

I am very concerned about the concentration of wealth among fewer households





So, What Do We Need To Do?

Most Are Comfortable Using Social Media

Use Social Media sites
(e.g., Facebook) on a regular basis

74%

Personal Economy

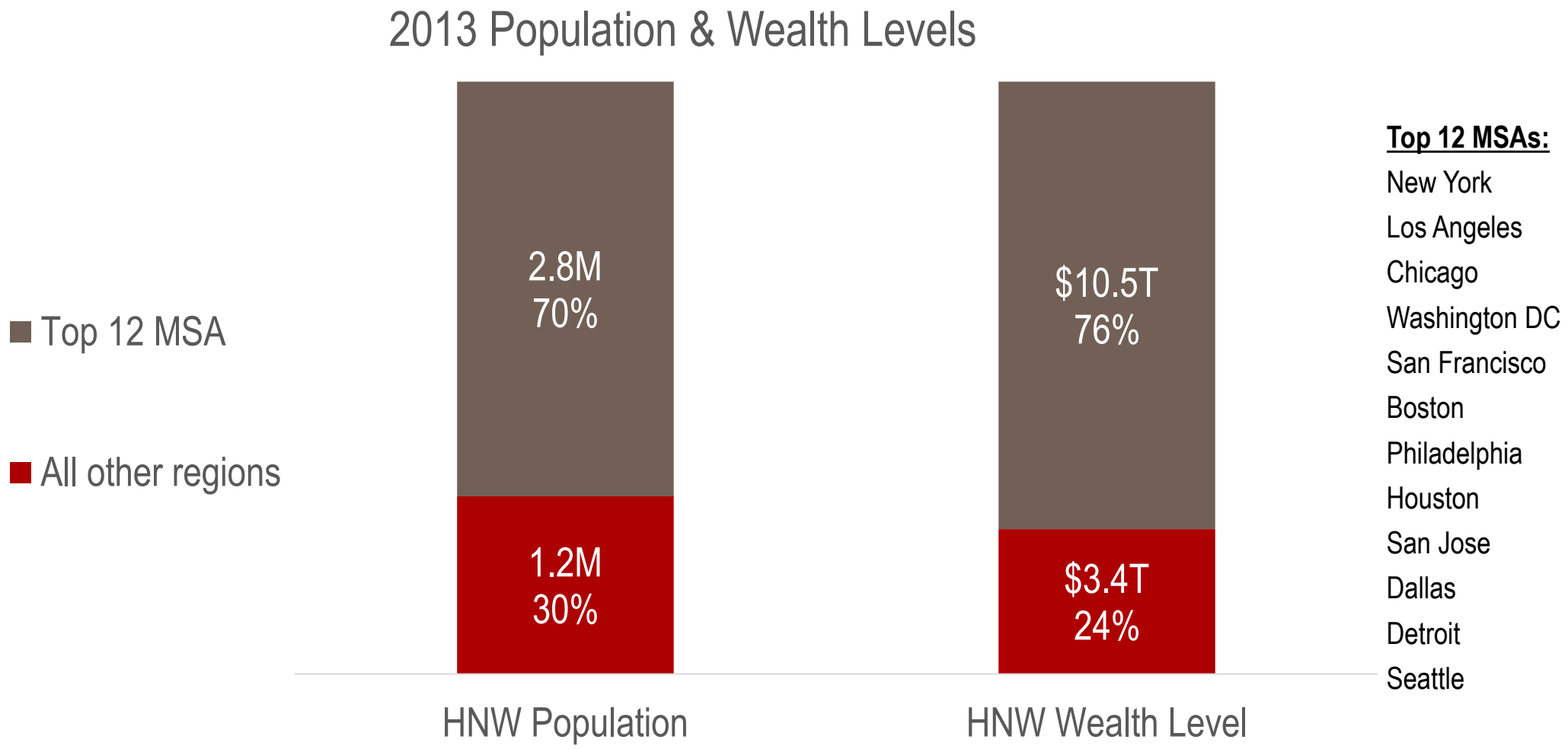
The Bulletproof Family

Family Decision Making: The Power of the Family Parliament

How Have Wealthy Families Adapted Their Vocabulary?

	Family	Reciprocity	Trusted Advice
LESS:	"Me"	Probing for Information	Know-it-All
MORE:	"Us"	Sharing About Yourself	Candor

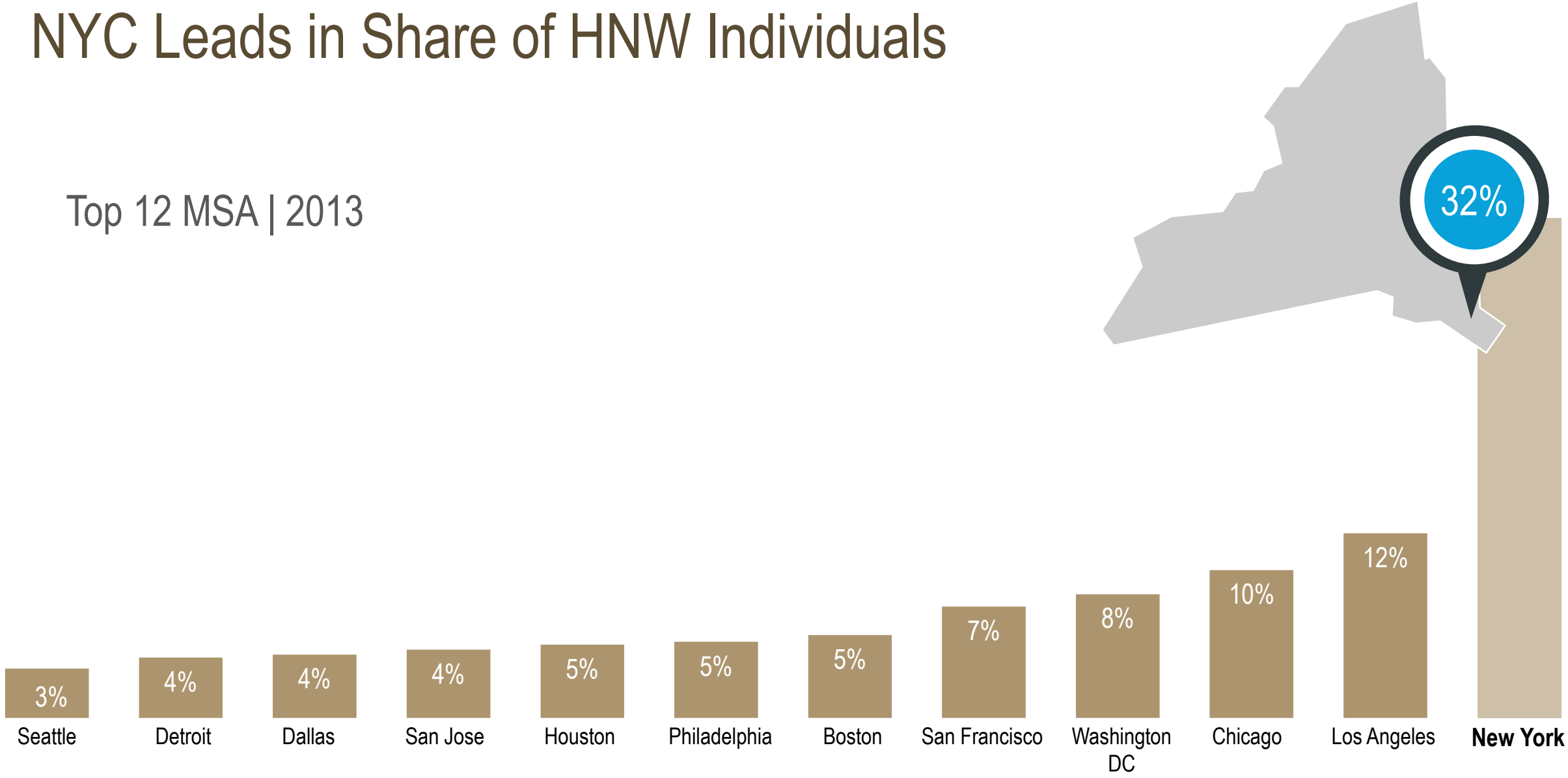
A Note on Urban Markets: Wealth Concentrates in Large Cities



Source: Capgemini U.S. Wealth Report, 2014.
High Net Worth Individuals have investable assets of $1 million or more, excluding primary residence, collectables, consumables and consumer durables

NYC Leads in Share of HNW Individuals

Top 12 MSA | 2013



Source: Capgemini US Wealth Report 2014; HNWI have $1M+ Investable Assets

The New Freedoms:
To Be, To Do, To Know, To Meet, To Go

Time Inc. YouGov

A New Look at the Role of Brands

5 core dimensions

MASTERY

TRANSIVITY

INHERENT SCARCITY

VALUE PROPOSITION

CONSISTENCY

The Post-Recessionary Consumer

Resourceful

Independent

Financially Responsible

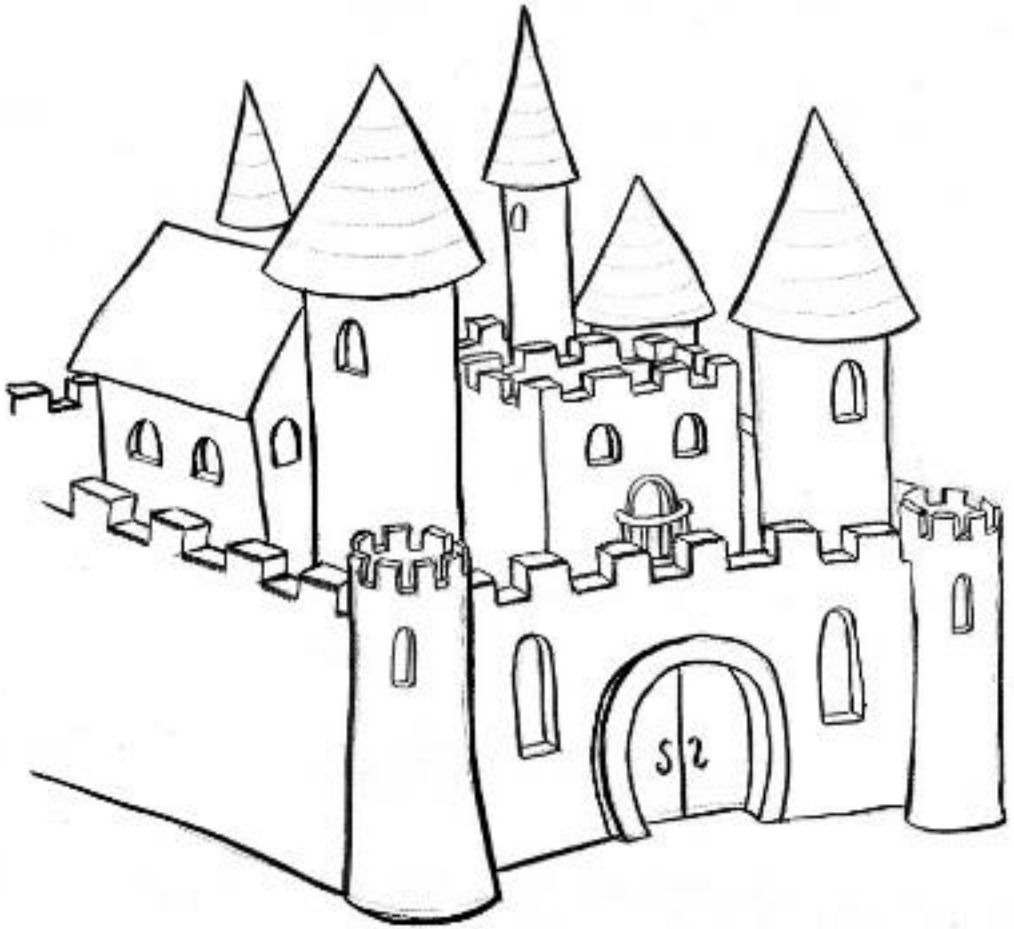
Experienced

Parliamentary Democracy

Worth Oriented

Multi-Brand, Multi-matrix consumers

Invulnerable



Savings

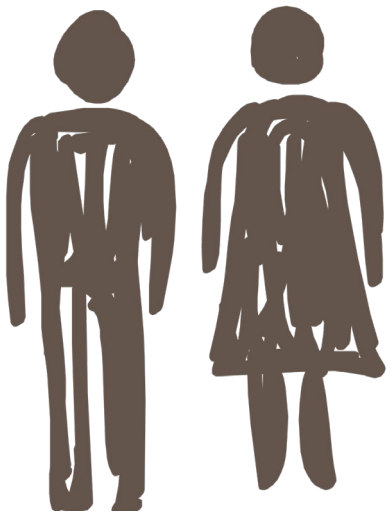
Inoculated

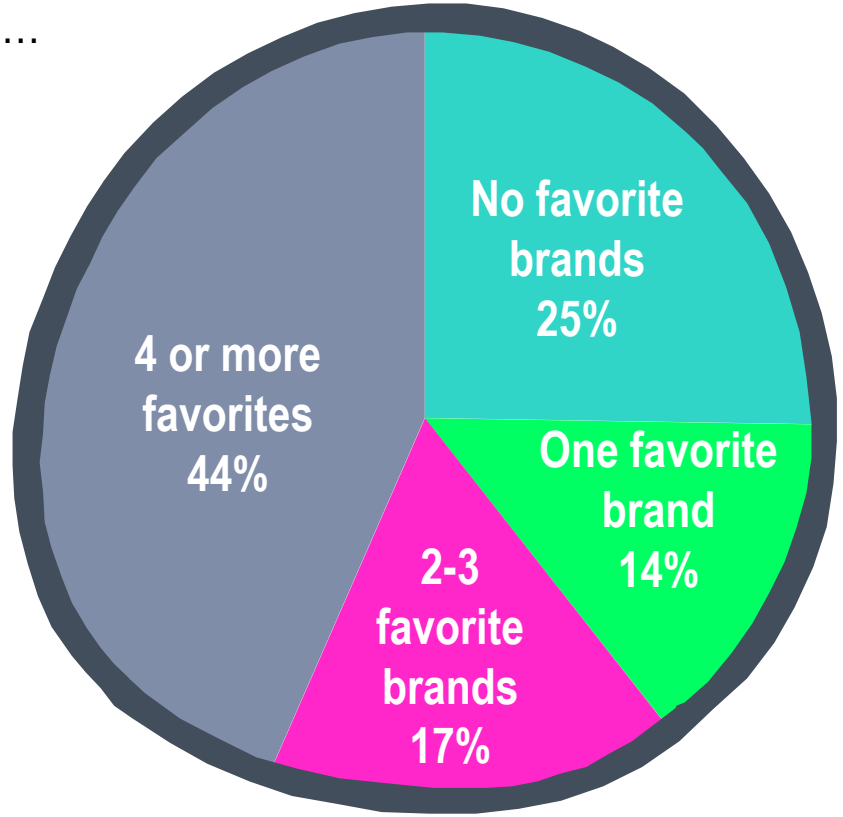
On-Line

A Moat Around the castle

A small circle of willing participants

Number of Favorite Brands*
Among all affluent consumers…





Average number of Favorite brands
3.9 out of 48 choices

21% of the brands measured weren't selected at all (10 out of 48)

*Across 48 choices in department stores, fashion, jewelry, watches

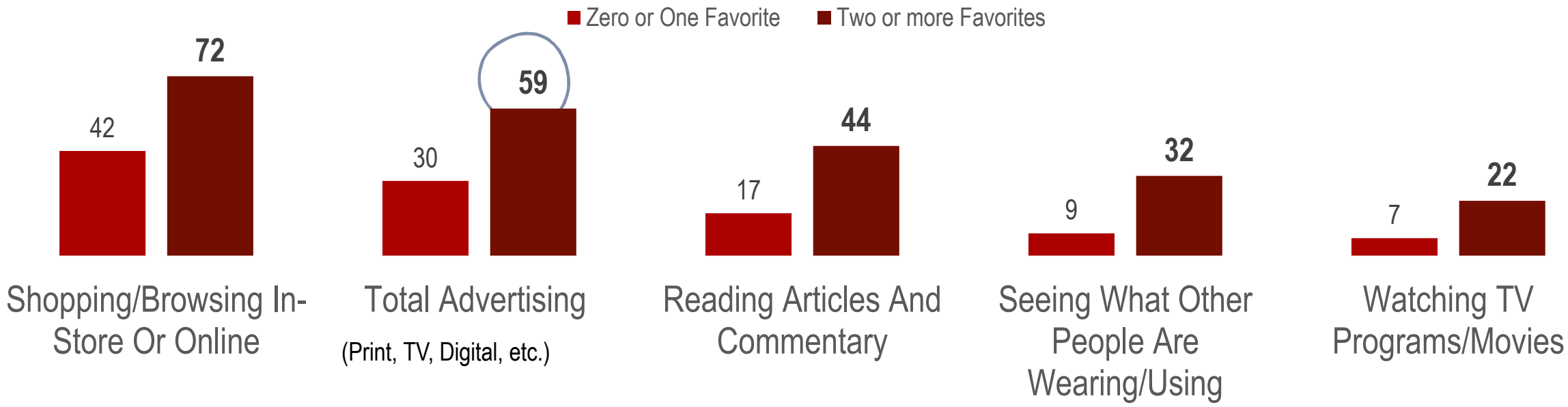
Generation Does Makes a Difference

	ZERO OR ONE FAVORITE	TWO OR MORE FAVORITES
MILLENNIALS 25-35	7%	14%
GEN X 36-49	29%	32%
BABY BOOMERS 50-68	58%	48%
MATURES 69+	6%	6%
AVERAGE AGE	52.9	50.0

They are more open to advertising and communication

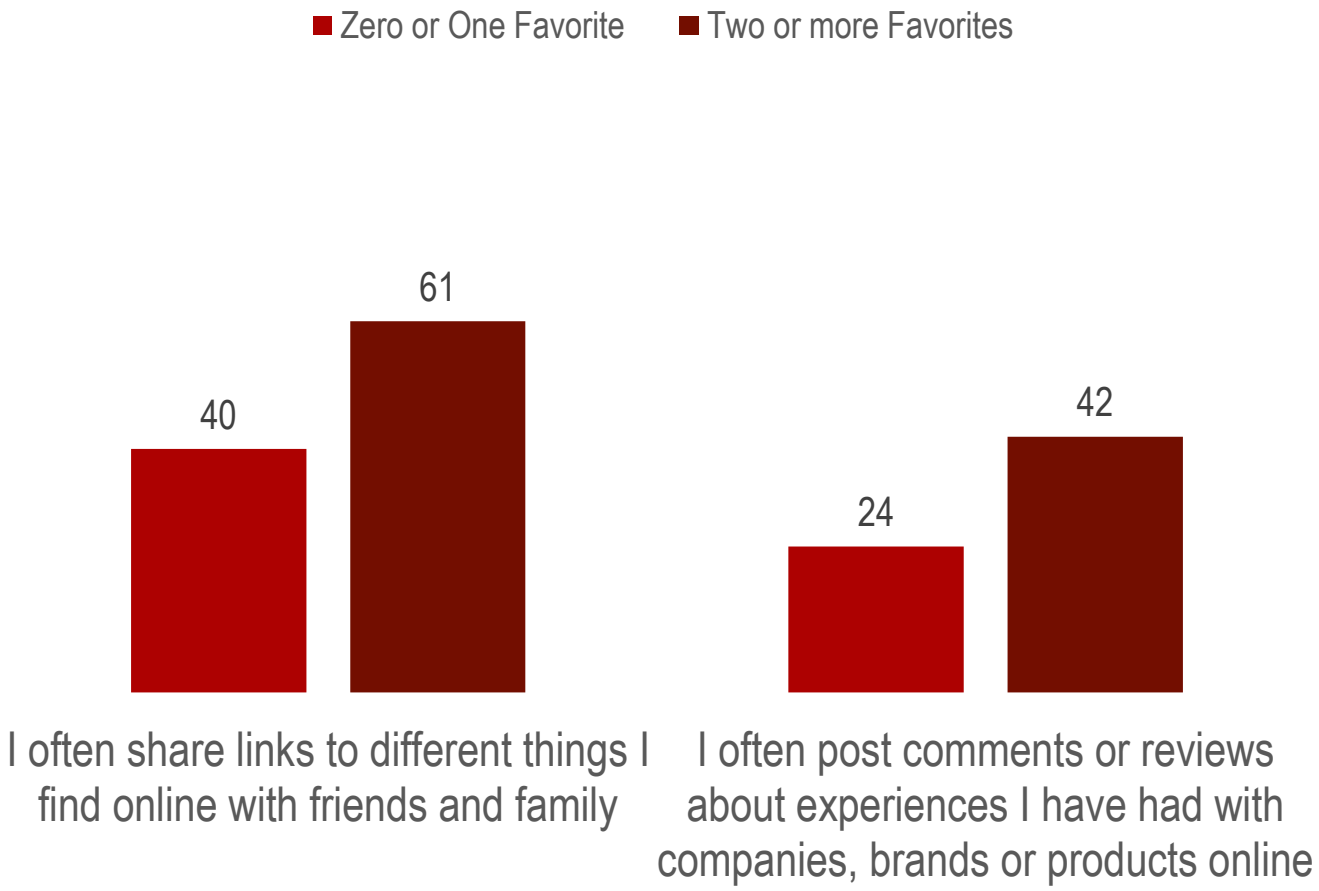
Ways you find information about luxury products

OFTEN/OFTEN



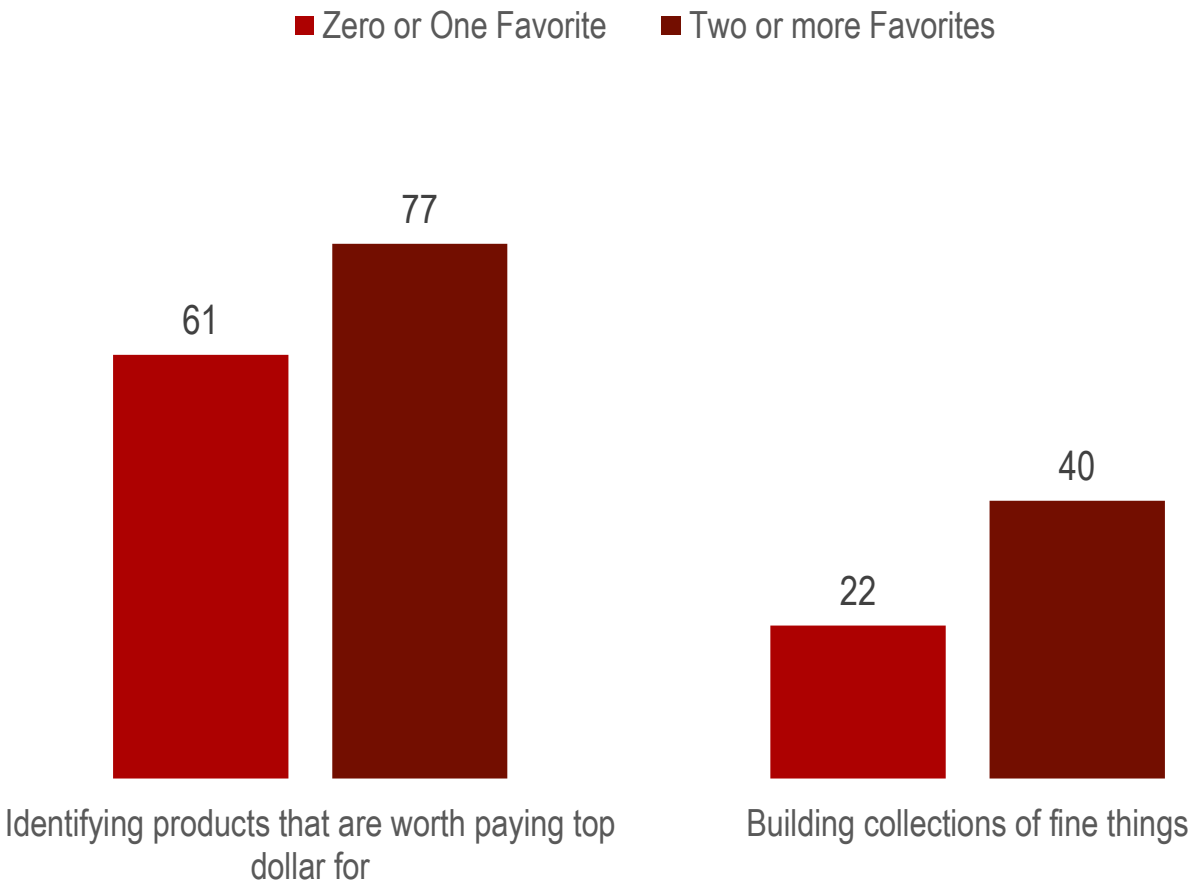
They spread the word amongst their circle

% Agree Strongly/Somewhat

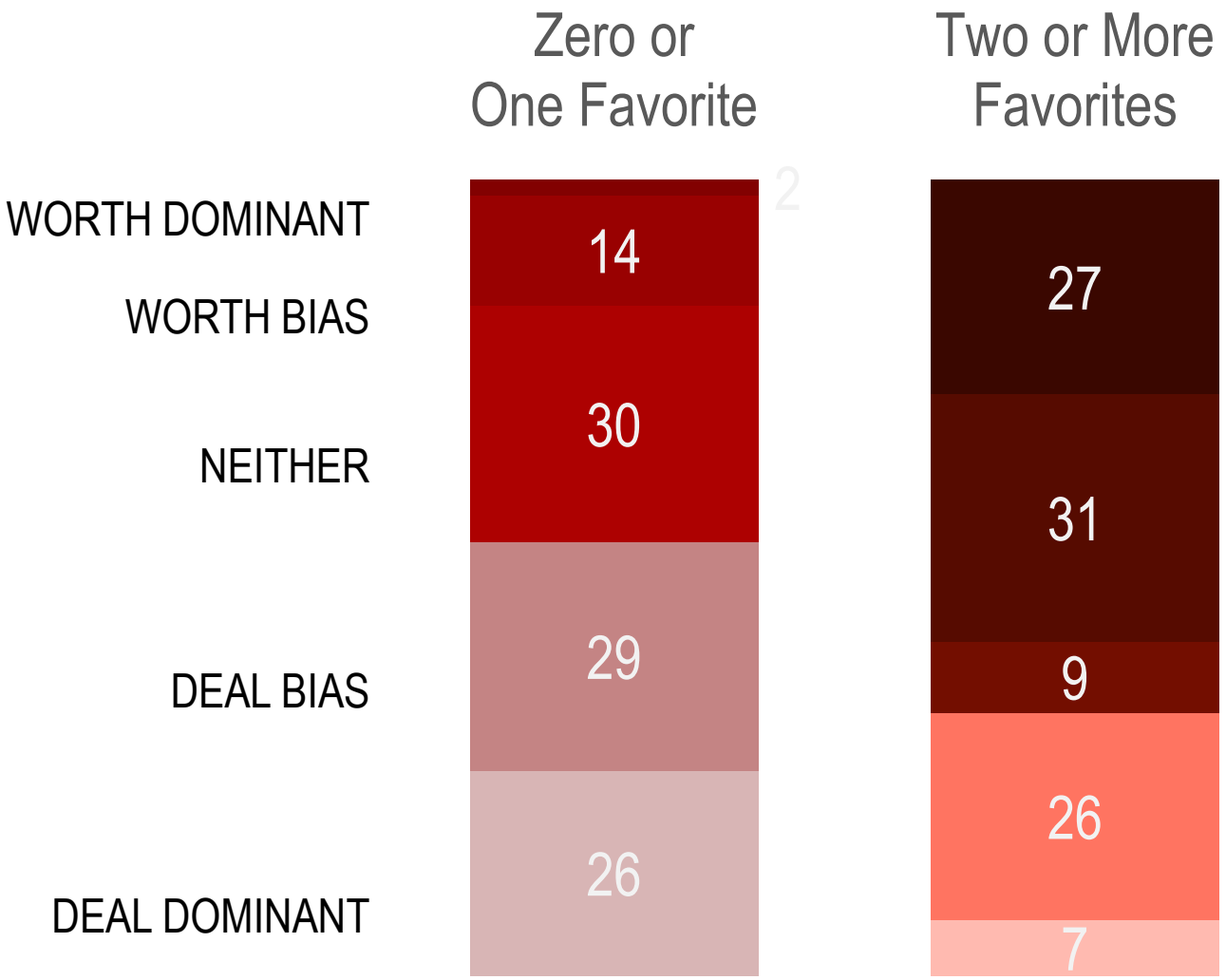


Discerning shoppers

Doing well/very well



Worth Oriented Buyers Abound



Emotional power of brands

How can a brand become part of your small selection of brands?

The brand makes me feel good:

40%

UPPER MIDDLE CLASS

41%

CORE AFFLUENT

56%

ONE PERCENTERS

Is ranked higher than:

I get special offers from the brand

Friends/family recommend to me

Is the leader in the category

Always available when I need it

I'm a member of the loyalty/rewards program

I've had a bad experience with another brand

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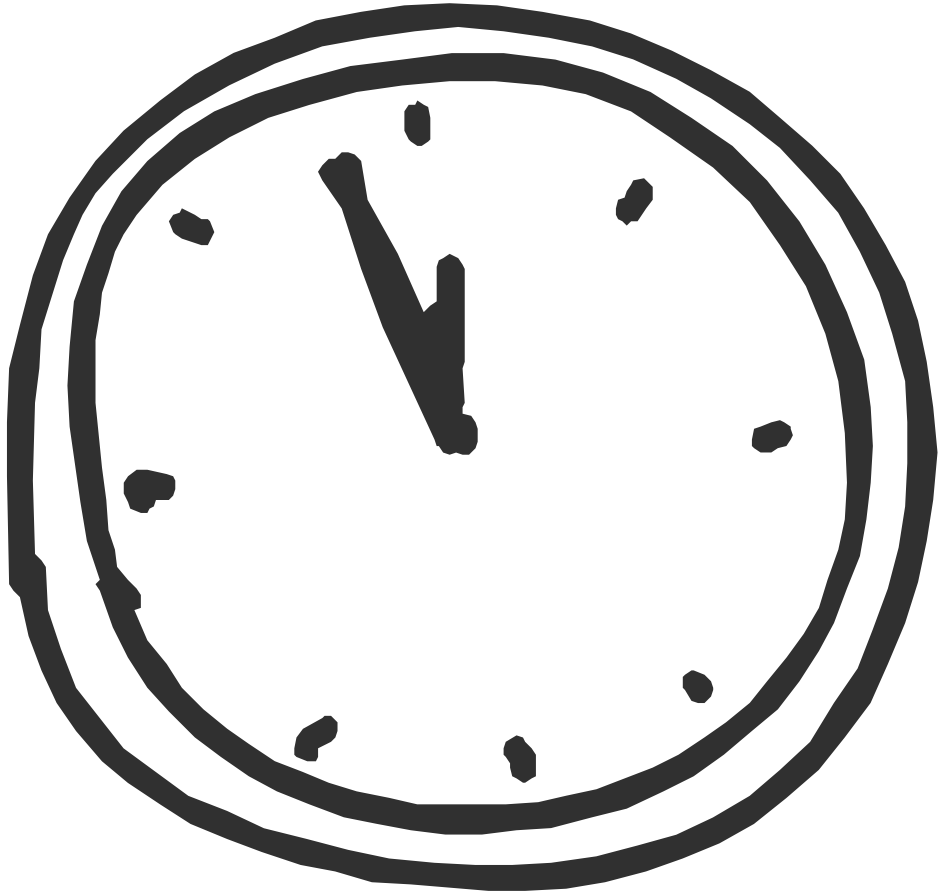
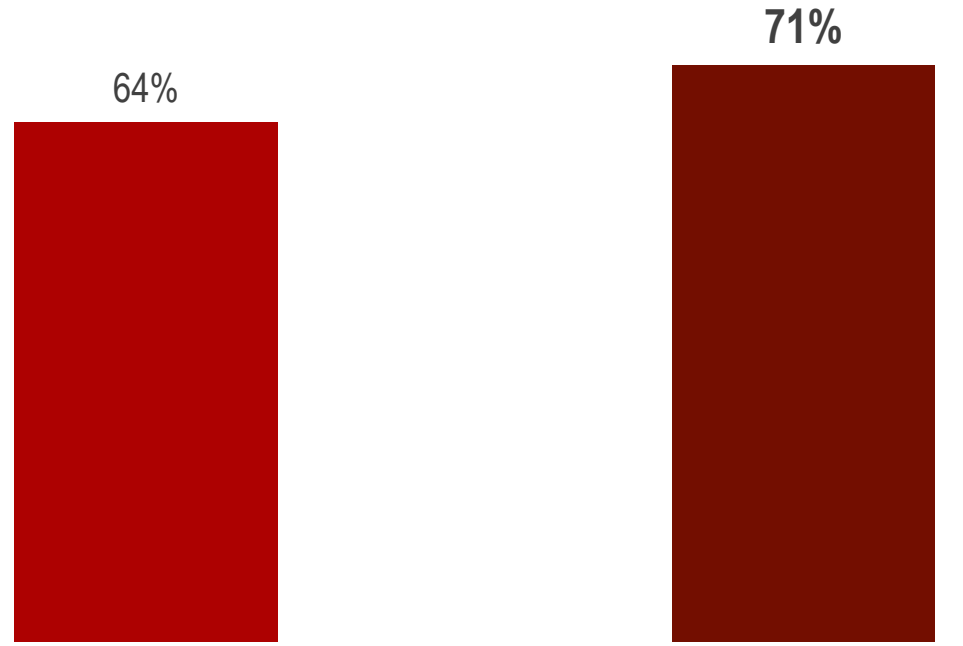
Respect their time

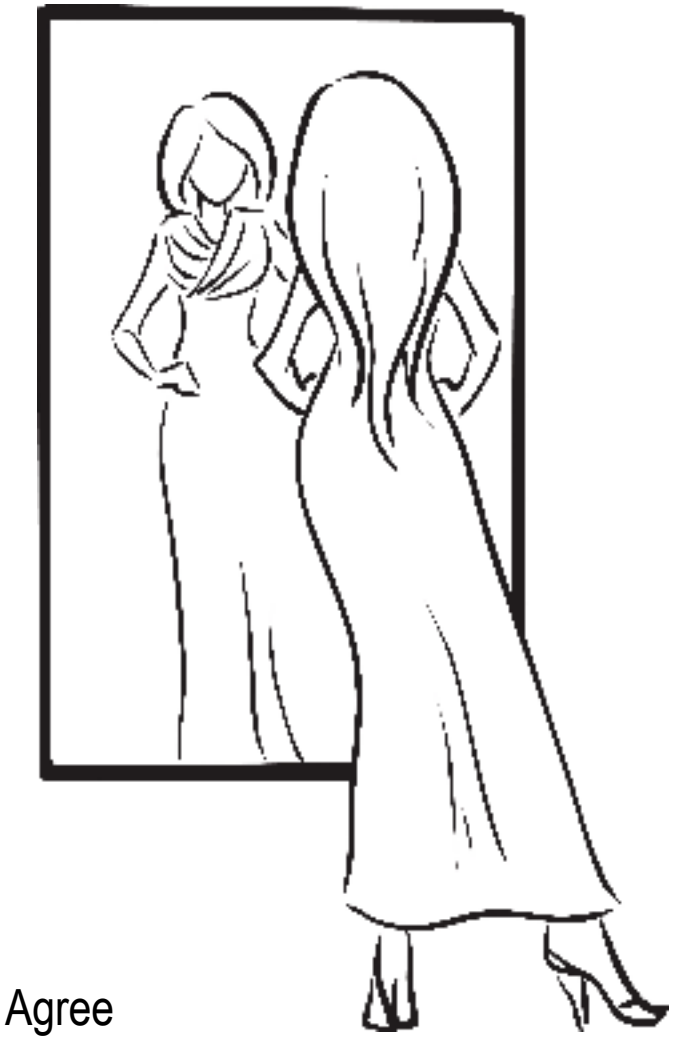


% Agree

Most days, I don't have the time to do all the things I want to do



Make them feel welcome



% Agree

I prefer stores that are really elegant inside

Be Reliable

% Agree

I have close relationships with a few salespeople that I count on

10 Steps To Successful Selling

Conversation Starters: Use these 10 questions

6 What's the best piece of advice you ever got about keeping your family happy?

7 What do your children do?

8 What role does success play in your life?

9 What are you looking for from a salesperson?

10 What does cash do for you in your life?

Conversation Starters: Use these 10 questions

6 How do you use digital networking to communicate with your children?

7 What do your children do for fun (with each other)?

8 Do you want to be the house in your neighborhood where people (and children) gather to enjoy life?

9 What is the role of water in the best memories of your youth?

10 What will a pool or spa do for the quality of your life?

Brooks Brothers
CLOTHING
Gentlemen's Furnishing Goods.
Clothes for Lawn Tennis, etc.
BOSTON
PALM BEACH
NEWPORT

IT LEAVES YOU BREATHLESS!

SUPER BOWL COMMERCIALS
ONE DAY SALE

To conclude…

Focus on Worth

- Affluent consumers will already know what they want
- They will buy on the best details of distinction
- They depend on you to facilitate a “change in their garden”
- The issue is contribution to “a life well-lived

Focus on the Family

What do parents want for their kids?

What do the kids want for themselves?

How does the wider family and friends fit is?

Focus on Forecasting Memories

- Role of swimming and water in their memory?
- Power of the new to create new memories.
- Power of water as an element in good living.

Know how to touch the heart

Buyers more than ever need to find themselves in your brand…the ideal brand represents the best of how they want to feel about themselves. Their story is deep and as important as yours

THE SURVEY OF
AFFLUENCE & WEALTH

Thank You

Doug.harrison@yougov.com
Jim.taylor@yougov.com

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