

SpaRetailer

INSIDE THE HOT TUB INDUSTRY

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FEATURE: \$10 Million Woman: Inside Olympic Hot Tubs.

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Why Alice Cunningham left the U.S. labor department for the spa business.

As a high-powered administrator at the U.S. Department of Labor in the 1970's, Alice Cunningham knew she had her work cut out for her, but she always knew what her work was. It was in the inbox on her desk waiting for her every day. Someone had already paid for her office furniture, the phone, electricity, her staff's salaries, and all she had to do was show up.

All that changed when she and a University of Washington engineering professor she had just met at a World Future Society Conference decided to quit their jobs and prove that men and women could work together. Granted, it was the 70's and people were doing that type of thing all the time, but most didn't face this couple's

biggest stumbling block: They didn't know what they wanted to do now that they had grown up.

"My first thought was Let's start a business. How hard can that be?" Cunningham says. "It's the hardest thing on the planet."

Thirty years, five showrooms and 15,000 hot tubs later, Seattle's Olympic Hot Tub Company has grown to become a \$10 million a year business and one of the country's top sellers of Hot Spring Spas, but there was a time when it looked like they'd never get off the ground.

She wanted to consult; he wanted to sell a product. Although husband Blair Osborn won, they didn't know what product they would sell until they visited an old hot spring in California and saw a company selling spas.

"It looked like lots of fun and it looked so do-able," says Cunningham, who serves as company spokesman while Osborn handles the technical end.

Then, the enormity of the challenge started sinking in. Since there were no pre-made tubs, Osborn built the first one himself (a two week task at the time), then had to line up his own manufacturer, track down suppliers, find a good location, set up shop and figure out a way to market spas to a public that had never heard of the contraptions; at a time when blue collar Seattle was known more for Boeing builders than Microsoft millionaires.

Even their banker was incredulous. He asked if they liked beans because they were going to have to eat a lot of them, Cunningham recalls.

Their mistakes were many. They created a beautiful glossy brochure to get the word out, but the materials were so expensive it cost \$3 to print each one. They opened a showroom with a water view, a kitchen and plenty of room to set up a spa so visitors could try one, but the location was hard to find and parking was non-existent.

But they got a lucky break when someone died.

A long time exhibitor at the annual Seattle Home Show passed away at a time when the event was moving from the Seattle Center to the Kingdome, leaving his booth space on main floor up for grabs. Olympic Hot Tub Company jumped and was assured of having the same space year after year.

"We were able to reach a huge number of people with the booth," Cunningham says.

Their next major challenge came with the appearance of manufactured fiberglass hot tubs with built-in plumbing, eliminating the need to spend a week building and installing the spas. Osborn, an engineer who just happened to do his dissertation on heat and plastics, hadn't been impressed with the plastic spas until a representative of a spa manufacturer paid them a sales visit. The couple traveled to the factory and were so impressed that they agreed to sell the line even though the maker required them to buy three tubs at a time.

The decision paid off immediately when a woman walked into the store, said she'd heard that Olympic was selling portable spas and wanted to buy one, no questions asked.

When Cunningham asked why, the woman said, "This looks nice, you've been in business a long time, I'll take one."

Since Osborn and Cunningham both come from highly theoretical fields academia and government they rely heavily on business theory and have often brought in consultants when sales flagged. Even now, as she sits in an office above Olympic's main showroom, Cunningham talks about business seminars they've attended and advice they've received from consultants, as well as business books like *The Gemini Effect* and its *Seven Benchmarks of Successful Companies*.

Warming to the task, she talks about the significance of having the right person in the right job, the need to share personal values and vision with employees and customers, and the importance of deciding how to compete.

"Where are you going to be in the marketplace? Are you going to be the cheapest? We thought we were going to take the high road and focus on quality and education over hard sell techniques and bashing the competition," she says.

"If you're not selling the best, why bother?"

MARKETING FOCUSED ON SELF, NOT OTHERS

For the most part, Olympic's marketing strategy hasn't changed much despite increased competition. The couple has always focused the quality of their company, their products and the experience instead of focusing on their competition. Add to that their ongoing effort to educate buyers and it's easy to see why they've carved out their own market niche.

"Education is our main thing," Cunningham says. "If we haven't educated a buyer as to why our product is better, we haven't done our job."

Olympic's Web site features numerous pages designed to educate consumers covering everything from what to look for when shopping for a tub and a dealer, to health benefits and hot tub etiquette. Cunningham even features customer responses to just-for-fun surveys like the one posing the age-old question, "Nude or Not Nude?"

If their research is any indication, the approach has been paying off. Almost half of their business comes from referrals, which isn't just from satisfied customers. They're from salesmen at other dealerships and community members familiar with the company's reputation.

Cunningham calls such community members and her large pool of satisfied customers "brand ambassadors" and says they pop up at the oddest times. One Olympic customer saw a woman looking at a Costco spa and said, "Miss, I can't let you do this. These are not very good quality. You have to go to Olympic Hot Tub Company."

Cunningham's favorite referral story, though, occurred when an informed consumer called the reference desk at a local library and asked for information about hot tub companies only to have the librarian say, "I've heard that Olympic has a good reputation."

As a result, the company has relied very little on advertising. It has recently begun doing radio ads

featuring Cunningham's voice, but the campaign has been limited, focusing on a few stations with a highly targeted audience.

Olympic markets to its satisfied customers as well, touching base with them five times a year, Cunningham says. The effort includes a newsletter sent out three times a year, a postcard on the anniversary of their purchase featuring special offers, and a call either before they receive the card or shortly after. She knows it's working because she recently heard from a customer who asked why they didn't get a card on the second anniversary of their spa purchase.

"The reason to do that is so you have top-of-mind awareness when they want to buy another one," Cunningham says. Given that Olympic's own in-store surveys show that 43% of their customers have owned a hot tub before, the approach makes perfect sense.

KEEPING IT SIMPLE

It also helps that Cunningham stresses simplicity when it comes to sales.

"If there's one thing I've learned after successfully operating a business for more than 28 years, it's the importance of making products or services easy to buy [and] easy to own," Cunningham said in a May 2006 article in the Puget Sound Business Journal.

As she puts it, "Is this going to give me the relaxation that I want with the least amount of hassles?"

Instead of relying on hard sell tactics, Olympic's sales force lets the product speak for itself and listens to what consumers have to say. In some cases, the sales effort starts with a test soak in a showroom hot tub. The stores not only have bathing suits and towels on hand; they also keep the tubs spotlessly clean. It may sound basic, but Cunningham says not all dealers pay attention to that simple detail.

The company's salespeople also ask questions about what buyers are looking for. How will they use it? Do they want jets? Where do they want the jets to be? How many people do you want to entertain? Olympic also goes a step further by offering a PerfectFit™ Backyard consultation in which a representative of the company visits buyers' homes and helps them find the right match for their living space and lifestyle.

At the same time, staffers also make sure to remind customers of the joys of home spa ownership including potential health benefits and improved quality of living. "We really feel if we're doing our job, they'll get wound up and buy one," Cunningham says.

Everything in the process is designed to make a spa purchase as easy as possible, regardless of whether that means easy-to-understand terms, offering financing or ensuring trouble-free ownership with a five-year parts and labor warranty on every Hot Spring and Tiger River spa it sells.

Complying with the manufacturer's warranty can be costly, but keeping customers satisfied makes it worth the effort, she says. Olympic responds to all warranty calls quickly, even those from high maintenance customers, but she does admit, "We did have a party when one person's warranty ended."

Cunningham plans to take her goal of trouble-free ownership one step further by introducing a valet service. Instead of worrying about routine maintenance such as draining and filling the spa, all customers will have to do is enroll in the service to have technicians come out and do the work for them.

David Volk is an investigative journalist and frequent contributor. He is an active member of the SpaRetailer editorial advisory board.