

State of the Industry 2016

An assessment of water quality industry trends

In the water treatment industry, it seems there is always a new technology or regulation being introduced. To stay competitive, it is crucial to keep up with the latest industry data and trends. With that in mind, WQP brings you the 2016 State of the Industry report.

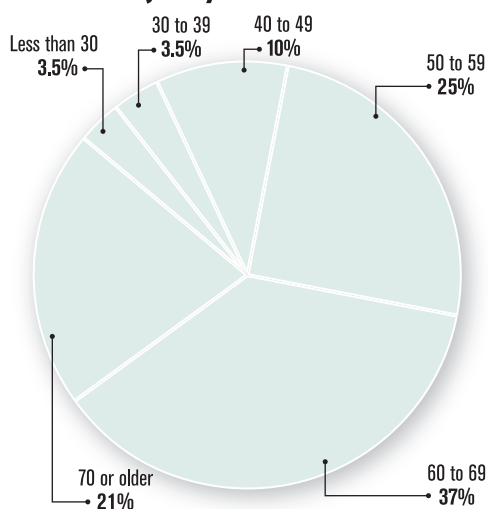
This fall, WQP surveyed its audience on demographics, budgeting, purchasing, industry resources utilized and importance of industry topics. A total of 216 people participated in this year's survey. In these pages, you will learn not just about the survey respondents and their companies, but also about the issues they think will be most important in the coming year—issues that you also may be facing as we enter 2017.

WQP is committed to keeping its readers informed and up to date on current industry issues, and the editorial staff will continue to research and report on the current state of the industry throughout the year. **WQP**

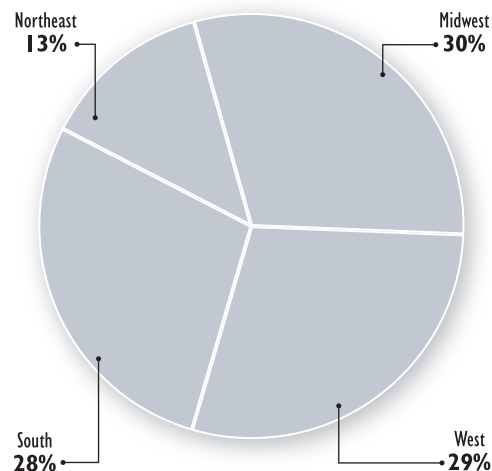
For more information, contact the WQP staff at wqpeditor@sgcmail.com or 847.391.1007.

This year, 216 people participated in the State of the Industry survey.

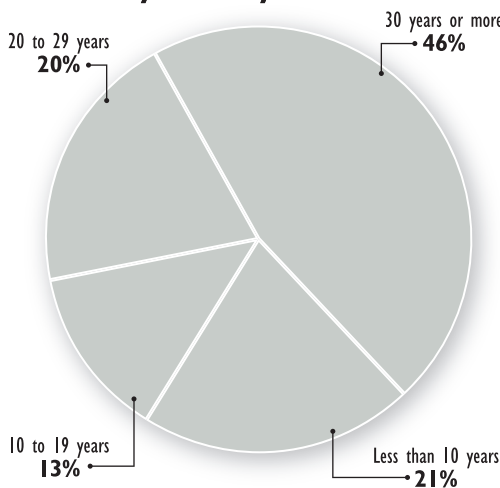
The majority was 60 or older.



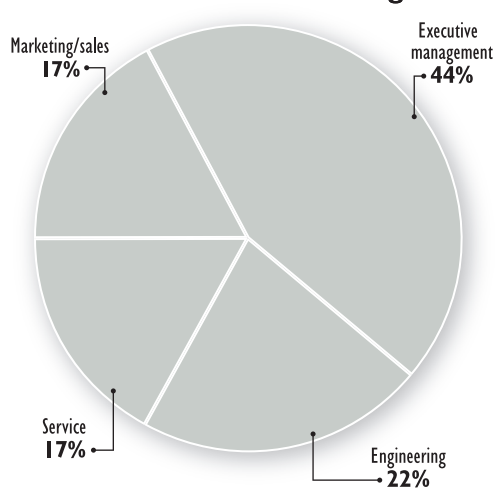
Their companies are spread across the U.S.



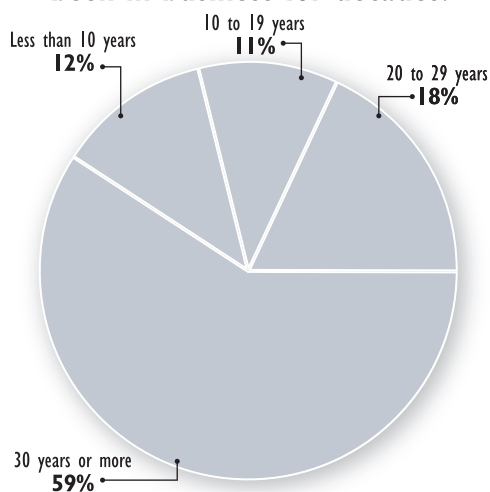
Nearly half have been in the industry for 30 years or more.



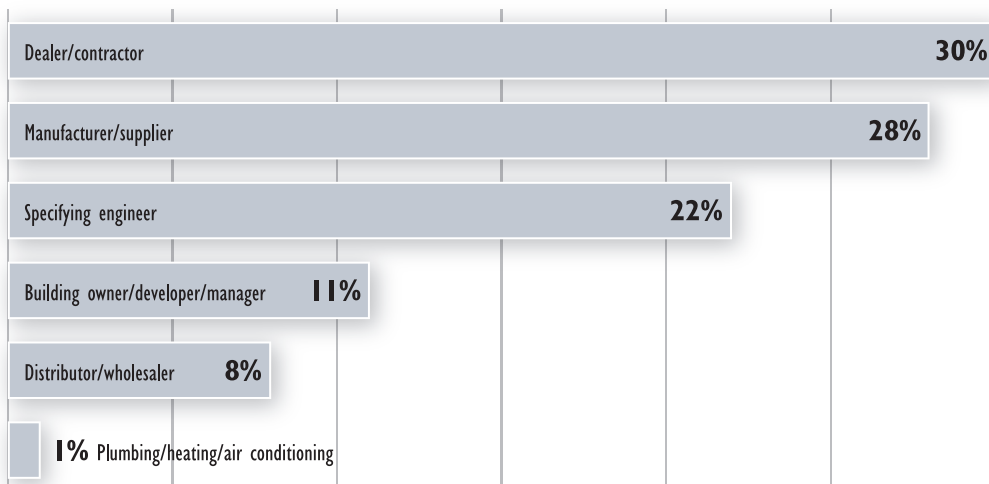
And nearly half have a primary job function of executive management.



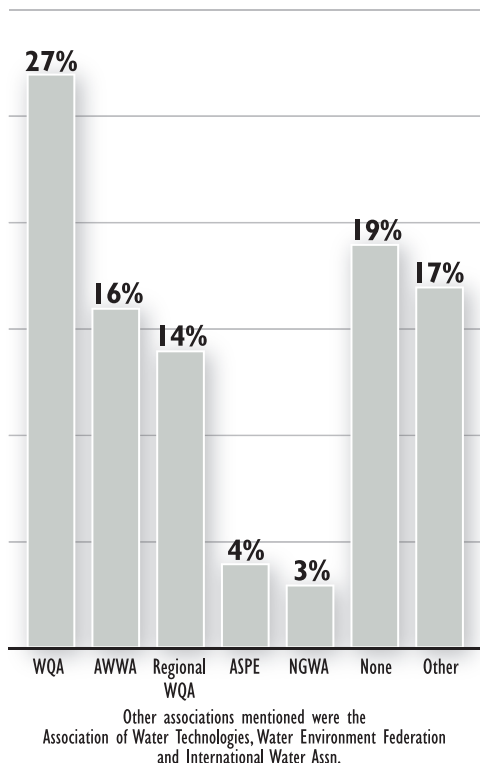
Most of their companies have been in business for decades.



The respondents' principal activity varied.



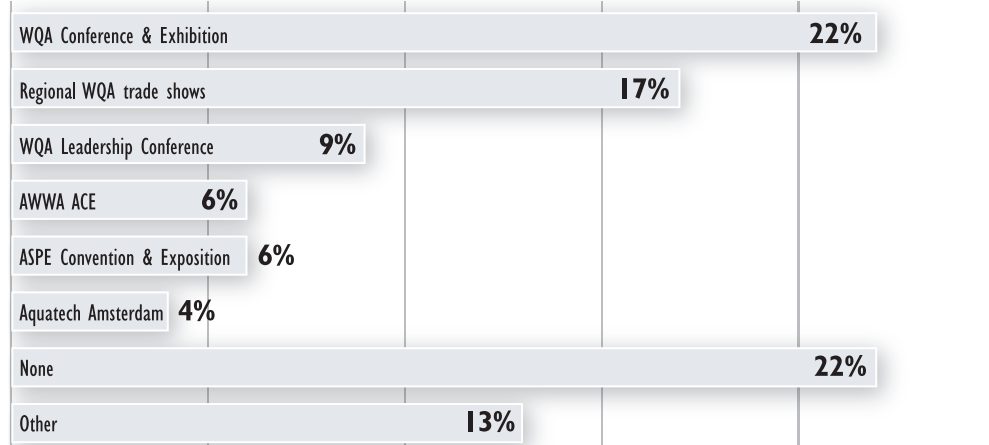
More than 80% belong to an industry association.



Approximately 80% use social media for business purposes.

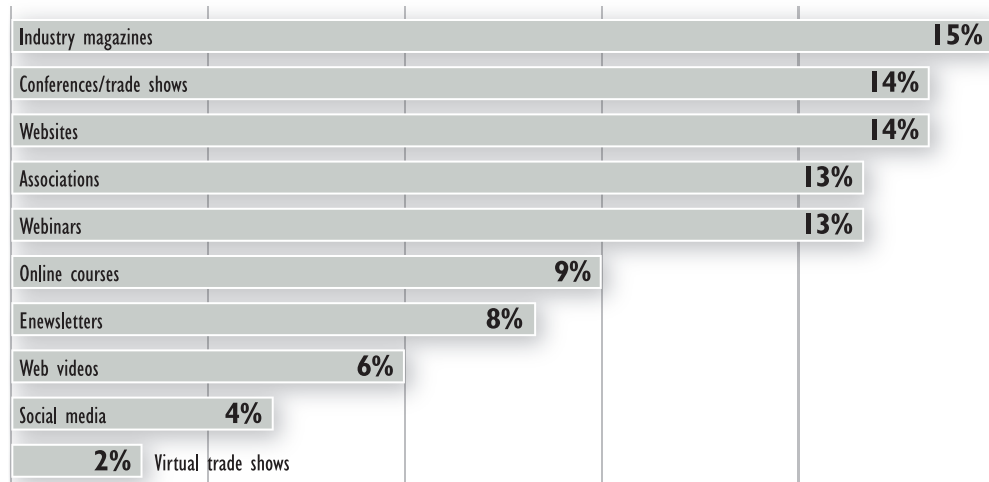


Nearly 80% also have attended a conference or trade show in the past 24 months.



Other common events attended were state groundwater shows, WEFTEC and the AWT Annual Convention & Exposition.

They use a variety of resources for continuing education and certification.

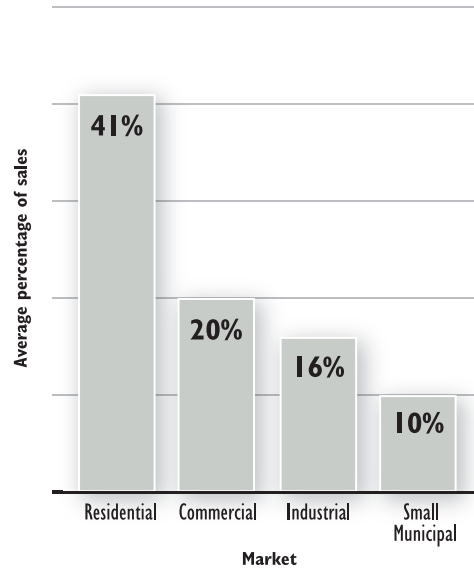


The residential market continued to dominate sales, with conditioning/softening equipment bringing in the most revenue.

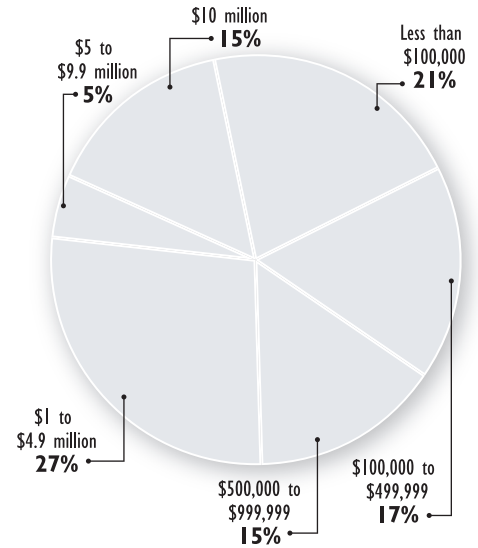
Q: What percentage of your annual revenue comes from the following product/service categories?

PRODUCT/SERVICE	AVERAGE PERCENTAGE OF ANNUAL REVENUE
Water conditioning/softening equipment	15%
Filtration equipment	12%
Service calls	11%
Filters, housings	8%
RO systems, components, supplies	8%
Pumps	7%
Chemicals	6%
Testing, laboratory services	6%
Media, resins	5%
Control valves & tanks	4%
Instrumentation, controls, monitors	4%
Disinfection	3%
Faucets, tubing, fittings, accessories	3%
Rental equipment	3%

Q: What percentage of your sales is in each of the following markets?

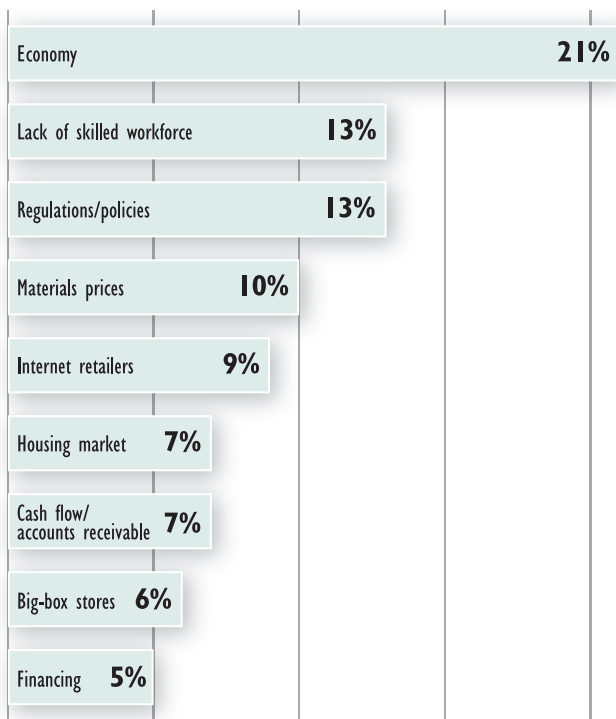


Approximately half of companies had estimated gross sales of \$1 million or more.

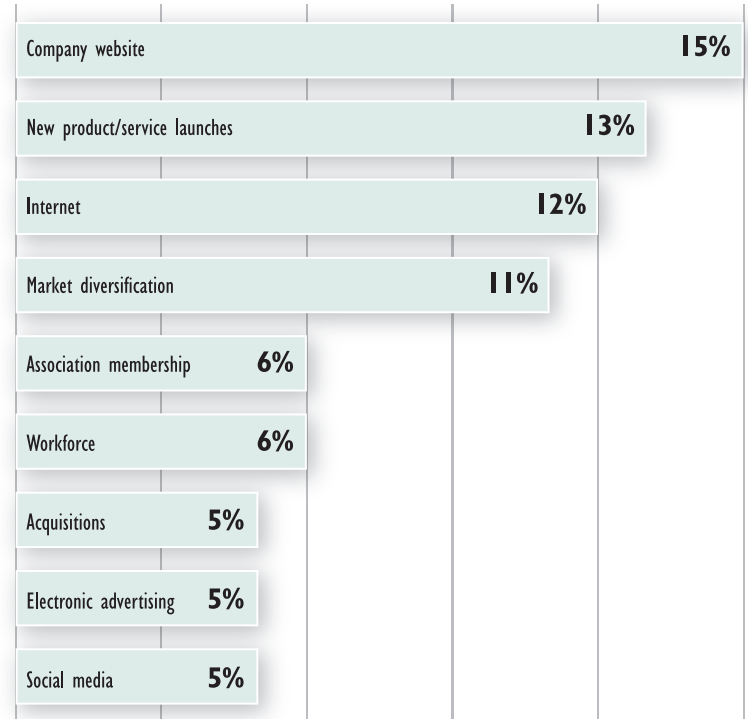


The economy continued to negatively affect business, but many companies found success with their websites.

Q: Which of the following factors have had a negative impact on your sales in the past 12 months?

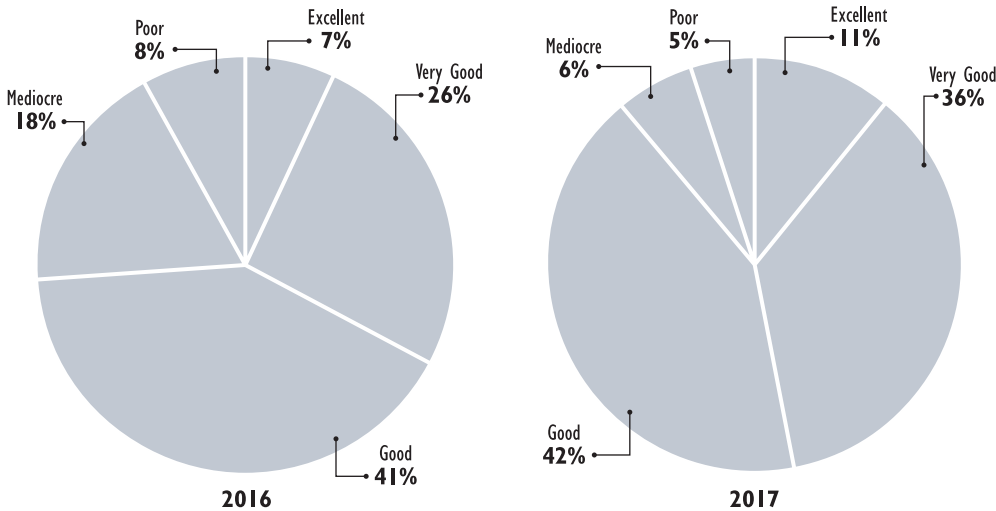


Q: Which of the following factors have had a positive impact on your sales in the past 12 months?



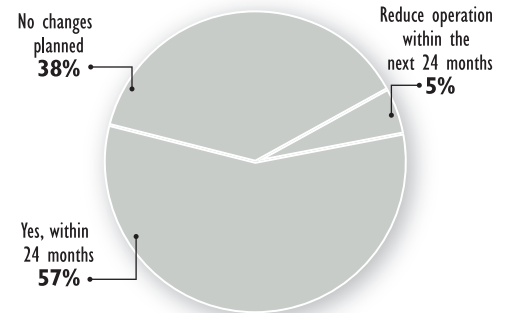
Most respondents have a positive outlook on the future of the water treatment industry.

Two-thirds of respondents rated 2016 as a “good” or “very good” business year, and more than 75% expect 2017 to be a “good” or “very good” business year.

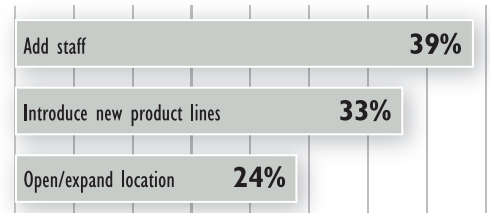


The outlook is so positive that more than half of the respondents said they planned to expand their operations.

Q: Do you plan to expand your operation?

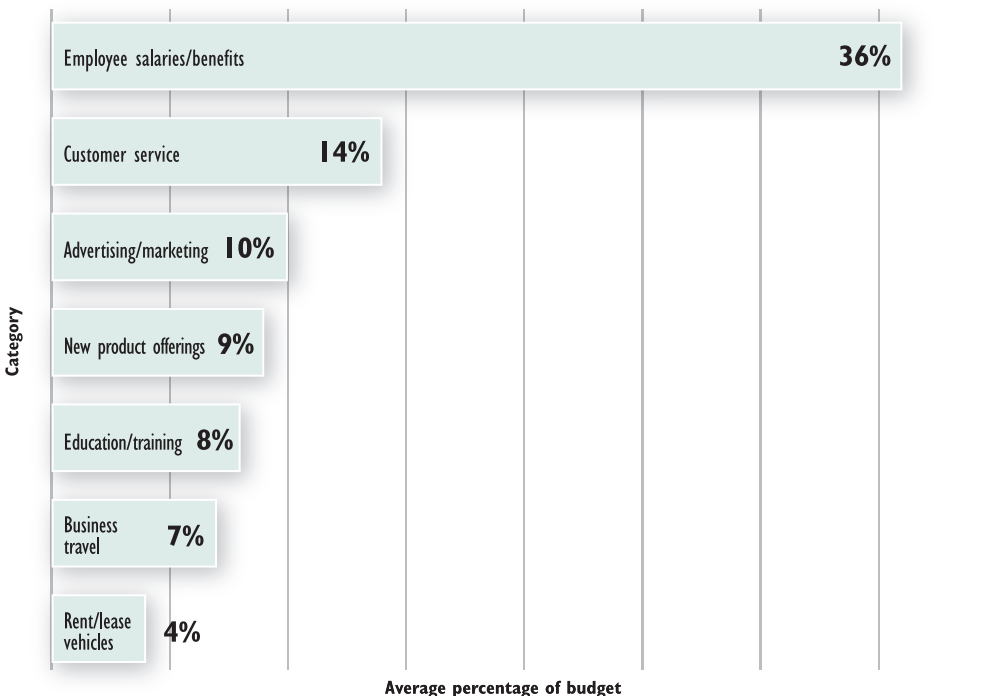


Q: If yes, how do you plan to expand?



On average, employee salaries and benefits will account for the biggest portion of companies' budgets in the next two years.

Q: What percentage of your budget over the next 24 months will be allocated to the following categories?



Q: On a scale of 1 to 10, with 1 being not important and 10 being very important, please rate how important each of the following topics will be in the coming year.

Staffing/training	7.5
Financing	5.8
Accounting/office management	6.1
New product introductions	7.0
State regulations	6.2
National regulations	6.3
Filtration media	5.9
Well/groundwater	5.9
Membrane filtration	5.7
Industry news	6.6
Disinfection	5.9
Sales/marketing	7.0
Certification	6.8
Contaminants	6.8
Rainwater harvesting	4.3
Green technologies	5.7
International market	4.3
Commercial water treatment	5.9
Non-traditional softening/conditioning systems	4.8

The greatest challenge facing my business in the next 24 months is ...

“Maintaining and replacing aging infrastructure and meeting increasing monitoring requirements”

“Jiggering sales reps”

“Expand[ing] our sales force”

“Higher water quality requirements, new MCLs, aging infrastructure, climate change”

“Government regulation is a business killer.”

“Training and retaining people”

“Keeping up with the latest in treatment technology”

“Lack of available water that is cheap to treat”

“Understanding the direction the water industry is going to take”

“Marketing in the post-Recession era”

“Switching to digital and content marketing”

“Finding good help, competing against internet resellers”

“Cheaper prices [at big] box stores and their untrained installers!”

“Attain[ing] financing for customers”

“Finding a larger building to purchase”

“Consumer confusion created by bad information and/or overstated product capabilities”

“Staying competitive with pricing and finding well qualified technicians”

STATE OF THE INDUSTRY

The most important industry topics affecting my business in the next 24 months are ...

“Greywater”

“Maintain[ing] appropriate label standards as to water softeners versus ‘no salt’ water softeners”

“Getting certifications for products that will meet higher contamination levels/needs”

“Stable trained workforce”

“Retirements”

“Legionella, disinfection and chemical legislation”

“Water contamination and scarcity”

“Disinfection, brine efficiency, employee motivation and engagement”

“Water and salt conservation”

“Profitability and growth in a highly competitive market”

“Establishing a greener footprint”

“Regulatory changes, marketing techniques and new product introductions”

“Water and wastewater infrastructure replacement”

“Emerging contaminants”

“Convincing the regulators and financiers that there is a cost of going without water that far outstrips the cost of more water treatment”