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# TOO BIG TO FAIL



Heavily impacted by the recession, the Outdoor Room trend is emerging once again as numerous trade channels and media outlets promote its benefits.

**A**re you ready for some good news for a change? Things are looking up in the Outdoor Room category. After two years of painful sales declines, consumers are cautiously opening their wallets this year and buying again.

With all due respect to manufacturers, this revelation is not just corporate spin. *Hearth & Home* interviewed dozens of specialty retailers, landscape architects, interior designers, authors and other experts involved in the industry across the U.S. and they almost uniformly report more traffic, greater consumer interest and increased sales.

"Our business was off last year, but we're up quite a bit this year," says Randy Royster, president of On Deck Outdoor Living in Dandridge,

Tennessee. "Big ticket outdoor kitchens, high-end grills and premium furniture have rebounded for us."

"With new home building down, people are focused on improving what they have," explains David Becker, vice president of Brickstone Studios, a retail operation in Norfolk, Virginia. "We've seen activity and sales pick up this year." So confident, in fact, of a category rebound, the company "invested heavily" in a new showroom with multiple outdoor kitchen vignettes and fireplace settings. The six-month renovation project opened this past spring and is being supported by a substantial marketing and advertising campaign. "Our entire focus is on the Outdoor Room now," Becker continues. "There is a lot of interest in our area."

Landscape architect Dan Wanzung, president of American Gardens in suburban Chicago, reveals his business is "beginning to see a positive rebound. In the past couple years there was an obvious impact due to the economy, and in our area the weather has an impact as well. Last summer was cool, so it was like a double hit with the economy. But the idea of an outdoor living area is still strong with consumers, and a large percentage of them want to create that kind of environment."

*Separated nicely for conversation, three seating areas (with distinctly different furniture) provide ample room for many guests, while an outdoor kitchen and fireplace take care of food and warmth.*

## The Outdoor Room – Trends

These experiences are reflective of many businesses in the industry. Ross Johnson, sales and marketing manager for The Outdoor GreatRoom Company, says he has noticed a much more positive vibe from attendees at the trade shows at which his company has exhibited recently, including the National Restaurant Show and the National Kitchen and Bath Show. “Retailers say they are seeing much more traffic and when you hear that 250 times in a week at a trade show, you start having reason to believe it. We are still not where we were four years ago, but we are definitely seeing major movement in purchases.

“The mood seems to be lifting,” he continues. “People are starting to say, ‘I’m tired of this.’ Americans are great shoppers and there is a huge pent-up buying demand for the Outdoor Room among consumers.”

Businesses that had committed to the Outdoor Room category in a bigger way and with a stronger presence before the recession are feeling the rebound faster than those just dabbling in it. And not all players are experiencing growth at the same pace. For instance, according to statistics from the Association of Pool & Spa Professionals, 2009 pool sales were down nearly 60 percent from 2008 and have been slow to creep back up



PHOTO: ©2010 URBAN EARTH DESIGN

*With Camelback Mountain (Phoenix) in the distance, this contemporary oasis was clearly designed for comfort and relaxation.*

this year, hampered by consumers' inability to secure financing for this big ticket purchase.

To be sure, financing, or lack thereof, is changing the Outdoor Room category across the board and impacting the business today. But regardless of how people manage to pay for them,

Outdoor Rooms remain a high priority for homeowners.

In fact, a January 2010 survey by *Better Homes & Gardens* magazine revealed that Outdoor Rooms are among the top 10 “must have” features in new homes today. It showed 68 percent of homeowners want an outdoor grilling and living area and, interestingly, that 36 percent want their next home to be “somewhat smaller” or “smaller.” Emphasis has definitely shifted to the backyard to create new, less expensive living areas for the family.

In an article in the *St. Petersburg (Florida) Times*, *Better Homes & Gardens*' executive editor for home design Eliot Nusbaum said, when it comes to our homes, “We’re not living the same dream as three years ago. That dream was having a showplace home – a McMansion with the emphasis on two stories, big public spaces and an expensive fit-and-finish kitchen. Now those things have drifted to the back-burner. Today it’s ‘what I need’ versus ‘what I want.’ People are being sensible and practical. They want low-cost improvements that pack a big punch.”

With outdoor construction costs at approximately \$20 to \$30 a sq. ft. compared to indoor construction costs at \$80 to \$120 a sq. ft., an outdoor great room is a cost-effective way to add living space to the home, according to Ken O’Neill, vice president of marketing for Old Castle Architectural/Belgard Hardscapes.



PHOTO: ©2010 BRETT MOSS PHOTOGRAPHY

*Sliding doors separate this Outdoor Room from interior spaces. Note the heaters in the ceiling and outdoor venting for the grill.*

The HGTV 2010 Dream Home reflects this trend and others that are influencing outdoor living. The 3,900 sq. ft. Southwest contemporary home in New Mexico has nearly as much emphasis on outdoor spaces as indoor ones. A series of Outdoor Rooms off the main house includes a fireplace sitting area encircled with deep-cushioned furniture, a children's play area, and a built-in outdoor kitchen with additional seating that allows others to keep the cook company.

The individual outdoor living spaces are defined by low, hardscape walls, and the grilling area is covered by a modern-looking metal shade canopy. A cozy private patio outside the home's guest casita features beautiful hardscaping, comfortable chaise lounges and another fireplace.

Consumers want to replicate the outdoor living environments they see on HGTV, on home shows and in magazines, notes Brickstone's Becker. And so these ideas are carrying over to backyards across North America. The retailers, landscape architects, interior designers, hardscapers and other professionals who help homeowners create Outdoor Rooms, report noticing some distinct trends in the marketplace this year. Here is a look at some of them.

### Smart Shoppers

Value-focused. Frugal. Conservative. Cheap. Whatever you call it, consumers are determined to "buy smart" and are only willing to spend money on quality purchases that enhance their lifestyle and improve the value of their home, according to Johnson.

"Even people *with* money are being careful with it," volunteers Cheryl Jamison, author of award-winning books on outdoor cooking, and co-owner of the exterior design firm InsideOUT in Santa Fe, New Mexico. "People are less interested in the big, the bad and the best when it comes to outdoor kitchens. They want to keep it on a smaller scale, with beautiful, quality things. They are not concerned with showing off all the bells and whistles."

"The recession has turned many affluent consumers into more conservative spenders," notes landscape architect Liz Pulver of Town and Gardens Limited, New York City, in an article in *Portfolio*, a luxury real estate magazine. "They are also more realistic in their expectations and design plans. Budgets



Two chairs and a fireplace – that's all it takes to create an inviting, romantic outdoor setting perfect for conversation or that slow sip of wine.

PHOTO: ©2010 RIMA PHOTOGRAPHY INC.

are under much greater scrutiny. People have gone down in terms of spending – across the board."

"Consumers have tightened their wallets and started saving," adds Casey Loyd, president of Cal Spas. "Prior to 2008, Americans saved an average of one percent of their earnings; today they save an average of seven percent. They now have the money, their confidence is getting restored and their desire for Outdoor Room products is built up."

### Show Me the Money

The difference, the experts say, is that now consumers are more likely to pay cash for their Outdoor Rooms. "People have a hard time getting loans, so they are saving and paying cash," notes Damon Lang, landscape architect, president of Green Planet Landscaping in Las Vegas, and author of the book "New Ideas for Living Outdoors."

"Home appreciation is a disaster today so people can't get a home equity

loan, and they won't pay 22 percent interest on a credit card to do an Outdoor Room project," adds Belgard's O'Neill. "They would rather wait and save up for the purchase."

Today, some manufacturers are taking on the banks' former role and offering their own financing programs to customers. For instance, Belgard launched an FDIC-backed program this year offering "same as cash" payments over 60, 90 or 120 days.

"The homeowner assesses how much of the project they can pay out of pocket and uses this program to spread the balance out with no interest or penalty," O'Neill explains. "The manufacturer or contractor pays the interest, so it takes the burden off of the homeowner and allows them to go ahead with the project."

"Our margins take a hit, but it is jump-starting the business again and increases our volume," he adds. "We hope this financing program will make

us a more attractive partner to contractors and retailers, as well.”

Landscape architect Lang is taking advantage of financing programs offered through John Deere, which now owns Barbeques Galore. “The opportunity for our clients to get financing is one of the reasons we buy most of our grills and appliances through them,” he says.

### It's Just a Phase

Lack of financing is responsible for another growing trend in the category: completing the project in phases as budget allows. “Many of our clients are going this route now and doing one stage of the project at a time, saving up until they have enough to pay for each phase,” says Lang.

Landscape architect Keith Frederick, president of Environmental Landscape Associates in Doylestown, Pennsylvania, is seeing this trend in his area, as well. He offers caution about this tactic however, emphasizing that it is critically important for all the design work for the entire job to be done up front. “It’s also necessary for the utility work to be done in the first phase before the

hardscaping goes in, otherwise it will cost more in the long run if you need to rip things out,” he says.

### Fire and Water

Whether the Outdoor Room is completed all at once or over the course of several years, a fire feature is definitely on most homeowners’ wish lists today. A survey of residential landscape architects conducted by the American Society for Landscape Architects (ASLA) found that firepits or fireplaces are “almost as popular as dining (areas) and outdoor grills,” when it comes to Outdoor Room elements.

“Outdoor fire features are quite literally one of the hottest trends we’re seeing in backyard getaways coast to coast,” reports Jane Austin McKeon in *Better Homes & Gardens Outdoor Rooms* special interest publication. A recent online survey of *Hearth & Home* readers (retailers), shows over 80 percent of respondents sell outdoor fireplaces and/or firepits. According to most experts, firepits currently outsell outdoor fireplaces by a wide margin.

“It’s a matter of economics,” explains

Johnson. “Firepits are considerably less expensive than fireplaces.”

Nearly as desirable, according to the ASLA report, are water features including waterfalls, fountains, ponds, pools and spas. Not only do they provide beauty, they help create “white noise” to drown out traffic sounds or other neighborhood noises, explains landscape architect Wanzung of American Gardens.

Lang’s new book devotes entire chapters to fire and water features, with dozens of inspiring examples of how they are used in Outdoor Rooms. And interior designer Barbara Templeman says she is creating more Outdoor Rooms with a fire feature anchoring one end of the living space and a water feature anchoring the other.

### What's Up?

Overhead coverings such as a pergola, canopy, awning, arbor, gazebo, umbrella or solid roof structure are increasingly appearing in Outdoor Rooms. “These help define the space and give a sense of enclosure,” explains Wanzung. “They provide shade and protection from rain. If insects are a problem, a screened



Extending an Outdoor Room from the house is a sensible idea. A ceiling protects from sun and rain, while providing space for lighting, heaters and speakers.

porch, with open living space off of it, is a very practical solution.”

Although not as prevalent as outdoor hearth products among retailers, nearly one-fourth of respondents to the *Hearth & Home* online survey say they now sell, build or install pergolas. “For a while the pergola business dropped off,” admits Johnson, “but now it’s coming back strong.”

## Appliances

Regional trends rule when it comes to which appliances are included in Outdoor Rooms. Some experts such as Wanzung, report fewer appliances are now being incorporated into outdoor kitchens, with clients forgoing refrigerators, beer taps, outdoor TVs and other appliances and sticking mainly with essentials such as a grill and sideburner. However, others such as landscape architect Keith Frederick indicate refrigerators, warming drawers, infrared burners, ice makers, sinks and built-in bar units are still in demand.

The interest in outdoor pizza ovens seems fractioned, too. The *Hearth & Home* survey reveals just one-third of respondents carry the product, yet others such as Lang call pizza ovens a hot trend. His company buys pizza ovens in preassembled units and designs custom shells around them to coordinate with other Outdoor Room elements.

O’Neill says interest in pizza ovens is “going through the roof. It’s crazy and we’re very excited to see the growth in that area.” Belgard has teamed with Chicago Brick Oven to offer several pizza oven models to Belgard dealers, including the Mario Batali line, named after the renowned Food Network star.

## Outside Materials

While some consumers may be scaling back on what goes into the outdoor kitchen, most professionals report that outside finish materials on islands are being stepped up a notch. Almost universally, the experts indicate that consumers are requesting more stone, granite and other natural materials for islands, counters, hearths and other elements, despite the higher cost over stucco, faux stone and tile.

“The first choice today is natural materials,” points out Wanzung. “They wear best in the elements and colder



PHOTO: ©2010 KAA DESIGN. ERHARD PFEIFFER PHOTOGRAPHY.



PHOTO: ©2010 KAA DESIGN

ABOVE: Located in the “tree section” of Manhattan Beach, California this home reinforces the concept of indoor/outdoor living, as well as building with locally-sourced, sustainable materials.

LEFT: Properly conceived, a water element becomes a visual/audible sculpture.

## Connecting with Nature

Beyond the use of natural materials in Outdoor Rooms, there is also an expanded emphasis on incorporating the elements of nature – earth, wind, fire and water – throughout the design. Interior designer Barbara Templeman, ASID, and partner with Jamison in the exterior design firm InsideOUT, says there is a lot of interest in involving all the senses to create a connection with nature. For instance, according to Templeman, flower beds, climbing vines and other plantings represent ‘earth,’ wind chimes, trees and fabric drapes that flutter in the breeze represent ‘wind,’ while an outdoor fireplace, firepit or other fire feature makes up the ‘fire’ element, and a pool, pond, waterfall or fountain takes care of the ‘water’ element.

“In the 80s we learned about the high tech-high touch phenomenon, in which our need for art, softness, comfort, and aesthetically pleasing things grew as our lives became more high-

weather, and there is always a concern that prefab materials will look dated in years to come. Natural materials never go out of style.”

“Solid stone like granite, soapstone, bluestone or travertine slab will perform better than tile or other surfaces and won’t experience cracks in the grout joints,” adds Frederick.

And although stucco finishes to match the house exterior are still popular with Lang’s Outdoor Room clients in Nevada, he is increasingly incorporating stone accents on stucco islands, fireplaces and other features, and seamless natural stone on countertops. “Despite the cost issues, natural materials are now very popular,” he explains.

tech and fast-paced,” points out Jamison. “We’re seeing that more than ever today in the Outdoor Room. People want a connection to nature, to touch.”

### Splurging

Despite cost-consciousness, consumers are sometimes willing to splurge on one or two special elements in their Outdoor Room. “The desire to personalize spaces is strong,” according to Pulver in *Portfolio* magazine. “If (people) are

was fun to do, but generally budget is the over-riding factor that determines which elements are included in most projects today,” he adds. “Budget dictates the final decision on what goes into a client’s Outdoor Room.”

### Who’s the Boss?

Who is taking ownership of the Outdoor Room category? Is it hearth, patio and barbecue dealers? Landscapers or hardscapers? Kitchen and bath designers?

ership is closely divided between the hearth/barbecue specialty channel and the landscaping/hardscaping channel, with the latter having a slight edge. “Think of it logically,” he insists. “Where is the consumer going to buy fire? They will go to a hearth dealer to buy outdoor fireplaces or firepits. For things like outdoor kitchens and pergolas, it’s close, but more will go to landscapers or hardscapers to buy them.”

Along those lines, others have observed that homeowners who go to a landscape architect or contractor for an Outdoor Room project are typically looking for custom work and a higher-end plan. Those who buy from a hearth dealer are more likely to be homeowners who are upgrading from a stand-alone grill, but are more likely to go for a prefab or semi-custom modular unit or an Outdoor Room package.

Category leadership is evolving, suggests O’Neill. “The landscape contractor owned it initially, but as the Outdoor Room expands into a bigger, multi-room space with more and more elements, landscapers are struggling with the design aspects. We are pushing past the skill set of our current trade and this has opened the door to interior designers, landscape architects and larger design-build firms getting a foothold because they have the expanded skills to incorporate hardscaping, grading, irrigation and landscaping into the plan.”

All this being said, “it almost doesn’t matter who ‘owns’ the category in general,” emphasizes Loyd. “You have to be the owner of the marketplace in your area. Whoever is the best in the business in your market will win, even if that means partnering with your competitors. A specialty dealer married to a landscape architect will be better off for it.”

### Looking Ahead

“The Outdoor Room category is on the crest of the wave right now and we expect the market to really take off,” Becker predicts. “We’re doing everything we can to be in a position to do really well when it does.”

“The recession might have slowed the growth of the Outdoor Room concept in the short term, but I don’t see it being negatively affected long-term,” concludes O’Neill. “People see value in staying home and enhancing their yards. The trend is to move family living outdoors and that’s only going to grow.”



PHOTO: ©2010 DAL-RICH

A timber-framed structure provides both mass and grandeur to encapsulate an outdoor kitchen, conversation area, fireplace and television.

investing money, they want to invest it wisely and do things that represent them. It might be through a really special wall fountain and they will go the limit on what they will spend on that.”

“They might include one great piece that stands out and is very high quality,” concurs Jamison. “For instance, one client splurged on a fabulous \$2,200 lounge chair, but spent \$45 on Crate & Barrel cushions for it. The furniture was an investment piece that will last, but the pillows can be easily changed out.”

A client of Wanzung’s splurged on a massive, custom-designed, wood-burning limestone fireplace that is open on three sides and topped with a copper roof. It is unmistakably the focal point of the couple’s Outdoor Room. “That

Interior designers? This issue is still up for debate and it’s definitely in flux, but there are strong opinions nonetheless.

Dante Cantal, president of Twin Eagles and sister company Outdoor Entertainment Designs, believes ownership of the category is shared, with the consumer turning to either a landscape contractor or a hearth and barbecue specialty retailer, depending on their needs.

For instance, those who have an existing home and are looking to upgrade their outdoor living space generally seek out a specialty retailer. Those who have a new home and are starting from scratch are more likely to turn to a landscape contractor because the project is much more involved.

Ross Johnson believes category lead-

By Lisa Readie Mayer



# Working Together

*Partnering with other professionals in Outdoor Room projects can expand your capabilities and your business.*

**D**o you think Barbra Streisand was referring to sellers of the Outdoor Room when she crooned, “People, people who need people, are the luckiest people in the world?” Probably not. But there is a message in her 1964 ballad that hits home: Rather than trying to go it alone, dealers who partner with other professionals in the Outdoor Room business are often more successful as a result.

“Many business owners fear if they don’t do it all themselves they will not be profitable,” acknowledges Cheryl Jamison, author of numerous books on outdoor cooking and co-owner of the Outdoor Room design firm InsideOUT in Santa Fe, “but that is not the case.”

She and business partner Barbara Templeman, ASID, regularly team with landscapers, hardscapers and barbecue or appliance dealers to tackle projects beyond their skills or to secure equipment to which they do not have access.

The key is to use your core competency to do what you do best, and rely on the skills of related professionals to fill in where you lack. This approach eliminates the learning curve for retailers new to the Outdoor Room business, shortens the time it takes to complete a project and reduces mistakes, making each job more profitable.

As backyard renovation projects evolve beyond relatively simple outdoor kitchen islands to more customized,

expansive and elaborate outdoor great rooms, partnering with other professionals is becoming a necessity, particularly for retailers with limited design and construction experience.

“We rely on experts in their field,” notes Dan Wanzung, a landscape architect, president of Chicago-based American Gardens and president of the area’s landscape contractors council. “We have a couple of grill and outdoor appliance vendors we send people to. These guys know the newest and latest in grills, much more so than we do.”

Hearth, patio and barbecue retailers are wise to reach out to landscape architects such as Wanzung, as well as interior designers, architects, contractors and other professionals who are gaining a foothold in the Outdoor Room business, and offer your services as a

*This project by Green Planet Landscaping involved a number of different trade disciplines.*

grill, outdoor appliance and outdoor hearth expert.

"You want to think about how you and your business can be of service to these professionals," explains Templeman. "Retailers should figure out how to become indispensable to them, so that they need you to create an outdoor living area for their clients."

Becoming a subcontractor means relinquishing your overall control and management of the project, but that is not necessarily a bad thing. Retailers who partner with landscapers and designers report expanded sales of grills, outdoor appliances, firepits and fireplaces – products retailers know well and could sell in their sleep. These are "easy" transactions with decent margins.

Of course, sometimes a client hires your business to be the "general contractor" on an Outdoor Room project, and you will be relying on professional partners to assist with design plans, hardscapes and more. One-stop shopping is important to many consumers, who prefer to work with one point person or business to oversee all aspects of the job. When you have established relationships with professional partners you can trust, are reliable, and you know their work is good, you can comfortably offer complete Outdoor Room design-build services, even if you are just getting your feet wet in the category.

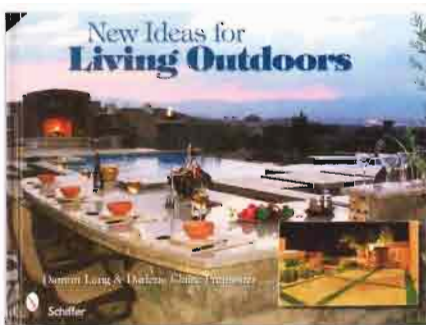
"For the average retailer, it's difficult to tackle building an Outdoor Room," acknowledges landscape architect Damon Lang, author of "New Ideas



Damon Lang of Green Planet Landscaping often partners with hearth and barbecue retailers.



Damon Lang.



Damon Lang and Darlene Claire Preussner's book on outdoor living ideas.

for Living Outdoors," and president of Green Planet Landscaping in Las Vegas. "We recommend they partner with a local contractor to handle the construction, which is often beyond what they are used to doing.

"Conversely, when our firm builds Outdoor Rooms, we turn to hearth and barbecue retailers for help," he contin-

ues. "We work with a couple of manufacturers for appliances, but because our work is custom, we can't stock everything the customer might want. Partnering with a barbecue retailer enables us to offer the best to our clients and brings business to everyone."

David Becker, vice president of Brickstone Studios in Norfolk, Virginia, says his company actively pursues partnerships with architects, landscape architects, masons, appliance companies, pool dealers, and tile and granite businesses. "We want to develop these relationships to expand our business through referrals," he says.

He further advises retailers to invite designers and other professional partners without retail centers to build displays in the retailers' showrooms. "Everyone benefits," Becker says. "You get the displays built for free, or at a reduced cost, and your referral partners get a place to show their work to prospective clients."

Fixtures: Visions for Living, an appliance and outdoor living business with locations in San Diego and Rancho Mirage, California, has perfected this type of partnership. Designers have created and built many of the display



David Becker.



Casey Loyd.



Dan Wanzung.



"Retailers should figure out how to become indispensable to (professionals in their area)," says Dan Wanzung of American Gardens.

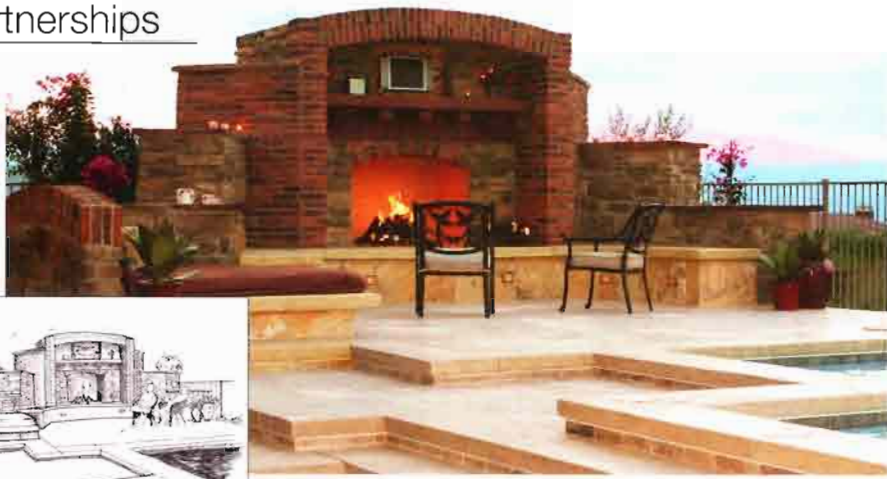
## The Outdoor Room – Partnerships

vignettes in the Fixtures showrooms and that has brought business to all involved, according to Tom Cavallo, a partner in the company.

Old Castle Architectural, manufacturer of Belgard Hardscapes, is trying to create partnerships on behalf of its dealers by teaming with other businesses to bring hardscapes, fireplaces, water features, grilling islands, appliances and other related pieces of the Outdoor Room together into one channel. The company has a relationship with Harmony Outdoor Living, which creates its Elements Outdoor Room modules from Belgard materials, Chicago Brick Ovens for pizza ovens and Medium Rare for grills and appliances.

“Our dealers will not have to go searching for partners to create complete outdoor living environments,” says Ken O’Neill, vice president of marketing for Belgard hardscapes and masonry. “We want to make it easier for the contractor to sell to the consumer and easier for the consumer, too, because it’s one-stop shopping.”

Distributing the profits among part-



Illustrations help customers to visualize the finished results; project by Green Planet Landscaping.

ners can be approached in several different ways, according to Jamison. If your business acts as a subcontractor, you might offer discounted prices on grills, appliances and outdoor hearth products, so your professional partner can mark it up to full retail price to their client and keep the difference. Likewise, if you hire a professional partner as a subcontractor, you would typically get a reduced price for the sub’s work, but can mark it up to your client.

Some retailers don’t wish to play the role of general contractor at all, and

simply refer clients to a list of preferred professionals. In that case, they might negotiate referral fees or other profit-sharing arrangements, but the customer pays the other businesses directly.

Casey Loyd, president of Cal Spas, suggests specialty dealers approach the best landscaper in their area and propose a relationship with them. “Invite them to use your sales floor space, and order your product,” he says. “Work a commission structure so they become like a sales rep for you and make a commission. Be proactive.”

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