



## **Strategic Report**

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This strategic report follows Leslie's Inc., a leader in the U.S. pool and spa industry. This report will evaluate the firm's internal strengths, external environment, stakeholder relationships, and business, along with corporate, strategies. There will also be an international expansion opportunity assessment to aid in possible growth. This paper will address the initiatives Leslie's can take in recovering from recent financial losses.

### **Company Profile**

Leslie's is a swimming pool and spa care seller that specializes in cleaning equipment to keep a residential, professional, and commercial consumer's pool healthy and clear. They sell through multiple store locations, as well as their website and other online distributors. They work with technicians and experts to ensure buyers are getting what they pay for ([lesliespool.com](http://lesliespool.com)).

Leslie's mission is, "As the trusted leader in pool and spa care, we are committed to delivering unparalleled expertise, service, and innovative solutions" ([lesliespools.com](http://lesliespools.com)). They are passionate about providing knowledge and resources for their customers in hopes of solving pool and spa issues. Their mission aligns with their goals of being reliable resources for any related concern.

Leslie's provides all the equipment needed to keep a swimming pool managed. These include products from chemicals, like chlorine and algae control, to parts for a ladder, pump, or vacuum, to pool themselves with covers, floats, and games. They also sell related products for spas and hot tubs. In addition to selling products, they offer professional services by appointment for prepping, cleaning, and maintaining your pool or spa ([lesliespools.com](http://lesliespools.com)).

Leslie's markets include those of the residential pool realm, those of the residential spa realm, and those of the professional pool realm. Outside of their website and online distribution

through Amazon, Walmart, and eBay, Leslie's has physical locations in thirty-nine states across the nation. Their professionals are strategically located along the popular routes in the country (sec.gov).

Leslie's Pool and Spa operates on a vertically integrated organizational structure. They see it as a competitive advantage to be able to offer a vertically integrated supply chain, packaging, and distribution model. They can produce and package at their own facilities, as well as facilities of a third party. Their packaging and delivery method is basic and non-intensive, which allows them cost savings and faster production. This results in higher quality products and a "structurally advantaged margin profile" (sec.gov).

According to Leslie's annual report, as of September 2024, they have nearly 3,850 employees. This includes those that work in their physical locations, their in-field technicians, corporate office workers, and the distributors. Leslie's voluntary turnover rate over the last year was 32%, while their retail turnover is 36%, and they have a distribution turnover of 16%. Leslie's recognizes that encouraged employees and excellent leadership create a strong, 8productive environment (sec.gov).

In 2024, Leslie's had some changes to their board of directors when two long-time members decided to step away from re-election. A Leslie's representative says that with these changes, they are still well-positioned to continue with their growth strategy (Dow Jones). Another recent change Leslie's has seen that has helped their growth and desire for new development has been the rise in demand for hot tubs. Following multiple quarters of decline, Leslie's is now seeing a new growing popularity in hot tubs, as of February 2024 (Dow Jones).

### **External Analysis**

***Macro Trends Impacting the Industry***

To understand Leslie's Inc.'s position in the swimming pool industry, it is important to start with some of the larger forces shaping the market. Political regulations are a major factor, especially because of the chemicals involved in pool maintenance. There are legal barriers to entry that companies must navigate when dealing with these products (EPA.gov). Economic trends, like inflation, may encourage people to spend more time at home, increasing the attraction to their products. Social shifts also affect industry, as more families look for wellness-related activities and quality time in their own backyards (IBISWorld). Technology plays a part too, with newer products that improve pool efficiency, energy use, and automation, making pool ownership more manageable for homeowners (lesliespool.com).

***Industry Growth Analysis***

Leslie's Inc. is one of the most well-known competitors in the pool service industry. They hold 24.6% of the market share within the U.S., according to IBIS World. In recent years, however, Leslie's has experienced a decline in growth. This has been caused by lower chemical pricing and higher distribution costs (lesliespool.com), with a drop in traffic and order value also contributing (10-K Report).

During the COVID-19 pandemic, Leslie's saw a spike in growth as more people invested in at-home swimming pools. This growth was driven by consumers wanting to improve their home environment while stuck indoors. However, in the 2024 fiscal year, Leslie's reported an 8% decrease in sales, which totaled \$1.33 billion (lesliespool.com).

Despite the recent decline, Leslie's leadership is optimistic. The company's new CEO expects a return to growth in the next year by focusing on building competitive advantage and enhancing leadership strategies to drive long-term profit (lesliespool.com).

### ***Industry Profit Analysis***

In the fourth quarter, Leslie's reported a profit of \$143.2 million—a 10.6% decrease from the previous year. Their gross margin was 36%, and gross profit came in at \$476,790. The company attributes this decline to several factors: product pricing, occupancy costs, previously capitalized distribution center expenses, and significant inventory reductions in fiscal 2024 (10-K Report).

Leslie's is a highly seasonal company, with most sales occurring in the third and fourth quarters if the weather allows. Cooler-than-normal summers can negatively affect sales. During the first and second quarters, the company usually reports a loss and instead focuses on investing in operations. These investments help build performance during peak seasons, even though they reduce profit and cash flow during the off-season (10-K Report).

### ***Industry Competition***

The swimming pool industry is highly competitive, especially with large online retailers such as Amazon, Walmart, Lowe's, and Home Depot. These companies benefit from greater economies of scale and brand recognition. In contrast, local pool supply stores are often small businesses with strong customer relationships, which keeps industry concentration low.

Even with this competition, Leslie's has advantages. The company operates through both physical stores and online platforms, giving it broader reach and a stable customer base. High barriers to entry also work in Leslie's favor. Due to strict legal requirements for handling

chemicals and the inflated cost of entry, it is difficult for new companies to break into the industry. The large size and expense of many pool products add to this challenge (IBISWorld).

### ***Summary and Outlook***

Based on the higher costs of outside entertainment, I expect continued interest from consumers wanting to install or maintain swimming pools. Leslie's is a well-known brand in the pool, chemical, and service sectors, and with both physical and online platforms, they are in a strong position to gain customer traffic. Building their competitive advantage and improving leadership will help them meet future challenges. I expect Leslie's to report a lower loss in the 2025 fiscal year due to renewed consumer interest—weather permitting.

### **Internal Analysis**

#### ***Core Resources and Exclusivity***

As one of the leading swimming pool companies in the world, Leslie's has access to top resources, many of which are exclusive to their operations. These unique resources give Leslie's a competitive edge, helping them remain the company customers are searching for.

To begin with, Leslie's offers several exclusive products sold only in their stores, including Smart Seal paint and coating products, Leslie's brand-named chemicals, and specialized maintenance tools. With 990 locations in addition to their online shop, Leslie's has developed exclusive marketing and distribution systems that allow for direct and efficient customer access. These create a tightly connected service network across the U.S. One standout feature is Leslie's AccuBlue system, which provides customers with personalized water testing that enhances their experience and aids in building loyalty (10-K Report).

Leslie's resource advantages align closely with the VRIO framework—they are **V**aluable, as they directly serve customer needs; **R**are, with exclusive rights and products; and **I**nimitable, due to their established infrastructure and proprietary systems like AccuBlue. These resources are also **O**rganized through a widespread retail and coordination structure, giving Leslie's a sustained competitive advantage.

Additionally, a notable internal development includes leadership change, which is an often overlooked but critical intangible resource. In 2024, Leslie's welcomed a new CEO who aims to strengthen growth strategies by improving leadership effectiveness and long-term profitability (lesliespool.com). This leadership shift contributes not only to Leslie's internal direction but also to their strategic advantage.

### ***Key Activities and Effectiveness***

To remain competitive in the pool and spa industry, effectiveness is essential. Leslie's has maintained this through a strong focus on operations, customer satisfaction, and technological improvements.

One of their central activities is maintaining a broad product selection. Their physical stores regularly carry around seven hundred items, while online platforms and third-party distributors offer over 30,000 Leslie's-branded items (10-K Report). In 2023, Leslie's achieved its highest brand awareness, in-stock service levels, and net promoter score. These numbers suggest that their focus on efficiency is translating into customer loyalty and a positive brand reputation.

Another key activity is their commitment to technological advancement. Leslie's integrates technology in both service and operations, including the AccuBlue water testing system. This

commitment keeps them at the forefront of pool and spa care and supports long-term effectiveness (10-K Report).

Despite their success, Leslie's has experienced vulnerability to external changes. For example, during the COVID-19 pandemic, demand for at-home pools and spas surged. Once lockdowns eased, many consumers returned to travel and vacations, reducing demand for home-based pool upgrades. This highlights how even the best systems and activities can be temporarily offset by unpredictable external forces.

### ***Use of Capital***

Leslie's generally uses its investments wisely, focusing on infrastructure upgrades and growth. However, seasonal shifts and broader economic trends can challenge even a well-managed capital plan.

In early fiscal year 2025, Leslie's reported a 0.7% revenue increase, suggesting some rebound from prior declines (morningstar.com). Investments have gone toward improving infrastructure and technology, helping to boost long-term operational strength. Capital has also supported the opening of new stores, signaling a forward-looking approach to expansion (10-K Report).

Still, the company's seasonality poses recurring challenges. Leslie's usually experiences losses and limited cash flow in the first and second quarters due to lower customer activity in colder months (10-K Report). This inconsistency can impact liquidity and require higher working capital reserves to bridge those off-seasons (morningstar.com). As a result, careful capital management remains essential to ensure consistent performance year-round.

### ***Summary***



Leslie's holds valuable, rare, and well-organized resources that offer them a sustained competitive advantage. Their exclusive products, wide distribution, and personalized customer tools like AccuBlue all contribute to their success. With a new CEO in place and a focus on technological advancement, Leslie's is poised to maintain its leadership in the industry. However, due to seasonal fluctuations and broader economic challenges, they must continue to use capital strategically to remain effective and profitable. With signs of slight growth and evolving strategies, the company is heading in a stable direction.

### **Stakeholder Analysis**

#### ***Key Stakeholders***

Stakeholders are central to a company's long-term success, and Leslie's depends on their satisfaction and trust to remain competitive. The company acknowledges their importance and demonstrates a commitment to serving their diverse interests. Maintaining strong stakeholder relationships also involves adhering to ethical principles and recognizing the responsibilities that come with doing business. While challenges are inevitable, Leslie's proactively addresses stakeholder concerns, helping to preserve its reputation and operational stability.

Customers are Leslie's most critical stakeholders. Their interests include high-quality products, reliable services, and expert advice. However, their influence extends beyond these expectations; their preferences and loyalty directly drive sales and shape Leslie's business strategies. Leslie's engages with customers directly through over 990 retail locations and online platforms, maintaining a strong presence across multiple channels.

Employees are also essential to Leslie's success. They expect a safe, inclusive, and growth-oriented workplace. Their satisfaction is directly tied to productivity and customer

service quality. In response, Leslie's invests in its people through human capital development initiatives and a formal Diversity, Equity, and Inclusion (DEI) program aimed at building a stronger and more resilient workplace culture (lesliespool.com).

Suppliers and vendors serve as business partners whose interests lie in stable, ethical, and mutually beneficial relationships. Their influence is significant, especially in terms of product quality and supply chain reliability. Leslie's maintains high ethical standards and works collaboratively with its partners to meet shared expectations and ensure consistency in delivery.

Lastly, shareholders are stakeholders with both financial and governance-related influence. Their interests include profitability, long-term growth, and corporate transparency. Leslie's maintains frequent communication with shareholders through scheduled meetings and public financial reports, reinforcing transparency and accountability in its governance practices (lesliespool.com).

### ***Ethical Principles***

Leslie's emphasizes integrity, transparency, and fairness across its operations. These principles are fundamental to maintaining stakeholder trust and guiding responsible decision-making. Fair treatment and ethical behavior are especially important in customer and employee relations, where equality and respect are key.

The company also works to avoid conflicts of interest and ensure objectivity in its business dealings (lesliespool.com Code of Ethics). By proactively avoiding ethical gray areas, Leslie's promotes impartiality and sound corporate judgment.

In addition, the company places strong value on diversity and inclusion. A diverse team fosters innovation, strengthens problem-solving capabilities, and enhances company culture. This

aligns with stakeholder expectations and positions Leslie's competitively in a dynamic market (lesliespool.com).

Finally, Leslie's incorporates Environmental, Social, and Governance (ESG) criteria into its operations, reflecting an awareness of corporate responsibility. This commitment to ESG not only benefits the environment and surrounding communities but also strengthens stakeholder confidence in Leslie's long-term vision.

### ***Ethical Issues and Dilemmas***

Despite a strong ethical framework, Leslie's still faces some ethical risks. One significant concern is its environmental impact, including waste generation and resource usage. The company acknowledges this risk and is taking action to reduce its footprint through responsible business practices.

Another risk lies in corporate governance. Weak governance can lead to reputational damage, financial mismanagement, and legal issues. Recognizing this, Leslie's prioritizes transparency and internal oversight to prevent ethical lapses and maintain stakeholder trust.

As technology continues to advance, data privacy and cybersecurity have become growing concerns. With an increasing reliance on digital tools and platforms, Leslie's is exposed to the risk of data breaches and security violations. However, its ESG report states that data protection is a priority, and the company is actively investing in cybersecurity infrastructure to protect stakeholder information (lesliespool.com ESG Report).

### ***Summary***

Overall, Leslie's demonstrates a clear commitment to ethical principles and responsible stakeholder engagement. By identifying potential risks and outlining concrete solutions, the company signals transparency, accountability, and long-term thinking. As stakeholder expectations evolve, Leslie's ability to stay proactive and aligned with its values will be essential in maintaining its industry's reputation and performance.

### **Business and Corporate Strategy**

Leslie's Inc. has seen losses over the last few years. To reverse this trend and improve long-term performance, they should investigate the following incentives for improvement.

#### ***1: Business-Level Strategy – Repositioning by Expanding Product Offerings with Eco-Friendly Options***

With society adopting a more environmentally conscious mindset, customers lean further towards solar pool systems, energy-efficient supplies, and eco-friendly chemicals (IBISWorld). Leslie's 10-K reports a lack of products like these. Focusing on these offerings would allow Leslie's to differentiate its product mix and appeal to a growing niche of eco-conscious consumers.

To implement, Leslie's will need to partner with other brands that sell these types of products and advertise them to the target market. Sales associates should be knowledgeable of the products so they can effectively communicate their benefits to customers.

At an estimated \$300,000 for these development costs, and it captures 10% of the market, Leslie's could take in \$2 million extra in revenue. The payback period would be a year, and the profit margin may be 20%. This could equal a \$400,000 yearly benefit.

While this initiative improves product offerings (a business-level strategy), it also aligns with the company's broader environmental goals and brand positioning. The risk, however, lies in sourcing reliable eco-friendly products and ensuring there's sufficient market demand.

## ***2: Corporate-Level Strategy – Horizontal Integration by Acquiring Regional Pool Service Companies***

According to IBISWorld, the pool industry has many regional competitors working in local markets. If Leslie's acquires one of these, they can have greater economies of scale, gain market share, and have more efficient operations. If they made this acquisition, they could expand their offerings, home in on regional demands, and be a stronger competitor nationwide. They are currently looking for ways to increase their market reach and customer base, so this would align with their goals (10-K).

They should search for regional companies with structured operations and a loyal customer base. Leslie's should do a due diligence in assessing the acquisition's financial status and if operations and cultures are compatible. When the companies are integrated, they can focus on branding, customer appeal/service, strategizing, and reducing costs.

With a projected cost of \$10 million per acquisition, with two regional collaborations, Leslie's could see a \$15 million revenue increase per year. With a payback of 6 years, and a 10% profit margin, they could gain \$1.5 million in additional profits per year.

However, horizontal integration carries strategic risks, including potential integration issues, overvaluation of acquisition targets, and cultural misalignment. Leslie's must carefully evaluate whether acquired operations are compatible with its business model.

### ***3: Business-Level Strategy – Improving Business Functions by Strengthening the Digital Platform***

More specifically, Leslie's should focus on strengthening the online sales platform. The online demand for pool supplies is increasing due to convenience and a wider selection than physical stores (IBISWorld). This creates less dependence on in-person purchases, and a stronger e-commerce platform creates more customer engagement and loyalty, aiding in competitive advantage.

Leslie's should invest in upgrading their digital platform by incorporating customer feedback, online live-chat assistance, and more of a targeted customer focus. To assist in this, they must manage their marketing through email campaigns, ads, and an active social media platform. This shows customers that Leslie's is operating in real-time and remains current.

Leslie's annual revenue is \$1.3 billion (10-K), so even a slight 5% sales increase from an enhanced online platform could boost an additional \$65 million. With the profit margin being 10%, this could increase Leslie's sales by \$6.5 million a year in revenue. Example: for an estimated \$500,000 in technology advancements, Leslie's could pay it back in 2 years. This is a clear business-level initiative, enhancing operational capabilities and customer experience. It allows Leslie's to compete more effectively in a digital-first marketplace.

### ***Summary***

By focusing on eco-friendly product differentiation, pursuing horizontal integration, and improving digital operations, Leslie's can achieve both business-level improvements and corporate-level growth. Strategic risks—especially with acquisitions—should be proactively managed to ensure long-term success.

### **International Strategy**

Given Leslie's dominant presence in the U.S. pool supply market, the company has the potential to succeed internationally with a carefully tailored strategy. The following initiatives—relocating manufacturing, entering new markets, and adapting products—lay the foundation for global expansion.

#### ***Relocating Manufacturing to Mexico***

The motivation for relocating manufacturing is that by choosing a low-cost country like **Mexico**, Leslie's can lower their production costs while maintaining product quality. Mexico is a strategic choice due to its proximity to the U.S., established manufacturing infrastructure, and favorable trade agreements like USMCA. This relocation could free up capital to reinvest in marketing, product development, and international growth (10-K, 2024).

To implement this, Leslie's would need to develop a negotiation strategy with the Mexican government to support facility development, potentially leveraging existing manufacturing parks or free-trade zones. They would also need to restructure their logistics to incorporate more advanced transportation, investing in new distribution centers across North America to streamline cross-border flow.

The greatest cost in this venture would be the establishment of new facilities. ChatGPT estimates this to be around \$10–20 million. In addition, to restructure distribution, another \$2–5 million would be required annually. If executed efficiently, this move could reduce production costs by 15–20%, with a projected 5–10% increase in overall company profits within two years—equating to \$25–50 million in annual savings.

#### ***New Market Entry in Brazil***

Like America, other countries have rising demand for pool and spa services. Brazil is a high-potential market due to its warm climate, growing middle class, and popularity of backyard pools. According to IBISWorld (2024), Latin America is experiencing significant growth in home improvement and leisure spending—perfect for Leslie’s offerings.

Leslie’s should pursue a joint venture with a local Brazilian pool supply distributor or retailer. This strategy would minimize financial risk while giving Leslie’s access to local market expertise, cultural insight, and distribution networks. Joint ventures also allow shared investment responsibilities and quicker brand penetration.

To implement, Leslie’s must conduct extensive research to identify strong local partners and understand regional consumer preferences. Strong initial marketing efforts are essential to establish brand identity. An initial investment for a joint venture—including research, negotiation, and setup—is estimated at \$5–10 million. A supplementary \$2–4 million in marketing would support brand launch and customer engagement. An expected revenue increase of 10–20% is foreseeable within five years, with potential profit gains of \$50–100 million (ChatGPT).

### ***Product Strategy: Balancing Standardization and Adaptation***

Leslie’s should use a transnational product strategy, blending global standardization with local adaptation to optimize cost and customer satisfaction. Certain core products like chemicals and cleaning equipment can remain standardized. However, products such as pool heaters (solar vs. traditional), accessories, and backyard décor should reflect regional preferences—for example, solar heaters may be more appealing in sun-heavy regions like Brazil or Mexico.



An estimated \$3–5 million will be needed for initial research into customer preferences across target regions. Adaptation costs—including redesign, packaging, and compliance adjustments—would run \$1–2 million annually. With more relevant and culturally appropriate offerings, Leslie’s could see a 5–15% increase in sales per region, generating an estimated \$10–30 million in annual profit growth (ChatGPT).

By relocating manufacturing to Mexico, entering the Brazilian market through a joint venture, and tailoring product offerings, Leslie’s can strategically expand globally while maintaining profitability. With thoughtful planning and execution, these international efforts can deliver long-term value.

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