

Message in a Bottle:

Five Valuable Tips

for the

Home Delivery

Business



By Bruce Kucera

As demand for bottled water grows, so do the options of water bottling businesses to identify and develop profitable market niches. Certainly, home delivery of 3- and 5-gallon bottles is central to a solid bottled water business.

There are several key business factors a start-up water bottling company should consider when deciding to offer home delivery:

- Is your market area conducive to home delivery?
- Do potential customers want this type of bottled water service?
- What type of delivery vehicles should you use?
- Should you add non-water products such as coffee to your delivery service?
- Should you extend your brand to include delivery of small PET bottles?
- What about providing private label bottled water as a promotional item for churches, schools, businesses and special events?

The more market research you can do, the better, as long as it's prior to committing your resources to a particular market niche. You don't want to find out the hard way that your target audience doesn't want your product or service. You'll also need to know if you'll face competition in your targeted market area.

Key on the primary

There are two basic types of market research available for your use—primary and secondary. Secondary research is generic information such as census figures, chamber of commerce studies, and the like that any businessperson can use. But primary research is the most valuable and helpful. It can help you answer specific questions. Primary research is conducted by you, or you may hire a market research firm to handle it. In either case, the questions asked of a sampling of actual potential customers are developed to provide answers specific to your needs.

You'll want to find out if home delivery of water is already in demand (i.e., they'd take it if it were offered), whether they already have access to such a service (i.e., competition exists), or whether answers indicate you could create demand through concentrated promotional and educational efforts. Your job will obviously be easier if there's already a demand for home delivery in your area—even if there is competition.

If there's a home delivery company already established in your target area, you must decide if there's a clear differentiation between your products and services and theirs.

Does your competition offer other products in addition to water? Can you provide a wider choice of bottle sizes or other options? Can you beat them in price? If you can position yourself as offering better products or services, you'll need to decide how to communicate to your potential customers why you're the better choice. How will you communicate that message?

The market research step is vital. Before you invest in a business, make sure you're entering a viable market. Take a close look at your targeted market area to determine:

- The appropriate size for your market area. Logistically, within how large an area can you effectively and efficiently distribute your products?
- Is the population within your selected target area large enough to support your business? We recommend a base population of about 50,000.
- Are there indications that people in this area use bottled water?
- What is the level of competition in the area for bottled water?

Once you've determined yours is a

potentially successful market, you'll have several seemingly mundane factors to consider.

Truck or delivery van?

The first factor is what type and size of vehicle you should use to deliver products.

The choice is typically between delivery vans and larger cargo bay delivery trucks. For the small-to-medium operators, the choice will most often be the van. The reasons are simple:

1. Delivery vans are usually much less expensive than larger cargo trucks. A well-equipped van typically is priced in the low-to-mid-\$20,000s. On the other hand, more elaborate big trucks—with specially designed cargo bays—can run as high as \$50,000 each.

2. A van can typically hold up to 135, 3-gallon bottles or up to 95, 5-gallon bottles. Often, van drivers can make up to three runs each day, which can allow the delivery of up to 400, 3-gallon bottles or nearly 300, 5-gallon bottles per shift. While the larger trucks can hold more, other considerations may make them less efficient overall (see next items).

3. The larger trucks are more difficult to handle and also require special driver certification. This will limit your choice of drivers. Remember, your delivery people represent you and your company every time they enter a home or business with your water. You'll want to hire employees based on their "people" skills, not so much on driving skills. No particular driving experience is necessary with a van.

4. Larger trucks can be an inconvenience in certain areas of town. In business districts, for example, convenient parking may be a problem. Narrow streets combined with curb parking can force drivers to double-park, which in the long run can cause ill will within the area as well as the potential for parking tickets. Even in some older neighborhoods, narrow streets can cause similar problems. The need to drive around looking for suitable parking can lead to slower delivery time, which in turn drives up your cost for each stop and reduces your overall profit.

Coffee service

Should you add coffee delivery to your services? If you have competition

and they offer coffee services, then your answer is definitely "yes." To compete, you'll have to meet the competition's services.

Coffee is a high-profit beverage many smaller operators overlook. Often, an operator may not even consider this a viable option simply because finding a reliable source for quality coffee grinding may seem too difficult. In fact, there are now several regional coffee supply houses that make available coffee blends for either private label packaging (yours, for example) or for their own "house brand" for local sale.

Coffee offers several significant advantages to the smaller operator. First, dry coffee has a virtually unlimited shelf life. Since it's a virtually non-perishable item, it can stay in your inventory—or in a customer's food pantry—for months without losing flavor or quality. Second, dry coffee weighs very little so it's easily handled, takes limited space on a delivery van so your all-important bottle counts aren't affected, and takes little or no sales expense and effort to sell it. Typically, the delivery person either introduces the idea of coffee service to the customer as he makes a delivery, or attaches a flyer to the freshly delivered bottle. For residential customers, coffee may be sold by the packet or case. For business customers, it may be necessary to provide coffee-brewing equipment as well, which may provide you with even more rental revenue.

PET small bottles

Brand recognition is one of the most important factors in developing a successful business. If you're already delivering your product to satisfied residential and business customers who've come to appreciate your brand, it may make good business sense to extend your product line by offering the convenience of small bottles as well.

Almost certainly, your customers are already buying bottled water from somewhere (a soft drink vendor, perhaps, or a nearby supermarket or convenience store). Still, you should be the water expert in your customers' eyes—their source for clean, fresh water. Why shouldn't they buy their small personalized bottles from you, too? Whether you bottle your own PET bottles, or you contract with another company to pri-

vate label them, this will open up a new revenue stream for your business.

If your bottling plant is equipped only with a large format 3-to-5-gallon production line, the addition of a small format, PET line can be much less expensive than you might think. Since your production requirements may not require a high-speed, high-volume system, you may want to look for an equipment manufacturer that can provide a start-up system to keep your initial investment as low as possible. This will allow you to maximize your current customer base by supplying them with your own company-branded, PET bottled water.

Private label lines

If you add small bottling capabilities to your plant, you may also want to provide "private-labeled" bottled water for your customers' special events or promotions. Private-labeled water is being used by schools, churches, businesses of all sorts and special events to generate their own name recognition, raise funds and, often, just for fun. Private labeling is great for personal use as well as weddings, family reunions, etc. This isn't a market in which the big bottlers are likely to enter, simply because volume isn't going to be large enough. That leaves the market to you!

Conclusion

As you consider entering the home delivered, bottled water business, you need to know your market and make wise choices in how you set up your business, right down to the delivery vehicles you choose and the product extensions you can offer customers.

Demand for bottled water is growing, whether for home and office delivery or for point-of-use sales. Now's the time to jump in. The water is fine.

About the author

◆ *Bruce Kucera is vice president of Norland International Inc., of Lincoln, Neb., a company that supplies complete bottled water operations to companies around the world. The company's products range from turnkey bottling plants to a variety of components for the bottled water industry including distillers, bottle washers, fillers and cappers, blow molders and packaging equipment. Kucera can be reached at (402) 441-3737, (402) 441-3736 (fax) or email: bk@norlandintl.com*