

The Commercial POU Market

Commercial point-of-use (POU) drinking water equipment and services is rapidly evolving into a multimillion dollar market. This growth can be attributed to several important trends.

Heightened Awareness Levels

There is a general increased awareness level among business decision makers regarding POU as an alternative to bottled water in the workplace. This is becoming more and more evident each year based on feedback from POU dealers and sales reps. Compared to the period between 1995 and 1999, when appointments with prospects were more difficult to set and more sales presentation time was spent explaining the meaning of POU, decision makers today know what POU is and are

more interested in specific features and benefits. Other phenomena adding to increased awareness levels include higher levels of concern with regard to workplace health and safety, ergonomics, regulatory issues, facility security needs and more sophisticated nationwide marketing efforts by POU equipment manufacturers and dealers. Also, the mere presence of more POU coolers today in businesses has provided a visual awareness not available in the past.

Costs and Economics

Besides the health and safety advantages of POU over bottled water, POU provides the employer with irrefutable economic benefits. These benefits are an integral part of any professional sales presentation

and can be divided into two categories: direct economic benefits and indirect economic benefits.

Direct economic benefits of POU are calculated easily by comparing proposed annual POU rental and maintenance fees to the customer's current annual bottled water costs including cooler rental. Often overlooked during this calculation is the value of the savings over time. POU systems typically are rented for a flat monthly fee for a fixed term. The price stays the same during the term regardless of the amount of water consumed. Bottled water costs, on the other hand, typically increase each year due to general price increases and, more importantly, due to increased consumption by the customer.

On average, over the term of a POU rental contract, direct annual cost savings to the customer fall between 10 and 30 percent—often times more.

Indirect economic benefits of POU and the proper explanation and calculation thereof are an extremely important part of any presentation or proposal because these benefits easily can be overlooked. These also happen to be the items that cause the customer the most grief and pain. Indirect cost benefits include labor costs associated with changing bottles; bottle storage costs; accounting costs related to handling multiple (and confusing) invoices, packing slips, credit memos and statements; down time and workman's compensation claims resulting

Case Study: Positioning a Dealer Network Company in the POU Market

The following presents an example of a company that set its sights on the commercial point-of-use market and the strategies necessary to position a dealer network and capitalize on the seemingly endless opportunities that lay ahead.

During the early stages of research and development, PHSI—Pure Water Technology tested a variety of water treatment methodologies. The key design objectives taken into account were

- To meet or exceed EPA regulations for overall water quality including the elimination of microbiological contamination during the treatment process,
- To insure the integrity of the drinking water after purification,*
- To keep cost of ownership down,
- To provide the most state of the art and leading edge products in the marketplace, and
- To incorporate flexibility, modularity and consistent componentry throughout the product family.

In January 1998, after two years of extensive research and development, production commenced in North Idaho of its flagship product, the Pure Water 1. Initially, corporate-owned dealerships were set-up in Fremont, Calif.; Salt Lake City; and Boise, Idaho. Corporate-owned dealerships were established in order to test the viability, performance and customer acceptance of the product and to fine tune sales and marketing programs, finance programs and dealership support programs.

With this experience in hand and as part of

its strategy, in November 1998, PHSI sold the California dealership to Barry Taylor, founder and owner of an office equipment company that focused on business to business sales—an important ingredient for the effective marketing of PHSI's products. The remaining corporate-owned dealerships were sold shortly thereafter to prepare for a recruitment of independent dealers.

Independent Dealer Network

An extensive dealer recruitment campaign began in January 1999, leading to more than 95 dealers worldwide today. The success of a dealer program is predicated upon the extensive support mechanisms. In addition to ongoing dealer support services, new dealers are provided start up services that include sales and marketing materials, on-site sales training seminars, sales training manuals, technical training seminars, presentation materials, dealer manuals, access to online services and customized private-label rental agreements. Through web-based support, dealers are granted online access to all previously mentioned materials in a downloadable format.

Expansion of Manufacturing Capability and Certifications

In an effort to expand a company's manufacturing capabilities, a manufacturing supplies agreement can be formed. Oasis Corp. was selected to manufacture PHSI products because of its quality control, manufacturing capability and capacity, continuous improvement program, ISO 9000 certification, engineering capability and flexibility with regard to product improvements.

In addition, Oasis has in-house UL Laboratories system testing capabilities as well as an in-house equipment standards department. Certifications on all PHSI products include UL, NSF, TUV, CE and SASO.

Financial Services

A strong financial program is important when setting up a dealer network. After experiencing inconsistent and inferior service from a variety of third-party finance companies, PHSI formed PHSI Financial Services (PHSIFS). Today, it offers an extensive line of financial products and services exclusively for PHSI dealers and products. By bringing the financial function in-house, a company is able to protect the dealer against the whims of the financial markets and, most importantly, to protect the dealer's vested interest in the equipment. With consistent rates, flexible and consistent credit approval standards and quick funding turnaround, PHSIFS is able to relieve dealers of typical funding "headaches" while giving them the added security of knowing that their customer will be taken care of during the rental term.

A rental program should provide dealers the ability to rent systems to their customers and get paid at the time of installation for the value of the rental contract. This private label rental program substantially increases the marketability of PHSI systems by eliminating the conventional capital purchase decision process typical with a piece of equipment. This, in turn, allows the customer to treat the monthly rental payment as an operating expense (such as

they are accustomed to doing with bottled water expenses). Most importantly for the dealer, the standard PHSI rental contract extends a Price Protection guarantee to the customer whereby at the end of the initial rental term the contract automatically renews at the same monthly rate. At the request of the dealer, PHSIFS will continue to bill the customer on the dealer's behalf and forward collected rents to the dealer on a quarterly basis. As a result, a rental program such as this one builds substantial equity and value into the dealer's business by allowing the dealer to develop a fleet of rental income-generating equipment with minimal up-front capital investment.

National Account Programs

Nationwide corporate accounts that have multiple branch offices located throughout the United States and overseas easily are accommodated by having a strong dealer base and infrastructure. This benefits the dealer network by providing additional business opportunities in affected territories.

For example, PHSI has installed products in international conglomerates such as Alcoa, United Airlines, Wal-Mart, FedEx and UPS, to name a few.

Corporate-Owned Dealerships

The principal purpose for setting up new corporate-owned dealerships is to enable a company to better serve its dealer network. The ownership and operation of dealerships enables a company to better understand the needs of the end-user and the changing needs in the industry as well as to stay on the

* The "residual" post-purification treatment process (as defined and required by the EPA) is an integral methodology of the PHSI product family and the cornerstone of PHSI's patented Double Stage Ozone Injection(tm) process.

from injury due to lifting or dropping of bottles; lost bottle charges and bottle deposit fees; theft or unauthorized use of bottled water; erroneous or fraudulent billings, just to name a few. On average, a fair analysis of indirect cost benefits will yield an additional saving to the customer of between 20 and 40 percent.

Improved Technology, Manufacturing, Distribution and Service


Above all else, growth in the commercial POU market can be attributed to the introduction of innovative technologies and designs, improvements in manufacturing and product quality and, most importantly, the development of professionally managed nation-wide dealer groups. These forces working in tandem—engineering, manufacturing, distribution and sales—with emphasis on quality, professionalism, service and value have dramatically improved the image and appeal of commercial POU products. To date, less than 5 percent of the commercial drinking water market has been converted to POU. Conservative estimates project a 30 percent conversion rate over the next five years and a 50 percent conversion

leading edge with both products and sales and marketing concepts. PHSI has reestablished corporate-owned dealerships and a new marketing concept called the Per Gallon Agreement. Utilizing microprocessor technology, PHSI products provide the ability to track the number of gallons of pure water consumed each day, thus allowing the dealer to charge the customer by the gallon and/or for overages. Also, the ongoing customer feedback has assisted PHSI with product refinements, software enhancements, and the addition of three new POU water purification coolers and expansion of the Clean Cooler Concept™ line.

Other Product Technologies


Over the past five years, PHSI has introduced technologies including Double Stage Ozone Injection that are designed to exceed strict EPA protocols for elimination of microbiological contamination in drinking water: the primary objective of PHSI products. Other proprietary technologies developed and introduced to the industry by PHSI include Activated Oxygen Monitoring, Self Sanitizing systems and microprocessor-controlled systems that provide on-board purity and maintenance monitoring.

Ongoing Testing

Besides standard NSF testing and other industry certifications, a company should be budgeting thousands of dollars each year for continuous testing of its systems. Systems are tested by independent EPA certified and approved laboratories. Test protocols include ongoing heterotrophic plate count (HPC) bacteria testing, new materials testing, filtration performance testing, RO performance testing as well as new component testing and validation. 

rate over the next 10 years. In other words, there are tremendous opportunities today and for many years to come in the commercial POU business. Water treatment dealers and entrepreneurs with a strong background in business-to-business sales need to seriously consider entering this lucrative market.

In spite of recent economic challenges at the time of this article, POU water purification systems continue to gain

market share. With concerns ranging from terrorists acts on municipal water supplies to bacteria levels in the bottle water cooler and potential tampering of 5-gallon water bottles, there is a greater awareness of POU systems than ever before. Furthermore, as businesses continue to look for cost savings, POU will continue to gain market share and eventually become the rule rather than the exception. POU water purification systems are definitely the wave of the future. 

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