

Refreshing Expansion

Dealers embrace water coolers for diversification

by: Brent Hoskins, Office Technology Magazine

Where there is change there is opportunity. The rise of the point-of-use water purification system, steadily displacing the dinosaur of the industry — the water-jug cooler — is one such opportunity.

Below are profiles of three dealerships focused on their strides in the water cooler business. If you are considering the opportunity, perhaps the insight and guidance they provide will be well received.

Kelly Office Solutions

If you are familiar with Kelly Office Solutions, based in Winston-Salem, North Carolina, then you know that the dealership's president and co-owner, Tim Renegar, is grooming his two sons to one day lead the company. The brothers are responsible for the dealership's diversification strategies. Today, Blake Renegar manages the IT division, while Brice Renegar manages the water division.

The dealership primarily focuses on products from Ricoh, Konica Minolta, Brother and Epson, but looking at its water division in particular, it also sells water and ice products from Wellsys, Follett, Manitowoc and FloWater. In addition, the division sells air purifiers and coffee makers. "Currently, we have about 1,200 machines in the field," says Brice Renegar. "Our goal is eight machines a person per month." The division has three people focused on sales, and two techs handling installation and maintenance.

The demand for water purification systems in the workplace is on the rise, Renegar says. "For the past 50 years, the water-jug cooler has been the *crème de la crème* of water outside of the tap," he says. "However, starting in about 2016 — and especially during the COVID-19 pandemic — water purification became more in demand. People started to figure out that moving to purification systems provided better-quality water and was a lot more eco-friendly [eliminating the plastic water jugs and the use of gas for regular pickup and delivery of the jugs]."

In terms of water quality, one only needs to think about the nature of water-jug coolers, Renegar says. "The five-gallon jug



has nothing to combat bacterial growth," he explains. "It's an open-air system. When you release the tap, you see the air bubbles go into the system. Those bubbles are basically just the air from your room. All of the dust and particles in the air are now in the water."

A water purification system using reverse osmosis provides a stark contrast, Renegar says. "There is absolutely zero parts per million [bacterial] growth because in our systems we have an LED UV light in the tank," he says. "It's constantly sterilizing the water. It doesn't allow any growth to happen."

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Reverse osmosis? Renegar explains. "Reverse osmosis is the process of purifying water through a membrane," he says. "The membrane's pore size is 0.0001 microns, so very, very small. To give you a sense of the size, a human hair is about 40 to 60 microns. It's like pushing water through a wall, which means everything outside of pure H₂O gets flushed down the drain. The only thing that actually makes it through is purified water."

The next step involves a BioSure filter, which puts electrolytes and minerals back into the water, while increasing the pH level as well, Renegar says. "It puts calcium, potassium, magnesium and about 15 other elements in the water. Think of it like you are drinking a little vitamin pill. We have learned that it actually helps your body fight off infections. It keeps people healthier and at work longer; they are not spreading viruses back and forth using the water system [the dealership offers products that have antimicrobial agents baked into the cooler's plastic and recessed nozzles]. Therefore, it makes your business more efficient."

Once they understand the process, customers are quick to embrace their water system upgrade, Renegar says. "My goal is to set up a demo unit," he says. "If you can get a demo into a customer's building, eight out of 10 times they're going to keep it. The goal is a one-week demo, but we have learned that it is advantageous to go back out on day three. It's fresh on their minds, they are still getting used to it and

they love it. So, we go back in on day three and try to close the deal right then and there. You go in to check on the unit, grab the decision maker and get the deal done instead of waiting a full week.”

New Jersey Office Systems

Seven-and-a-half years ago, Shawn Donelson established his dealership, New Jersey Office Systems (NJOS), based in Cranbury, New Jersey. “I wanted to have complete control over support, service and the deals,” he said, referencing the change he sought from his years working for others. “So, I made the decision to go out on my own. I wanted to run my own company.”

NJOS, a Kyocera-authorized dealership, is not limiting itself to imaging devices. “Everyone knows print counts are going down,” Donelson says. “So, we’ve added other services over the years, such as VoIP. During one of the BTA events, we met with Wellsys [a brand of Quench U.S.A. Inc., which is owned by Culligan Water]. They referred me to a few dealers offering water. I spoke to them and they convinced me that it would be a good addition. As a matter of fact, a couple of them said they were doing so well with water — selling more water than copiers — that they actually sold their copier businesses and are now just selling water.”

This is a new venture for NJOS. “We signed on in December,” he says, referring to the Water Logic [another Quench brand] water purification systems and ice machines now sold by the dealership. “We went live at the beginning of March.” NJOS also brought on two niche water brands — Brio and Borg & Overstrom.

Donelson sees the products, in part, as a way to win more imaging deals. “You’re out prospecting, talking to a customer about their copiers and they are, say, one or two years into a five-year lease,” he says. “Now we can offer another product and get our foot in the door, letting them see our service and how our company operates. That gives us a ‘soft in’ when that copier lease expires.”

With the launch of the water systems, NJOS replicated its launch of VoIP, which began with an email campaign. “After we sent out that email, we signed between 15 and 20 VoIP contracts almost immediately,” Donelson says. “With water, after sending out an email, we had three or four hot prospects and set up meetings.”

As a newcomer to water systems, Donelson can readily provide advice to other dealers who may be considering the opportunity. “Make sure you have the right location for

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preparations and that you have the right materials,” he says. “You need to make sure you have a dump sink, buckets, water lines, clamps, saddle drains and fittings. There is a whole slew of things you are going to need. Looking back, I wish I had been better prepared in the beginning; I think we would have been a little further along today.”

Donelson also advises dealers to secure an insurance

policy protecting against any damage that may occur during installation or leaks. In addition, he says, dealers need to recognize the possible need to partner with an installer. “Some municipalities require that you have a licensed plumber to handle installations [the products tap into water lines like a refrigerator’s ice maker],” he says. “I partnered with an appliance installer who is insured, bonded and licensed. We have a set fee and I just incorporate that into my pricing. We also have two people on staff who are trained to handle installations, but they are not licensed. In situations where we can, I use them.”

Regarding municipalities, Donelson shares a unique strategy for finding prospects. “Look up what they allow for the total dissolved solids in their water — their TDS,” he advises. “Some allow 400 to 500 TDS. When you are using filtered water, you can get that down to between 80 and 110, and when you are using reverse osmosis, it goes down to below 20. The higher a community’s TDS, the more likely businesses are to have an interest in a water [purification] system.”

Donelson is optimistic about the future of NJOS with the water business as a contributor. “By next year, I expect to double our annual revenue with what we’re doing with copiers, water, coffee [another new addition] and VoIP,” he says. “I will probably have three or four water reps added in the next year and may branch that away from NJOS, running the water business as a separate company.”

United Business Systems

When John Kerling, who serves as vice president of United Business Systems (UBS), based in Buffalo, New York, assumed the daily management of the dealership along with his two brothers from their father, Wayne, the elder Kerling had extra time on his hands. So, his entrepreneurial spirit took him in a new direction. “Over the years, a few of his [Wayne’s] dealer friends had gone into the water business and found some real success in it,” Kerling says. “So, he decided he was going to start a water company, Pure Water Technology of Western

New York. He hired two sales-people and a service tech and started attacking the water business here in Buffalo.”

Today, 15 years later, the water company has 12 employees — five sales reps, a sales manager, a service manager, three techs, one admin and a telemarketer, Kerling says, noting that the day-to-day operations are managed by his mother, Cheryl Kerling, and sister,

Jennifer Pohlman. The company, which sells Wellsys water and ice products, as well as ION sparkling water coolers, operates under the umbrella of UBS, a Canon, Ricoh and Lexmark-authorized dealership. “We’re doing \$2-million worth of water business annually,” Kerling says. “I think that in the next three years, we’re going to double that.”

What is the basis for Kerling’s optimism? “With 2,600 to 2,700 units now in the field, we can see what people want,” he says. “When we walk into deals, people want this stuff. The growth is there. Plus, younger people don’t want to drink from a water jug and they don’t want to drink from a machine that might be unsanitary. Maybe it’s because of COVID, but there has been a big change. People are now looking at water coolers differently.”

Beyond the increasing displeasure with drinking from a water-jug system, the delivery infrastructure for the jugs is also problematic, Kerling says, noting the issue of the end user having to regularly deal with a jug delivery person and the storage of the full and empty jugs. “We were in a business the other day,” he says. “I don’t know how many water-jug coolers they had, let’s say 50 in the building, with six jugs next to every water cooler throughout the place. Just the visual of that; it was as if they were begging us to sell to them. Where there is a five-gallon jug, there’s an opportunity.”

The reason UBS entered the water business was the appeal of having another source of recurring revenue, Kerling

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emphasizes. “We have a set dollar amount every month, ‘to service your machine when it needs to be serviced,’” he says. “Then, once or twice a year, depending on the service schedule, we come out and change your filters [the supplies revenue opportunity], clean and sanitize your machine.”

After the initial lease term on the equipment ends, “it really becomes a great piece

of revenue for dealers,” Kerling says. “It’s a ‘buck-out’ term with the leasing company, then you just take over the equipment and start billing the monthly fee yourself,” he says. “It’s different than the copier industry where you are constantly trying to upgrade to the newest technology.”

In the case of UBS and its water company, “we’ve benefited big time because we started our own leasing company,” Kerling says. “At the end of the day, having our own leasing company has helped us tremendously with recurring revenue because we own all of the paper on the equipment from the beginning.”

It appears that office technology dealers are increasingly recognizing the benefits of diversifying with point-of-use water purification systems, Kerling says, noting that in a recent conversation with a representative of Quench, he was told that “their biggest growth comes from copier dealers right now.” The Quench rep also reported that “point-of-use is growing at 8.3% per year,” he says. “That will account for 34% of the market by 2024, up from 28% in 2020. There are still so many water-jug systems out there. That’s why there is so much growth left in this business.” ■

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