



## Private Labeled Bottled Water: *A Profitable Niche in a Fast-Growing Industry*

By Bruce Kucera

**T**he key to building a profitable business is to find the right market niche. Marketing 101 tells us to find the corner of an industry that may be unrecognized or underserved, but where there's a demonstrable need. Find a unique product, or adapt an existing product to an innovative application, and you have the makings of a profitable business.

### ***A thriving market***

Home-delivered bottled water services thrive in many parts of the country, and the market for small bottles is exploding. You see people with bottled water walking down the street, at the shopping malls, and on their way to work or school. Of course, people have always consumed water. It's how they're doing it these days that opens up doors to a profitable business.

Bottled water is the fastest growing major beverage category in the United States. Just look around your neighborhood supermarket, vending machine or convenience store. You'll see bottled water side by side with all the popular soft drinks. By 2004, bottled water is projected to move past coffee and milk into second place in sales behind soft drinks, according to Beverage Marketing Corp., a New York City specialist in analyzing the market. With the bottled water industry booming, competition is growing. Many of the nation's largest soft

drink bottlers are marketing bottled water. It's not always easy to sell against the big guys like the national soft drink companies, and fighting for shelf space in supermarkets and convenience store chains is even harder.

### ***Your own brand name***

Recently, a new bottled water market segment has emerged, one in which small, local bottlers often have an advantage over the national brands. This promising market niche is private labeled bottled water. It's creating an entirely new, highly profitable market for the product, with margins running from 50 percent to as high as 200 percent. Private labeled bottled water can be a perfect promotional item, used by schools, churches, restaurants, businesses and special events of all kinds to generate name recognition, raise funds and often just for fun.

The private label market isn't one likely to be tapped by the big bottlers. They're interested in high volume, even though that may mean low per-unit profit. That leaves private labeling to local marketers, handling local demand with product produced and distributed locally. This means a big opportunity for you.

One visionary who saw—and grasped—this opportunity is Ken Vaughn, of Spring Water Promotions, located near Atlanta. In just two years,

he doubled his business and expects growth to continue well into the future.

### ***Great for small operators***

"Private labeled bottled water is a great business for the small operator," Vaughn says. "I can go to any number of local businesses and provide them with a service and a product that the large soft drink companies are usually not interested in."

Vaughn and his family looked for ways to capitalize on a high-quality spring on the family's property. They tried setting up a bulk water delivery business, but without major success. "We found that we were simply unable to compete with the other suppliers who were willing to cut their prices just to keep the water flowing," Vaughn recalls.

At the time, Vaughn was finishing his work on a master's degree in business management from the Keller Graduate School of Management. He was required to write a business plan as part of his degree requirements. He and three of his group partners chose to write their plan on the private labeled bottled water business.

Vaughn found that there was already market acceptance for the idea on the West Coast and in some small pockets of other U.S. regions. "The demand was there," he says, "but very few bottlers had recognized the marketability of the product."

The rest is history. Using his master's thesis as a starting point, Vaughn launched Spring Water Promotions in 2000. His company focuses exclusively on private label bottling while providing water for a wide range of promotions and special events in the region.

### Room for growth

In recent years, the number of bottlers entering the private labeled market segment has grown, but there's still plenty of room for others to start up their own businesses. Let's consider three key factors that may help you decide whether to get into the private labeling business.

### Picking the players

Who should consider getting into the private labeling business? Three examples come quickly to mind:

- Entrepreneurs already in the bottled water business—this new market provides an obvious opportunity at product line extension for those who already know the bottled water industry.
- Those in other water-related businesses such as water treatment services.
- Anyone looking for a promising new business venture.

In the first two categories, the reason is clear: You know the water business and already have your feet in the door of many prospects for this new product line. It's a logical product line extension and your name and reputation have already been established. But for those who may not have bottled water experience, the door to a successful new business is wide open. There's a growing demand, a promise of reasonably fast return on investment, and start-up costs are moderate.

For those of you who have no experience with the bottled water industry, the good news is that getting started isn't very complicated or, for that matter, terribly expensive. It's more important to have a strong entrepreneurial drive and a creative mind that will help you find new ways for potential customers to use private labeled bottled water as a promotional tool.

### Evaluate intended market area

It's critical before you set up shop to carefully analyze your market. Several key factors will impact decisions:

1. *Measure your potential customer base*—The ideal situation is to be located in an area with a population of at least 50,000. The types of organizations and events that lend themselves to using private labeled bottled water are typically

found in larger communities. There have been private label bottlers, however, who've succeeded in smaller population areas where the right mix of other factors was present. You'll need a consistent demand for bottled water and larger organizations can provide that need.

A fairly large population base is necessary, because to break even you'll need to sell about 12,000 bottles a month, assuming you're selling only private label water. Most bottlers start showing a profit in as few as 12 to 18 months. In terms of profit margin, there's no argument that this sector of the industry generates the highest margin of all marketable waters. Profit margins of at least 50 percent to as high as 200 percent are common.



### EXTRA: Making the right links

Here are a few sources that can help you out if you have other questions on the bottled water market:

#### United States:

Int'l. Bottled Water Association:

[www.bottledwater.org](http://www.bottledwater.org)

Northeast Bottled Water Association:

[www.nebwa.org](http://www.nebwa.org)

South Atlantic Bottled Water Association:

[www.sabwaonline.org](http://www.sabwaonline.org)

Southeast Bottled Water Association:

[www.sebwa.org](http://www.sebwa.org)

Texas Bottled Water Association:

[www.tbwa.org](http://www.tbwa.org)

California Bottled Water Association:

[www.cbwa.org](http://www.cbwa.org)

National Spring Water Association:

[www.nswa.org](http://www.nswa.org)

#### International:

Int'l. Council of Bottled Water Associations:

[www.icbwa.org](http://www.icbwa.org)

European Bottled Watercooler Association:

[www.ebwa.org](http://www.ebwa.org)

Asian Bottled Water Association:

[www.ibwasia.org](http://www.ibwasia.org)

Asociación Latinoamericana y del Caribe

de Embotelladoras de Agua del IBWA:

[www.aleaibwa.com](http://www.aleaibwa.com)

Canadian Bottled Water Association:

[www.cbwa-bottledwater.org](http://www.cbwa-bottledwater.org)

#### Others:

Nat'l. Automatic Merchandising Assoc.:

[www.vending.org](http://www.vending.org)

NOTE: Many of these organizations have their own links pages that provide additional contacts both intra-industry and regarding regulatory agencies, etc.

2. *Evaluate the competitive situation in your area*—The larger the community, the more likely there are one or more bottled water companies serving the area. Are any of them already offering private labeling services? If so, to whom is the product being marketed? Is your competition doing a good job of servicing the area? Does your competition bottle locally or have its product shipped? If so, they may be at a distinct disadvantage because of shipping costs.

3. *Highlight the big crowd pleasers*—Are there any large events in your area that annually draw large crowds, such as state or county fairs, concerts and athletic events, etc.? (High schools and colleges are excellent potential clients.) These are important venues for you and potential customers.

4. *Look for natural affinities*—What's the demand for bottled water in general in your community? Are you in a hot climate? Does home-delivered, five-gallon bottles of water thrive? This will give you an indication of the level of demand for bottled water in your city.

### Find suitable facilities

This is relatively simple. There are no significant requirements about location, or any building code concerns that may have health implications, as there would be if you were producing food products.

In fact, you don't even need much space. As little as 1,500 square feet will handle all the equipment you'll need for a small-to medium-sized bottling plant you'll be operating. Typically, a two-person team can handle production if your plant is equipped with an efficient, well-designed and integrated system.

### Equipment you'll need

You'll need a complete plant system capable of handling the full scope of production required to follow International Bottled Water Association (IBWA) and U.S. Food and Drug Administration (FDA) regulations\* including water treatment, storage, disinfecting, filling, water testing and label printing. You'll pay for this complete plant system about what you'd pay for a new, well-equipped Chevy Suburban.

It's best to buy a complete production plant from a single source. Some manufacturers make only one, two or

\* You should check also on which state agency might oversee bottled water regulation in your state as they may have differing water quality reporting requirements you'll need to follow. The IBWA has a model code that provides for strict quality controls in the bottled water industry.

three of the necessary pieces of equipment, then fill out their plant with units bought from other manufacturers. Equipment compatibility is essential, and using units manufactured by more than one company often causes functional problems.

You'll want equipment that's easy to maintain. Some available equipment is more quickly serviced than others. Downtime costs you money. Try to find equipment that uses few custom parts. You don't want to wait for parts. It's best you choose a system that makes use of as many generic parts as possible. Such parts are easily obtainable at your local hardware store. Be sure to ask your

equipment supplier about parts availability.

Finally, you'll want a system that has been designed and built by a company that specializes in bottled water equipment, not one that focuses on other markets and manufactures bottling equipment as a sideline.

### **Conclusion**

The private labeled bottled water market is just getting started, and it presents significant opportunities for entrepreneurs with the vision and drive to seize the challenge. For businesses already in the bottled water industry, private labeling is an easy product line ex-

tension. For those who have no knowledge of bottled water, it's a relatively easy business to enter.

As Vaughn has found out, private labeled bottled water can be a very profitable enterprise. "It's worth the effort," he says.

### **About the author**

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