



Leasing makes possible a pay-as-you-go option for companies needing to add full-line bottling systems.

Equipment Leasing

A Smart Way to Start Up or Expand a Water-Bottling Business

The rapid growth of the bottled water industry suggests that the business is a good one to get into now. If you're already in the business, it's a good time to expand your operation. After all, when the opportunity arises, it's good to be ready to act.

As in any business, owner-operators face a basic decision: Do we invest today's profits or our start-up cash in the equipment we need, or do we go into debt to borrow money for the equipment investment?

For a growing number of entrepreneurs, a third way has become popular. More and more small- to medium-sized bottled water operations are leasing the new equipment they need to get started or to expand their operations while the market is favorable.

According to Bruce Kucera, vice president of sales at Norland Int'l. Inc., leasing is becoming an important way for start-up or expanding bottled water companies to finance their needed equipment acquisitions when they need it and in a cash flow-friendly way.

"While outright sales still make up most of our business transactions," Kucera says, "we're seeing a rapidly increasing number of customers who are leasing or desiring to lease. The primary reason a growing number of our customers want to lease equipment is to better control their cash flow."

Eric Olsen, owner of Wasatch Funding Group, Inc., an equipment-leasing company based in Salt Lake City, is in agreement. The company handles leasing agreements for bottled water equipment suppliers. Olsen has been in the equipment-leasing business for more than 11 years.

"The chief advantage of leasing rather than buying outright is that it

conserves working capital," Olsen says. "Owners can make monthly payments rather than paying for the whole project up front. That frees up capital for other things that are needed around the business."

Secondly, there's the tax benefit, according to Olsen. "Leasing limits, if not eliminates, taxes," he says. "The financial company such as Wasatch remains the owner, and the customer makes 'rental' payments." Most leasing agreements also feature 'lease-to-own' options," he says.

The manufacturers benefit too, of course. "Helping customers secure

financing improves our chances of making a sale and getting our equipment into their possession," Kucera says.

But the major advantage of leasing is that it allows the customer to get the equipment he needs, when he needs it, rather than having to wait until he can afford to buy it all at once," Kucera says. "It may mean the difference between taking advantage of a good business opportunity or missing out."

"Leasing is quick and easy," Olsen says. "You can pay as you go, rather than all up-front. It means better cash flow management, which can

be vitally important, especially to a start-up business."

Olsen says the leasing process begins with the customer selecting the supplier and the equipment he needs. "For a start-up, they generally will need all equipment necessary to operate a successful bottled water business," Olsen says. "That means everything from pretreatment and storage tanks to bottle washers, fillers, cappers and labelers. It also means packing equipment." The supplier generally refers the customer to a leasing company with background information on the business, what it wants and needs. The leasing company secures the line of credit.

Most leasing companies have a credit limit on start-up businesses, according

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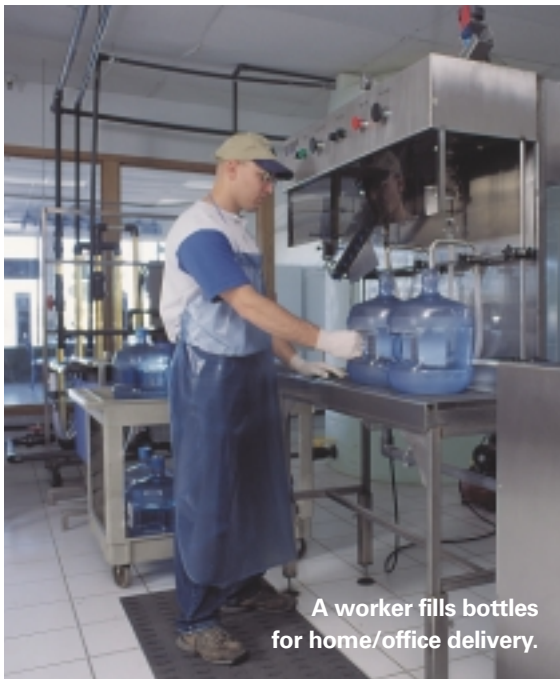
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A worker fills bottles for home/office delivery.

About the Author

Barry Siedell is marketing communications manager for Norland Int'l. Inc., manufacturer of full-line bottling systems and components for small- to medium-sized bottled water plants worldwide.

full turnkey production lines, while others lease specific components they need. "We'll lease whatever the customer needs," Olsen says, "depending on their credit strength."

From the customers' perspective, leasing can help simplify the purchasing process. They don't have to go out

looking for their own financing, "Olsen says. "Sometimes it can be difficult explaining to a bank or lending institution which equipment you need and

why. When the supplier can refer their customer to a leasing company that is experienced in the bottling business, the financial transaction is just easier."

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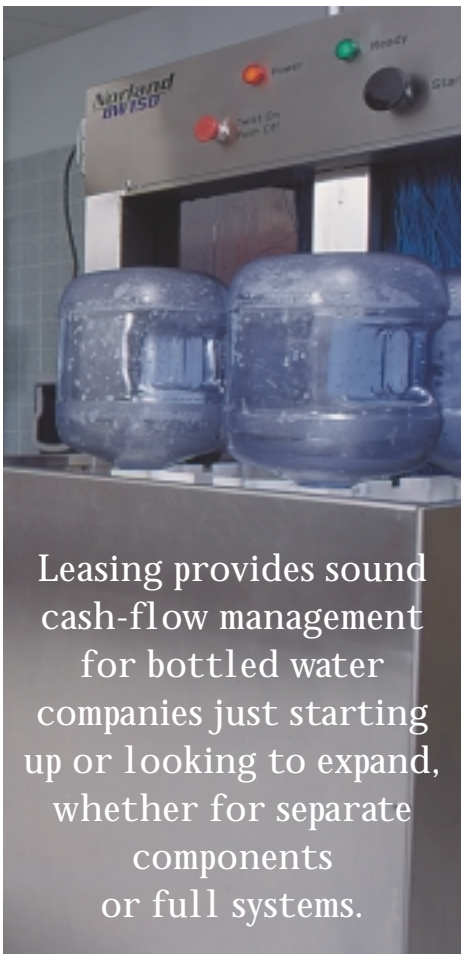
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to Olsen. "Generally, 'start-up' means companies in business less than two years," Olsen says. "For start-ups, our credit limit generally is \$50,000, while companies that have been in business for at least two years can obtain a credit line up to \$100,000 with just the one-page application. Extended lines of credit are available with full financial documentation including financial statement and tax returns."

Upon referral by a supplier, the leasing company sends out a one-page credit application to the customer. Response time often is approximately 48 hours.

The greater the cost of new equipment, the more sense it makes for a customer to lease rather than purchase. "Leasing frees up money and lessens pressure on the company's cash flow," Olsen says. "Rates are low right now, so it's a good time to lease at a fixed rate." Some companies choose to lease



Leasing provides sound cash-flow management for bottled water companies just starting up or looking to expand, whether for separate components or full systems.

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Maintenance and equipment performance issues are strictly between customer and supplier, he says. A leasing company usually doesn't get involved at that level.

Olsen's advice to the small to medium-sized bottled water company looking for a simple, efficient way to

acquire the equipment it needs for start-up or expansion is simply to find the equipment you need with a company that is well-established and highly respected in the industry. "When you've found them, let your supplier know that you'd prefer to lease," he says. "They'll take it from there."

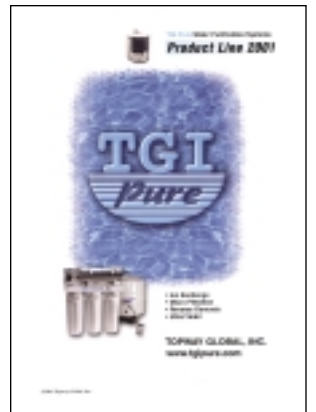
"It's to the advantage of both buyer and seller to arrange a sensible payment agreement so the bottled water company can get the equipment it needs to build its business, and for the manufacturer to have the assurance that the buyer can handle the payments." Kucera concludes. "It just makes good business sense at both ends of the transaction." **WQP**

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Water Purification Systems

This company offers systems that purify water using reverse osmosis, ion exchange, microfiltration or ultraviolet light. Coolers, Counter-top RO systems, undersink systems, water softeners and shower filters all are available. Accessories include faucets, filterers, housings, monitors, test kits, flow controls, pressure gauges and pumps.

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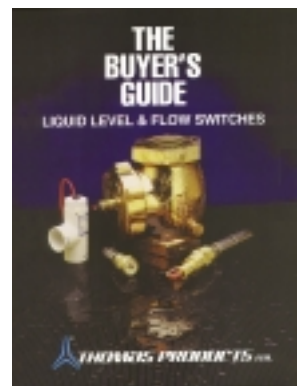


Liquid Level and Flow Switches

This company has collected all of its literature on its level switches and flow switches and indicators and has produced this Buyer's Guide. The guide includes company information, policies

and terms of sale as well as a product selection guide for both types of switches. An appendix of conversion factors and a glossary also are included.

Thomas Products, Ltd., Southington, CT
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Fluoropolymer Coils

These twist-in water purification coils are designed for water quality applications using UV light sources. This coiled fluoropolymer tubing offers a low

ID-to-coil ratio, resulting in close proximity of the liquid to the UV light source, low power requirements and a compact assembly. These coils feature FEP, a high-temperature inert fluoropolymer that offers good UV transmissivity, which minimizes power loss from the light source and increases the bacteria killing effect. In addition, these tubes do not require the periodic cleanings that quartz tubes require.

Markel Corp., Norristown, PA
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