

Focus on the Future

Industry experts' input on the year to come

Another year has come and gone, and it is time again to look toward the future. The coming year promises many opportunities, but, as always, an array of challenges as well. The water industry must endeavor through a time of increasing globalization—a positive trend when it comes to working together to resolve the ever-increasing issues of water scarcity and sustainability, but a negative one in terms of ever-growing

competition. Closer to home, U.S. dealers face the issues of how to best serve customers and keep their businesses afloat in light of economic struggles and increasing costs. Fortunately, new technologies—both in terms of treating water and reaching new and existing customers—will be available for dealers to put to use. With so many issues on the horizon, *Water Quality Products* asked five industry leaders to provide their input on the year ahead.

The Next Big Thing

GLOBALIZATION HAS BEEN a significant topic in point-of-use (POU)/point-of-entry (POE) industry forecasts and predictions over the last several years. While globalization certainly remains a key factor as the industry continues to evolve, many impacts of this trend already have been felt. These impacts include manufacturers seeking and developing incremental innovations to overcome the forces of commoditization and competition for market share.

There now are a number of global POU/POE manufacturers with the capabilities and resources to engineer, design and manufacture complete water treatment lines for multiple distribution channels in numerous markets. Incremental innovations are coming from all angles, including

products with fewer replaceable components for better sustainability, products that combine several different treatment technologies in ways previously not considered, more sophisticated types of media engineered specifically for drinking water treatment applications, products designed to have more consumer appeal, improved leveraging of brand names and more.

Of course, there also are many working on “game changers”—innovations so significant that they could disrupt the market and generate real and sustainable competitive advantages. Development of these major innovations can be risky business due to the level of capital investment required and the uncertainty of success. Venture capital plays a role

in many of these initiatives due to the potential for market disruption and the creation of true, long-term competitive advantages in a global market as important and fast-growing as water.

At this point, it is uncertain which of these significant innovations may ultimately achieve game-changer status, but there are several promising candidates. It could be, however, that none of the potential game changers currently under development will actually live up to the full expectations being placed on them. It is possible that we could be waiting, working, investing and exploring further to eventually introduce the next market-disrupting technology in the POU/POE industry—only time will tell. •



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Old Friends & New Opportunities

AFTER A NUMBER OF BUSY YEARS in the water treatment industry, I find myself wondering whether a period of stability is coming. My overall viewpoint on the direction of the industry has changed a lot in the last few years. I have had the privilege of visiting many locations around the globe to see how the markets there are maturing and growing—and how they compare with the North American market. It is interesting to look at some of the fast-growing markets, like India, China, Southeast Asia and the Middle East. Most of these regions are only 20 years into their water treatment industry journey.

It is exciting to see that these markets are evolving in much the same way that the industry evolved here in the U.S., only at a faster pace. You could draw an analogy to the

computer or telecom industries—they essentially began in the U.S. and evolved relatively slowly here in comparison with India or China. It still pains me that I can get a five-bar 3G signal on my mobile phone while standing in remote western China, but I barely register one bar in my own home here in the U.S.

What this means overall is that as the water treatment industry evolves here, the gap between the rest of the world and the U.S. is closing. At the most simple level, this means that no matter how regionally focused your business may be—whether it is a multinational corporation or a two-person dealership in northern Montana—the global nature of this industry will start to affect you.

Globalization of the industry means more than just competition

coming from overseas. It also includes an overall change in the key drivers for the industry globally. A good example of this is that in the U.S., the primary driver for the residential market is still focused on POE. The vast majority of the rest of the world, however, is much more focused on POU and drinking water needs. This will drive the direction and investment of technologies as the world globalizes.

This does not mean that we will see our POE business go away; rather, we will see a market that is increasingly driven by more than just the traditional factors. This is where being part of industry associations, whether nationally or locally, will help you remain closer to these changing trends and the new global opportunities approaching us. •



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Customer Care

LOOKING AHEAD TO 2014, I feel that the challenges we face as water treatment dealers are similar to what we have encountered in the last few years.

It is important to stand out from competitors by offering the best possible customer service. With many of our customers dealing with job losses and foreclosures, not to mention the stresses of everyday life, we must be careful to listen to what they are asking us, as well as what they do not say.

It is also important to have knowledgeable employees answering our phones so that a simple question about an old unit can turn into a service call or the sale of a new unit instead.

Affordable Water offers salt delivery routes, and, by making calls the day before the scheduled delivery, we stay in touch with our customers and any issues they may have with their water softeners. Many of our salt route customers started with systems that we did not sell, but they ended up purchasing new equipment after water testing during salt delivery. We are careful to send reminders about filter changes and carbon rebeds, as well as other services, so that we stay in touch with customers. Little things like free salt delivery when an existing customer refers a new customer keep them happy and put our company on their minds.

Keeping up with Internet presence

is key in today's market. Many websites can be loaded with your business's information at no charge to you. Find your business and your competitors on search engines to see what is being said and what sites need further information.

One of the most important aspects of owning a water treatment dealership is having the accountability and knowledge that can only be attained by joining industry associations like the Water Quality Assn. (WQA) and Florida Water Quality Assn. and keeping up with certifications.

Stay positive and enjoy knowing that you are helping your customers improve their water. Have a great 2014! •



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Vigilance for the Future

EVERY INDICATOR—including discussions during WQA visits to Capitol Hill—has made clear that one of the most powerful drivers for the water treatment industry in 2014 will be environmental concerns, particularly as they relate to sustainability and water scarcity. In addition, we are likely to see new opportunities to promote final barrier and put more emphasis on commercial and industrial water treatment.

As Charles Fishman, author of *New York Times* best-seller *The Big Thirst* and keynote speaker at the upcoming WQA Aquatech USA 2014 tradeshow, said: "Water is becoming a high-stakes

business where there's money to be made everywhere you look."

Gallup recently reported that pollution of drinking water is Americans' No. 1 environmental concern. People are particularly worried about the risk of diseases, including cancer, that can be associated with contaminants such as arsenic, chlorine, pharmaceuticals and emerging contaminants. This finding confirms the scientific opinion survey about water concerns that WQA commissioned in 2013, which offers a detailed look at the attitudes of Americans toward water.

Increasingly, we also are seeing a

surge in mainstream media reports about "the water crisis in America." The public is learning more about scarcity and sustainability. WQA and businesses need to look at the efficiency of devices, as well as eco-labeling and other product certification opportunities. Solutions that address not only contamination concerns but also environmental sensitivities are likely to be better received than ever before. At WQA, we also have responded to this reality by reaching out to the media about our member products and services.

In the coming year, sustainability and water scarcity will propel state



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and federal government activity; yet, at the same time, budget issues will constrain it. We celebrated some

legislative victories in 2013, such as the passage of third-party certification in California, and we are

going to see more opportunities and threats to our industry. We all need to stay vigilant. •

Get Ready & Go

THE NEW YEAR BRINGS a breath of fresh air. There is concern over health-care, sluggish GDP, inflation, excess federal spending, increasing national debt and unemployment. We have seen it all before in some form or fashion—and in some cases we have seen much worse. Those in the water treatment industry are in a positive position—air, food and water are essential. The year 2014 is time to get ready for inflation and employee training.

Dealers' cost of goods will continue to increase. This will require periodic review of product and service pricing. Dealers will be getting more quotes from multiple suppliers.

Real inflation is higher than reported numbers. If the federal government decouples social security payment increases from the Consumer Price Index and uses another factor, inflation will rise faster. Consumers will see it and start to buy now instead of later, and the economy will start to heat up, along with wages. This will be the year to lock in some long- and short-term expenses like new buildings, major asset repairs, vehicles, computer upgrades or

building renovations.

Diesel, compressed natural gas, hybrid and liquefied petroleum gas vehicles may trim fuel costs. New vehicle purchases have slacked in the past few years, so good used vehicles are hard to find. If you are buying new, alternative energy vehicles should be a consideration.

The impact of the Affordable Care Act will be both good and bad for dealers. Regardless, healthcare costs are going up. Dealer costs will go up because the favorable Standard Industrial Classification code rating will no longer exist. Company costs will be covered by lowering expenses in another category or raising prices for products and services. Individuals on private or group plans will have to cover the higher deductibles. People are going to realize they need to be more health conscious—an ounce of prevention will be worth a pound of cure in terms of deductible costs. Some doctors may exclude patients with high-deductible payment plans because they do not want to chase payments. Employers will need to get feedback on employee concerns about healthcare in

order to choose a good company plan.

The employee will become the most important asset for a dealership. Wages will not increase dramatically in 2014, but dealers will need to prepare for the inflationary period mentioned previously. Dealers will consider subcontractors for certain jobs, rethink how they create sales, economize office functions through technology and enhance service and sales staff through education. Employee education and quality of workmanship coupled with niche applications will bridge the gap between higher wage expenses and the need for additional product and service revenue.

As dealers, we will continue to do our best in 2014 to serve our customers. We will maintain and optimize the things we currently do, break out with new niches and train our employees accordingly. I offer a sincere thank-you to all of my associates. We are all connected and only compete on the surface as part of the fun in the water improvement industry. Have a good year. *wgp*

For more information on this subject write in 1001 on this issue's reader service card.



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