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Anticipating growth in mains-fed coolers

Quench CEO Tony
Ibarguen and
COO Todd Peterson,
Philadelphia, US



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Anticipating growth in mains-fed

Headquartered outside Philadelphia, **Quench USA** is a water technology company that designs, installs, leases, and services filtered mains-fed water coolers and ice dispensers. Quench is the largest independent provider in North America, serving more than 25,000 customers, including one-third of the Fortune 500.

Quench is privately owned, backed by private equity firms and investors with particular interest in water technology industries. Quench's investors recently provided \$30 million in additional investment to drive growth and geographic expansion.

Quench systems purify tap water, providing a cost-effective and environmentally-responsible solution. Claire Phoenix questioned CEO Tony Ibarguen and COO Todd Peterson.



How did Quench become the largest independent provider of filtered water coolers and ice dispensers in North America? What is your Unique Selling Point?



TI: Quench has become successful by doing one thing well: providing great tasting water and ice for businesses of all types and sizes. We are focused on offering an array of products that offer state-of-the-art water purification technologies and features tailored to meet the specialised needs of our customers.

TP: As the only independent bottle-less water cooler company with national service capability, Quench is able to provide water and ice to local businesses and giant, multi-outlet corporations alike. For example, we have recently become the preferred provider for **Johnson Controls Inc** across their US operations, which includes corporate offices, distribution centres, and manufacturing plants. Quench is able to offer

JCI a choice of filtered water coolers and ice dispensers for its facilities of 25 employees as well as those with hundreds of employees, all backed by our own team of Quench-trained service technicians.

What was the thinking behind the launch of the Quench 550 and the Quench 548?

TP: The Quench 550 and 548 feature On-demand Chilling technology, which produces an endless supply of cold drinking water without the need for a storage tank and related tank sanitisation technology. On-demand Chilling occurs when filtered water passes across a unique direct-chilling coil and then right into the glass. Because the 550 and 548 produce cold water, on-demand, without the need for a holding tank, we

believe it has the capability to serve both small and large workplaces well. Quench is delighted to be the first company in the US to offer this innovative technology, which is a great addition to the full line of purification and sanitization methods that we use.

How do you see the bottled water industry doing over the next few years? Where is growth to be had?



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As the demand for filtered drinking water in the workplace grows, and awareness of the benefits of on-demand water filtration increases, we anticipate continued growth for the business. In particular, we see tremendous opportunity in the small-to-mid-size segments, as well as among the largest, national accounts. And unlike in Europe, residential mains-fed has virtually no penetration in the US. So we are very optimistic about long-term prospects for the 'bottle-less' water industry!

Water is an increasingly precious commodity. How important is environmental responsibility and how can Quench help here?

TI: The popularity of filtered water as the 'beverage of choice' in the US continues to grow. At the same time, we're seeing more attention being paid to the negative environmental impact and expense of plastic bottles. This is particularly true in offices, where the five gallon plastic water jug, like Styrofoam coffee cups and

We quantify the number of 5-gallon plastic water jugs that are being kept out of landfills each year

over-stuffed file rooms, are emblematic of an old-school business environment.

TI: Businesses of all types are becoming more aware of the need to be good environmental citizens, and as a water company, Quench is particularly conscious of the need to protect our clean water resources. Offering our customers an environmentally-friendly drinking water solution is one of the pillars of our business. We think that switching to filtered water coolers is a great way for companies to 'think globally, act locally.'

What's more, Quench is committed to environmental stewardship in our own business practices. We 'walk the walk' by operating a fleet of compact, low-emissions service vehicles, recycling process water and employing energy

conservation measures in our warehouse, and adopting increasingly paperless billing and administration operations.

TP: Sustainability is top of mind for many of our customers. In fact, we quantify the number of five gallon plastic water jugs that are being kept out of landfills each year by each model we offer. For example, our most popular water cooler eliminates the use of up to 150 plastic jugs in just one year. And that's just one cooler in one office!

In terms of reducing water waste, one of the less-known environmental effects of the water bottling process is that for every gallon of bottled water produced, another gallon is required. Two to five jugs of water are used to manufacture a single plastic jug (from extracting petroleum to molding the bottle), and then even more water is required in the bottling process (to generate power, wash used bottles etc). In contrast, when using a mains-fed water cooler, no other water is required besides the water produced.

How often do they need servicing?

TP: Different filtered water coolers and ice machines have different service requirements. Some of our more complicated systems may require maintenance every three months, others less often. Quench's team of service technicians are well-trained in the particular requirements of

each Quench machine, and are committed to keeping them operating at peak performance. We provide regular preventative maintenance and any interim service that's required, at no additional charge.

Unlike in Europe, residential mains-fed has virtually no penetration in the US

When it comes to fleet management – what are the big issues?

TI: Quench is committed to delivering best-in-class service, for every customer, everywhere in the US. To that end, we invest substantially to ensure that our service operation functions at optimal efficiency: our technicians are rigorously trained at our own 'Quench University' Quench trucks are outfitted with the latest GPS technology; and we've recently equipped our field technicians with tablet computers, to improve communication and reduce response times.

What advice would you give to anyone keen to set up their own water cooler business?

TI: The mains-fed water cooler business is immensely attractive, particularly in the US, where market penetration is still relatively low.

Anticipating growth in mains-fed

Future category growth is supported by market trends, in terms of the growing popularity of water as the healthy beverage of choice and the increased value placed on moving to more environmentally-

sustainable practices. That said, the filtered water cooler business isn't a 'no-brainer!' Success requires hard work, patience, and quite a bit of capital. The initial investment in equipment is substantial, as is development of the skilled service and sales teams required to achieve scale. Quench has been fortunate to have the support of committed investors who allow us to take the long view of our business, and have enabled us to expand geographically and invest in staff as well as equipment. In fact, we're in the process of recruiting experienced sales talent in several key growth markets, and aggressively seeking potential acquisitions to expand our operation.

Are ancillaries becoming more important? Do you sell cups, sticks, coffee etc or would you consider doing this?

TP: Within our core business, we have seen that our customers are very interested in 'water-plus' items – water plus ice, water plus bubbles (in the case of the sparkling water unit we added to our product line earlier this year). So yes, we see ancillaries such as cups, flavourings, and partner products as an area for growth and a value-add for our customers.

How big is your ice machine business and what is the winning formula here?

TI: Quench has had a great deal of success since we introduced ice dispensers in 2011. We now offer a full range of ice making equipment, from units that can fit on a counter-top and serve an office of 25 or less, to high-capacity ice dispensers that produce up to 400 pounds of ice per day in commercial and hospitality settings. The key to our success with ice machines has been, as with our water cooler business, recognising that a 'one-size-fits-all-solution' isn't adequate to meet the specialised needs of the different industries and types of offices we serve.

For example, we've learned that, in a country as climatically diverse as the US, ice needs can vary dramatically. On the Southwest, where temperatures routinely top 100°F, there are businesses that are dependent on having a ready supply of ice at all times, simply to keep the staff cool, hydrated, and productive. That can mean hundreds of pounds of ice every day, and is why we offer such a range of ice making products.

Filtration is critical in coolers and varies widely – what do you look for when it comes to filtration?

TP: Quench is committed to the idea that better technology means cleaner, better tasting water. We offer a variety of contemporary filtration technologies tailored to each customer's specific water purification needs.

Quench uses carbon filtration certified to NSF standards 43 and 52; we offer supplemental reverse osmosis filtration (which is especially important in regions of the US where mineral content in water is particularly high); and for healthcare settings,

The mains-fed water cooler business is immensely attractive

we offer upgraded filtration to NSF standards 55A and 55B.

Quench also offers sanitization techniques to assure that our filtered water stays clean and great-tasting all the way to the glass: ultraviolet sanitization, stainless-steel



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tanks, food-grade tubing, and anti-microbial surface treatment. And we perform tank sanitization as part of every preventative maintenance service, as well.

Finally, as we mentioned earlier, we're excited by the potential of On demand Chilling to provide a large volume of clean, cold water without the requirement of tank sanitization methods, since it's tank-less.

Which sectors do you now serve (in order of volume) and where would you like to be that you are not yet present?

TI: With more than 25,000 customers, many of them Fortune 500 corporations, there are very few business sectors Quench isn't in!

We've had success developing our business in the Higher Education sector in recent years, as hundreds of US colleges and universities have instituted campus-wide 'bottle bans' to eliminate the use of plastic single-serve water bottles and plastic jugs. Similarly, the Healthcare industry, Government services, and many large corporations have

established sustainability programs around their facilities management and procurement efforts, which has also been to our benefit.

We see tremendous growth opportunity in small-to-medium sized businesses of all types, where the cost savings that mains-fed offers versus bottled water delivery is significant. And again, over time, we expect US consumers to want the same great-tasting water they have at work in their homes, which will create a huge residential opportunity. ■

JG John Guest®

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