

Business debate

Rentals vs Sales

One product with two business models, both of which have their challenges. We speak with two company directors who, despite operating on both sides of commercial approach, play devil's advocate as we look at the pros and cons of rentals and sales.

Buy into sales to pay the rent

How can the rental business keep its cooler in the face of cheaper units? Embrace it, of course, writes Robert Laughton, Managing Director of the **The Water Delivery Company**.

The water cooler business in the UK is definitely showing signs of maturity. "Customers have options between bottle-less and bottled water coolers, drinking water fountains are growing in popularity and companies are increasingly having to deal with customers who are significantly more educated regarding pricing and service options by comparing water cooler companies online.

UK water cooler companies that simply look to protect their rental income streams will struggle and ultimately fail in the future. The industry needs to adapt to a changing environment and look to build long term service relationships, with

both purchase and rental customers, that ensure long term protected revenue streams.

The industry needs to adapt to a changing environment

Customers don't purchase water coolers simply because they are cheaper to buy. Many choose to use capital budgets for equipment such as water coolers, and therefore rental options are simply not applicable. This is especially true of the customers who use our specialist website – www.drinkingwaterfountains.co.uk. Drinking water fountains are often installed in buildings during a kit-out and therefore fall into capital budgets. So whichever way you look at it, rental water cooler businesses need to provide purchase options for customers, and given the way there are increasing options online for purchasing, these rental companies need to provide competitive pricing.

When I first came into the industry seven years ago



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rental companies would often only be offering limited purchase options and these were priced at extreme mark-ups – and I can almost guarantee that these were offered to persuade people rental was the cheaper option. With transparency of pricing online this simply does not stack up. The water cooler industry must adapt itself to normal retail margins as there will be significant amount of 'box shops' that will compete at these levels. More importantly they will also survive as businesses with these margins.

If water cooler companies look to building long term service relationships with both rental and purchase

customers they are also able to build a business with long term revenue streams. As long as margins are right we can build businesses with trained engineers and well-paid staff that can support the customers' water cooler experience. So adapt to the perceived 'threat' of water coolers for sale, and then structure the pricing and service options within your business carefully.

For these reasons and many, many more the water cooler industry needs to nurture innovation and weave the ability to adapt into the very fabric of its being. There are water cooler companies in the UK that have already embraced this. ■

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