

Diamond Springs Water: A Guarantee of Service That Holds Water

By Casey Jacobus

Marty Conte was born into the water business, so it isn't surprising that today he helps run a family-owned business that competes with the major national companies in delivering bottled water throughout the Carolinas and Virginia.

Service is the foundation of Diamond Springs Water, and that service extends to the markets of Raleigh, Greensboro and Charlotte, N.C., Greenville, S.C. and Richmond, Va.

"We try to run the business like a family – we all count on each other every day," points up Conte. "We want all of our employees to feel a part of it. We want everyone to work together as a family."

Conte, now 39, learned the water business from his father Ralph, along with his brother Joe. Ralph worked for Polar Water in the 1950s in Pittsburgh. Polar Water had originally been an ice company in the days before refrigeration, delivering blocks of ice to homeowners. When refrigerators replaced "ice boxes," it segued into delivering bottled water. Ralph Conte not only worked for Polar, he bought its stock and, in the early 1960s, became its sole owner. In 1972, he sold Polar Water to Borden Foods and ran Borden's water division for the next 6 to 7 years.

Marty grew up helping in the business. He remembers washing cup dispensers for a quarter when he was six years old. In 1979, the family purchased another water company, Deep Rock, in West Palm Beach. Marty spent the next ten years in Florida performing virtually every job while going to high school and college. By the time he graduated from Clemson University in 1986, he was district manager.

Subsequently, the family sold the Deep Rock company and acquired some 3,500 water customers in Richmond, Va., starting the Diamond Springs Water company. In 1990, the family added several hundred customers in Charlotte and started a sister company by the same name. Today Ralph Conte is semi retired, but still the chairman of the board. Marty's brother Joe heads the Richmond enterprise and Marty is general manager here in Charlotte.

"We're not very big on titles," Marty laughs. "My job is to run the place."

Water, Water, Everywhere

People have been bottling water for sale for over a century now. Saratoga Springs, a spa resort in uptown New York, was one of the first communities to attempt to export its natural resource in 1872. However, bottled water remained a novelty until sometime after World War II. Then the three things necessary to make selling water truly profitable



Marty Conte, vice president
and general manager of
Diamond Springs Water, Inc.

occurred. Downtowns became denser, the economy boomed, and a general suspicion of "city" water and the elements being added to it by municipalities began to emerge.

Originally water was sold in glass bottles, but the invention of the lexan polycarbonate by a GE Lab chemist Dr. Daniel Fox changed that in 1953. Lexan is a nearly unbreakable plastic that doesn't pick up foreign odors and tastes as other plastics do. Bottles made from lexan are both lightweight and unbreakable. They revolutionized the water industry.

It's a revolution that has flourished in the years since, as the production and consumption of bottled water has experienced steady increases. According to the latest edition of Beverage Marketing Corporation's comprehensive study of the market, Bottled Water in the U.S., in 2001 bottled water volume swelled to more than 5.4 billion gallons, an 11 percent increase over 2000 and more than a 130 percent increase over the last decade. Producer revenues increased even more dramatically, advancing by 11.5 percent over the previous year to nearly \$6.5 billion, a 158 percent increase over the last ten years. Additionally, annual per capita consumption approached 20 gallons in 2001, a 9.4 percent increase over the previous year, and a 110 percent increase over the previous decade.

Delivering Service

It isn't the bottle, though, or even the product alone that makes a water company successful. "While the quality of the water itself is certainly important, it's how well you get it to the marketplace that counts," says Conte. "We sell ourselves, our people and our service, rather than just the water."

Conte says Diamond Springs hires the best people they can find and then encourages them to develop a personal relationship with the customer. Commercial sales representatives make 75 to 100 cold calls a day in person on potential customers – getting to know the market and its demands.

"Our success begins and ends with people," emphasizes Conte. "We want to hire the best people out there. We're looking for people who are more talented than ourselves, and just as driven and passionate. These are the people who enable us to get to the next level."

Diamond Springs takes the same pride in its equipment as in its people. Its red, white and blue trucks are carefully maintained. Deliverymen wear uniforms and the company still adheres to a dress code.

"We want to project a clean and positive image," says Conte, "as 'The Good Guys'."

Because Diamond Springs is privately owned, Conte points out, it is not number driven. Its product may cost a few pennies more, but it is giving value to the customer through service that drives its success. The business is built on developing relationships, not just customers. The successful Diamond Springs route salesman is on a first-name basis with the customer. The company is interested in generating quality business; serving people who need the product and value the services Diamond Springs provides.

Making a Splash

Since bottled water is still considered a luxury item by many and therefore an easy target for managers looking to cut costs, the water industry is subject to decline during economic hard times. However, Diamond Springs has experienced double-digit growth until very recently. And, even with the general economic slump, Diamond Springs has continued

to grow and to produce a positive cash flow.

Part of that growth has come from acquiring other companies. Since 1990, Diamond Springs has made 13 acquisitions in the Carolinas and almost that many in Virginia as well.

"Buying another water company and gaining 300 to 350 customers is as good a way of growing as selling the product to 300 new businesses," says Conte. "The only downfall is that we don't have the personal relationship with those customers that we do with our own. We have to go out and earn their loyalty."

Last year Diamond Springs made its largest acquisition ever when it purchased Aquacool, a major competitor. That acquisition alone increased Diamond Springs' customer base 20 percent with about 10,000 new North Carolina customers.

"Because we manage our assets carefully and try to do everything on a cost effective basis, we've always been in a position to take advantage of the opportunities," maintains Conte. "We plan to continue to do that."

Diamond Springs is about to grow in another direction. This spring it will move to a new facility, about one third of a mile from its current west Charlotte location. Not only will the new facility increase the company's space for office and warehouse from 9,000 square feet to 24,000 square feet, it will also house a \$1.5 million state-of-the-art bottling line.

"The bottling plant adds a brand new dimension to our business," says Conte. "Up until now, we've been a distributor. By building our own bottling plant, we will reduce costs and gain total quality control over our product."

Conte describes himself as an operations person and not a technical "put the water in the bottle" person, so it was fortunate that when Diamond Springs acquired Aquacool they also acquired a certified plant manager. Joining forces, the plant manager and operations manager have over 30 years of experience.

Diamond Springs also delivers allied products to its customers in addition to bottled water. It carries coffees and coffee products, sodas and juices, instant tea and soups, as well as a variety of water coolers and coffee brewers. If you want, you can order a complete refreshment center including a water cooler, refrigerator and coffee brewer.

These additions are market driven, says Conte, a part of keeping up with the competition. The coffee sales grow exponentially every year. But the basic business is renting a water cooler and selling the water that goes on top of it. That provides the major revenue for Diamond Springs.

"We don't want to own the world," says Conte. "We just want to own the Charlotte and Richmond areas. We want to be dominant in our market, and we are."

A Clear Tomorrow

As to the future, Conte says Diamond Springs may add some new products and services, but he says the goal is to continue to increase the volume of water sales.

"We want to improve our density," he says. "We want to service every office and every home on every street."

Conte also expects the residential market to grow. Diamond Springs already has a variety of products and services aimed at the home market, which is a natural extension of the office business. Employees who enjoy Diamond Springs' water at the office want the service at home. Word of mouth is Diamond Springs' best advertising medium.

By the end of 2003, the company also expects to be doing commerce on the Internet. It is developing a Web site specific to the Charlotte region and plans to take requests for new service and deliveries online.

Looking 10 to 20 years down the road, Conte expects Diamond Springs to be doing the same things it's doing now, only doing them better. He anticipates the company will be providing the same quality services, only to more customers.

"We're the last of a dying breed – the family-owned company – in an industry that is dominated by corporate giants," says Conte. "But if we continue to do the things we are doing now, if we don't get complacent and if we do them even better, then there's no reason we shouldn't be 'walking on water'."

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