

Changes in the Centuries Old Ice Industry

Editor's Note: Now and then we like to profile changes and trends in specific vertical industries — especially when a centuries old industry is changing in some innovative, unexpected or even disruptive way. This article was submitted by a reader, Keith Lechwar, about the ice industry and after initially rejecting the story, it captivated our attention. Think the ice industry is not exactly the subject of changing trends? Well, interestingly, it is.

By KEITH LECHWAR, Small Business Trends

Product innovations and new inventions occur on a daily basis. However, little consideration has been given to improving how consumers purchase the most widely consumed food item in America — ice.

The process of combining water and cold temperature that hasn't changed much since the Chinese cut and stored ice in 1,000 B.C. is seeing a dramatic consumer shift. Why? Because an entrepreneur — a retired businessman — came up with an innovative new approach, combining the ice cube with an ATM vending style concept with the capability of making up to 13,000 pounds of ice per day.

The packaged ice business, despite its lack of glamour, is a \$2.5 billion industry. But, it's antiquated. That 8 pound bag of ice purchased at the convenience store traveled from regional ice plants that mass produce bags of ice and distributes them to specific territories. Obviously, this method is subject to high fuel and distribution costs that drive up the costs of everyday products. Not to mention the potential damage to the end product due to distribution and handling. How often have you purchased a bag of ice that didn't need a good pounding on the cement to separate the cubes?

For decades, the most convenient source for bagged and bulk ice has been grocery and convenience stores — hardly convenient enough for today's consumer. That was until Bob Alligood, an engineer who spent 30 years building one of Florida's most successful engineering firms, decided to try his hand as an entrepreneur by developing a company called Ice House America. After a few years of product development and more than a year in operation, Ice House America has grown from having 4 houses in operation in one city to over 225 located across 13 states.

The concept is simple, yet revolutionary: A free standing, automated ice machine that has the capability to produce fresh, fast and convenient ice on demand, anywhere there is electric and potable water access. But, while the idea seems almost

too obvious, it took the right amount of entrepreneurial chutzpah and determined engineering to not only make the Ice House unique, but also an efficient, consumer friendly product.

The patented process ensures that ice is produced and stored using only food grade aluminum and is never touched by human hands. Ice is distributed via a new vertical delivery system that can dispense 20 pounds of ice in less than 10 seconds. The end result is uniform, separate cubes that are pure, fresh, fast and convenient. While the packaged ice industry has been reluctant to accept and embrace the new technology for obvious competitive reasons, customers are finding the innovation to be a more convenient and economical way to purchase ice for any occasion.

Proof can be found in Ice House's growing customer base. A majority of Ice House consumers tend to be heavy users of ice — caterers, yard maintenance and construction workers, to name a few. At the same time, individuals are attracted to the lower prices (20 pounds for \$1.50 or less, versus \$1.29 for an 8 pound bag, on average) and the convenient locations in the parking lots of retail centers.

Yet, the real proof lies in the numbers. In less than 18 months, Ice House America has grown to more than \$11 million in annual revenue with projected revenue of \$28 million for 2006. And it looks like that's just the tip of the ... well, you get it.

The company has sold dealerships in 13 U.S. states, with 5 more in development, including Alaska.

While the long-term effects of this innovation on the packaged ice industry remain to be seen, there is no doubt about the opportunity for more growth. Despite its rapid success, 2005 Ice House revenue represents only 1% of the total amount of ice sales this year. But if consumer acceptance continues as it has, the Ice House could reinvent the way consumers purchase packaged ice and ultimately mirror what the ATM machine has done for the banking industry.