



Aquarium Professionals Group

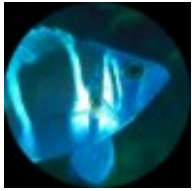
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Industry Issues

Aquarium Stores vs. Aquarium Maintenance Companies



In the Chicago area and all across the country, more aquarium maintenance companies are opening for business than ever before. Advertisements are appearing in the classified sections of aquarium magazines and on the internet, with headlines reading "**Start your own aquarium maintenance business!**" or "**Send money for our booklet with complete instructions on how you can make money in aquarium maintenance!**" What's behind this sudden boom in aquarium service companies, and how does it affect aquarium retail stores, many of whom already offer aquarium services to their customers? As insiders in the aquarium industry, we already know that most aquarium retail store owners have always resented aquarium maintenance companies. To understand why, we need to explain the difference between these two types of aquarium business and the types of customers they serve.

The Aquarium Retail Store:

If you're an aquarium hobbyist, you are already familiar with aquarium stores. They're your source for aquarium supplies, livestock, and advice when you're having a problem. They have a staff of employees, beautiful displays of tropical fish and invertebrates, and usually stock a large inventory of aquariums, equipment and supplies to serve their hobbyist customers. Retailers make a large capital investment to equip their stores, and many have business loans to repay from their start up costs. They have rent, payroll, payroll taxes, insurance and overhead expenses to pay. Maintaining inventory and livestock isn't cheap and livestock losses are a major expense. They are usually incorporated, pay legal fees, have a federal tax number, business license, resale license and a Dept. of Agriculture license for their state. They're also subject to regular inspections by city and state government agencies.

The aquarium retail store has excellent wholesale resources where they can shop for the best prices on livestock and aquarium supplies. In large municipal areas, there is usually more than one competing wholesaler to choose from to purchase goods and livestock for resale. They can take advantage of discounts for bulk purchases, specials and sales from the wholesale distributor. They can also buy fish from trans-shippers and shipping wholesalers in other states, picking up live-cargo shipments at their local airport. They can take advantage of discounts offered at trade shows. If they have enough purchasing power to place distributor-level orders, they can even purchase factory-direct from some manufacturers. They have the storefront and floor space to display aquariums and related equipment, and they make the bulk of their money from walk in business.

What you may not know is that some aquarium stores also cater to people who are not aquarium hobbyists. These folks want an aquarium, but don't want to clean or maintain it themselves. The aquarium store sends an employee out on a regular basis (usually every two to four weeks) to keep the aquarium clean, diagnose and solve problems, and basically do all the dirty work. This allows anyone with enough money to be able to own an aquarium without having to make it a hobby.

Aquarium maintenance services can provide a valuable second source of income for an aquarium store. Many aquarium stores experience a shortage of business during the summer months. Their hobbyist customers are busy doing outdoor activities and taking vacations, and tend to shop less for their aquariums. Very few people shop for new aquariums during the summer. Aquarium maintenance business can help the store make it through these lean months. A good aquarium store with a large staff can operate these two types of business year round. The store serves walk-in customers that are do-it-yourselfers. The maintenance division serves clients who don't want to get their hands wet.

The Aquarium Maintenance Company:

In contrast, aquarium maintenance businesses are typically operated by one or two individuals. These small companies are usually under-capitalized. Some do not incorporate, and they may not even have business licenses. Many do not maintain any large quantity of regular inventory, buying supplies and equipment on an as-needed basis. Most do not maintain livestock, and those that do usually only have one or two aquariums set up as holding systems so they can buy fish to order for their clients. They have little overhead, and their aquarium cleaning equipment and vehicle are often their only assets. Some operate as illegal cash businesses, allowing them to hide their income from federal and state tax agencies.

The attraction to aquarium maintenance is the \$40.00 to \$75.00 per hour (or more), plus materials, charged by most aquarium service companies, including those operated out of retail stores. This looks very attractive to the uninitiated. When you've been earning \$6.00 to \$12.00 an hour in a fish store or your old job, this sounds like a lot of money. If you're good at taking care of your own fish, it's hard to resist what, at first glance, seems like easy income. If you listen closely, you can almost hear the wheels turning: "What could be simpler? I love aquariums and know how to keep them clean. I already own a car. If I buy some buckets, hoses and a little starting inventory, all I have to do is pick up a few clients and I can operate out of my home!" Sounds like great plan, right? So they start their business and then . . . reality sets in.

Their first challenge is finding customers. This is actually easier than one might think. It simply requires a bit of leg work. Many businesses have aquariums on public display which are already professionally maintained. Promises of better service for a little less money are all it takes for some folks to switch. If you plan it right, you can even place a small Yellow Pages ad and wait for the phone book to be published before quitting your job and opening for business. Once you have a few clients, word of mouth may bring in more. For a small one-person company operating an illegal cash business, as few as ten clients can easily bring in enough to live on comfortably.

The next problem is where to buy livestock and supplies at wholesale prices. This is not easy. Most aquarium wholesale distributors protect aquarium stores from small maintenance company competition by refusing to sell to businesses that don't have a state resale license and a federal tax number. Even out-of-state livestock wholesalers require a state resale license. Some local distributors have policies that discriminate against all aquarium businesses except retail stores by requiring a legitimate storefront before they'll sell to you. Obtaining a resale license means filing tax returns with the state, which can hamper businesses that attempt to do an illegal cash business. Don't report any income and watch how fast you get audited! Most aquarium maintenance businesses have to rely on mail-order to get their supplies and even livestock at near wholesale prices. Some set up deals to obtain livestock from aquarium stores that don't offer maintenance.

Even if the maintenance business can find clients and reliable sources for fish and supplies, they soon run into a variety of problems. All of these problems are related to the fact that most of these companies do not have a retail store and are often operating illegitimately. Fish die, often at inopportune moments. Without a ready supply of livestock, replacements are hard to find, especially for rarer species. Operating without insurance can mean that one mistake which causes a flood can quickly put you out of business. If your car breaks down, you're also out of business. Aquarium maintenance clients are not hobbyists, and are less likely to understand when something goes wrong, even if it's not the fault of their maintenance company. Most aquarium services are one-person businesses, and clients find it frustrating to always get an answering machine when they call. A cell phone and pager can help, but a lot of business can be lost if a potential new client calls and doesn't get a live person. The list goes on and on. As any small business owner already knows, there's no such thing as easy money, unless you win the lottery. The problem here is that many of these small maintenance companies are damaging the reputation of the aquarium industry. How?