

BOTTLED WATER

NAICS Codes Covered:

312112 - - Bottled Water Manufacturing
445299 - - All Other Specialty Food Stores
424490 - - Grocery and Related Products Wholesale

SIC Codes Covered:

2086 - - Bottled Water Manufacturing
5499 - - Bottled Water Stores
5149 - - Bottled Water Wholesale



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Since its emergence as the second largest and most popular beverage category in the United States, bottled water has become an industry of unimaginable innovation, fierce competition, high profit margins, and wide-spread marketing promotions. Bottled water also continues to feed increasing high consumer demand, offering diverse varieties of bottled water products. Combine this with bottled water accessibility, increasing consumption and you have unrivaled total revenues of \$14.9 billion for 2005 in the US alone¹.

Industry Overview

Bottled water consumption and sales have been increasing exponentially since its emergence as a widely-accepted commercial beverage category. The bottled water industry is now growing at 8% to 10% annually – about twice as fast as other beverages. In fact, in 2003 bottled water became the second largest commercial beverage category by volume in the United States, surpassing milk, coffee, beer, and is now second only to carbonated soft drinks.

In 2005, total bottled water volume surpassed 7.5 billion gallons (representing a 10.7% increase from 2004); bottled water per capita (per person) consumption was 26.1 gallons (increasing from 23.8 in 2004); and wholesale dollar sales for bottled water exceeded \$10 billion in 2005 (a 9.2% increase from 2004).²

Global Market

Bottled water consumption at the global level reached 154 billion liters (41 billion gallons) in 2004. The United States is the leading country in total bottled water consumption and Italians drink more per person than any other country. However, the fastest growth in bottled water is coming from developing countries with consumption tripling in India and more than doubling in China over the past five years³.

The countries leading in total bottled water consumption were⁴:

- The United States (6.8 billion gallons)
- Mexico (4.6 billion gallons)
- China & Brazil (approximately 3.1 billion gallons each)
- Italy & Germany (approximately 2.8 billion gallons each)
- France (2.2 billion gallons)
- Indonesia (1.9 billion gallons)
- Spain & India (approximately 1.4 billion gallons each)

The countries leading in per capita (per person) consumption were as follows⁴:

- Italy (48.5 gallons)
- Mexico (44.5 gallons)
- United Arab Emirates (43.2 gallons)
- Belgium-Luxembourg (39.1 gallons)
- France (37.4 gallons)
- Spain (36.1 gallons)
- Germany (33.0 gallons)
- Lebanon (26.8 gallons)
- Switzerland (26.3 gallons)
- Cyprus (24.3 gallons)
- United States (23.9 gallons)
- Saudi Arabia (23.2 gallons)

Business Leaders

In 2003, Nestle Waters of North America (NWNA), Coca-Cola, and Pepsi were the top 3 bottled water companies in the US. These top 3 companies accounted for 59% of the total wholesale dollar sales. Pepsi's Aquafina was the top-selling brand in 2003 with sales of \$936 million. In addition, NWNA has 3 of the top 5 bottled water selling brands: Poland Spring, Arrowhead, and Deer Park.

The chart below illustrates the top 10 business leader brands in the bottled water industry:

LEADING BOTTLED WATER BRANDS

Wholesale Dollar Sales, Share & Growth

2002 – 2003

Brands	Millions of Dollars		Share of Sales		% Change
	2002	2003	2002	2003	2002/03
Aquafina	\$838.0	\$936.0	10.8%	11.3%	11.7%
Dasani	765.0	834.0	9.8%	10.0%	9.0%
Poland Spring	621.5	649.4	8.0%	7.8%	4.5%
Arrowhead	456.6	546.1	5.9%	6.6%	19.6%
Deer Park	311.1	356.5	4.0%	4.3%	14.6%
Crystal Geyser	270.0	335.0	3.5%	4.0%	24.1%
Ozarka	209.6	236.1	2.7%	2.8%	12.6%
Zephyrhills	202.1	215.2	2.6%	2.6%	6.5%
Ice Mountain	166.3	206.7	2.1%	2.5%	24.3%
Evian	191.1	145.0	2.5%	1.7%	-24.1%
Subtotal	\$4,031.3	\$4,460.0	51.7%	53.6%	10.6%
All Others	3,762.7	3,859.0	48.3%	46.4%	2.6%
TOTAL	\$7,794.0	\$8,319.0	100.0%	100.0%	6.7%

Source: Beverage Marketing Corporation

Current Trends

To further gain markets, trends in bottled water include new product development, wide spread marketing and packaging efforts, and the emergence of new industries tapping into bottled water. While most all trends positively affect the bottled water industry, an increase in consumer knowledge about bottled water origins and tap water safety may emerge to momentarily halt or at least deter rapid industry growth.

New Products

The most conspicuous trend in the bottled water industry is the development and flooding of a seemingly never ending array of bottled water products. Among them are: bottled mineral water, spring water, sparkling water, artesian well water, purified water, distilled water, fluoridated

water, calcium enhanced water, hyper-caffeinated water, protein enhanced water, vitamin infused water, mint flavored water, fruit-flavored water, hydrating water, and now even super oxygenated water and cosmeceutical water. One Australian company even extracts water from apples and oranges by freezing fruit juice and using a “pressure chilling” process to separate the fruit from the water.

Even though innovation has truly refigured the bottled water industry, the leading revenue source for the US bottled water market is still the unflavored sector, which generated total revenues of \$13.2 billion in 2005 – equivalent to 88.5% of the overall market. In comparison, the sparkling unflavored sector was worth \$1.2 billion which represented 7.9% of the market value share¹.

Marketing & Packaging

Another significant trend is product marketing and packaging. Realizing that consumers cite taste, quality, and purity as the top reasons for drinking bottled water, bottlers market and design bottles to display their purity. “Straight from nature to you” is indicative of untouched, pure, natural water marketing. Another popular ad slogan says that their bottled water is “So pure, [that they] promise nothing.”

Other manufacturers seek to carve out a new level in the bottled water industry introducing high-end products. These bottlers seek distinction by marketing their water origins, fortification, or even bottled shape, size and styles. Examples of these include: bottled water that now comes in bullet shaped glass, icicle-shaped plastic, see through labels, sports ball-sized water bottles, and the ever-changing unique cylindrical containers.

Targeting your niche audience (market) also applies to the bottled water industry. For instance, based on the statistic that only 17% of lunchboxes taken to school have water and the fact that many schools have now banished soda, some bottled water companies are trying to appeal specifically to children (and ultimately to parents). What’s their approach? One company launched a Looney Tunes Category of bottled water, introduced “two-piece sports caps,” and a “belongs to label” to personalize bottled water. Another company plans on introducing “aquapod spring water” and flood Nickelodeon and other popular kids’ channels with animated ads.

Another packaging trend in the bottled water industry is multi-packs. As current bottled water consumption grows, more consumers are turning to multi-packs to save time and money. In fact, multi-packs, according to ACNielsen, now account for 15% of total c-store (convenience store) bottled water volume.⁵ This gives consumers more value and it gives retailers larger volume and revenue potential.



Emerging Industries

With such high consumer demand for bottled water, many restaurants are now claiming their share of the bottled water industry. The thought behind this is “why give a beverage away when you can sell it”? Considering the amount of tap water consumed in restaurants today, many restaurant entrepreneurs are capitalizing on this trend by converting tap water drinkers into profitable patrons by selling them bottled water. According to *Beverage Marketing Corporation*, on-premise consumption accounts for nearly 6% of the bottled water industry.⁶

Bottled Water Origins and Tap Water Safety

Recent media, including ABC’s 20/20 report: “Is Bottled Water Better than Tap⁷?” The National Resource Defense Council: “Bottled Water: Pure Drink or Pure Hype⁸?” (March 1999 petition to the FDA and results of a four-year study on the bottled water industry) and PBS’ P.O.V. Borders: Environment⁹ segments on bottled water have all spurred an ongoing debate questioning the origins of bottled water, tap water’s safety, misleading labeling practices, and regulatory gaps in the industry.

How bottled water will be affected (if at all) can only be determined with time. On the issue however, IBWA President Joseph K. Doss did declare: "Consumers choose bottled water and view it as a worthwhile expenditure because they appreciate the convenience and good taste of bottled water brands consumed on the go and at the home or the office; however, consumers also benefit from bottled water safety and quality which result from multiple layers of regulation and standards at the federal, state and industry levels¹⁰."

Demographics

Even though more than half of all Americans (54%) drink bottled water, and about 36% imbibe regularly (more than once a week),¹¹ several consumer demographic trends have emerged. Studies suggest that Americans with income of \$60,000 or more are 35% more likely to purchase bottled water. However, even though Black, Hispanic, and Asian household' income are generally less than average, these groups are more likely to purchase bottled water.

Also, according to *American Demographics*, women constitute the majority of bottled water drinkers. Some 45% of 18 to 34 year old women and 44.6% of 35 to 54 year old women consume bottled water. Men's percentages of the same age groups (18-34) drank 35.3% and those in the age group from 35 to 54 consumed 34.5%.¹² In addition, according to WQA surveys, some 47% of 18 to 34 year olds do not think that their water is safe; therefore 41.4% of them consume bottled water regularly.

Other demographics relative to the consumption of bottled water are those of the older and younger generations of Americans. Due to the older generations' matured tastes, they seek more natural, less caloric beverages. Younger Americans who are increasingly active and have literally grown up with bottled water are beginning to understand the importance of drinking water for better health and overall wellness.

Surveys revealed some interesting regional variations in bottled water consumption¹³:

- o Residents of Los Angeles (3.2 servings) and San Diego (3.2 servings) drink the most bottled water during the course of an average day.
- o Detroit drinks the least amount of bottled water (1.3 servings)
- o Residents of San Diego drink the most bottled and tap water overall (6.9 servings), followed by Dallas (6.5 servings), Los Angeles (6.4 servings) and New York (6.4 servings)
- o The least amount of water is consumed in Detroit (5.4 servings) and Seattle (5.6 servings)

These demographics clearly indicate that from young to the not so young, from men to women, and from coast to coast, bottled water is conspicuously consumed in the United States. Combine this with current trends, the vast array of augmenting bottled water categories, astoundingly large consumer demand and wide-spread marketing practices, the outcome is that the second largest commercial beverage category in the US today is bottled water.

Associations

The International Bottled Water Association (IBWA) - <http://www.bottledwater.org/default.htm>

Northeast Bottled Water Association (NEBWA) - <http://www.nebwa.org/>

Southeastern Bottled Water Association (SEBWA) - <http://www.sebwa.org/>

The South Atlantic Bottled Water Association - <http://www.sabwaonline.org/index.html>

Mid-America Bottled Water Association - <http://www.tbwa.org/index.html>

Sources

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- ⁹ P.O.V. Borders: Environment: Bottled Water (PBS) http://www.pbs.org/pov/borders/2004/water/water_bottle.html
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- ¹¹ "Bottled Water: Pure Drink or Pure Hype? Chapter 2" The National Resources Defense Council <http://www.nrdc.org/water/drinking/bw/chap2.asp>
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- ¹³ Survey: America's Poor Drinking Habits Contradict Knowledge of Health Risks. (IBWA Accessed) <http://www.bottledwater.org/public/InfoForRepNatFactSheettest.htm>

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