2014 Premium Water Report

A review of market performance and country insight
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1: Methodology and definitions
Methodology & definitions

Premium water

Definition of Premium (Oxford English Dictionary): [a modifier] relating to or denoting a commodity of superior quality and therefore a higher price.
So, how to measure superior quality in relation to packaged water? There are a number of different criteria that manufacturers use to classify their brand as being premium. These may include one or more of the following:

- Purity of water
- Price
- Provenance
- Story behind the brand
- Water type
- Not an everyday purchase
- Image / pack design
- Distribution / exclusivity
- Type of consumer

Premium water
Methodology & definitions

Premium water

Premium water brands position themselves in a number of different ways:
Methodology & definitions

Premium water

This report covers premium water within the scope of plain packaged water (in pack formats of up to 10 litres).

In order to be able to quantify the premium water segment, Zenith’s analysis of ‘premium’ is based primarily on price and positioning.

Within each individual market, Zenith has determined a ‘cut-off’ point whereby brands are classified as premium if their overall average value per litre stands above the pre-determined cut-off point.

For international brands, Zenith applies its definition primarily based upon a brand’s global average value per litre. Therefore, a brand classified as premium remains so, throughout all markets where it is present. For example, Evian is considered premium in all markets, despite its more mainstream positioning in France. International brands classified as premium throughout this report include: Evian, Perrier, San Pellegrino, Vittel and Volvic.

From within its global bottled water database, Zenith has identified a number of key markets where premium is understood to either; a) hold a significant share of the packaged water market, b) be of significant volume in million litre terms, or c) present a growth opportunity with the packaged water market.

Other considerations

The methodology used in this report is primarily quantification by overall value per litre. However, it is important to note that price is influenced by many factors including channel distribution, pack format (size and type), origin (imports) and water type.

In some markets, the prevalence of sparkling water impacts the size of the premium segment.

Channel dynamics within the local market also play a factor, as generally packaged water sold through horeca commands a higher value per litre than sales through modern retail outlets.
Methodology & definitions

General definitions

**Bottled/packaged water**: still and sparkling plain water in pack formats up to 10 litres. Excludes bulk water (formats over 10 litre).

**Trade Channels**

**Modern trade**: mainly organised retail, predominantly supermarkets and hypermarkets (Walmart, Carrefour, Metro, Tesco, Sainsbury’s), but also smaller sub-outlets of multiple grocers (for example, Tesco express, Sainsbury’s local).

**Discounters**: Includes both hard and soft discounters. For example, Aldi, Lidl, Penny, Netto, Plus, Denner, Dia. Discount retailers usually have basic merchandising (pallets placed directly on the shop floor and limited shelf displays), a limited product range, and often a limited role of manufacturer brands (although this is now changing to some extent, with more Discounters offering a wider range of manufacturer branded goods). Every day low priced goods is the core model in this channel.

**Traditional**: organised and non-organised retail, generally smaller outlets and traditional (independent) grocers. Includes petrol stations (for example, Shell, BP), and sales through vending machines. Also includes kiosks and street market stalls.

**Horeca**: Out of Home (On-premise/away-from-home): comprises café’s, bars, takeaways, fast food (McDonald’s etc). HoReCa (Hotels, Restaurants, Catering), institutions (for example, hospitals, schools, government institutions, military).

vpl: value per litre (consumer prices)
pcc: per capita consumption
pce: per capita expenditure
CAGR: compound annual growth rate
2: Executive summary
Executive summary

Premium water

The market for packaged water has seen strong global growth over the past few years for a number of reasons. Most importantly, rising health awareness in key global markets has led to some consumers switching from carbonated soft drinks to low calorie alternatives such as plain and flavoured water. In addition to this, increased awareness of the need to stay hydrated, growing demand for convenient ‘on-the-go’ products, and fine summer weather in a number of important markets, have all combined to drive sales. The fallout from the global economic crisis, which for so long influenced consumer purchasing decisions, has at last begun to ease in a number of markets, providing consumers with the financial capability to return to those items which until recently were sacrificed from the shopping list.

The premium water category is amongst those which have benefitted most from economic recovery. Particularly in emerging markets, the expanding middle class is looking towards premium water for varying reasons: some view their association with it as reaffirming their social class, others see it as a safe alternative to tap water which they are now able to afford, while others simply enjoy the taste compared to alternative offerings.

Due to the rapid growth of private label packaged water in many leading markets, polarisation continues to be a notable feature. The middle tier of packaged water has become increasingly squeezed by the rise of premium water on one side, and the growth of private label on the other. Particularly in European markets, such as Germany and the UK, private label offerings are increasingly driven by the phenomenal rise of discounters, and manufacturers are forced to chose between producing a budget offering to compete at this level, or creating an added-value brand which will set it apart on the ever-competitive supermarket shelves.

The pricing of a brand remains critical, and where a manufacturer positions its brand in relation to mainstream offerings is crucial in its success. Consumers must be made aware of the benefit offered by a premium brand over a mainstream alternative, and this can take the form of superior taste, more attractive packaging, or simply its origins from a safe water source. The visual appearance of the bottle is undoubtedly important and is instrumental in the success of new brands in particular. Consumers associate strong visual appeal with high quality of the contents and as a result creating an elegant, attractive product is extremely important.

Another key factor in determining the success of a brand is its tradition in the market. Well established French and Italian brands, such as San Pellegrino, Perrier, Evian and Badoit maintain a long-standing consumer base which continues to drive sales in countless markets across the globe. Despite the global downturn of the horeca channel, in which these premium brands are so reliant, the reputation of these brands has enabled them to cope better than most with economic pressures. As the global economic
Premium water (ctd.)

situation returns to growth and consumers look to dine out with increasing frequency, so these brands are once again set to prosper.

However, despite the ongoing success of these traditional brands, ‘new world’ premium waters continue to extend their global reach. Establishing a brand on a global level takes time, but brands such Voss, Fiji and Icelandic Glacial have all experienced strong growth in recent years as consumers look towards countries with a strong reputation for water purity, such as Norway and Iceland. This desire for water derived from ‘safe’, ‘pure’ sources extends to China, where Tibet-sourced water continues to enjoy great success.

Indeed, new markets such as China are expected to be integral in driving growth of premium water in the coming years, and it is unsurprising that the rewards available to manufacturers have not gone unnoticed. A growing number of manufacturers have increased exports to emerging markets over the past year, and gaining a foothold in the lucrative markets in Asia Pacific and the Middle East is a sound course of action. The rising levels of disposable income in these emerging markets, coupled with the generally poor quality of tap water, only serves to increase the appeal of premium water amongst consumers.
3: Introduction
Introduction

Research note

In undertaking its research for this report, Zenith has utilised its internal data library and global databases, alongside other third party sources. Throughout its ongoing research, Zenith also depends upon the goodwill and co-operation of operators active in the marketplace, and, as such, seeks to achieve a high level of accuracy.

Report content: This report includes a global view of premium water, plus a focus on 5 key premium water countries. These are China, Germany, Japan, UAE and USA. Each has been selected due to Zenith’s belief that each one represents an opportunity for premium water. The nature of the 5 markets is quite different, thus seeking to present a broad range of the dynamics which may exist within a specific premium water market.

Premium water definition: One of the main challenges in compiling this report has been the varying definitions of premium within the industry. This subject is covered in detail in the report, and Zenith’s methodology for quantifying premium water worldwide has been specified.

Liability

Whilst every effort has been made to ensure that the information presented in this document is accurate and that the opinions expressed are sound, Zenith International Ltd cannot be made liable for any errors or omissions or for any losses or consequential losses resulting from decisions based on its contents.
4: Global trends and developments
The global packaged water market has expanded at a strong pace since 2009, with growth in excess of 5% in each of the past four years. In 2013 this trend continued, with the market growing by 5.5% to reach 187 billion litres. Since 2009 the total market has grown by over 25%.

Growth continues to be driven by emerging markets. Between 2009 and 2013, the market for packaged water has grown at an average annual rate of over 10% in Asia Pacific (+11.6%), Africa (+11.5%) and the Middle East (+10.5%). In the same period, the Central and Latin America market has experienced average yearly growth of 7%, while North America has seen volumes rise at an average rate of 4.4% per annum.

In the mature markets of Europe, growth remains slower. Despite a number of key markets gradually emerging from economic downturn, West European volumes have increased by an average of just 0.6% per year since 2009, while East Europe has performed better at 2.7%. However, key markets in Europe were helped by excellent summer weather across the continent in 2013, with the United Kingdom (+11%) the most notable beneficiary.
Market volume 2009-13 (ctd.)

- By volume, West Europe accounts for 25% of global packaged water volume sales. However, in 2012, Asia Pacific overtook West Europe as the leading region, and in 2013 extended its lead to 28% market share. Strong growth in China continues to drive this trend with double digit increases again observed in 2013. North America currently holds 18% market share, East Europe 9%, Central and Latin America 8%, the Middle East 7%, with Africa making up the remainder.

- Average per capita consumption (PCC) currently stands at 26.2 litres, up from 25.1 litres the previous year. While PCC stands at 183 litres in Italy, elsewhere the figure is just 19.5 litres in China, illustrating not only the difference in consumption between countries, but also the huge potential on offer to manufacturers in emerging markets.

- Still water makes up the majority of sales, accounting for over 80% of the total volume in 2013. Sales of sparkling water are concentrated within West Europe, where there is a long tradition of sparkling water consumption in countries such as Italy and Germany. Conversely, this variant is far less popular in Asia Pacific where consumer uptake has gathered pace relatively recently.

- The main driving force behind greater consumption of packaged water across the globe remains the increase in health awareness, particularly in established markets. Health conscious consumers are increasingly turning away from sugary soft drinks and juices, and looking towards plain and flavoured water as a low-calorie alternative. This trend is expected to continue over the coming years. Fruit juice in particular has suffered particularly badly at the hands of negative press over the past 24 months in a number of leading markets, with increased scrutiny over the high sugar content.

- Rising awareness of the importance of hydration and the increased demand for convenient on-the-go products have also helped drive sales in Europe and North America, while the recovering state of the economy in leading markets has provided consumers with greater levels of disposable income for ‘expendable’ water products. In countries where tap water is of a perceived good quality, packaged water is still viewed as a luxury item by many, and as a result was quick to be sacrificed from many consumers’ shopping lists when the global economic crisis first took hold.

- Meanwhile in Asia Pacific, Africa and the Middle East, the questionable quality of mains water continues to benefit packaged water sales. With the middle classes in a number of Asia Pacific countries growing rapidly, and levels of disposable income rising, more consumers are becoming financially capable of opting for packaged water as a substitute for tap water in certain situations.
Global packaged water
Market value 2009-13

- Following the strong growth in value observed in 2012, the market value (in euros) increased by just 1.8% in 2013, compared to 12.5% the previous year. Much of this difference in growth between the two years can be attributed to exchange rate fluctuations. In terms of the US$ equivalent, the market increased by 3.9% in 2012 and by 5.2% in 2013.

- Despite having been overtaken in volume terms by Asia Pacific in 2012, West Europe still leads the way in terms of value, with 26% market share in 2013. Asia Pacific, with 25% market share, continues to catch up, while North America held 19% market share. East Europe, Central and Latin America, Africa and the Middle East account for the remainder of market value sales.

- Price competition in established West European and North American markets continues to place pressure on prices (and subsequently market value) amongst both branded and private label offerings. The explosive rise of discounters, most notably Lidl and Aldi, has suppressed prices throughout 2012 and 2013.

- Higher growth levels of market value remain restricted by the low price of packaged water in rapidly emerging markets. In markets such as China, India, Nigeria and Indonesia, the price of packaged water unsurprisingly remains low compared to established markets, and large volume increases in these countries serves to restrict the average global price of packaged water.
The value per litre (vpl) of packaged water fell by 3.5% in 2013, due primarily to the rising market share of Asia Pacific, Africa and Middle East regions which have a lower value per litre than the established European and North American markets.

The price differences between individual regions are highly visible in terms of vpl: €0.73 in Central and Latin America, €0.53 in North America, €0.52 in West Europe, €0.50 in East Europe, €0.44 in Asia Pacific, €0.38 in the Middle East and €0.33 in Africa.

Countries with a particularly high vpl include Norway (€3.29), Finland (€2.14) and Sweden (€1.93), while conversely Vietnam (€0.24), China (€0.40) and the Philippines (€0.46) are particularly low.

West Europe in particular has experienced a drop in the average vpl of packaged water over the past few years, primarily as a result of the consumer switch towards private label products. The growth of discounters in a number of key markets has also aided this trend.

Sparkling water has a higher value per litre than still water, and the relative stability of this category compared to still water has also prevented an increase in average prices.
Global premium water
Market volume 2011-13

- In 2013 premium water volumes reached just under 10.5 billion litres and now account for 5.6% of total global packaged water volume. Despite the premium water segment declining between 2007 and 2009, it has since recovered, growing in each of the last four years.

- However, the total packaged water market has been increasing at a faster rate than the premium category, due largely to the strong growth witnessed in China. In mature markets, where a larger proportion of premium water is sold in the take home and impulse channels, some price conscious consumers have traded down from premium brands to lower priced waters, negatively impacting premium sales.

- With over 55% of premium water volume being sold in three of the top 5 global packaged water markets (France, Italy and Germany), the global performance of premium water is heavily influenced by these established markets. Over four-fifths of premium water is currently sold across North America and West Europe.

### Volume (mln litres)

<table>
<thead>
<tr>
<th></th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Premium</td>
<td>9,723</td>
<td>10,120</td>
<td>10,485</td>
</tr>
<tr>
<td>Rest</td>
<td>157,303</td>
<td>167,209</td>
<td>176,559</td>
</tr>
<tr>
<td>Total</td>
<td>167,025</td>
<td>177,329</td>
<td>187,044</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Premium (% share)</td>
<td>5.8</td>
<td>5.7</td>
<td>5.6</td>
</tr>
<tr>
<td>Rest (% share)</td>
<td>94.2</td>
<td>94.3</td>
<td>94.4</td>
</tr>
<tr>
<td>Total</td>
<td>100.0</td>
<td>100.0</td>
<td>100.0</td>
</tr>
</tbody>
</table>

- Volume % share

  - Premium: 5.6%
  - Rest: 94.4%
Global premium water
Market value 2011-13

- In 2013, premium water accounted for 12% of all packaged water value sales. Although premium water is losing market share to 'non-premium' water in terms of volume, in terms of value it has maintained its market share since 2011. This is representative of the fact that the value per litre of premium water is rising at a faster rate than non-premium water.

- A number of markets, particularly in West Europe, have a much higher market share in terms of value compared to volume. The high price of premium water in Norway and Switzerland provide two such examples.

- The most enticing markets to manufacturers are those which already have a high value per litre for premium water, but also strong potential for growth. In this respect the Middle East is a particularly interesting proposition: packaged water sales are extremely high due to the high year-round temperatures in the region and poor quality of tap water, but the percentage share represented by premium water remains relatively low (just 1.2% compared to the global average of 11.9%). Furthermore, the high levels of wealth amongst consumers in countries such as UAE, Kuwait, Saudi Arabia and Bahrain make the potential market for premium water extremely attractive.

<table>
<thead>
<tr>
<th>Value (mln euros)</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Premium (mln euros)</td>
<td>9,627</td>
<td>10,681</td>
<td>10,952</td>
</tr>
<tr>
<td>Rest (mln euros)</td>
<td>70,353</td>
<td>79,300</td>
<td>80,623</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>79,980</strong></td>
<td><strong>89,981</strong></td>
<td><strong>91,574</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Premium (% share)</th>
<th>12.0%</th>
<th>11.9%</th>
<th>12.0%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rest (% share)</td>
<td>88.0%</td>
<td>88.1%</td>
<td>88.0%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>100.0%</strong></td>
<td><strong>100.0%</strong></td>
<td><strong>100.0%</strong></td>
</tr>
</tbody>
</table>
Global premium water
Market value per litre 2011-13

- In 2013 the average vpl of premium water dropped to €1.04, following a sharp rise the year before. This 1% decline is not as severe as the 3.5% decline suffered by the total packaged water category, indicating that price competition amongst premium water manufacturers is less intense than the non-premium category, and that consumers purchasing decisions are driven less by price and more by quality.

- Indexed against total packaged water, the value per litre of premium water averages at just over 2:1. However, in markets in which premium water comprises of a high percentage of imports, yet the domestic non-premium water segment is emerging, the index can be as high as 5:1, such as is seen in China. This is also the case in emerging countries which rely heavily on tourism as the main source of packaged water sales.

- Conversely, the price index against total packaged water is much lower in countries which have a strong tradition of premium water consumption, such as France and Italy. In these countries, production costs of premium water are low and demand is high, meaning that the price difference of premium brands compared to mainstream offerings can be as little as 20%.
### Global premium water

**Leading countries in 2012-13, volume and market share**

<table>
<thead>
<tr>
<th>Country</th>
<th>Volume, mln litres 2012</th>
<th>% volume share 2012</th>
<th>Volume, mln litres 2013</th>
<th>% volume share 2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>France</td>
<td>2,338</td>
<td>23.1</td>
<td>2,442</td>
<td>23.3</td>
</tr>
<tr>
<td>Germany</td>
<td>1,692</td>
<td>16.7</td>
<td>1,689</td>
<td>16.1</td>
</tr>
<tr>
<td>Italy</td>
<td>1,733</td>
<td>17.1</td>
<td>1,668</td>
<td>15.9</td>
</tr>
<tr>
<td>USA</td>
<td>846</td>
<td>8.4</td>
<td>887</td>
<td>8.5</td>
</tr>
<tr>
<td>UK</td>
<td>656</td>
<td>6.5</td>
<td>722</td>
<td>6.9</td>
</tr>
<tr>
<td>Others</td>
<td>2,854</td>
<td>28.2</td>
<td>3,076</td>
<td>29.3</td>
</tr>
<tr>
<td><strong>Total Premium (million litres)</strong></td>
<td><strong>10,120</strong></td>
<td><strong>100.0</strong></td>
<td><strong>10,485</strong></td>
<td><strong>100.0</strong></td>
</tr>
</tbody>
</table>

- The premium water segment is dominated by the West Europe region with France, Germany, Italy and the UK all appearing in the top five ranked countries by volume. A number of these European markets have a long tradition of premium water consumption, and the quality of water produced in this region is deemed by many to be amongst the best in the world. Nestlé Waters and Danone’s strong presence in this region is integral to premium waters’ performance here.

- The European markets experienced mixed fortunes in 2013. On the positive side, the surge in packaged water sales in the UK, due in part to fine summer weather, was mirrored in the premium water category. In France 4.4% annual growth of premium water was brought about primarily by increased demand for Danone’s Evian brand.

- Conversely, Germany and Italy both experienced a drop in sales in 2013. In Italy the packaged water category as a whole suffered a 2.2% drop in sales, while the market for premium water saw a small contraction.

- The US premium water segment continues to go from strength to strength, with volumes rising for the fourth consecutive year. The notable success of Coca-Cola’s Glacéau smartwater has driven this trend.
Leading countries in 2012-13, volume and market share (ctd.)

- Elsewhere, premium water in China continues to grow at an impressive rate. Volumes rose by 28% in 2013, following increases in excess of 30% in each of the last three years.
- The rise in market share of the ‘others’ category is reflective of increased consumption throughout Asia Pacific and the Middle East, although it is expected to be a number of years before a country from either of these regions penetrates the top five.
## Global premium water

### Leading brands in 2012-13, volume and market share

<table>
<thead>
<tr>
<th>Company</th>
<th>Brand</th>
<th>Volume, mln litres 2012</th>
<th>% volume share 2012</th>
<th>Volume, mln litres 2013</th>
<th>% volume share 2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Danone</td>
<td>Evian</td>
<td>1,371</td>
<td>13.5</td>
<td>1,444</td>
<td>13.8</td>
</tr>
<tr>
<td>Nestlé Waters</td>
<td>Vittel</td>
<td>1,037</td>
<td>10.2</td>
<td>1,045</td>
<td>10.0</td>
</tr>
<tr>
<td>Danone</td>
<td>Volvic</td>
<td>1,009</td>
<td>10.0</td>
<td>1,027</td>
<td>9.8</td>
</tr>
<tr>
<td>Gerolsteiner Brunnen GmbH &amp; Co. KG</td>
<td>Gerolsteiner</td>
<td>544</td>
<td>5.4</td>
<td>560</td>
<td>5.3</td>
</tr>
<tr>
<td>Nestlé Waters</td>
<td>San Pellegrino</td>
<td>509</td>
<td>5.0</td>
<td>535</td>
<td>5.1</td>
</tr>
<tr>
<td>Others</td>
<td>Others</td>
<td>5,650</td>
<td>55.8</td>
<td>5,874</td>
<td>56.0</td>
</tr>
<tr>
<td><strong>Total Premium (million litres)</strong></td>
<td></td>
<td><strong>10,120</strong></td>
<td><strong>100.0</strong></td>
<td><strong>10,485</strong></td>
<td><strong>100.0</strong></td>
</tr>
</tbody>
</table>

- Nestlé Waters and Danone continue to dominate the market, with four of the top five leading brands owned by these two companies. Danone’s two main offerings, Evian and Volvic, and Nestlé Waters’ two major brands, Vittel and San Pellegrino, all have strong global presence and a far deeper history than the growing number of ‘new world’ brands. Conversely, the vast majority of Gerolsteiner volume is sold in Germany, with just a small percentage of volumes exported.

- All five of the leading premium water brands experienced volume growth in 2013, with both Evian and San Pellegrino seeing growth in excess of 5%. The combined volume of the five brands made up 44% of the market total. These leading 5 brands are able to draw on an established consumer base, with brand performance not solely reliant on how it performs in one individual country.

- Outside the top five, other leading brands include Perrier (Nestlé Waters), Glacéau smartwater (Coca-Cola), Ferrarelle (LGR Holding), Rocchetta (CoGeDi), Uliveto (CoGeDi), Highland Spring, Badoit (Danone), Panna (Nestlé Waters) and Fiji Water.
Global premium water

Premium water market share

Volume share by region, 2013

<table>
<thead>
<tr>
<th>Region</th>
<th>Market Share by region</th>
</tr>
</thead>
<tbody>
<tr>
<td>West Europe</td>
<td>74%</td>
</tr>
<tr>
<td>Asia Pacific</td>
<td>9%</td>
</tr>
<tr>
<td>North America</td>
<td>9%</td>
</tr>
<tr>
<td>East Europe</td>
<td>4%</td>
</tr>
<tr>
<td>Central &amp; Latin America</td>
<td>2%</td>
</tr>
<tr>
<td>Middle East</td>
<td>1%</td>
</tr>
<tr>
<td>Africa</td>
<td>1%</td>
</tr>
</tbody>
</table>

Annual growth rate 2008-13

<table>
<thead>
<tr>
<th>Region</th>
<th>CAGR (2008-13)</th>
<th>% Growth</th>
</tr>
</thead>
<tbody>
<tr>
<td>Asia Pacific</td>
<td>7.2</td>
<td>7.2</td>
</tr>
<tr>
<td>East Europe</td>
<td>6.0</td>
<td>6.0</td>
</tr>
<tr>
<td>Middle East</td>
<td>6.0</td>
<td>6.0</td>
</tr>
<tr>
<td>Central &amp; Latin America</td>
<td>3.6</td>
<td>3.6</td>
</tr>
<tr>
<td>North America</td>
<td>2.4</td>
<td>2.4</td>
</tr>
<tr>
<td>Africa</td>
<td>1.7</td>
<td>1.7</td>
</tr>
<tr>
<td>West Europe</td>
<td>0.8</td>
<td>0.8</td>
</tr>
</tbody>
</table>
5: Country focus: China
China packaged water

Market volume 2009-13

- Since 2008, the Chinese packaged water market has advanced from 13.1 billion litres to 26.6 billion litres, with double-digit growth each year. It continues to be one of the fastest growing markets worldwide, and with the majority of water sales in the country continuing to take the form of bulk water (over 10 litres), the potential for further growth of the small pack category remains strong.

- Packaged water growth in the country is fuelled by a number of factors: the negative press received by tap water (the quality of which still remains extremely poor throughout the country and in many cases is only safe to drink after boiling due to the high bacterial level), the rise in disposable income amongst the expanding number of middle-class consumers, and the rising demand for on-the-go convenient products amongst an increasingly mobile population.

- Per capita consumption at present stands at just 19.5 litres, still below the global average of 26.2 litres, illustrating the potential for packaged water in the country.

- Plain, still, unflavoured water is by far the most popular product, accounting for more than 95% of total packaged water volume sales in 2013. Sparkling variants remain marginal with sales primarily limited to hotel and tourist channels. Chinese consumers are still generally unaccustomed to the taste of sparkling water.
The market value of packaged water in China continues to grow at a rapid pace in terms of both local currency and the euro equivalent. In 2013, the market value of packaged water reached 88 billion Yuan, while the average Chinese citizen spent 65 Yuan (€7.9) on packaged water. In terms of euros, per capita expenditure on packaged water has more than doubled since 2009.

The market is dominated by a number of local players. Tingyi, Wahaha and Nong Fu San Quan all have notable presence. Local manufacturers generally produce non-premium offerings aimed at the mass market, with small-scale regional producers playing an important role in the market.

The Chinese market for packaged water is by far the most valuable in the Asia Pacific region, at more than double the size of the Japanese market, and significantly above the expanding markets in Indonesia, India, Thailand and the Philippines.

<table>
<thead>
<tr>
<th></th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Value (million Yuan)</td>
<td>45,430</td>
<td>54,271</td>
<td>65,649</td>
<td>77,050</td>
<td>88,398</td>
</tr>
<tr>
<td>% change</td>
<td>+32.7</td>
<td>+19.5</td>
<td>+21.0</td>
<td>+17.4</td>
<td>+14.7</td>
</tr>
<tr>
<td>Per capita expenditure (Yuan)</td>
<td>34.2</td>
<td>40.6</td>
<td>48.8</td>
<td>57.0</td>
<td>65.0</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Value (million euros)</td>
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<td>6,060</td>
<td>7,313</td>
<td>9,516</td>
<td>10,740</td>
</tr>
<tr>
<td>% change</td>
<td>+42.0</td>
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<td>+20.7</td>
<td>+30.1</td>
<td>+12.9</td>
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<tr>
<td>Per capita expenditure (euros)</td>
<td>3.6</td>
<td>4.5</td>
<td>5.4</td>
<td>7.0</td>
<td>7.9</td>
</tr>
</tbody>
</table>
The price of packaged water in China remains amongst the lowest in the world at the equivalent of €0.40 per litre. As most consumers use it as a replacement for tap water, providing an affordable product is a key issue for domestic manufacturers.

Despite this, the average price per litre continues to rise, and has increased by between 2% and 3% in each of the last three years in terms of local currency. This is due in part to raw material pricing pressures. Increased demand amongst consumers and rising levels of disposable income have facilitated an increase in prices.

There is a large difference between the price of still water and the price of sparkling. Sparkling water is almost 10 times more expensive than still water due largely to its prevalence in high-end sales channels. It is commonly used as a mixer for cocktails in pubs and clubs, and therefore commands a much higher price than its still counterpart.
China’s premium water segment has emerged relatively recently. With the non-premium segment growing at such a strong pace, manufacturers have generally not felt the need to diversify into premium offerings.

Imported brands from Japan and the West have always been perceived as premium. Consumers regard all imported brands as being better in terms of both quality and safety. Consumption of imported water is also seen by many as an indication of higher social status. Evian’s slogan in the Chinese market translates as ‘I am not drinking bottled water, I am drinking Evian’.

The percentage share represented by premium water remains low at just 1%, although the share of the market continues to grow year-on-year. In 2008 premium water held just 0.4% market share. The demand for premium water is expected to rise further as manufacturers are enticed by the higher price of premium water in the country compared to non-premium and seek to cash in by increasing distribution and marketing expenditure. The price of premium water is currently around five times that of non-premium water.

Volumes have been boosted in the last couple of years by a number of new brands entering the market, as well as increased investment in marketing and promotional activity to raise consumer awareness. An increase in consumer spending power continues to play an important role – the spending power of the expanding middle-class will drive future growth.
Segment volume 2011-13 (ctd.)

- Increased availability of premium water to everyday consumers is also driving this trend. Whereas previously premium water was sold almost exclusively through high-end hotels and restaurants, in recent years hyper/supermarkets have started selling premium water. Smaller volumes are also located within leisure facilities and large conference venues.

- Part of this trend is accounted for by increased desire amongst consumers for a healthier lifestyle. Pollution and product safety are strong concerns amongst Chinese consumers, and an increasing number of customers are therefore willing to pay more for premium water sourced from unpolluted water resources. In this respect, water sourced from Tibet is particularly attractive to consumers, and has driven growth of the Tibet 5100 brand in recent years.
The market value of premium water rose to 4.1 billion Yuan in 2013. Whereas premium water makes up just 1% of the total packaged water market in terms of volume, in terms of value it holds 4.7% market share.

Water imported into China is subject to a 20% importation tax and 17% VAT. Consumption of imported brands therefore tends to be focused on high income consumers who are willing to accept the premium price. However, only the very wealthy minority are willing to drink imported water with regularity – others purchase the water as a gift or through company expenses.

High raw material and labour costs have forced cheaper water brands to raise their prices in recent years, and this has resulted in the gap being narrowed between premium and non-premium brands.
China premium water
Segment value per litre 2011-13

- In 2013 the average value per litre of premium water fell for the second consecutive year in local terms, to 15.98 Yuan per litre. The price of premium water has fallen due to two major trends: increased segment share amongst lower-priced domestic producers at the expense of higher priced imported brands such as San Pellegrino and Perrier, and the aforementioned increased availability of premium water in hyper/supermarkets, where the consumer selling price is much lower than in hotels and other horeca channels.

- Sales of premium water have also been noted as occurring in petrol stations and in the national railway network, while sales through the internet have also grown quickly during the last three years. These channels enable products to be offered at significantly lower prices compared to horeca.

- The increasing dominance of Tibet 5100 and Kunlun Mountain Water, which are positioned at the lower end of the premium water segment, has also had a significant effect on the average price of premium water, as they take market share away from higher priced imported brands.

<table>
<thead>
<tr>
<th>Premium water vpl 2011-13</th>
</tr>
</thead>
<tbody>
<tr>
<td>2011</td>
</tr>
<tr>
<td>Value per litre (Yuan)</td>
</tr>
<tr>
<td>% change</td>
</tr>
<tr>
<td>Value per litre (euros)</td>
</tr>
<tr>
<td>% change</td>
</tr>
</tbody>
</table>
Segment value per litre 2011-13 (ctd.)

- The price of premium water in China varies greatly. For example, in retailer Carrefour, a 55cl bottle of local water is RMB 1, a 1 litre bottle of local premium water is around RMB 16, and a 75cl bottle of San Pellegrino retails at RMB 28. Due to the high costs associated with importing goods into China, it is unlikely that the price of international brands will drop, and there will remain a noticeable price difference between local and imported brands for the foreseeable future.
China premium water
Leading brands in 2012-13, volume and market share

<table>
<thead>
<tr>
<th>Company</th>
<th>Brand</th>
<th>Volume, mln litres 2012</th>
<th>% volume share 2012</th>
<th>Volume, mln litres 2013</th>
<th>% volume share 2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tibet Glacier Mineral Water Co Ltd</td>
<td>Tibet 5100</td>
<td>84.0</td>
<td>41.4</td>
<td>103.0</td>
<td>39.8</td>
</tr>
<tr>
<td>Jiaduobao Group</td>
<td>KunLun Mountain</td>
<td>62.0</td>
<td>30.5</td>
<td>87.0</td>
<td>33.6</td>
</tr>
<tr>
<td>Danone</td>
<td>Evian</td>
<td>16.0</td>
<td>7.9</td>
<td>17.0</td>
<td>6.6</td>
</tr>
<tr>
<td>New Dagu Ancient Glacier Spring Ltd</td>
<td>Nine Thousand Years</td>
<td>12.0</td>
<td>5.9</td>
<td>13.5</td>
<td>5.2</td>
</tr>
<tr>
<td>Quanshan Natural Mineral Water Ltd</td>
<td>Quanshan Wuda Lian Chi</td>
<td>8.0</td>
<td>3.9</td>
<td>11.0</td>
<td>4.3</td>
</tr>
<tr>
<td>Others</td>
<td>Others</td>
<td>21.1</td>
<td>10.4</td>
<td>27.1</td>
<td>10.5</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td><strong>203.1</strong></td>
<td><strong>100.0</strong></td>
<td><strong>258.6</strong></td>
<td><strong>100.0</strong></td>
</tr>
</tbody>
</table>

- Tibet 5100 is the market leader in the Chinese premium water category with 103 million litres sold in 2013. Despite the brand increasing volume sales by 23% in 2013, the brand actually lost market share, such was the strength of the premium water market in 2013. The brand’s growth in recent years has been fuelled by the signing of contracts with the national rail network and a chain of more than 6000 petrol stations, and the establishment of strong presence in supermarket, hypermarket and horeca channels across the country. It has also been designated the official drink for the National People’s Congress.

- The second leading brand in 2013 was Kunlun Mountain, produced by Jiaduobao Group. The brand saw sales increase by 40% in 2013 to reach 87 million litres, and now has over 100,000 points of sale nationwide. Jiaduobao Group is a leading producer of Chinese herbal drink and has been able to capitalise on its existing distribution setup in order to grow its premium water brand since 2010. The brand has actively sought to promote its premium brand status using sporting celebrity endorsements, including tennis player Li Na. The brand was also recently appointed the official drink for the Asia-Pacific Economic Cooperation in Beijing.
Leading brands in 2012-13, volume and market share (ctd.)

- Both Tibet 5100 and Nine Thousand Years were introduced to the market in 2006. They are packaged glacial waters from Tibet. Tibet 5100 has recently reduced its reliance on its contract to supply the China rail high speed train network, by reportedly signing additional contracts with local governments, Air China, China Mobile and BP Plc. In contrast, Nine Thousand Years commands a significantly higher price point than its Tibetan counterpart, and focuses predominantly on distribution within the on-trade.

- Evian was launched in China in 1986, and effectively enjoyed monopoly status for more than 20 years, up until 2009. The emergence of a number of local brands, and increased interest in China from other imported water brands, has recently seen a decline in Evian’s share of the premium water segment. Volvic was introduced in China in 2000, and is relatively unknown, in comparison to Evian. The performance of Danone has not been helped by the failure of its Evian brand to pass an entry inspection in 2012, due to unacceptably high nitrite levels, so undermining public confidence.

- Quanshan takes 5th place in the rankings, and its premium market share has remained relatively stable since 2007.

- Evergrande is the latest brand to join the growing premium water segment, announcing its arrival in September 2013, the day after the company’s football team (also named Evergrande) won the Asian Champions League. The brand has a retail price of between 4-4.5 RMB and is therefore priced at the lower end of the premium segment. The company claims to export to 13 major countries (so convincing consumers of the high quality of the product), while domestically it has spent 1.3 billion RMB on advertising and developing points of sale. The brand is now available in cinemas, hotels, health clubs, as well as leading outlets in more than 130 major cities nationwide.

- In the past couple of years, the number of premium international brands being exported to China has increased, and although the majority of imports into the market still originate from France and Italy, premium waters sold in China now include those from Fiji, New Zealand and Germany. In October 2014, Icelandic Water Holdings announced a distribution partnership with Remfly Wines and Spirits Ltd which will see the distribution of the Icelandic Glacial brand throughout the Macau region.
China premium water

Future outlook

- The Chinese market will continue to be split into two tiers for the foreseeable future: ultra-premium (mainly imported brands) and premium (predominantly local brands). Although ultra-premium offerings are expected to see increased demand over the coming years, it is the premium category which is expected to drive growth.

- The leading global manufacturers, such as Nestlé Waters and Danone, are expected to increase distribution within China in order to take advantage of the rewards on offer. Consumption of spirits is strong in China, and sparkling brands such as Perrier are viewed as a premium mixer for both alcoholic and non-alcoholic cocktails. Traditionally Perrier has only been distributed in high-end outlets in major cities, but like many other imported brands, its reach is expected to widen over the coming years.

- The growth of higher income consumers in China is expected to make premium water more affordable to wider consumer groups. Disposable incomes in China continue to grow, and combined with the increased availability of premium water products, this is expected to lead to increased consumption of ultra-premium and imported offerings.

- Part of the challenge for local manufacturers is in expanding the premium water segment to entice price-sensitive consumers. Pricing a premium water at a level which is attractive to the middle-class is key in this respect.

- Marketing remains key in the success of individual premium water brands. Many young female consumers actually use Evian water to wash their face and as part of a facial mask, believing this will improve results. The positioning of a brand as offering a safe, healthy product is key.
6: Country focus: Germany
The packaged water market in Germany grew by 2.6% in 2013 to reach 13,906 million litres. It is currently the leading market for packaged water in Europe. From a global point of view it comes third, behind just the US and China.

Per capita consumption has risen to 168 litres, placing Germany behind only Italy (183 litres) in terms of per capita consumption in the region. The average for West Europe is 112 litres consumed per capita.

Sparkling water is the dominant category in Germany, a country which has a strong tradition of mineral water consumption. In 2013, over 78% of all small format packaged water sold in Germany was sparkling, although this category is gradually seeing a loss of market share to still variants. Since 2009, the market share of still water has grown from 19% to 21%, and this trend is expected to continue.

Tap water remains extremely safe in Germany. Many consumers prefer it due to it being environmentally friendly, while others also deem it to have a superior taste compared to packaged water. However, at the present time it is not considered a threat to packaged water due to the difference in consumption occasions.
While a number of European water markets have suffered a decline in value in the fallout of economic downturn, the German market has continued to grow. In 2013 market value grew by 1.6% to reach €6.77 billion and has benefitted in recent years from a comparatively stable economy (in relation to other leading European countries) and a consumer trend towards a reduction in calories and sugar intake. The market was also boosted in 2013 by fine weather, particularly in the first half of the year, before conditions deteriorated in July and August.

Per capita expenditure increased to €81.9, lagging behind just Italy and Belgium in the European rankings. The strong presence of private label in the market has prevented further increases.

Growth is forecast to continue, but not at the dynamic rates seen elsewhere in Europe. The German market is fully mature, and price-conscious consumers will ensure that the price of packaged water does not rise beyond the rate of inflation, which in 2014 remains low.
The vpl of packaged water in Germany is amongst the lowest in Europe, and remained at just €0.49 in 2013. The vpl has dropped in eight of the last ten years, due to two key factors: the popularity of private label offerings, and the growth of discounters. Two leading private label manufacturers – MEG and Hansa-Heemann – dominate the market, while the popularity of the Lidl and Aldi discount chains continues to grow. Both of these factors have served to drive down the price of mainstream packaged water offerings in order to remain competitive.

Contrary to the trend elsewhere, the vpl of sparkling water is actually lower than that of still water, due primarily to the sheer scale of the sparkling water market. In 2013, the vpl of sparkling water stood at €0.46, while the equivalent for still water was €0.59.

The vpl of packaged water is expected to remain stable over the coming years. Rising raw material and transportation costs are placing greater strain on manufacturers, but the rise in production costs is not expected to be fully passed on to consumers in an increasingly competitive market.
With 2013 volumes reaching 1,689 million litres, premium water in Germany accounts for 12% of total packaged water volume. Germany has a mature packaged water market with slow market growth, and premium waters are no exception to this rule, with volumes largely unchanged since 2011. However, due to the decline of the Italian premium water segment in 2013, Germany is now the second leading market in Europe behind France.

On account of the rise in total packaged water sales, premium water’s market share in Germany has dropped in recent years. In 2008, premium water represented 13.5% of the packaged water market, but as price conscious consumers have traded down premium brands to lower priced water, so the market share has dropped.

It must be also be remembered that Germany has a declining population, which acts to the detriment of both total packaged water and premium water sales.
Germany premium water
Segment value 2011-13

- In terms of segment value, premium water represents just under 19% of the total market, with sales totalling €1.28 billion in 2013. This is the second consecutive year the market has declined, and is a 2.4% drop from the segment value’s peak in 2008.

- Despite this decline, the segment remains the third most valuable globally, behind France and the US. High levels of disposable income amongst German consumers have combined with an appreciation for premium products to maintain premium water’s popularity. With the majority of sales of packaged water in Germany being low-priced ‘budget’ items, premium water has the potential to encroach on the void traditionally filled by more mainstream offerings.

- German consumers remain loyal to established brands. Imports of ‘new world’ brands from Iceland, Fiji and Norway remain marginal compared to sales of traditional brands imported from European sources such as Italy and France.
Germany premium water

Segment value per litre 2011-13

- Indexed against packaged water, premium value per litre is just 1.6; a relatively low figure compared to the global average of 2.1. The value per litre of premium water was €0.76 in 2013, with just Italy having a lower vpl in Europe.

- Pricing differs significantly between brands. Vittel is commonly available at €0.54 per litre, while Perrier is widely available at double this price, €1.14 per litre. The leading premium brand in the domestic market, Gerolsteiner, is sold in line with the overall average premium vpl at €0.76 per litre.

- Similar to the trend observed in the total packaged market, the vpl of premium water has been in decline in recent years, dropping gradually from €0.78 in 2010. Germany’s geographical positioning in the centre of Europe means that in terms of imports, it is accessible to the main premium brands throughout France, Italy and Belgium, which has increased competition in this segment, and ensured that prices remain low.
Germany premium water
Leading brands in 2012-13, volume and market share

<table>
<thead>
<tr>
<th>Company</th>
<th>Brand</th>
<th>Volume, mln litres 2012</th>
<th>% volume share 2012</th>
<th>Volume, mln litres 2013</th>
<th>% volume share 2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gerolsteiner Brunnen GmbH &amp; Co. KG</td>
<td>Gerolsteiner</td>
<td>515.0</td>
<td>30.4</td>
<td>532.4</td>
<td>31.5</td>
</tr>
<tr>
<td>Nestlé Waters</td>
<td>Vittel</td>
<td>405.0</td>
<td>23.9</td>
<td>385.0</td>
<td>22.8</td>
</tr>
<tr>
<td>Danone</td>
<td>Volvic</td>
<td>332.0</td>
<td>19.6</td>
<td>347.0</td>
<td>20.5</td>
</tr>
<tr>
<td>Coca-Cola GmbH</td>
<td>Apollinaris</td>
<td>160.0</td>
<td>9.5</td>
<td>152.0</td>
<td>9.0</td>
</tr>
<tr>
<td>Danone</td>
<td>Evian</td>
<td>63.0</td>
<td>3.7</td>
<td>60.0</td>
<td>3.6</td>
</tr>
<tr>
<td>Others</td>
<td>Others</td>
<td>217.2</td>
<td>12.8</td>
<td>213.0</td>
<td>12.6</td>
</tr>
<tr>
<td><strong>Total Premium (mln litres)</strong></td>
<td></td>
<td><strong>1692.2</strong></td>
<td><strong>100.0</strong></td>
<td><strong>1689.4</strong></td>
<td><strong>100.0</strong></td>
</tr>
</tbody>
</table>

- While the packaged water market in Germany is notably fragmented and dominated by small regional brands, the premium water segment is dominated by a number of large multinational players.

- The leading brand, however, is Germany’s Gerolsteiner. With national distribution, this domestic producer offers a range which includes sparkling, lightly sparkling and still packaged water. In 2013 the Gerolsteiner brand extended its dominance of the domestic market to control 31.5%, equivalent to 532 million litres sold. The company also exports its brands to a number of key markets, announcing in early 2014 that it is the most exported German mineral water.

- The success of Gerolsteiner is due, in part, to a successful marketing strategy. One such initiative is the introduction of a mobile phone app which allows the consumer to compare the mineral content in over 1000 water products and to view the calcium and magnesium content in the brands.

- Imported brands account for 3 of the top 5 brands by volume, originating from either France or Italy. Nestlé Waters’ and Danone’s still water brands, Vittel and Volvic, rank 2nd and 3rd respectively, with Danone’s Evian brand holding 5th place in 2013. The top 5 premium brands represented a combined 87.4% of the premium segment in 2013, largely unchanged from the previous year.
Leading brands in 2012-13, volume and market share (ctd.)

- It is important to be aware that due to Zenith’s premium definition whereby ‘an international brand classified as premium (based on its global average value per litre), remains so across all markets in which it is present’, Nestlé’s Vittel brand appears in the premium rankings in Germany, despite its low price-point in the domestic market. As mentioned, the vpl of this brand is just €0.54, making it cheaper than a number of non-premium brands. The brand is sold through the discounter Lidl.

- Premium water is not sold exclusively through out-of-home channels, with supermarkets, discounters and convenience also being important sales channels. Traditional drinks wholesalers (Getränkeabholmärkte) also offer a wide range of premium brands, for sale to both the end consumer and across the wider distribution spectrum.

- A number of brands are offered in returnable glass formats, which supplement the array of PET offerings. Glass packaged brands as opposed to PET are predominantly found in the horeca channel.
Germany premium water

Future outlook

• Although the declining population hinders growth in water sales, the economic stability of the country and tradition of packaged water consumption should ensure constant growth occurs over the coming years. High levels of urbanisation will also encourage this growth.

• The premium water segment in Germany is a mature one, but opportunities still exist for new market entrants. Success in the German market is dependant on a brand’s ability to take market share away from existing players, and a strong marketing plan is essential in this respect.

• Environmental issues remain a concern amongst German consumers, and new market entrants must be aware of the regulatory environment that exists in Germany with regards to packaging.

• One potential barrier to entry is that Germany is a large country geographically and therefore distribution can be challenging. Regional and national domestic brands are strong; an unknown brand would find it difficult to enter. The German consumer is often fairly conservative and loyal and is not always open to new brands. However, Germany’s geographical positioning does make it accessible to a large number of foreign water manufacturers.

• Despite these challenges, the sheer size of the market in Germany, coupled with forecast growth (albeit at a slower pace than a number of other countries), make it an attractive proposition to manufacturers. Worth almost €1.3 billion per year, only France and the US have a more valuable market, and for those brands able to gain market entry, the rewards are plentiful.
7: Country focus: Japan
The market for packaged water in Japan has experienced strong gains in recent years. In 2010 the market grew by over 16% and this growth increased yet further in 2011, when the after-effects of the Tohoku earthquake and tsunami quickly increased the demand for safe drinking water amongst consumers. This growth has continued, albeit at a lesser rate, in 2012 and 2013.

In 2013 market volume reached almost 3.5 billion litres, a rise of 2.7% on the previous year. This equates to per person consumption of 27.4 litres, placing it amongst the leading nations in Asia Pacific in terms of individual consumption. Just Thailand (53 litres), Australia (42 litres), and South Korea (36 litres) rank higher in terms of per capita consumption. It is a common theme in Japan to consume drinking water immediately after waking in the morning due to perceived health benefits.

The Japanese traditionally have had little interest in sparkling variants, although this has shown signs of changing in recent years. In 2013, just 6% of packaged water sales were sparkling water, compared to 94% still.

In a country where consumption of packaged water primarily occurs at home, it is unsurprising that the most popular format is still water in pack sizes between 1.1 and 2 litres. However, bulk water sales have been growing, and are expected to continue to erode the market share represented by this format. Similarly, smaller packs of still up to 1 litre are growing in popularity due to the convenience offered to ‘on-the-go’ consumers.
Market value of packaged water continues to rise in local currency terms, and since 2009 has increased by almost 65%, mainly on account of the increased demand for safe drinking water in 2011. Although the quality of drinking water is generally of a good enough standard for direct consumption in Japan, most consumers are still cautious about the risk of radiation from Fukushima and err on the side of caution by opting to drink packaged water.

Significant devaluation of the yen comparative to the euro throughout 2013 has meant that while market value in local currency increased by 3.9%, in terms of the euro equivalent it suffered an 18% decline. Japan remains an export-dependent country, with a weak yen beneficial to employment in a number of industrial sectors.

Despite this, in terms of per capita expenditure Japanese consumers are only surpassed by Australia and New Zealand in Asia Pacific. Per capita expenditure on packaged water totalled the equivalent of €25.8 in 2013.
The value per litre of packaged water has seen modest increases in recent years. To meet emergency demands for packaged water in 2011, regulations were eased to allow imported water to enter the country without labelling changes, which ultimately led to the market being oversupplied, and prices subsequently reduced.

Behind Singapore and Australia, the vpl of packaged water is the third highest in Asia Pacific and reflective of the high cost of living in Japan. A rise in the level of consumption tax in 2014 is set to increase the vpl yet higher.
Sales of premium water have shown strong growth since 2008, and in 2013 reached 332 million litres, growth of over 12% on 2012 levels.

When looking at the packaged water market in Japan, it should be noted that Asahi’s Wilkinson brand has been classified as a ‘premium’ brand, and is therefore included in this segment. Despite the mainstream visual appearance of the brand, its high vpl (higher than imported Evian, Volvic, Vittel and Fiji) have resulted in it being included.

Indeed, one of the main trends in the Japan’s premium water segment in recent years has been the increased popularity of sparkling variants. Traditionally sparkling water has only been used as a mixer, with volumes subsequently remaining low. However, in recent years there has been an increase in direct consumption following growing popularity of the ‘high ball’ cocktail (a mix of whisky and sparkling water) which has increasingly given consumers a taste for sparkling variants.

Furthermore, since 2008 consumers have started to drink sparkling water as a healthy alternative to other soft drinks, a trend which has been aided by increased marketing expenditure by Asahi and Sapporo, which distributes the Gerolsteiner brand.

It is this increased preference for sparkling water which has driven the growth of premium water in recent years. In 2013, premium water’s market share reached 9.5% as it continues to take share away from non-premium offerings.
Japan premium water
Segment value 2011-13

- Premium water in Japan is typically priced at over double the price of non-premium water, and as such its market value represents a significantly higher share of the segment compared to volume. In 2013, this share rose to 19.3%.

- Japan is traditionally a very health-conscious nation and consumers are typically willing to pay extra for a premium brand which is deemed to be of a higher quality.

- Many visitors to Japan detect an undesirable taste of chlorine in the tap water, particularly in the Tokyo region. Packaged water is therefore purchased by many tourists, with Europeans in particular keen to purchase imported brands with which they are familiar. Availability of imported brands is widespread throughout the main urban areas.

<table>
<thead>
<tr>
<th>Value (mln yen)</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Premium (mln yen)</td>
<td>67,815</td>
<td>73,456</td>
<td>82,503</td>
</tr>
<tr>
<td>Rest (mln yen)</td>
<td>325,467</td>
<td>336,840</td>
<td>343,965</td>
</tr>
<tr>
<td>Total</td>
<td>393,283</td>
<td>410,296</td>
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</tr>
<tr>
<td>Premium (% share)</td>
<td>17.2</td>
<td>17.9</td>
<td>19.3</td>
</tr>
<tr>
<td>Rest (% share)</td>
<td>82.8</td>
<td>82.1</td>
<td>80.7</td>
</tr>
<tr>
<td>Total</td>
<td>100.0</td>
<td>100.0</td>
<td>100.0</td>
</tr>
</tbody>
</table>
Premium sparkling water is increasingly sold through modern retail, as consumers look to it for direct consumption in addition to its use as a mixer. Its increasing availability in this channel has prevented notable increases in vpl, and as a result the value per litre of premium water remained static in 2013.

With the consumption tax rising from 5% to 8% in 2014, many brands reportedly held their price in 2013 in preparation for the increase.

Despite increased presence in modern retail, the horeca channel remains key to sales of premium water and increased consumption through this channel will see the vpl continue to rise in the coming years.
## Japan premium water

**Leading brands in 2012-13, volume and market share**

<table>
<thead>
<tr>
<th>Company</th>
<th>Brand</th>
<th>Volume, mln litres 2012</th>
<th>% volume share 2012</th>
<th>Volume, mln litres 2013</th>
<th>% volume share 2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Asahi</td>
<td>Wilkinson</td>
<td>69.7</td>
<td>23.6</td>
<td>99.8</td>
<td>30.1</td>
</tr>
<tr>
<td>Danone</td>
<td>Volvic</td>
<td>83.9</td>
<td>28.4</td>
<td>86.0</td>
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</tr>
<tr>
<td>Danone</td>
<td>Evian</td>
<td>50.6</td>
<td>17.1</td>
<td>52.9</td>
<td>16.0</td>
</tr>
<tr>
<td>Nestlé Waters</td>
<td>Perrier</td>
<td>16.0</td>
<td>5.4</td>
<td>14.0</td>
<td>4.2</td>
</tr>
<tr>
<td>Kirin</td>
<td>Kirin Nuda</td>
<td>12.4</td>
<td>4.2</td>
<td>13.4</td>
<td>4.0</td>
</tr>
<tr>
<td>Fiji Water Inc</td>
<td>Fiji</td>
<td>11.2</td>
<td>3.8</td>
<td>11.4</td>
<td>3.4</td>
</tr>
<tr>
<td>Gerolsteiner</td>
<td>Gerolsteiner</td>
<td>10.7</td>
<td>3.6</td>
<td>10.6</td>
<td>3.2</td>
</tr>
<tr>
<td>Nestlé Waters</td>
<td>San Pellegrino</td>
<td>8.0</td>
<td>2.7</td>
<td>7.0</td>
<td>2.1</td>
</tr>
<tr>
<td>Nestlé Waters</td>
<td>Vittel</td>
<td>8.0</td>
<td>2.7</td>
<td>6.0</td>
<td>1.8</td>
</tr>
<tr>
<td>Others</td>
<td>Others</td>
<td>25.0</td>
<td>8.5</td>
<td>30.5</td>
<td>9.2</td>
</tr>
<tr>
<td><strong>Total Premium</strong></td>
<td><strong>(mln litres)</strong></td>
<td><strong>295.6</strong></td>
<td><strong>100.0</strong></td>
<td><strong>331.6</strong></td>
<td><strong>100.0</strong></td>
</tr>
</tbody>
</table>

- Asahi’s Wilkinson brand remains the segment leader with 30.1% share. The brand has seen large annual increases since 2008 due to the popularity of the high ball cocktail. To extend its reach in the domestic market, Asahi launched a variant of the brand in PET packaging in 2010 in order to cater for home consumption.

- Imported brands continue to form the base of the rest of the segment, with Danone’s Volvic and Evian brands having particularly widespread presence. Both of these brands benefited from continuous promotional activities throughout 2013.
Leading brands in 2012-13, volume and market share (ctd.)

- Nestlé’s Perrier has achieved strong growth since 2008, while local sparkling brand Kirin Nuda completes the top 5 with 4% share of the segment.
- Other multinational brands, including Gerolsteiner, San Pellegrino and Vittel, have been increasingly marginalised in the past two years, losing market share to domestic brands.
- The top five brands in the segment make up 80% of the total premium segment.
Japan premium water

Future outlook

• The segment for premium water in Japan will continue to be driven by increased popularity of sparkling variants and consumers continued dependence on a safe source of drinking water. It is forecast that over the next five years the market share of packaged water represented by sparkling water will grow from 6% to 8%, with premium water driving this trend. In early 2014 Nestlé revealed that it sees Japan as a promising market for its Perrier brand.

• The geographical position of Japan makes it less accessible to major European exporters compared to other key markets. However, the Japanese have traditionally shown a willingness to pay for quality and convenience, showing a fondness for brands and high-end products.

• The horeca channel continues to thrive in Japan despite economic downturn. Japan is a country whose inhabitants are renowned for dining out, and premium water is expected to continue to thrive through this channel.

• There are signs, however, of changing consumer attitudes which are acting against premium water. The Japanese economy continues to struggle, and consumers have less disposable income to spend on luxury items in such an environment. Japanese consumers are increasingly looking towards ‘value’ products, as well as opting to stay at home more.

• Japanese consumers’ fondness for healthy products works to the advantage of premium water. The Fukushima troubles in 2011 have served to heighten this need for safe, healthy products, which is expected to continue for the foreseeable future.
8: Country focus: UAE
The market for packaged water in UAE continues to grow at a strong pace. In 2013 the market grew by over 11% to reach 910 million litres.

Bulk water has traditionally been the format of choice in UAE – approximately two-thirds of all water purchased takes this form. Many of Dubai’s large shopping malls offer consumers water through fountains, with individual shops increasingly following this trend.

The popularity of packaged water in the UAE derives from the poor quality of tap water. With limited natural groundwater resources in UAE, tap water takes the form of desalinated seawater and is perceived to be of a very low quality. The safety of the water is also often the topic of debate amongst consumers. While tap water is used for cooking and making tea and coffee, the poor taste means consumers are increasingly turning to packaged water to satisfy their hydration needs.

As such, many consumers select packaged water, and in a country with year-round high temperatures and intense summer heat per capita consumption is high, standing at 97.3 litres in 2013. Local brands such as Al Ain, Masafi and Oasis are particularly popular.
The global economic crisis had a big impact effect on UAE, but the economy in the country has since regained momentum. As a result, market value of packaged water has achieved strong increases over the past few years, rising at an average rate of 11% since 2009. Over this period, per capita expenditure has increased to 205 AED (€42.1).

High levels of urbanisation in UAE mean that packaged water is readily available to a large proportion of the population. Particularly in a country with such a vast array of retail outlets, most consumers have regular access to packaged water supplies. Availability has also been helped by the increase in output from domestic producers such as Al Ain and Masafi, both of which have increased market share by producing low priced items aimed at the mass market.

Diabetes is a key concern in UAE, with consumers increasingly being advised to refrain from sugary soft drinks and opt instead for healthier products such as packaged water. In the coming years, packaged water is expected to continue to take market share from other higher sugar categories such as soft drinks and fruit juice.
UAE packaged water
Market value per litre 2009-13

- Value per litre of packaged water rose to 2.11 AED in 2013, having shown modest increases since 2009. In euro terms, this equates to €0.43 which is towards the upper end compared to other countries in the region. Amongst other GCC countries, the vpl in Bahrain is €0.39, it is €0.62 in Kuwait, €0.36 in Oman, €0.33 in Qatar and €0.42 in Saudi Arabia.

- The market is very much divided into cheap locally produced water and imported premium water. Whereas local brands typically have a vpl of between 1.5-2.0 AED, Vittel and Evian often sell for in excess of 10.0 AED per litre.

- In a country where the majority of the population reside in the densely populated coastal cities, a large proportion of consumers have direct access to supermarkets and hypermarkets, meaning packaged water is accessible throughout the year.
UAE premium water
Segment volume 2011-13

- Premium water has a number of factors working in its favour in the UAE. The country has a strong tourism industry, hot year-round temperatures and high levels of disposable income.

- Unsurprisingly given the sparseness of natural groundwater resources in the country, all premium water of note is imported. In 2012 Agthia Group, one of the country’s largest food and beverage companies, acquired Turkish spring water company Pelit Su as it sought to extend its presence into the premium water category, but the leading premium brands remain imported offerings such as Evian and San Pellegrino.

- One of the key driving forces behind the uptake of premium water is the better taste compared to low quality tap water. Premium water provides a superior taste experience to high income consumers who can afford it on a regular basis, but also a safe option to those visitors to the country who have more often than not been warned of the safety of UAE tap water.
Still water commands the vast majority of sales in the country, with sparkling water sales generally confined to tourists. Indeed, the tourism trade is a major factor for premium water sales. In 2012 UAE welcomed more than 10 million visitors to Dubai alone. In 2010 Dubai was estimated to have contained over 67,000 hotel rooms, compared to just 29,000 in 2005. Many of these hotels are high-end establishments, generating approximately 19 billion AED in revenue per year. As the country looks to continue to reduce its dependence on oil revenue, expansion of the tourism industry is expected to continue over the coming years, which in turn is expected to support increased growth in premium water.

The visual appeal of the products is of particular importance in UAE. In a country with such high levels of conspicuous wealth and glamour, the visual appearance of a brand is of almost equal importance as the contents within. Brands such as Voss, with its elegant bottle design, are particularly appealing to consumers. In 2014 the brand launched a home and office delivery service in a bid to expand its reach.

France remains the largest exporter of water to UAE, followed by Italy. Imports from the United Kingdom, in particular the Hildon brand, and New Zealand, in the form of the Antipodes brand, have seen strong increases in recent years.

The large ex-pat community in UAE shows preference for brands with which they are familiar back home. In 2013, UK retailer Waitrose opened its sixth store in the country, with plans for this number to increase to 25 over the coming years.
UAE premium water
Segment value 2011-13

- Whilst the share of premium water is just over 3% of the total market by volume, in value terms its share is significantly higher at over 17%.

- Levels of disposable income are high in a country with 0% tax rates. Imported brands in particular are popular amongst the large ex-pat community which has high purchasing power. In terms of GDP per capita, UAE is amongst the leading countries in both the region, and indeed the world.

- The impact of sales of premium water as part of a fine dining experience should not be underestimated. The fine dining industry in UAE is growing rapidly, and higher priced premium water is viewed by many as a vital accompaniment, particularly in a predominantly Muslim country with low-alcohol availability.
Due to the low price point of locally produced non-premium brands, it is unsurprising that the vpl index of premium water relative to total packaged is high, at over 5:1. The high proportion of sales through horeca channels, which have a higher vpl than modern retail sales, further emphasises this difference.

- A number of the more exclusive hotels in the country, including Raffles, Atlantis The Palm, Emirates Palace and The Hilton are reported to exclusively stock the Al Ain brand, which is not classed as premium water by Zenith. Opportunities exist for established foreign brands to gain increased presence through this channel.
UAE premium water
Leading brands in 2012-13, volume and market share

<table>
<thead>
<tr>
<th>Company</th>
<th>Brand</th>
<th>Volume, mln litres 2012</th>
<th>% volume share 2012</th>
<th>Volume, mln litres 2013</th>
<th>% volume share 2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Danone</td>
<td>Evian</td>
<td>12.5</td>
<td>43.4</td>
<td>13.0</td>
<td>42.0</td>
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<tr>
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<td>San Pellegrino</td>
<td>2.4</td>
<td>8.3</td>
<td>2.8</td>
<td>9.0</td>
</tr>
<tr>
<td>Nestlé Waters</td>
<td>Panna</td>
<td>1.6</td>
<td>5.6</td>
<td>2.4</td>
<td>7.7</td>
</tr>
<tr>
<td>Danone</td>
<td>Volvic</td>
<td>2.2</td>
<td>7.5</td>
<td>2.2</td>
<td>7.1</td>
</tr>
<tr>
<td>Nestlé Waters</td>
<td>Perrier</td>
<td>1.2</td>
<td>4.2</td>
<td>1.4</td>
<td>4.5</td>
</tr>
<tr>
<td>Nestlé Waters</td>
<td>Vittel</td>
<td>1.1</td>
<td>3.8</td>
<td>1.3</td>
<td>4.2</td>
</tr>
<tr>
<td>Others</td>
<td>Others</td>
<td>7.8</td>
<td>27.2</td>
<td>7.9</td>
<td>25.5</td>
</tr>
</tbody>
</table>

- Danone’s Evian brand remains the leader in the premium water segment in UAE, with a 42% share. The brand has long been a popular option for tourists and expats in the country.

- Despite the lack of popularity for sparkling water amongst locals, San Pellegrino is the second most consumed premium brand. Once again, consumption tends to be focused in the country’s vibrant horeca channel.

- Whilst the segment is dominated by Danone and Nestlé brands, making up almost 75% of all sales, a number of other imported brands have enjoyed increasing success over the past twelve months – Hildon, Antipodes and Voss are three such examples. Imports from the US have also seen large increases over the past year.
UAE premium water

Future outlook

- For those manufacturers able to gain market entry in UAE, the rewards are plentiful. Per capita consumption of packaged water (including bulk) stood at approximately 290 litres in 2013, amongst the highest in the world. By taking market share away from bulk and mainstream offerings, the opportunities for rapid market growth are ample for new market entrants. On account of the high levels of wealth within UAE, there is potential for quality products which are marked at a higher price. In 2013 premium water represented just 3.4% of the total packaged water market, so there remains ample scope for expansion.

- Packaged water as a whole has achieved strong growth in recent years, and this is set to continue. Increased health awareness, in particular in relation to diabetes, will lead to further increases in packaged water consumption at the expense of soft drinks.

- High levels of tourism in the country provide a ready-made market for premium brands. In this sense, advertising and penetration of the hotel and restaurant channels are essential. Furthermore, the fine dining culture provides ample opportunity for ‘ultra-premium’ brands. Tourism in UAE is set to grow yet further as the country expands beyond oil as its main source of revenue.

- Environmental issues remain a concern, with UAE possessing one of the highest carbon footprints in the world. The success of brands in the future may well depend on their ability to market themselves as being environmentally friendly.
9: Country focus: USA
USA packaged water
Market volume 2009-13

- Despite struggling at the height of the financial crisis in 2008 and 2009, the packaged water market in the US has since returned to growth, registering volume gains in excess of 2% in each of the past four years. In 2013 volumes improved by 4.5% to stand at over 30 billion litres, which equates to per capita consumption of 95.8 litres annually.

- Still water continues to make up the vast majority of the market, with 97% share. Despite strong year-on-year increases (+12% in 2013), sparkling water has limited popularity in the US, and sales accounted for just 3% of the market total. In a market which thrives on convenient products, it is unsurprising that still water in small pack sizes are the most popular. In 2013, 75% of all packaged water sales were still water in packaging under 1 litre.

- The growth of the packaged water market has been driven by a trend amongst consumers towards healthy alternatives to carbonated soft drinks and juices. In the US, health awareness amongst consumers is strong, and there has also been growing publicity as to the need to stay hydrated. In this respect, First Lady Michelle Obama has worked alongside the International Bottled Water Association (IBWA) and Partnership for a Healthier America (PHA) to try to increase the consumption of water. In 2013 this support took the form of the “You Are What You Drink” campaign.
Market volume 2009-13 (ctd.)

- However, there remains widespread negative media coverage of the environmental impact of the packaged water industry across the country and this has prevented further growth in sales. A growing number of universities and colleges have phased out the sale of single serve bottled water and replaced them with water fountains. Condemnation of bottled water was also gaining voice in a number of US cities in 2013, culminating in the banning of plastic water bottles in San Francisco in March 2014.

- Packaged water manufacturers have, however, been responsive, and taken much publicised steps to reduce both their waste and environmental footprint. Both Coca-Cola and PepsiCo have been at the forefront of efforts to reduce levels of hydrofluorocarbons (HFC) emitted by their coolers, dispensers and vending machines by installing HFC-free machines, while 100% recyclable bottles are now omnipresent. Significant efforts have also been made to reduce the weight, and therefore PET usage, of bottles, and to improve recycling initiatives across the country.
USA packaged water
Market value 2009-13

- Market value increased to over US$21 billion in 2013, a rise of 4.3%. The average consumer spent US$67 on packaged water throughout the year. Private label is driving this trend and has seen strong growth of market share at the expense of branded products. Despite an upturn in economic conditions, consumers have remained price-conscious and are enticed by packaged water which is either discounted or part of a promotion.

- Many retail outlets have reported using packaged water as a loss leader, offered at below the production price in order to entice consumers into the store and stimulate sales. Indeed, the aggressive pricing strategy of packaged water in recent years has been a key reason behind the growth of the category.

- Despite its smaller market share, the higher price point of sparkling water continues to entice manufacturers. In late 2013, Coca-Cola identified the sparkling water segment as a key area of focus in the US over the coming years. Sparkling water is viewed by many consumers as a more exciting alternative to still water, and this is particularly the case amongst some health-conscious consumers who have switched from carbonated soft drinks.
USA packaged water
Market value per litre 2009-13

- Due in part to the rise of private label offerings and cheaper brands, the value per litre of packaged water has remained largely unchanged over the past four years, at US$0.70.

- Sparkling water is typically priced at more than double the cost of still water. While the vpl of sparkling water is US$1.60, for still water it equates to just US$0.66. Needless to say, the larger the pack size of packaged water, the lower the price, but this higher price point fails to deter consumers from smaller pack sizes. High levels of mobility amongst US consumers mean that smaller pack sizes are more appealing than larger formats due to the convenience they provide.
USA premium water
Segment volume 2011-13

- Premium water accounted for almost 3% of total packaged water volumes in the US in 2013, having increased at the same rate as the non-premium segment. In 2013, 887 million litres of premium water were sold.

- Up until recently, the market for premium water in the US was dominated by imported brands. However, the rise of Glacéau smartwater since 2007 has altered this dynamic, and driven the segment as a whole. Since 2010, premium water volumes have grown by 28% at an average annual rate of 8.6%.

- Environmental and charitable credentials remain a key selling point for many premium water brands. Examples include Fiji’s involvement with 1% for the Planet (giving one percent of revenues to environmental groups) and the initiatives taken by the company through the Fiji Water Foundation, and partnership with Conservation International.
USA premium water
Segment value 2011-13

![Pie chart showing value % share, 2013]

<table>
<thead>
<tr>
<th>Value (mln US$)</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Premium (mln US$)</td>
<td>1,683</td>
<td>1,947</td>
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<tr>
<td>Rest (mln US$)</td>
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<td>19,388</td>
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<tr>
<td>Total</td>
<td>18,965</td>
<td>20,568</td>
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</table>

<table>
<thead>
<tr>
<th>Premium (% share)</th>
<th>8.9</th>
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<th>9.6</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rest (% share)</td>
<td>91.1</td>
<td>90.5</td>
<td>90.4</td>
</tr>
<tr>
<td>Total</td>
<td>100.0</td>
<td>100.0</td>
<td>100.0</td>
</tr>
</tbody>
</table>

- In 2013, premium water accounted for 9.6% of packaged water value sales, with the average price being more than triple that of non-premium. The presence of high priced imported brands such as San Pellegrino, Voss and Icelandic Glacial has helped maintain this high price point. Imports of packaged water rose by almost 4% in 2013, with France and Italy making up over three quarters of total imports.

- In 2013 the US economy continued to recover with improved GDP growth and lower unemployment, to the benefit of premium water sales. Over the past five years packaged water has established itself as the second leading beverage category in the country with a 15% share of throat behind only soft drinks (27%). As consumer purchasing power grows, so premium is expected to take market share away from non-premium offerings.
In 2013 the value per litre of premium water rose marginally, by 0.8% to US$2.32. While the price of non-premium water has been restrained in recent years by the growth of private label and general success of cheaper offerings from such companies as Niagara and DS Waters, the price of premium water has risen more freely.

Price positioning of premium brands is indexed at around 3.3 against the overall packaged water market - relatively high thanks to the presence of brands such as Voss and San Pellegrino.

This difference in price between premium and non-premium water has enabled the premium category to distance itself from some of the price pressures that private label has placed on the overall packaged water category.
USA premium water
Leading brands in 2012-13, volume and market share

<table>
<thead>
<tr>
<th>Company</th>
<th>Brand</th>
<th>Volume, mln litres 2012</th>
<th>% volume share 2012</th>
<th>Volume, mln litres 2013</th>
<th>% volume share 2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>The Coca-Cola Company</td>
<td>Glacéau Smartwater</td>
<td>330.0</td>
<td>39.0</td>
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<td>40.4</td>
</tr>
<tr>
<td>Fiji Water Inc</td>
<td>Fiji</td>
<td>172.0</td>
<td>20.3</td>
<td>179.0</td>
<td>20.2</td>
</tr>
<tr>
<td>Nestlé Waters</td>
<td>San Pellegrino</td>
<td>110.0</td>
<td>13.0</td>
<td>118.0</td>
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</tr>
<tr>
<td>Nestlé Waters</td>
<td>Perrier</td>
<td>82.0</td>
<td>9.7</td>
<td>88.0</td>
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<td>Danone</td>
<td>Evian</td>
<td>78.0</td>
<td>9.2</td>
<td>79.0</td>
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<td>Others</td>
<td>Others</td>
<td>74.1</td>
<td>8.8</td>
<td>64.9</td>
<td>7.3</td>
</tr>
<tr>
<td><strong>Total Premium (mln litres)</strong></td>
<td></td>
<td><strong>846.1</strong></td>
<td><strong>100.0</strong></td>
<td><strong>886.9</strong></td>
<td><strong>100.0</strong></td>
</tr>
</tbody>
</table>

- Following The Coca-Cola Company’s (TCCC) acquisition of Glacéau from Energy brands in 2007, the plain water electrolyte enriched variant, smartwater, has continued to gain volume share within the premium water segment. Available in PET bottles and with limited sales through the horeca channel, the brand is not viewed as being a ‘traditional’ premium water. Using TCCC’s strong distribution system, the brand is predominantly sold in retail and impulse outlets, and therefore commands a lower average value per litre than most other brands classified as premium. In 2013 the brand confirmed its dominance over the segment, increasing its market share to over 40%.

- Second in the premium segment comes Fiji Water. Over the past few years the brand has cemented its position as the leading imported water brand in the US, despite complaints about the environmental impact. The brand has distanced itself from these claims with a number of sustainable practices and initiatives.

- Nestlé Waters’ presence in the segment takes the form of San Pellegrino and Perrier, with 13% and 10% share respectively in 2013. Through Nestlé Waters North America, the company has a huge distribution reach across the country and boasts 14 brands across the packaged water sector.
Leading brands in 2012-13, volume and market share (ctd.)

- The Evian brand achieved volume sales totalling just under 80 million litres in 2013. In 2013 Danone announced the termination of its distribution agreement with TCCC for its Evian brand in the country, in order to allow each company to focus on their respective key brands. How this will affect sales of the brand in 2014 and beyond remains to be seen. Danone’s Badoit and Volvic brands also have a small presence in the market.
USA premium water

Future outlook

- The profile of packaged water will continue to benefit from increased publicity over the health benefits provided in the form of hydration, but at the same time suffer at the hands of increased scrutiny over the environmental impact of packaged water products.

- The support of Michelle Obama and IBWA have helped raise awareness of the need to drink more water, and this has continued into 2014 with the launch of the ‘Drink Up’ initiative, which was initially launched in September 2013.

- Packaged water sales are also expected to continue to benefit in the coming years from problems relating to water supply, droughts and contamination of tap water. This last factor in particular could lead to growing distrust over the quality of tap water and its suitability for consumption.

- The negative publicity concerning the environmental impact of packaged water is likely to act against imported brands more than others. Fiji in particular has faced criticism that the company is shipping water halfway across the globe at great cost to the environment. Any imported brands should focus on appeasing the US consumer by showing environmental awareness and a willingness to help tackle associated global problems.

- The financial mood ameliorated in 2013, with rising confidence in the US economy. As a result, there have been signs of discretionary spending increasing. This will continue to benefit premium water sales in the coming years.

- The sheer size of the country means that distribution remains a challenge to importers of packaged water, and increases cost in certain US states. The strong tradition of established brands in some regions makes penetration for a new market entrant difficult.

- However, the US is a consumer driven economy with high purchasing power parity and a high degree of urbanisation. If a premium water brand is able to be successful within the US market, it can provide a solid base on which to expand to other export markets.
10: Other potential markets
Other potential markets

Russia

- Government initiatives to reduce alcohol consumption
- Increasing levels of health awareness amongst consumers
- Packaged water market far from saturated
- Poor quality of tap water in many regions
- High levels of conspicuous wealth
- Strong growth of packaged water (+6% in 2013)

Russia
Other potential markets

United Kingdom

- Economic recovery occurring at a faster rate than other leading EU countries
- Government led initiatives aimed at healthier consumption of food and drinks
- Potential for a sugar tax on other beverage categories in the coming years
- Market becoming increasingly polarised by private label
- Strong growth of bottled water (+10% in 2013)
- Relatively easy access for European importers

Economic recovery occurring at a faster rate than other leading EU countries

Government led initiatives aimed at healthier consumption of food and drinks

Potential for a sugar tax on other beverage categories in the coming years

Market becoming increasingly polarised by private label

Strong growth of bottled water (+10% in 2013)

Relatively easy access for European importers
11: Premium sub-segmentation
Premium sub-segmentation

Super and ultra premium

In recent years, we have seen the emergence of the use of sub-segmentation within premium water; the distinction over and above premium.

**Exclusivity:** Brands that class themselves as being ‘super’ or ‘ultra’ premium are those typically only available in high-end restaurants, hotels, nightclubs, health clubs and spas. It is often the ‘exclusivity’ that classifies them as being ‘super’ premium, and as such brands seek to limit their sales exclusively to these channels. For example, the Voss brand grew by using this as part of its strategy to sell across the world.

**Source:** Other brands quote the source as the reason for being super premium. Examples include rainwater; Tasmanian Rain and King Island Cloud Juice (Australia), glacial; Icelandic Glacial (Iceland) and Isbre (Norway), iceberg water; Berg (Canada), artesian (underground source); Elsenham (UK), Voss (Norway) and Fiji.

**Production process:** The process that the water goes through before it reaches the bottle is also cited as the reason for being super premium. Examples include: Gize (filtered through gold), and OGO (oxygen water).
Premium sub-segmentation

Super and ultra premium

**Designer bottles**: For example, the Swarovski crystal-encrusted Bling H2O bottle which targets celebrities, athletes, and other ‘beautiful people’. It is priced at around US$40 a bottle. Fillico’s ‘Jewellery Water’ is another such example, packaged in Swarovski crystal-encrusted frosted glass, selling at US$100 a bottle. It is reported that due to being handmade, only 5,000 bottles are produced per month.

**Designer bottles (limited edition)**: A premium brand may offer limited edition packaging designed by a famous person. For example, limited edition Evian bottles have been designed by Diane von Fürstenberg (2013), André Courrèges (2012), Issey Miyake (2011), Paul Smith, Christian Lacroix and Jean Paul Gaultier.

In the past few years we have seen the emergence of water bars in locations, including Paris and other select European cities. A number of high end restaurants now have water menus, offering a wide range of premium water sourced from around the world.
Premium sub-segmentation
USA bottled water segmentation

Volume (mln litres), 2013

<table>
<thead>
<tr>
<th>Category</th>
<th>Volume</th>
<th>Value per litre (US$), 2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Super premium water</td>
<td>28</td>
<td>4.45</td>
</tr>
<tr>
<td>Premium water</td>
<td>859</td>
<td>2.26</td>
</tr>
<tr>
<td>Other packaged water</td>
<td>29,764</td>
<td>0.65</td>
</tr>
</tbody>
</table>
## Premium sub-segmentation

### Super premium water SWOT analysis

<table>
<thead>
<tr>
<th>Strengths</th>
<th>Opportunities</th>
</tr>
</thead>
<tbody>
<tr>
<td>- Often strong, iconic brands, tied to an exclusive source</td>
<td></td>
</tr>
<tr>
<td>- Offer a uniqueness/point of difference, whether that be packaging, brand message, provenance, story</td>
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<tr>
<td>- Margins across the supply chain are generally higher than regular bottled waters</td>
<td></td>
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<tr>
<td>- Worldwide geographical opportunity – increasing wealth in emerging countries = potential new markets for super premium water</td>
<td></td>
</tr>
<tr>
<td>- International expansion – existing super premium water brands can select markets which present opportunities</td>
<td></td>
</tr>
<tr>
<td>- Price premium allows for/demands creativity in packaging and labelling design</td>
<td></td>
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<tr>
<td>- Opportunity for multiple SKUs tailored to specific channels to enhance exclusivity</td>
<td></td>
</tr>
<tr>
<td>- Specific consumer targeting; for example those seeking aspirational lifestyle. Ability to focus marketing on specific consumer</td>
<td></td>
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</tbody>
</table>

<table>
<thead>
<tr>
<th>Weaknesses</th>
<th>Threats</th>
</tr>
</thead>
<tbody>
<tr>
<td>- Many super premium waters are solitary brand offerings with no existing distribution networks</td>
<td></td>
</tr>
<tr>
<td>- Unknown brands – strong investment in the brand is needed in order to make inroads into most markets, in order to build brand awareness and distribution</td>
<td></td>
</tr>
<tr>
<td>- Traditional channel for super premium water is through horeca, and distribution is often complex</td>
<td></td>
</tr>
<tr>
<td>- Super premium water is a discretionary item. It is not viewed as a necessity by most, rather as a luxury item, and therefore, suffers in difficult economic times</td>
<td></td>
</tr>
<tr>
<td>- Ongoing media debate and negative coverage surrounding bottled water as a category</td>
<td></td>
</tr>
<tr>
<td>- Super premium water is often an easy target for environmentalists and the green movement as by nature they tend to sell in selected outlets across the globe</td>
<td></td>
</tr>
<tr>
<td>- In difficult economic conditions, some consumers ‘trade down’</td>
<td></td>
</tr>
<tr>
<td>- Flurry of new entrants to the super premium bottled water segment, each one with a more exotic/remote source, more sophisticated packaging, different story</td>
<td></td>
</tr>
</tbody>
</table>
12: Industry challenges
Industry challenges

External factors

Credibility: With a large proportion of the world’s population having no access to a safe, drinkable water supply, justifying premium waters’ place in the market remains a challenge to manufacturers. Although super and ultra premium water is often dismissed as extravagant, traditional forms of premium water point to the higher quality of the product and purity of source to justify the extra expenditure. Furthermore, leading brands continue to look to ethical initiatives to gain favour with consumers, be it through donating a percentage of profits to charitable activities or setting targets in terms of reducing carbon emissions.

Environment: The nature of imported premium water makes it an easy target for environmental lobbyists, who point to the fact that it is a product that is often ‘shipped half way around the world’. Any new brand entrant needs to consider and address the environmental questions surrounding bottled water.

Economy: Premium water continues to be viewed as a discretionary item, and its success is intrinsically linked to levels of purchasing power amongst consumers in a number of key markets. Although the economy continues to be at the forefront of consumers’ minds in many countries across the globe, it is expected that premium water will continue to recover and gain momentum. The on-trade channels have suffered more than most in many mature markets, and revival of this channel will play an important role in driving growth over the coming years. The pace of the recovery will obviously vary between markets.

Competitive landscape: Despite a growing number of premium water brands available on the market, the top 5 brands by volume account for approximately 44% of worldwide premium water. Many successful export premium brands have initially built a strong presence in their home market, thereby giving them the ability to reinforce brand authenticity and provenance. Stimulation of the market through innovation will also continue to play a role in the emergence of new brands.

Consumer awareness: An alarming percentage of consumers still fail to appreciate and understand the benefits of staying hydrated. Although the IBWA has sought to raise awareness in the US through a number of initiatives, elsewhere in the world there is insufficient activity aimed at raising awareness. A recent study estimates that in the UK, 59.4% of people drink just one glass of water or less a day, and more than 80% of the population drink no more than two glasses a day. This compares to NHS guidance which states that adults should drink 8-10 200ml glasses of fluid per day. The findings of the report also reveal that fewer than 1 in 250 people in the UK meet their total daily fluid needs with water.
13: Outlook
Outlook

Conclusions and the future

The global market for packaged water continues to thrive, driven by a trend towards healthy, natural beverages. As consumers are increasingly turning their backs on carbonated soft drinks and fruit juice, so plain and flavoured water offers an enticing proposition with its low calorie positioning. Furthermore, the market for premium water continues to benefit from increased expenditure amongst consumers. With many maturing markets continuing along the path of economic recovery, consumers are increasingly finding themselves with higher levels of purchasing power, while in emerging markets the expansion of the middle class is allowing consumers to upgrade from budget and mainstream brands.

This trend of increased consumption of premium water is expected to continue over the coming years and will be driven by emerging markets throughout Asia Pacific and the Middle East. In these regions higher levels of disposable income in large urban areas will combine with increased distribution amongst leading players to ensure growth. Premium waters’ role as an indicator of social class and prosperity will be just as important a factor as any other in driving this growth, and investment in marketing and packaging design will prove to be as integral to the success of a brand as the quality of the contents within.

Zenith forecasts that the premium water segment will continue to show growth of between 3% and 4% over the coming years, with volumes reaching 12.7 billion litres by 2018.
14: Brand profiles
Acqua Panna
Nestlé Waters

**Company:** The brand belongs to San Pellegrino S.p.A, which, in 1998, was acquired by Nestlé Waters, and now sits under the global market leader’s water portfolio.

**Product:** Natural spring water. Sourced from 3,700 feet above sea level in the Apennine Mountains in Tuscany, Italy. In 2014, to celebrate its 450th anniversary, the brand conducted a global redesign, with new packaging designed by CARTILS.

**Volume sales:** Approximately 210 million litres worldwide in 2013.

**Packaging:** Glass: 250ml, 500ml, 750ml, 1 litre. PET: 500ml, 750ml, 1 litre. Various multipacks available.

**Distribution:** Majority of sales are in its domestic market (Italy), although also available in a selected number of countries including the UK and Germany. The company began exporting Panna to the US in 1994.

**Channel analysis:** Retail and out-of-home/in-home market (Italy). Predominantly on-trade in export markets.
Antipodes Water

Company: Based in New Zealand, Antipodes Water produces water sourced from an Aquifer 327 metres beneath the ground in the Bay of Plenty region. The company is owned by Simon Woolley, a renowned restaurateur.

Product: Antipodes water is available in both still and sparkling variants, with claims to be the deepest, high quality groundwater in New Zealand. In 2006 the brand was named the best tasting carbonated bottled water at the Berkeley Springs International Water Tasting, which it followed up with the silver award in 2012.

Packaging: Distinctive short bulbous glass bottles, designed to be unobtrusive on a table top. Both still and sparkling variants are available in 500ml and 1 litre glass bottles

Distribution: Believed to be available in seven countries, including New Zealand, Australia, UAE and Hong Kong.

Channel analysis: Sales occur primarily to restaurants, bars, cafés and hotels. Home and office delivery is available in a growing number of countries.
Badoit
Danone

**Company:** The product is named after Auguste Badoit, who began bottling the water in 1838. In 1971, Badoit became part of Evian SA, which was acquired in 1972 by BSN, and in 1994 the company became Danone.

**Product:** Sparkling (intensément pétillante-red bottle) and lightly sparkling (gazeuse-green bottle) natural mineral water, source Saint Galmier, Loire, France.

**Volume sales:** Approximately 220 million litres worldwide in 2013.

**Packaging:** Glass: 330ml, 750ml (including limited edition ranges), PET: 1 litre. Danone Eaux France has a recycling agreement with France Plastique Recyclage in Paris, in an attempt to reduce its carbon footprint.

**Distribution:** The majority of sales are in its domestic market (France), although it is also available in a selected number of countries including the UK. In 2012, Danone rebranded and relaunched Badoit specifically targeting high-end hotel and restaurants as the sparkling accompaniment to Evian, and featuring a new PET bottle for resorts with outdoor and poolside restaurants.

**Channel analysis:** Sells across all channels in France. Also offers a home delivery service in Paris, France, which it extended to nearby towns in 2012. Predominantly on-trade in export markets.
Evian
Danone

**Company:** In 1973, BSN, a French glass-making company, merged with Gervais Danone. Evian was acquired in 1972, and in 1994 the company became Danone.

**Product:** Still natural mineral water, source Evian-les-Bains, Haute-Savoie region, France.

**Volume sales:** Approximately 1.44 billion litres worldwide in 2013.

**Packaging:** Glass: 1 litre (including limited edition ranges), PET: 300ml, 500ml, 750ml, 1 litre, 1.5 litre, 2 litre, various multipacks. Danone Eaux France has a recycling agreement with France Plastique Recyclage in Paris, in an attempt to reduce its carbon footprint. In 2012, Danone launched the newest limited-edition bottle by American designer Diane von Furstenberg. In early 2013, Danone Eaux France launched a multi-pack of 12x 330ml bottles called Evian Baby, featuring a teat that facilitates drinking for babies, while in 2014 packaging was redesigned to form a ‘new connection’ with American consumers. In 2014, the brand was also launched in a 200ml format, called ‘Evian Drop’.

**Distribution:** First launched into the US market in 1978 and first sold in the UK in 1980. Sales in West Europe account for over 80% of total brand volume. Available in more than 40 countries worldwide. Key markets for the brand include France (domestic market), UK and Belgium. Also sold in the US, and selected countries in Asia.

**Channel analysis:** Predominantly retail.
Fiji
Fiji Water

**Company:** Fiji Water. Parent company: Roll International Corporation. Since the end of 2009, Fiji Water’s parent company has been a member of global alliance, 1% for the Planet, pledging to donate 1% of its annual sales to non-profit organisations focussing on sustainability. Fiji Water claims to be carbon negative.

**Product:** Still natural artesian water.

**Volume sales:** Approximately 185 million litres in 2013.

**Packaging:** PET: 330ml, 500ml, 1 litre, 1.5 litre, various multipacks. Glass: 250ml, 330ml, 500ml, 750ml, 1 litre. In early 2013, the company debuted a bottle in the US, featuring reusable straws, to be sold through the website and higher-end retailers.

**Distribution:** First launched into the US retail market in 1997. The US remains Fiji Water’s main export market. Also sold in Australia, Canada, Hong Kong, Japan, Mexico, Singapore, Taiwan and the UK, amongst others. It is reported that Fiji Water accounts for up to 20% of Fijian exports.

**Channel analysis:** Predominantly retail and convenience. Since 2008, 500ml and 1 litre bottles of Fiji Water have been available online in the UK, through Ocado, which supplies supermarket Waitrose, with 330ml multipacks also now being offered. Also available online through company website.
Gerolsteiner
Gerolsteiner Brunnen GmbH & Co. KG

Company: Gerolsteiner Sprudel GmbH was founded in 1888. Today, the company is majority owned by Bitburger Holding GmbH (51%). Gerolsteiner also owns St. Gero Heilwasser, and a number of flavoured / functional waters and soft drinks.

Product: Still (Naturell), sparkling (Sprudel) and lightly sparkling (Medium) mineral water. Source: filtered through volcanic rock, Gerolstein, Germany.


Packaging: Still, sparkling and lightly sparkling - PET: 500ml, 750ml, 1 litre, 1.5 litre. Glass: 700ml, 1 litre. Various multipacks.

Distribution: National distribution across Germany. The company exports to over 40 countries globally, with lightweight glass bottled designed for export.

Channel analysis: National distribution across channels including specialist drinks wholesalers.
Glacéau smartwater
The Coca-Cola Company

**Company:** In 2007 The Coca-Cola Company (TCCC) acquired Glacéau, and with it the vitaminwater, fruitwater and smartwater brands. The brand has been available in the US since 1996, and was launched in the UK in 2014.

**Product:** Still water created through a process of vapour distillation, with added electrolytes.

**Volume sales:** Total volume sales of the smartwater brand reached approximately 387 million litres in 2013.

**Packaging:** Still – 600ml and 850ml PlantBottle.

**Distribution:** National distribution across the US and Canada. Distribution has been expanded to the UK in 2014 with a £3.5 million investment and a marketing campaign featuring actress Jennifer Aniston – the first European market to see the launch of the product.

**Channel analysis:** Predominantly retail and convenience.
Highland Spring
Highland Spring Ltd

**Company**: Founded in 1979, Highland Spring also owns premium bottled water brands Gleneagles and Speyside Glenlivet, acquired in 2001 and 2009, respectively. The company also produces private label for retailers in the UK, and acquired Greencore Water Company in 2010.

**Product**: Still and sparkling spring water. In 2007, Highland Spring started using several boreholes on its land in Perthshire, Scotland, due to increased demand. As a result, its bottled water brand had to change from being natural mineral water, to spring water, due to EU regulations rule that product can only be called ‘natural mineral water’ if bottled from one source.

**Volume sales**: Sales of the Highland Spring brand reached over 230 million litres in the UK in 2013.

**Packaging**: Still and sparkling - PET: 330ml, 500ml, 750ml, 1.5 litre, 2 litre. Glass: 330ml, 750ml, 1 litre. Various multipacks including sports caps.

**Distribution**: Highland Spring is the leading brand of sparkling water in the UK. The company exports a relatively small volume of its eponymous water brand, along with its other two premium waters, Gleneagles and Speyside Glenlivet.

**Channel analysis**: The brand leader in the UK market in the on-trade channel and also has a contract with British Airways (BA) to supply bottled water on its flights.
Hildon
Hildon Ltd

**Company:** The company began production in May 1989. In 2014 it celebrated its 25th anniversary.

**Product:** Still and sparkling natural mineral water, sourced in Hampshire, South of England.

**Volume sales:** Approximately 15 million litres worldwide in 2013.


**Distribution:** Initially launched in the London area in its home market. Nationwide distribution followed, and the brand is also now exported to high end hotels and restaurants across a number of countries. It is believed that exports represent approximately 15% of sales. In 2010, Hildon named Water Way of Life as its new importer and distributor in Spain. In 2012, the company began supplying Hildon mineral water to the Parliament of Trinidad and Tobago.

**Channel analysis:** Targets mainly hotels, restaurants and caterers. Focus on high end outlets; currently available in The Savoy, The Royal Opera House, Guards Polo Club, and the House of Commons. It is also reportedly the water of choice in Buckingham Palace. Also some door-to-door delivery to end consumers in the UK. A small range can also now be purchased directly from Waitrose, Majestic Wines and a small number of retailers.
**Icelandic Glacial**

**Icelandic Water Holdings**

**Company:** Icelandic Water Holdings was established in 2004 by a group of private investors. The headquarters are in Hildarendi, Ólfus, Iceland and the company has been exporting its water brand since 2005. In November 2010, the company announced it had raised an additional US$8 million in equity funding to invest in growing its sales force in the US and to strategically develop its brand in new markets, including China.

**Product:** Still spring water. The company holds exclusive commercial bottling rights to the Ólfus Spring in Iceland, which has been declared certifiably sustainable.

**Volume sales:** Approximately 20 million litres in 2013.

**Packaging:** PET: 330ml, 500ml, 750ml sports cap and 1 litre. Various multipacks also available. The company rebranded the packaging in 2012, and won the award for ‘Best bottle and packaging in the PET category’ at the Global Bottled Water Awards, 2013.

**Distribution:** Mainly exported to USA, Canada, Netherlands, Germany, France, UK, Russia and China. Distribution in China commenced in mid-2010 following distribution agreement with China Water & Drinks, a subsidiary of US-based Heckmann Corporation Inc, and was expanded to Macau through a distribution deal with Remfly Wines and Spirits in 2014. In the US, the company launched a home and office direct delivery service at the end of 2012.

**Channel analysis:** Predominantly retail and impulse. Can also be purchased online through selected distributors.
Kunlun Mountain
JiaDuoBao Co Ltd

Company: Produced by JiaDuoBao Co Ltd, which has been in business since 1995. The company, which is headquartered in Guangzhou, produces the leading herbal drink in China, Wong Lo Kat.

Product: Still natural water, sourced from Qinghai-Kunlun Mountain, Qinghai province, China. It is 6,000 metres above sea level, with at least 50 years filtration. The product was officially launched in China in 2010 in 30 provinces and cities, and by 2014 had established over 100,000 points of sales.

Volume sales: Approximately 87 million litres in 2013.

Packaging: PET: 350ml, 510ml, 1.23 litres. Various multipacks also available.

Distribution: Domestic market, China. The company has been able to capitalise on its existing distribution setup for its herbal drink, in order to grow the premium water brand over the past two years. It also uses sports celebrity endorsements such as Li Na. The brand was also recently appointed the official drink for the Asia Pacific Economic Cooperation.

Channel analysis: Primarily through retail outlets and horeca channels, with its extensive distribution networks from herbal drink connections. In 2010, it was the exclusive water brand for the Guangzhou Asian Games, China’s National tennis team and for banquets at the Great Hall of the People. In 2011, the brand sponsored various other high-end events including the China Open.
Magma de Cabreiroá
Hijos de Rivera SA

**Company:** Produced by Hijos de Rivera SA. The company launched the product in 2010. During its year of launch, the product won a number of awards including ‘Best New Water’ and ‘Best New Packaging’ at the Water Innovation Awards, ‘Best Packaging and Design Forum Gastronomic de Girona’ and ‘Silver Pentawards’ at the Best Packaging and Design New York 2011.

**Product:** Naturally carbonated water of magmatic origin. It is described as being semi-sparkling as it contains bubbles of natural carbon dioxide from the earth’s magma and thus are hardly noticeable. The water has never seen the sunlight, is packaged in a black aluminium bottle, to protect it from light which causes oxidation. So, the water does not see the light until the consumer opens the bottle. Sourced near the Regua Verín Fault in the volcanic region of Galicia, Spain. In 2014 the brand won the ‘Grand Gold’ award from the Instituto de Calidades Monde Selection.

**Packaging:** Aluminium bottle: 250ml and 500ml.

**Distribution:** The aim has been to obtain distribution to fine dining restaurants and gourmet stores globally. The product launched in select locations including New York, London, Shanghai, Sydney and Sao Paolo. Distribution through premium product orientated distributors.

**Channel analysis:** Primarily through fine dining restaurants.
9000 years
New Dagu Ancient Glacier Spring Ltd.

**Company:** Produced by The New Dagu Ancient Glacier Spring Limited Company, which is owned by China Water Group Incorporation Company.

**Product:** Still natural water, source Qinghai-Tibetan Plateau, Central Asia. A spring water source that the company claims has been preserved for 9,610 years in the Plateau, hence the name of the brand, 9000 Years. The product was launched in China in 2006.

**Volume sales:** Approximately 13 million litres in 2013.

**Packaging:** Blue PET: 350ml, 500ml and 3000ml bottles. The bottle is further packaged with an aluminium material bag outside of the plastic bottle, in an attempt to promote its luxury status.

**Distribution:** Domestic market, China. The company has a headcount of around 200 staff in its main regions. The majority are employed in sales and distribution.

**Channel analysis:** Nine Thousand Year retail packs are mainly distributed in Beijing, Shanghai, Guangzou and Chengdu. Sales outlets are predominantly super/hypermarkets and some convenience stores, with the brand claiming to target middle class consumers, wealthy families, large companies and government offices.
Perrier
Nestlé Waters

**Company:** Nestlé Waters. The spring was bought in 1898 by Louis Perrier, and in 1903, he sold the source to St John Harmsworth, who subsequently began exporting Perrier to England. In 1947, Gustave Leven acquired the source, and production increased significantly in the following years. In 1992 Nestlé acquired Perrier and created Nestlé Waters SA.

**Product:** Naturally carbonated mineral water, source Vergèze, Gard, France. Unflavoured Perrier is available in the traditional green bottle, and Eau de Perrier (launched in 2003 in France), which is in a blue bottle. In 2012, in France, Nestlé Waters introduced a lightly sparkling Perrier Fines Bulles.

**Volume sales of Perrier unflavoured:** Approximately 480 million litres in 2013.

**Packaging:** PET: 500ml, 1 litre. Glass: 200ml, 330ml, 750ml. Can: 250ml sleek can, 330ml. Various multipacks. In 2013, to celebrate the 150th anniversary of Perrier, the company unveiled an Andy Warhol design.

**Distribution:** Domestic market, France. In 2011, the company introduced Perrier into Discounter Lidl. Sold in more than 140 countries worldwide.

**Channel analysis:** The brand has an extremely strong presence in horeca, but in some markets has now emerged to also be viewed as a mainstream retail brand for consumption at home. The majority of sales occur in France, followed by the US.
Resource
Nestlé Waters North America (NWNA)

Company: Produced by Nestlé Waters North America (NWNA).

Product: Spring water brand. Developed as a direct competitor to Glacéau smartwater and other electrolyte-containing bottled waters.

Volume sales: Approximately 5 million litres in 2013

Packaging: PET: 700ml and 1 litre. rPET is used in the bottles, and the company aims to use 100% rPET in the future, depending upon improvements in recycling rates, as well as obtaining true quality PET.

Distribution: Domestic market, USA. Launched in 2012, initially in California only, before establishing itself nationwide in 2013.

Channel analysis: Primarily available through convenience, grocery and natural channels.

As a direct competitor to Smartwater, Zenith has considered the brand a premium bottled water, despite its low-end premium price positioning.
San Pellegrino
Nestlé Waters

Company: San Pellegrino S.p.A was acquired by Nestlé in 1998.

Product: Sparkling natural mineral water, source San Pellegrino Terme, Bergamo, Italy. Bottled since 1899.

Volume sales: Approximately 525 million litres worldwide in 2013.

Packaging: PET: 500ml, 1 litre. Glass: 250ml, 330ml, 500ml, 750ml, 1 litre. PET and glass multipacks. The brand has been packaged in various limited edition bottles in association with events such as the 2013 Cannes film festival.

Distribution: Domestic market, Italy. Key export markets include Canada, France, Germany, Switzerland, UK and US. Available in over 100 countries worldwide.

Channel analysis: Primarily through horeca, growing in retail presence. Unsurprisingly, glass bottles dominate the brand’s on-trade channel sales.
Tibet 5100
Tibet Glacier Mineral Water Co Ltd

**Company:** Produced by Tibet Glacier Mineral Water Co Ltd, which is held by Hong Kong Zhongji Jiahua Co Ltd, with Carlsberg International and CITIC as business partners. Tibet 5100 was listed in 2011.

**Product:** Still natural water, source Qinghai-Tibetan Plateau, Dongxiong County, Lhasa, Tibet, China. Sourced from a glacier spring (Qu Ma Nong spring) in the Nianqing Donggula mountain range, 5,100 metres above sea level, hence the brand name, Tibet 5100. The product was launched in China in 2005.

**Volume sales:** Approximately 103 million litres in 2013.

**Packaging:** PET: 330ml, 500ml, 750ml, 1 litre, 1.5 litre. Various multipacks also available.

**Distribution:** Across 48 cities in its domestic market, China. At the end of 2012, the company announced plans to expand sales of the brand overseas, initially in Singapore and the Middle East, followed by Europe and the US. The brand has a lucrative contract with the national rail network and more than 6000 petrol station forecourts.

**Channel analysis:** Primarily through retail outlets and institutional sales channels. The company also has a growing institutional client base including Air China, BP and China Post.
**Ty Nant**

**Ty Nant Spring Water Ltd**

**Company:** Ty Nant Spring Water Ltd was founded in 1989. In addition to Ty Nant Spring Water, Tau premium bottled water brand was launched in 2003 in clear glass bottles with a minimalist label design (still and sparkling). The company also launched a further premium bottled water in glass bottles in 2009, called Seren Spring Water (still and sparkling). The company claims to operate in a ‘clean, green and sustainable way’. It is also one of the founding members of the British Bottled Water Producers (BBWP) organisation.

**Product:** Still and sparkling natural mineral water, source Bethania, Ceredigion, Wales.

**Volume sales:** Approximately 5 million litres worldwide in 2013.

**Packaging:** Blue glass: 250ml, 330ml, 750ml. ‘Ty Nant Too’ red glass (launched in 1999): 330ml, 750ml. PET (still water): 500ml, 1 litre, 1.5 litre. PET bottles launched in 2001, and were designed by Welsh born designer Ross Lovegrove.

**Distribution:** Approximately 45 markets worldwide. Exports represent roughly approximately 50% of sales.

**Channel analysis:** Primarily hotels, clubs and restaurants. Available in retail in the UK and other selected markets, as well as through some independent shops and delicatessens.
Vichy Catalán
Grupo Vichy Catalán

**Company:** Grupo Vichy Catalán itself was formed in 1990 following the merger of a number of companies, although the origins of the company can be traced back to the nineteenth century. At first the company concentrated solely on spring water, but in 1986 began to diversify its product range and acquired a number of other springs.

**Product:** Vichy Catalán is a high mineral water produced using natural carbonation, whose origins date back to 1881 when Dr Modes Furest Roda acquired the spring. In 1889 the first bottling plant at the site was inaugurated.

**Packaging:** Glass: 250ml, 500ml and 1 litre for catering; 250ml, 1 litre, 25ml x 6 for retail. New 330ml can format launched in 2013. The company frequently updates its packaging with limited edition labels featuring internationally renowned cultural figures such as a Dalí, Gaugin, Mozart and Gaudí.

**Distribution:** Distributed nationwide in Spain.

**Channel analysis:** Available in retail and horeca channels.
Vittel
Nestlé Waters

Company: Nestlé Waters. Vittel water has been bottled since 1857. The first PET bottle sold in 1968. Owned by Nestlé since 1992.

Product: Still natural mineral water, source Vittel, Vosges, France.


Packaging: PET: 330ml, 500ml, 750ml (including sports cap format), 1 litre, 1.5 litres, 2 litres. Various multipacks. Glass: 250ml, 500ml, 1 litre. In 2011, Nestlé Waters France launched a new bottle for its Vittel brand made with 30% bio-plastic, available in 330ml, 500ml and 1 litre formats, while in 2013 Vittel rejuvenated its premium water brand with a new identity emphasising the vitality of the brand.

Distribution: Main markets are the domestic market, France, and Germany. Sold in other selected countries worldwide.

Channel analysis: Predominantly impulse and take home. Glass formats also found in horeca.
Volvic
Danone

**Company:** The product was first bottled in 1938, and in 1958, the group Sellier-Leblanc created las Société des Eaux de Volvic. In 1994, the company became part of Danone.

**Product:** Still natural mineral water, source Auvergne, France. Viewed as premium in most export markets, despite its more mainstream positioning in France.

**Volume sales:** Approximately 1027 million litres in 2013.

**Packaging:** PET: 330ml, 500ml, 1 litre, 1.5 litre, 3 litre and 8 litre (Volvic fontaine with a pouring tap). Danone Eaux France has a recycling agreement with France Plastique Recyclage in Paris, in an attempt to reduce its carbon footprint.

**Distribution:** Majority of sales are in its domestic market (France) and Germany. Also sold in the UK, Japan and more than 20 other markets worldwide.

**Channel analysis:** Predominantly impulse and take home.
Company: Voss of Norway. CEO is Jack Belsito, appointed 4th January 2010. The Voss Foundation seeks to provide access to pure, clean drinking water to Sub-Saharan African communities. In order to offset its carbon footprint, Voss has invested in projects in the US and China, thereby claiming to be a carbon neutral company.

Product: Still and lightly sparkling natural mineral water, source Vatnestrøm, southern Norway. Positioned as a luxury artesian water.


Packaging: Glass: 375ml, 800ml (still and lightly sparkling) PET: 330ml, 500ml, 850ml (still). Variations regarding bottle design and pack size include Silver, Red and Blue offerings. In 2013, Voss introduced a new 2-pack format of 1x still and 1x sparkling 800ml bottles.

Distribution: Currently available in approximately 50 countries. First launched in the US in 2000. Majority of sales are in the US, other key markets include Australia, Dubai, UK and domestic market, Norway.

Channel analysis: Predominantly on-trade. Also available in off-trade in the US and selected other markets. Has recently expanded its distribution in the US, particularly in retail.
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