Turning tide - Water to overtake carbonates in 2006

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Bottled water looks set to pass carbonates as the world's biggest soft drinks sector this year thanks to growing health awareness.

Growing consumer thirst for all things healthy is changing the dynamics of the global soft drinks industry. Bottled water is set to overtake carbonates as the biggest soft drinks sector this year, leading to likely sector concentration as carbonate giants move to secure future growth.

Tide turns in soft drinks
Sales of bottled water are forecast to increase nearly four times as fast as carbonates this year as consumers are switching fizzy drinks for healthier alternatives; Euromonitor International forecasts that off-trade sales of bottled water will rise by over 7% to 145.6 billion litres while carbonate sales will nudge up by less than 2% to 145.3 billion litres.

The trend is evident in all regional markets; rising disposable income levels in large emerging markets enable consumers there to trade up from tap- to bottled water, while consumers in mature markets are attracted to the health-aura attached to bottled water. Euromonitor International forecasts that following a 35% increase in sales in the five-year period to 2010, sales of bottled water will at 221.2 billion litres have overtaken carbonates also in terms of total volume. Carbonate sales are forecast to total 206.4 billion litres in the same year.

â€¦value gap too narrows
Although carbonates will remain the biggest soft drink sector in terms of value in the forecast period, the gap is narrowing as consumers in mature markets are increasingly going for premium and speciality water, while waning demand is pushing retail value down in the carbonate sector. Functional water and flavoured water are subsectors that will post the fastest growth rates, 43% and 59%, respectively, in terms of value.

Carbonate behemoths looking to ride the waveâ€¦
The competitive landscape is changing along the turning tide. The bottled water sector is much more fragmented than carbonates; the top five manufacturers hold a 32% share of the water sector while Coca-Cola and PepsiCo alone control 68% of the carbonate sector. Whilst the forecast changes will provide smaller companies an opportunity for growth, the best-performing speciality water brands will simultaneously be considered as prime acquisition targets by the carbonate behemoths in their attempts to secure future growth.

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