

Bottled water takes the fizz out of carbonates

Contributed by MINTEL
Thursday, 21 July 2005
Last Updated Thursday, 21 July 2005

New research from MINTEL finds sales of bottled water booming as healthier drinks take an increasing share of Britain's soft drinks market and carbonates see their share continue to decline. Indeed, the volume of the bottled water market increased by around 50% between 1999 and 2004, to stand at just under 2 billion litres. The carbonates market meanwhile grew by less than 6% in volume over the same five year period, resulting in a 5 percentage point decrease in volume market share since 2000. Further growth of almost 9% is anticipated in 2005 for the bottled water market, taking per capita consumption to almost 36 litres.

Value growth in the bottled water market has also been significant at some 37% between 2000 and 2004 to reach ?1.57 billion, with a further rise of 8% anticipated in 2005.

What is more, the proportion of UK adults drinking bottled water increased from just over a third (35%) in 2000 to more than half (54%) in 2004. Those most likely to drink still water are aged 15-24 (58%), while consumption declines with age to stand at just 26% among the over-65s.

"Health is a key driver behind the rising sales of bottled water. More consumers are increasing their daily intake of water, either because they want to follow a healthier daily eating pattern or because they wish to maintain their fluid intake as part of a weight-reducing regime. Consumers also see it as a lifestyle choice, forsaking caffeine and carbonates in favour of water, which is innocent of any type of 'health-crime'" comments Amanda Lintott, Consumer Analyst.

Total expenditure on bottled water is set to increase by a further 20% over the next five years (2005-10) reaching an estimated value of ?2.03 billion by 2010. In volume terms, the market is forecast to increase by 36% reaching some 2.95 billion litres.

"Volume sales of bottled water will continue to surge ahead of value sales due to increasing price competitiveness among the retail multiples"

Britain lags behind Europe

Despite the recent impressive growth in sales of bottled water in the United Kingdom, per capita consumption remains well below the levels of many European neighbours. Per capita consumption of bottled water stood at just over 33 litres in 2004, well below the western European average of 112 litres, a fact which indicates that there is considerable potential for further growth in the UK market.

What is more, almost 3 in 10 adults (29%) say they do not buy bottled water because tap water is just as good. It is Britain's men who are particularly reluctant to shell out for water in a bottle, with over a third (36%) expressing this view compared to under a quarter of women (23%). Meanwhile, over half of Britain's elderly (those aged 65 and over) refuse to pay for water, with those in Scotland (at 33%) least likely to part with their pennies.

In addition, just over one in seven adults (15%) use a water purifier at home. While a similar number (14%) buy bottled water and then refill the bottle from the tap.

The bubbles burst

Now accounting for an estimated 85% volume share of the bottled water market, the popularity of still water reflects a trend taking place in the soft drinks market as a whole, where still variants now outsell carbonates. Indeed, the majority of growth in sales of bottled water in recent years has come from still water, with volume sales of still water increasing by a staggering 50% over the past five years alone, compared to just a 5% increase for sparkling water.

"Sales of still water have exploded, with consumers trading up to bigger packs for everyday use. Sports bottles have benefited both from those participating in physical activity and from those drinking 'on the go'". While more consumers turned to still water during the heatwave of 2003, healthy growth in sales of flavoured water, the majority of which is still, has also helped boost sales" comments Amanda Lintott.

Sparkling water remains popular within the on-trade, accounting for 31% of bottled water volume within pubs in 2004, and is a popular choice when ordered with meals.

Spring into action and add value

Many of the bottled waters launched during 2004 were health inspired, with developments focusing on functional waters. Flavoured waters have also been prominent, as have products specifically targeted at children.

Sales of bottled water for children more than doubled in volume between 2002 and 2004 to stand at nine million litres, taking just under a 0.5% share of overall market volume and equivalent to 0.7% of sales via grocery multiples.

"With over 10 million children aged under 15 in the UK, per capita consumption stands at less than one litre, allowing significant potential for further growth" comments Amanda Lintott.

Last year a number of functional waters were launched in the UK, and trends in NPD elsewhere in the world suggest that more will follow. It has yet to be seen, however, how many of these brands will survive and whether this will ever be more than just a niche, which appeals to the most sport- and or health- conscious.

A more certain future awaits the development of the flavoured water category as consumers are increasingly seeing flavoured waters as an alternative to other soft drinks. Negative publicity surrounding highly sugared carbonates favours a switch to low-calorie alternatives throughout the soft-drink sector. A general trend away from carbonated drinks towards still products also benefits flavoured water.

"What is not yet clear is whether the heightened interest among some consumers regarding nutritional values and additives, will cause something of a backlash against waters which contain artificial sweeteners (as opposed to sugar).

For the moment, however, it would appear that there is plenty of room for both 'artificially' and 'naturally sweetened'.

products on the market," comments Amanda Lintott.

??

About Mintel

Mintel is a worldwide leader of competitive media, product and consumer intelligence. For more than 30 years, Mintel has provided key insight into leading global trends. With offices in Chicago, London, Belfast and Sydney, Mintel's innovative product line provides unique data that has a direct impact on client success. For more information on Mintel, please visit their Web site at <http://www.mintel.com/>.