



U.S. AND INTERNATIONAL DEVELOPMENTS AND STATISTICS

Accelerating again after a strong surge the year before, the U.S. bottled water market hit an historic high point in 2015, when volume exceeded 11.7 billion gallons. Already the second largest beverage category by volume, bottled water once again demonstrated its capacity for vigorous growth.

Recent results confirm revitalization for the category. Like many other beverage types during the economic recession, bottled water experienced downturns in 2008 and 2009. In 2010, bottled water volume and sales returned to growth, and the category showed renewed strength by both measures in 2011. Growth in 2012 was the strongest it had been in five years, and 2013 saw another strong advance. In 2014, volume enlarged even more forcefully still. Growth quickened yet again in 2015, when it was the fastest it had been since 2006. Going forward, growth should remain solid as economic conditions become increasingly favorable.

As developments in other categories make plain, bottled water achieved a unique position in the overall liquid refreshment beverage marketplace. Although carbonated soft drinks remain by far the biggest beverage type in the United States, their volume contracted once again in 2015, as it has done every year since the mid-2000s. Fruit beverages have similarly struggled year after year, slipping from having volume similar to that of bottled water in the late 1990s to having volume less than one-third the size by 2015. Just as bottled water did, some other liquid refreshment beverages, such as ready-to-drink tea and sports beverages, recovered from back-to-back down years to grow in each year from 2010 to 2015. However, those categories remained considerably smaller than bottled water. Even though sports beverages like Gatorade may actively compete with water for consumers seeking hydration, their volume was about one-eighth that of bottled water in 2015.

Before the economic challenges at the end of the century's first decade, bottled water experienced a remarkable streak of fast volume growth, as chronicled in *U.S. Bottled Water Through 2020*, Beverage Marketing Corporation's latest annual analysis of the market. During the 2000s, bottled water volume charted double-digit percentage growth rates in two years and advanced at rates close to that level in several others. Bottled water volume grew by close to 12 percent in 2002, and after growing by 10.8 percent in 2005, it enlarged by 9.5 percent in 2006. Departing from the pattern of preceding years, bottled water volume declined by 1.0 percent in 2008 and then by 2.5 percent in 2009.

In contrast to carbonated soft drinks, which followed several years of slow growth with multiple volume reductions, bottled water showed that two consecutive declines were aberrations rather than the beginning of a protracted slump. When bottled water volume began to grow again in 2010, it essentially restored volume to where it had been prior to the declines. Even stronger growth followed in each of the next five years. By 2015, volume achieved a new record: almost 3 billion gallons higher than it had been in 2007. Soft drinks, on the other hand, underwent their eleventh consecutive year of volume reduction in 2015.

Revenue Mirrors Volume Growth

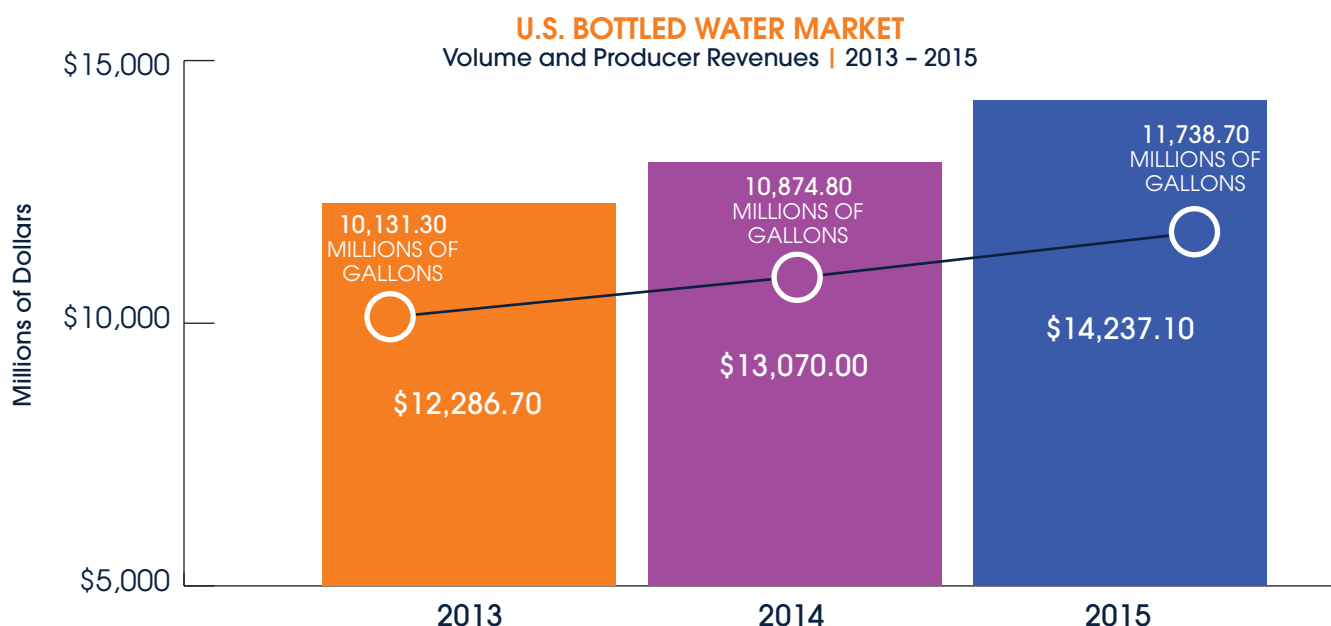
Bottled water producers' revenues declined in both 2008 and 2009 as well, and they did so more dramatically than volume, but they also revived. Bottled water wholesale dollar sales first exceeded \$6 billion in 2000. By 2007, they topped \$11.5 billion. Category sales declined by more than

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3 percent to \$11.2 billion the following year and then by more than 5 percent to \$10.6 billion in 2009. They inched upward in 2010 and climbed back above \$11 billion in 2011. Wholesale dollars topped \$11.8 billion in 2012 and approached \$12.3 billion in 2013. They exceeded \$13 billion in 2014 and topped \$14.2 billion in 2015.

Consumption Trends

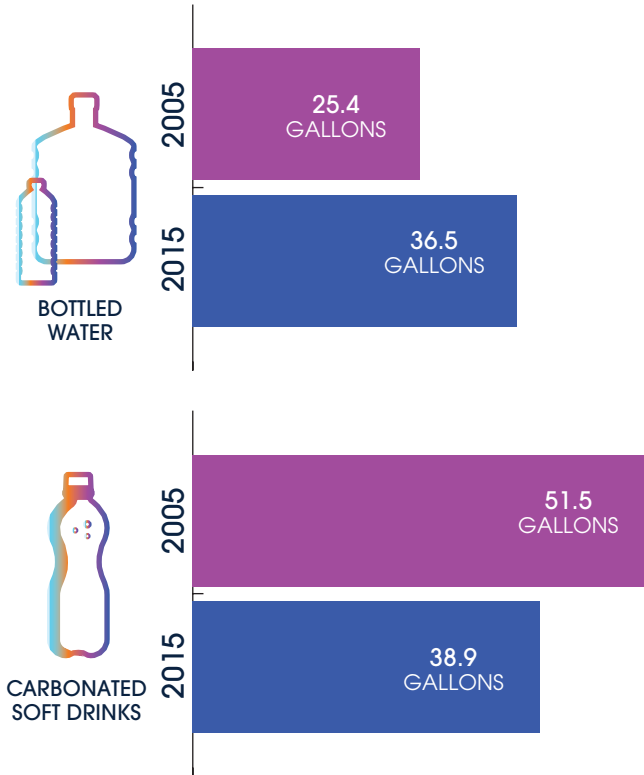
Consumer demand for bottled water looks likely to remain strong in the years ahead. Changes in per capita consumption indicate enthusiasm for a product that consumers regard as a healthful alternative to other beverages. U.S. residents increased their annual consumption by more than 11 gallons, from 25.4 gallons per person in 2005 to 36.5 gallons a decade later. During the same period, per



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Bottled water's lack of calories and artificial ingredients attracts conscientious consumers.

PER CAPITA CONSUMPTION TRENDS Bottled Water and Carbonated Soft Drinks 2005 and 2015



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capita consumption of carbonated soft drinks dropped by 12.6 gallons. Per capita consumption of major beverage categories (e.g., milk and fruit beverages) also fell. Other types, including coffee and tea, were characterized by stability, though the ready-to-drink versions of both categories made gains. Those beverages associated with beneficial properties and functional benefits—a subset that includes packaged water as well as energy drinks, sports beverages, and ready-to-drink tea—were the most resilient elements of the beverage market after 2009. Nevertheless, average intake of beverages in bottled water's competitive set (e.g., ready-to-drink tea and sports beverages) remained fractions of bottled water's per capita consumption level. Indeed, bottled water *added* more gallons to its per-person consumption rate in ten years than either ready-to-drink tea or sports beverages *reached* by the end of that period.

(Ready-to-drink edged about 5 gallons per American in 2015, and sports beverages approached that level.) Bottled water showed itself to be not only a key component of the liquid refreshment beverage market but also poised for still more increases in per capita consumption in the future.

Why Consumers Choose Bottled Water

Multiple qualities contribute to bottled water's evident attraction for U.S. consumers. Among them are bottled water's associations with healthfulness, convenience, safety, and value. Bottled water's versatility makes it suitable for consumption at any time of day and in just about any setting or situation. It doesn't need to be kept ice cold (like soft drinks or juice) or warm (like conventional coffee or tea). Various packaging types, among them 3- and 5-gallon containers and single-serve bottles, facilitate a variety of uses. Compared to other ready-to-drink commercial beverages, bottled water is relatively inexpensive. Further, aggressive pricing, especially in the retail polyethylene terephthalate (PET) segment, continues to make it more and more affordable. Consumers' interest in beverages that deliver benefits above and beyond simple refreshment also contributes to the quintessential hydrating beverage's ascension in the beverage rankings. Amid worries about obesity and other health matters, bottled water's lack of calories

U.S. BOTTLED WATER MARKET Per Capita Consumption 2005 – 2015

Year	Gallons Per Capita	Annual % Change
2005	25.4	9.7%
2006	27.6	8.4%
2007	29.0	5.3%
2008	28.5	-1.8%
2009	27.6	-3.2%
2010	28.3	2.7%
2011	29.2	3.1%
2012	30.8	5.5%
2013	32.0	4.0%
2014	34.1	6.4%
2015	36.5	7.1%

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2015 VOLUME SHARE OF STOMACH BY U.S. BEVERAGE SEGMENT

Although occasionally compared with tap water, bottled water realized its prominence by enticing consumers away from other packaged beverages perceived as less wholesome than bottled water.

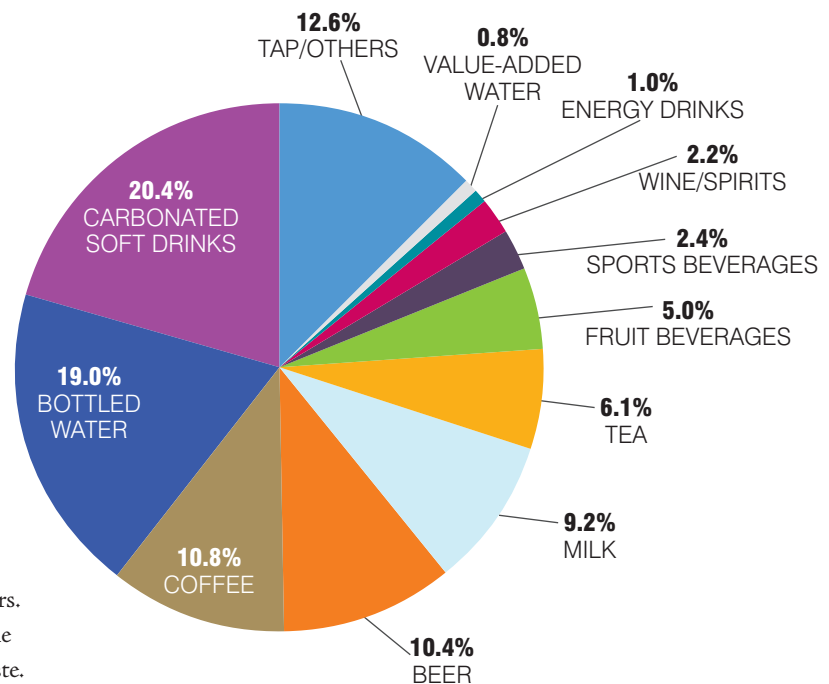
and artificial ingredients attracts conscientious consumers. Even where tap water may be safely potable, many people prefer bottled water, which they regard as superior in taste. The ready availability of packaged water wherever beverages are sold also crucially differentiates bottled water from tap.

Even though it has occasionally been compared with tap water, bottled water in fact realized its prominence by enticing consumers away from other packaged beverages perceived as less wholesome than bottled water. While some consumers may have moved away from regular, full-calorie sodas in favor of their diet versions, many others switched to bottled water instead. As some consumers became wary of artificial sweeteners, they abandoned diet as well as regular soda—while bottled water volume just got bigger.

Challenges to the beverage market's growth lessened somewhat after the late 2000s. Energy, commodity, and other input costs contributed to higher prices for consumers. That prompted them to seek savings by opting for smaller, more affordable unit sizes, eschewing pricier imports, or occasionally foregoing packaged beverages altogether, which largely explains what happened in 2008 and 2009. The situation subsequently altered, and did so favorably from bottled water marketers' perspectives.

Category Developments

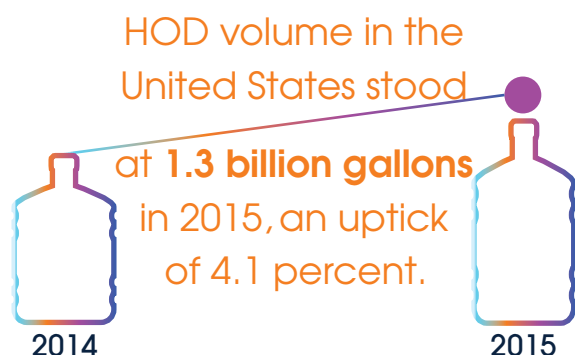
Domestic non-sparkling water reliably reigns as the largest segment of the U.S. packaged water industry. Domestic non-sparkling water's nearly 11.2 billion gallons represented 95 percent of total volume in 2015. As a whole, domestic non-sparkling saw slower volume reductions than the overall market in 2008 and 2009 and



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then outperformed it again in 2010, 2011, and 2012. It moved very slightly slower than the total market in 2013. Domestic non-sparkling water saw significantly faster growth in 2014 than in 2013, but it lagged the rejuvenated bottled water market as a whole, as it did once again for a third year in a row in 2015.

The non-sparkling category includes various components that typically perform quite differently from one another. In 2015, for the fifth consecutive year, all four segments registered growth, but did so at dissimilar rates. Throughout most of the 1990s and 2000s, the retail premium segment—consisting of still water in single-serve PET bottles—drove the overall category's development. Indeed, the PET component enlarged by a double-digit percentage rate 16 consecutive times through 2007. Growth slowed markedly in 2008 before it disappeared in 2009. Yet PET's 0.9 percent reduction was far less than the 2.5 percent loss measured for bottled water in general. Besides, PET volume in 2009 of almost 5.2 billion gallons stood more than 4.1 billion gallons higher than it had in 1999, and its share of total bottled water swelled from 24 percent to more than 61 percent during that ten-year period. In 2010, PET experienced the strongest growth of any bottled water segment, advancing by 6.8 percent to 5.5 billion gallons, which boosted its share above 63



percent. Growth slowed in 2011 but remained well in advance of the total market: volume greater than 5.8 billion gallons flowed from growth of 5.4 percent, which pushed PET's share to 64 percent. In 2012, the segment saw its strongest showing since 2007, increasing by more than 8 percent to 6.3 billion gallons, which represented 65 percent of the overall market. Greater than 6 percent growth in 2013 propelled volume to nearly 6.7 billion gallons—essentially two-thirds of the total. In 2014, the segment advanced at an even greater rate than in 2012, catapulting volume above 7.2 billion gallons and market share to 66.5 percent. Still another year of acceleration in 2015 drove PET volume to nearly 7.9 billion gallons and share to more than 67 percent.

Retail bulk volume experienced some reversals as more than a few consumers chose convenient PET multipacks in large format retail channels instead of larger (1 to 2.5 gallon) sizes. Its share slid from nearly one-quarter of the category volume at the beginning of the century to about 9 percent by 2015, largely due to competition from PET. After multiple declines, the segment did grow each year from 2011 to 2015. Even so, retail bulk's 3.7 percent uptick

was considerably slower than the overall bottled water market, or the non-sparkling sub-set, in 2015.

Like retail bulk, direct delivery faced competition from convenient PET bottles. The segment, which comprised the largest of them all as recently as the mid-1990s, accounted a bit more than 11 percent of total volume by 2015. U.S. home and office delivery (HOD) volume slipped from close to 1.4 billion gallons in the early 2000s to 1.3 billion gallons in 2015, when volume moved up by 4.1 percent.

The relatively small, essentially regional vending segment involving refillable jug containers achieved growth even in the years when total bottled water volume declined. Its low cost during economic hard times undoubtedly had something to do with vending's positive results. It continued to grow in 2015, albeit at a far slower rate than any other segment of the domestic still water market or the bottled water market as a whole.

The two segments outside the domestic non-sparkling realm—imports and sparkling—grew in 2015, and both did so dramatically. The imported water segment, the smallest of them all, is prone to fluctuations. In the 2000s, it registered double-digit percentage growth in some years, and equally sizeable contractions in others. After one of those up years in

The imports and sparkling segments grew dramatically in 2015.



U.S. BOTTLED WATER MARKET Volume and Growth by Segment 2013 – 2015								
	Non-sparkling		Domestic Sparkling		Imports		Total	
Year	Volume*	Change	Volume*	Change	Volume*	Change	Volume*	Change
2013	9,734.9	4.6%	287.4	9.3%	109.0	4.0%	10,131.3	4.7%
2014	10,414.5	7.0%	338.8	17.9%	121.5	11.5%	10,874.8	7.3%
2015	11,175.6	7.3%	423.7	25.1%	139.3	14.6%	11,738.7	7.9%

*Millions of gallons

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Global bottled water consumption topped 87 billion gallons in 2015.

2007, imported water's volume fell sharply in 2008 and then plummeted precipitously in 2009. It continued to shrink in 2010 before inching up modestly in 2011. Volume dropped sharply again in 2012, but it did move up (at a market-lagging pace) in 2013. In 2014, in contrast, imports notched their first double-digit growth rate since 2007. And in 2015, they advanced at an even faster clip. Sparkling water held a small share of bottled water volume but grew at an even more explosive rate than imports, let alone retail PET, in 2015.

Domestic non-sparkling water accounted for almost all per capita bottled water consumption in 2015, as usual. Sparkling water volume worked out to about 1.3 gallons per person. (With imports, the figure translated into about four-tenths of a gallon per U.S. resident.) In the key PET portion, average intake moved from 13.4 gallons in 2005 to nearly 25 gallons ten years later.

International Developments

Bottled water became a beverage industry phenomenon not only in the United States—until fairly recently the No. 1 market in terms of volume—but also in virtually every major geographical region of the world. Bottled water initially emerged as a large, mainstream commercial beverage category in Western Europe, where consumption of it has long been part of many residents' routines. It now stands as a truly global beverage. Several Asian markets achieved strong growth to become major bottled water markets during the 2000s. In fact, Asia itself became the largest regional market in 2011, edging out North America and easily outshining Europe. After having moved ahead of Mexico to claim the No. 2 position in 2012, China surpassed the United States to take the lead in 2013. By 2015, China accounted for close to one-quarter of global bottled water volume.

Global bottled water consumption is estimated to have topped 87 billion gallons in 2015, according to data from the latest edition of Beverage Marketing's *The Global Bottled Water Market*. Total consumption swelled by more than 6 percent during the year. Per capita consumption of close to 12 gallons represented a gain of 2.8 gallons over the span of five years.

Of course, per capita consumption by individual region or country can diverge significantly from the global average. For instance, several Western European countries have per capita consumption levels far above 25 gallons, and the No. 1 market had average intake of almost 65 gallons in 2015. At the same time, much of the developing world, where the majority of the world's population resides, finds its per capita consumption figures still in the single-digit range.

Even though the global per capita consumption figure obscures pronounced regional disparities, bottled water's international growth signals demand for it in diverse markets. Consumers have demonstrated a thirst for it in highly developed markets, in less developed ones, and in economies in transition. Bottled water tapped into some different consumer trends around the globe. In developed countries such as the United States and Canada, bottled water became a particularly dynamic major commercial beverage category by registering as an appealing option for health-conscious consumers. Marketers positioned bottled

Health-conscious consumers continue to choose bottled water.



water as a virtuous alternative to carbonated soft drinks and fruit juice drinks (some of which comprise sizeable portions of their own product portfolios). The developed world came to view bottled water as not only a way of achieving hydration but also as a functional beverage. At the same time, bottled water serves as at least a partial solution to the problem of often-unsafe water found in many economically developing countries.

Although much of the world's bottled water market is still highly fragmented and controlled by local brands, consolidation has occurred. Four companies came to dominate much of the market. Swiss food and beverage giant Nestlé and France's Danone are the traditional leaders of the bottled water pack. Both companies originally centered their operations around the core markets of Western Europe and the United States. However, as water growth is increasingly coming from the developing world, Nestlé and Danone expanded their initiatives to the competitive fields of Asia, Latin America, and other areas. Danone actually stepped back from the U.S. market to focus on

some of those other markets. Soft drink industry leaders Coca-Cola and PepsiCo have achieved solid positions in the U.S. bottled water arena and have increasingly devoted resources and energy to developing their global bottled water businesses.

North America boasts two of the three largest individual bottled water markets with the United States and Mexico, which together represented for 22.8 percent of the world's packaged water market in 2015. Although the U.S. bottled water market had been a catalyst for much of the global expansion up until the mid-2000s, its compound annual growth rate (CAGR) of 6 percent for the five-year period ending with 2015 was slower than the 6.9 percent CAGR achieved by the growth of the global market during the

Bottled water serves as at least a partial **solution to the problem** of often-unsafe water found in many economically developing countries.



GLOBAL BOTTLED WATER MARKET				
Leading Countries' Consumption and Compound Annual Growth Rates 2010 – 2015				
2015		Millions of Gallons		CAGR*
Rank	Countries	2010	2015	2010/15
1	China	10,519.3	20,506.4	14.3%
2	United States	8,756.1	11,738.7	6.0%
3	Mexico	6,949.3	8,081.2	3.1%
4	Indonesia	3,830.5	6,815.6	12.2%
5	Brazil	4,378.7	5,357.4	4.1%
6	India	2,745.3	4,596.3	10.9%
7	Thailand	2,008.3	3,624.0	12.5%
8	Germany	2,913.6	3,100.4	1.3%
9	Italy	2,672.4	2,876.0	1.5%
10	France	2,199.8	2,388.8	1.7%
Top 10 Subtotal		46,973.3	69,084.7	8.0%
All Others		15,332.0	17,928.6	3.2%
WORLD TOTAL		62,305.3	87,013.3	6.9%

*Compound annual growth rate

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same period. Mexico alone accounted for 9.3 percent of the global volume, with 8.1 billion gallons in 2015. With a five-year CAGR of almost 3.1 percent, it grew much more slowly than either the United States or the world market.

Besides the United States, China—with 20.5 billion gallons—was the only other country that could claim a double-digit share of global volume and a percentage of the total market higher than the combined shares of the second and third largest markets in 2015. Chinese bottled water volume enjoyed double-digit percentage growth rates for several consecutive years, registering a 14.3 percent CAGR for the period from 2010 to 2015—the highest rate among the ten biggest bottled water markets. Fourth-place Indonesia moved well ahead of the international market, which allowed it to vault over erstwhile-No.4 Brazil. India, the No. 3 Asian market, ranked sixth overall. Thailand grew even faster than Indonesia and India, but lagged China.

Europe may not boast any of the biggest bottled water markets, but it does have several major ones, including three of the ten biggest. Because those markets are firmly established, however, their growth tends to be slower than those where bottled water has a less deeply established tradition. Some of the most prominent continental countries experienced only very slight growth. For instance, during the five-year period ending with 2015, Italy's volume grew by a CAGR of just 1.5 percent. Germany, the eighth largest bottled water market in the world, had a CAGR of 1.3 percent, and tenth-place France moved only slightly faster. As a group, the trio of leading European bottled water markets accounted for 9.6 percent of the world's total volume in 2015.

Still water accounts for the majority of bottled water sales in much of the world. Sparkling water sales are strong in a minority of countries—such as Argentina, Chile, Uruguay, the Netherlands, and Germany—where sparkling water is often tied to meal-consumption habit. On a global level, sparkling water accounts for an estimated 10 percent of the total volume, with still water accounting for the remaining 90 percent.

Plastic packaging is preferred over glass in almost every country. Even in Germany and other countries, such as the United Kingdom, where glass has a strong presence, PET is the most dynamic and rapidly growing segment. At about one-third of global volume, HOD still accounts for a minority of global bottled water sales. Yet it is a vital segment in many countries, such as Mexico, where it accounts for more than two-thirds of the volume.

Mexico regularly leads the world in bottled water per capita consumption, and that didn't change even after



PET is the most dynamic and rapidly growing packaging type segment.

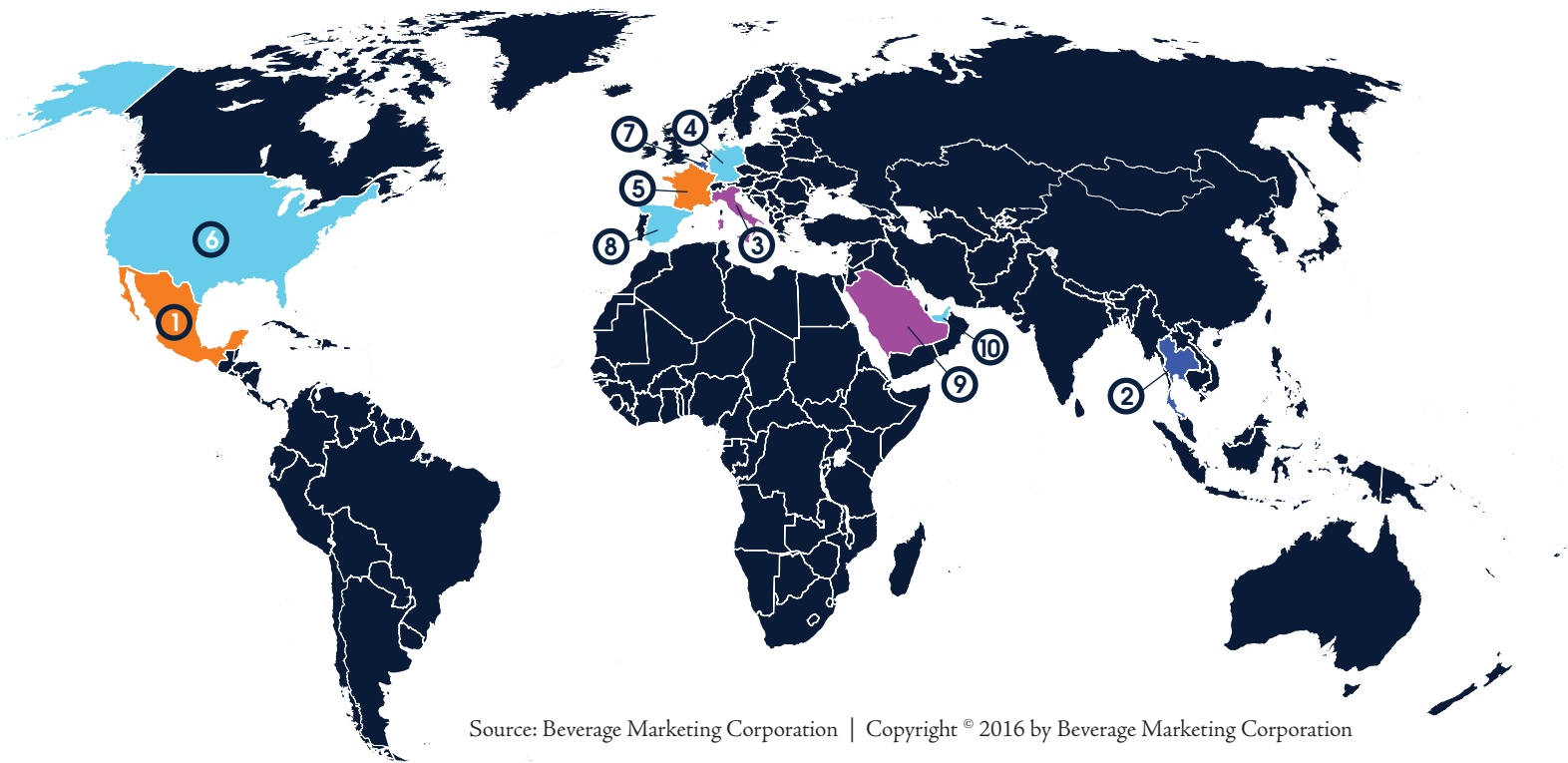
China surpassed it in absolute volume. Average intake in Mexico jumped from 58.9 gallons in 2010 to 64.5 gallons five years later. Per capita consumption in China stood more than four times lower, at 14.6 gallons, in 2015. The not-long-ago leader in average intake, Italy, consumed the equivalent of 47 gallons per person in 2015, which put it in third place behind Thailand, which in 2010 consumed the equivalent of 30 gallons per person but had upped average intake to 53.8 gallons by 2015.

Several Middle Eastern markets rank very highly in per capita bottled water consumption. With the equivalent of more than 30 gallons for each resident in 2015, Saudi Arabia had the ninth highest level of bottled water consumption in the world. In addition to Saudi Arabia, the Middle East region had the United Arab Emirates and Lebanon in the top 20 in per capita bottled water consumption. At 20 gallons per resident, Kuwait also consumes bottled water at a rate greater than the global average, though it didn't quite make it onto the top 20 list.

Although Europe no longer held the top spot in volume per capita, nine of the top 20 bottled water consumers on a per person basis were European countries as of 2015. The consumers of the combined market of Belgium-Luxembourg imbibed more than 35 gallons each, a rate that tended to move upward over the years. Germany, France, Spain, and Italy were the other European countries with per capita consumption greater than 30 gallons. French consumers quaffed two gallons more bottled water in 2015 than they had five years earlier. In 2015, Germany and Spain had per capita consumption rates of 37.6 and 30.4 gallons, respectively, putting them in fourth and eighth place in terms of average bottled water intake. Like France, Germany consumed more bottled water per person in 2015 than it had five years before. Hungary, which ranked eleventh, also increased its bottled water consumption, though only

PER CAPITA CONSUMPTION OF BOTTLED WATER BY LEADING COUNTRIES IN 2015

1. Mexico - 64.5 gallons. 2. Thailand - 53.8 gallons. 3. Italy - 47.0 gallons. 4. Germany - 37.6 gallons. 5. France - 36.8 gallons. 6. United States - 36.5 gallons. 7. Belgium-Luxembourg - 35.1 gallons. 8. Spain - 30.4. 9. Saudi Arabia - 30.3 gallons. 10. United Arab Emirates - 29.6.



If current trends persist, bottled water could emerge as the **largest U.S. beverage category** by volume by 2017, if not by the end of 2016.

slightly. Other European markets among the top 20 were Austria, Switzerland, and Poland.

While Asian nations attained prominence among the world's bottled water markets when measured in total volume, the most populous countries generally do not have high per-person intake levels. The Chinese special administration region of Hong Kong made the list for the first time as its average intake approached 22 gallons in 2009 and continued to increase per capita consumption subsequently, hitting 28.4 gallons in 2015. Despite its status as the largest market, mainland China did not rank among the top 20 markets in per capita consumption in 2015, although intake had climbed above the global norm by that point.

Americans' 2015 per capita bottled water consumption put the United States in the No. 6 position among the countries of the world, right behind France.

Future Growth for Bottled Water

Beverage Marketing Corporation expects bottled water, having put the softness of the late 2000s behind it, to reconfigure the U.S. multiple beverage marketplace during the second decade of the 21st century much as it did earlier, gaining market share all the while. The total amount of liquid Americans annually imbibe will remain stable, resulting in overall volume growth in line with population increases. Bottled water is likely to grow much faster, unlike carbonated soft drinks or fruit beverages, which will continue to lose ground. Most other major beverage categories, including coffee and tea, are likely to grow much more slowly than bottled water, which is on track to achieve still another high in per capita consumption in the future.

If current trends persist, bottled water could emerge as the largest beverage category by volume in the country by 2017, if not by the end of 2016.

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