DIGITAL | JULY 2024

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BOTTLED WATER REPORTER

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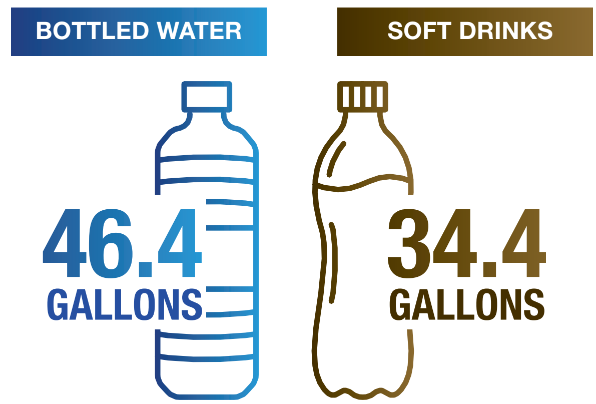
By John G. Rodwan, Jr.

Despite slower growth influenced by pricing increases due to inflation, U.S. bottled water, the largest beverage category by volume, reached new peaks in both total gallons and producers' revenues in 2023.

Bottled water volume edged up by just 0.4% in 2023, compared to 1.1% growth in 2022, 4.6% growth in 2021, and 4.1% growth in 2020. The category saw much more vigorous growth just a few years earlier—such as 2016's leap of almost 8%. The far more modest uptick in 2023 likely reflects higher prices impeding volume growth as consumers cut back on discretionary spending. Indeed, most other refreshment beverage categories registered volume decline in 2023.

With 2023's softness, per capita consumption dipped to 46.4 gallons, down a tenth of a gallon from the year before. That marked the first decrease in average intake since overall volume declined a decade and a half earlier. Nonetheless, per capita bottled water consumption stood nearly a dozen gallons higher than average intake of the second largest beverage category, carbonated soft drinks (34.4 gallons).

Single-serve plastic bottles became by far the most popular format, propelling overall category growth in most years and accounting for most of its volume. In 2023, however, this segment underperformed, with volume hardly changing. Self-service refill (vended) and home and office delivery (HOD) saw volume contract during the height of the COVID-19 pandemic, when many people worked from home rather than in cooler-equipped offices,



Although dipping slightly in 2023, bottled water per capita consumption stood nearly a dozen gallons higher than the average intake of carbonated soft drinks.

but those categories outperformed the (much, much larger) single-serve segment in 2022 and 2023. Multi-serving bottles (typically ranging in size from 1- to 2.5-gallons), domestic sparkling water, and imports declined for a second year in a row. After several years of double-digit volume growth, driven in part by major beverage companies' efforts in the segment, domestic sparking advanced much more slowly but still outperformed the overall bottled water market in 2021. Imports grew even faster that year, but, like sparking water, did so from a relatively small base. Yet in 2022 and again in 2023, both sparkling water and imported water of all types declined.

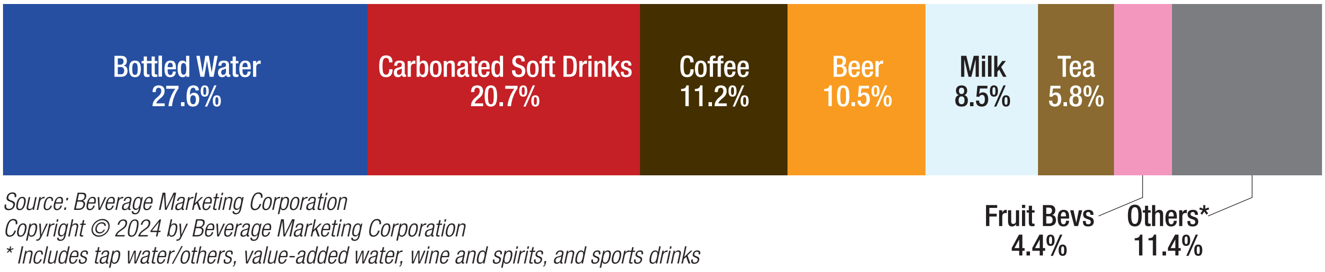
Before the economic downturn at the end of the century's first

U.S. BOTTLED WATER MARKET
Volume, Producer Revenues, and Retail Sales
2020 – 2023

YEAR	MILLIONS OF GALLONS	ANNUAL % CHANGE	MILLIONS OF WHOLESALE DOLLARS	ANNUAL % CHANGE	MILLIONS OF RETAIL DOLLARS	ANNUAL % CHANGE
2020	15,005.6	4.1%	$20,781.7	4.1%	$36,829.6	4.1%
2021	15,702.6	4.6%	22,822.6	9.8%	40,775.0	10.7%
2022	15,880.9	1.1%	25,544.9	11.9%	45,800.2	12.3%
2023	15,951.6	0.4%	27,165.1	6.3%	48,770.6	6.5%

Source: Beverage Marketing Corporation

2023 SHARE OF STOMACH BY U.S. BEVERAGE SEGMENT



Source: Beverage Marketing Corporation

** Includes tap water/others, value-added water, wine and spirits, and sports drinks*

decade, bottled water saw a long streak of substantial volume growth, chronicled in *U.S. Bottled Water through 2028*, 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 12% in 2002, and after growing by almost 11% in 2005, it enlarged by 9.5% in 2006. Departing from the pattern of preceding years, bottled water volume declined by 1.1% in 2008 and then by 2.6 % in 2009, influenced by the Great Recession.

Unlike carbonated soft drinks, which followed a number of years of tepid growth with multiple volume reductions, bottled water demonstrated that its two consecutive losses were aberrations rather than the beginning of stagnation or decline. When bottled water volume resumed growth in 2010, it effectively restored volume to where it had been prior to the declines. Stronger growth ensued in subsequent years. By 2023, volume reached a new volume record of almost 16 billion gallons—almost 7.3 billion gallons higher than it had been in 2007. Carbonated soft drinks, on the other hand, underwent their sixteenth consecutive year of volume reduction through 2020 before a couple annual increases following an unusually large decrease in the first year of the pandemic; volume loss resumed in 2023 and looks likely to continue for the foreseeable future.

Bottled water producers' revenues also fell in both 2008 and 2009, and did

BOTTLED WATER'S JOURNEY TO NO.1

Over the course of several decades, bottled water reconfigured the U.S. beverage marketplace and still shapes consumers' preferences regarding beverages and associated functional benefits. When Perrier first arrived in the 1970s, it might have seemed odd to see Americans regularly in possession of packaged water, but now that's the prevailing norm. One significant consequence of this development is that the number of calories U.S. consumers take in from beverages dropped as bottled water became a massive mainstream beverage.

As the unrivaled option for a portable and affordable beverage, bottled water prompted the formation of new habits as well as new usage occasions. Suitable for consumption at any time of the day or night, and not needing to be refrigerated (like carbonated soft drinks or fruit beverages), bottled water became the preferred beverage choice not only for consumers aiming to reduce caloric intake or lessen artificial sweetener usage but also for consumers of all kinds.

Except for a couple of small reductions in 2008 and 2009—years when most other beverage categories also contracted due to that period's financial crisis—bottled water volume grew every year from 1977 to 2023. That period included 17 double-digit annual volume growth spurts. Before the sluggishness of 2022 and 2023, bottled water volume consistently enlarged at solid single-digit percentage rates since resuming growth in 2010.

so more dramatically than volume did, but they also recovered. Bottled water wholesale dollar sales first approached $6 billion in 2000. By 2007, they reached $12 billion. Category sales declined to $11.6 billion the following year and then to $11 billion in 2009. They inched upward in 2010 and 2011 and moved above $12 billion in 2012. Wholesale dollars reached $12.9 billion in 2013 and exceeded $13.7 billion in 2014. They approached $15 billion in 2015, surpassed $16.3 billion in 2016, topped $17.4 billion in 2017, climbed above $18.7 billion in 2018, approached $20 billion in 2019, neared $20.8 billion in 2020, surpassed $22.8 billion in 2021, and rocketed to $25.5 billion in 2022, with the nearly 12% increase largely attributable to higher prices. For the same reason, revenues grew by 6.3% to $27.2 billion in 2023.

U.S. BOTTLED WATER MARKET
Per Capita Consumption
2013 – 2023

Year	Gallons Per Capita	Annual % Change
2013	31.6	3.9%
2014	33.6	6.3%
2015	35.9	6.7%
2016	38.4	7.0%
2017	40.4	5.3%
2018	42.1	4.1%
2019	43.3	2.8%
2020	44.7	3.3%
2021	46.4	3.8%
2022	46.5	0.3%
2023	46.4	-0.4%

** Millions of gallons*
Source: Beverage Marketing Corporation

At the retail level, 2022 sales approached $46 billion, up from $40.8 billion in 2021. This represented significantly faster year-over-year growth than was measured in 2021, when retail sales also grew robustly, largely due to changes in where consumers made purchases. Early on during the pandemic, convenience stores saw slower traffic as consumers stocked up on goods at grocery stores and mass marketers, and, through much of the year, high-margin on-premise channels saw greatly reduced activity. In 2021, both C-stores and on-premise channels started to recover—and the aforementioned higher prices contributed to the accelerated sales growth in 2021.

For years, continuous growth in per capita consumption indicated clear, ongoing demand for a product that consumers see as a healthy alternative to other beverages. U.S. residents increased their annual consumption by 16.1 gallons from 30.4 gallons per person in 2012 to 46.5 gallons ten years later. The tiny dip in 2023 to 46.4 gallons is unlikely to represent a turning point. With stronger growth ahead, the category should recoup the loss and see additional per capita consumption gains.

Multiple characteristics account for bottled water's resonance with U.S. consumers, including its associations with healthfulness, convenience, safety, and value. An array of packaging types, ranging from single-serve to bulk, facilitates a wide range of uses. Among

Beverage Marketing expects per capita consumption to recoup the slight loss of 2023 and see additional gains in the future.

commercial ready-to-drink beverages, bottled water is fairly inexpensive, even after some recent price increases in this moment of inflation, supply-chain issues, and other factors affecting input costs. Consumers' thirst for beverages that offer benefits beyond refreshment alone also contributed to the fundamental hydrating beverage's rise in the beverage standings. Bottled water's zero-calorie status and its lack of artificial ingredients appeal to many consumers. Even where tap water may be safe and readily available, people may prefer bottled water, which they often believe tastes better. The availability of packaged water wherever beverages are sold also differentiates bottled water from tap. A number of those attributes also explain why bottled water was so sought-after during pantry-loading at the apex of the pandemic.

Although it's sometimes viewed as competing with tap water, bottled water actually achieved its position as the No.1 beverage category by enticing consumers away from other packaged beverages. While some consumers may have moved away from regular, full-calorie sodas in favor of their diet (or "zero-sugar") iterations, many others opted for bottled water instead. As some consumers became wary of artificial sweeteners, they shifted away from diet sodas as well as regular versions.

Segment Developments

As usual, domestic non-sparkling water stood as by far the largest single segment of the U.S. packaged water business in 2023. Domestic non-sparkling water's 15.1 billion gallons represented 94.8% of total volume. Domestic non-sparkling saw slower volume reductions than the overall market in 2008 and 2009 and then outperformed it again in 2010. It moved very slightly slower than the total market in following years until 2021, when the biggest segment increased at the same rate as the overall market. In 2022, domestic non-sparkling water enlarged slightly faster than total bottled water volume, driven by a strong showing of the direct-delivery and self-service refill segments.

PET: Growth of a Titan

The non-sparkling segment includes various sub-segments that typically perform quite differently from each other. In several recent consecutive years, all four segments grew, albeit at dissimilar rates. In 2023, three of the four grew. Throughout most of the 1990s and 2000s, the retail premium sub-segment—consisting of still water in single-serve polyethylene terephthalate (PET) bottles—propelled the overall category's growth. Indeed, retail PET volume enlarged by a double-digit percentage rate 16 consecutive times through 2007. Growth slowed considerably in 2008 before it halted in 2009. Yet PET's 0.9% reduction that year was far less than the 2.6% loss measured for bottled water volume as a whole. Moreover, 2009 PET volume 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 25% to more than 62% during that 10-year period.

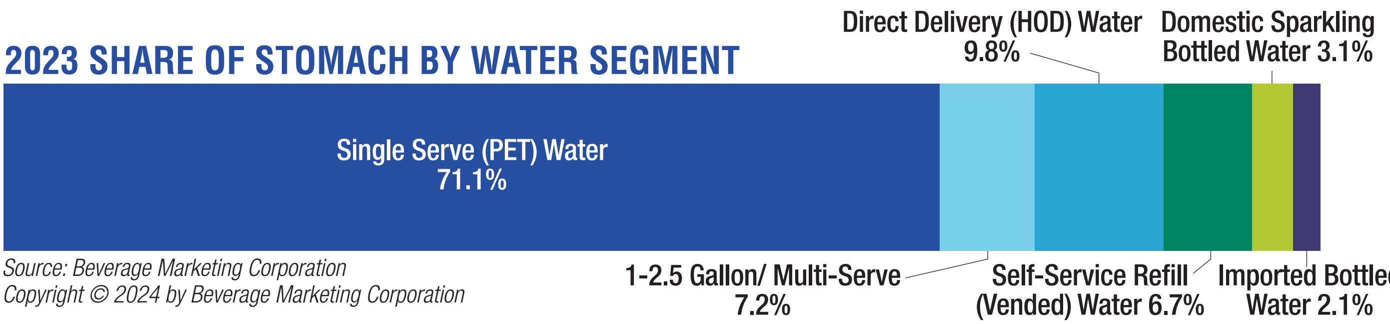
In 2010, PET experienced the strongest growth of any bottled water segment, advancing by 6.8% to 5.5 billion gallons, which boosted its share above 64%. Growth slowed in 2011 but remained well in advance of the total market: volume greater than 5.8 billion gallons flowed from growth

U.S. BOTTLED WATER MARKET
Volume and Growth by Segment
2021 – 2023

	NON-SPARKLING		DOMESTIC SPARKLING		IMPORTS		TOTAL	
YEAR	VOLUME*	CHANGE	VOLUME*	CHANGE	VOLUME*	CHANGE	VOLUME*	CHANGE
2021	14,801.3	4.6%	543.3	5.2%	358.0	6.6%	**15,702.6**	**4.6%**
2022	15,025.4	1.5%	516.6	-4.9%	338.9	-5.3%	**15,880.9**	**1.1%**
2023	15,115.9	0.6%	501.3	-3.0%	334.4	-1.3%	**15,951.6**	**0.4%**

** Millions of gallons*
Source: Beverage Marketing Corporation

2023 SHARE OF STOMACH BY WATER SEGMENT



Source: Beverage Marketing Corporation

of 5.3%, which pushed PET's share to 65%. In 2012, the segment saw its strongest showing since 2007, increasing by more than 8% to 6.3 billion gallons, which represented nearly 66% of the overall market. Greater than 6% growth in 2013 pushed volume up 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 67.5%. Still another year of acceleration in 2015 drove PET volume to nearly 7.9 billion gallons and share to more than 68%. In 2016, the single-serve segment enlarged by more than 9% to reach 8.6 billion gallons, which gave it still more market share.

PET volume slowed in 2017, but with volume of close to 9.2 billion gallons, the segment still accounted for close to 70% of U.S. bottled water volume, a share it held onto in 2018, when volume approached 9.7 billion gallons. In 2019, the segment's share did climb above 70% as volume exceeded 10 billion gallons for the first time. Volume topped 10.5 billion in 2020, which represented 70.2% of all bottled water. Its share reached 71% in 2021, as volume rose to almost 11.2 billion gallons. The segment's 11.3 billion gallons were 71.2% of U.S. bottled water volume in 2022. The segment's flatness in 2023 cost it two-tenths of a share point.

Bulk Volume Decreases

Retail bulk volume saw some setbacks as consumers frequently opted for convenient PET multipacks in large format retail channels instead of larger sizes. Its share fell from nearly one-quarter of the category volume at the beginning of the century to 7.2% by 2023, largely due to competition from PET. After several declines, the segment did grow each year from 2011 to 2018, but, in 2019, retail bulk volume saw a small reduction in volume. Growth resumed in 2020, when portability was less of an issue for homebound consumers and continued (albeit slowly) in 2021. In both 2022 and 2023, the segment declined at rates similar to those registered in the early 2000s.

HOD's Profile Increases

Like retail bulk, direct delivery HOD faced competition from PET bottles; unlike retail bulk, it has enjoyed strong growth recently. The segment, which was the largest of them all as recently as the mid-1990s, accounted for 7.2% of total volume by 2023. Yet in 2022 and again in 2023, the segment grew faster than the overall bottled water market.

HOD volume slipped from close to 1.4 billion gallons in the early 2000s to around 1.2 billion gallons a few years later, but it again stood at 1.4 billion gallons in 2019, when volume enlarged by just 0.7%. As noted above, volume dipped in 2020, when

HOD volume grew by a market beating 3.8% in 2023, with its share approaching 10%.

fewer workplaces were serviced due to the influence of the pandemic, but resumed in 2021. In 2022, HOD was the top-performing segment, up by nearly 5%. Segment volume grew by a market beating 3.8% in 2023; its share approached 10%.

Vended Gains in Popularity Due to Economic Hardships

The vending segment consisting of refillable jug containers saw some growth even when total bottled water volume did not. Its low cost during economic difficulties undoubtedly had something to do with vending's positive results. It continued to grow in 2020 and did so at a faster clip than in 2019. Even so, it moved at a slower pace than the domestic still water market or the bottled water market as a whole. In 2021, vending was the sole domestic non-sparkling water type to see volume decline. That distinction shifted to retail bulk in 2022, when self-service refill water volume increased by almost 4%. In 2023, segment volume swelled by nearly 5%, making it the fastest moving bottled water type that year.

Imports' and Sparkling's Declining Shine

The two segments outside the domestic non-sparkling space—domestic sparkling and imports—declined again in 2023, but at more moderate rates than in 2022. Imported water, the smallest segment 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 2007, imported water's volume fell sharply in 2008 and then plummeted precipitously in 2009. It continued to shrink in 2010 before moving up again in 2011. In 2012, imports notched their first double-digit growth rate since 2007. Growth rates remained at similarly high levels for a few years until 2017, when imported volume enlarged by 9.2%. Growth cooled to less than 7% in 2018, less than 5% in 2019, and less than 3% in 2020 before approaching 7% in 2021. In 2022, however, imported water volume plummeted by more than 5%—the segment's worst performance since 2010. Imported water volume decreased by 1.3% in 2023, when it accounted for only about 2% of total U.S. bottled water volume.

For several years, domestic sparkling water held a small share of bottled water volume, but grew it at an even more explosive rate than imports, let alone retail PET. After growing by nearly 14% in 2019, sparkling volume shot up by nearly 22% in 2020. In 2021, it grew by a comparatively staid 5.2% only to drop by nearly 5% in 2022 and by 3.0% in 2023.

Domestic non-sparkling water accounted for almost all per capita bottled water consumption in 2023. Sparkling water volume worked out to about 1.5 gallons per person. With imports, the figure translated into about a gallon per U.S. resident. In the key PET portion, average intake moved from 21 gallons in 2013 to 33 gallons a decade later.

In terms of retail sales, single-serve PET was by far the biggest part of the business with $34.3 billion or 70.5% of the total. Domestic non-sparkling of all types together accounted for more than 80% of retail sales. Though domestic sparkling and imports represented comparatively small portions of bottled water volume, they have outsize shares due to their higher price points. For instance, while imported volume was just 2% of the total, it garnered a 12.4% share of retail sales.

More Growth on the Horizon

While bottled water's 2023 was not characterized by the aggressive volume growth for which the category became known, this had more to do with factors not specific to the category (such as inflation) than with changes in consumers' attitudes toward packaged water. Beverage Marketing expects bottled water to grow faster in the near future than it did in 2023, although not at the forceful rates regularly recorded a decade or so ago. It also expects per capita consumption to return to the upward path. **BWR**

John G. Rodwan, Jr., *is editorial director at Beverage Marketing Corporation and editor of its bi-weekly newsletter* The Beverage Strategist. *Beverage Marketing, a research firm dedicated to the global beverage industry, publishes numerous market reports on bottled water, and other beverages. Learn more at* www.beveragemarketing.com.