

BOTTLED WATER POTENTIAL EXPORT MARKETS

1. BACKGROUND

The last few years have seen a sharp rise in the sale of bottled water around the world. From our analysis, the trend appears to be continuing and there is no way of predicting when the industry will reach maturity and the upswing in sales will begin to flatten out. All we know for the time being, is that market conditions are excellent and have been for the last five to seven years.

In effervescent markets, the potential for newcomers is much better than when conditions are stable and market shares are firmly entrenched. A new supplier wishing to increase sales or penetrate a brand new market for the first time need not take someone else's customers: new suppliers take their share in the market from growth. They merely slow down their competitors' growth. Drops in market share seem more palatable if sales and profits are still up for the individual company.

While it is impossible to predict when the present "good times" will end, it is certain that the growth patterns of the last five to seven years cannot go on forever. And we know that when it stops, penetrating new markets will become more difficult. Distributors will lose interest in what will have become yesterday's darling product, consumers will lose their desire to experiment with new brands, pricing will increase in importance and accessing a new market will mean the displacement of someone else. That someone else will fight back and marketing costs will go up. For these reasons, it appears important that Canadian bottlers of water who are thinking about exporting "one day", start doing something about it today. Tomorrow, the opportunity may not be as bright for newcomers.

2. DEMAND FACTORS

During the 1980s, a widespread interest in mineral water created a boom for producers. Bottled water was the fastest growing beverage in Canada and the United States. It also seemed on the rise in a number of other developed countries, particularly during the second half of the decade. Spurring this growth were factors such as a growing interest in fitness and health combined with an increasing distrust of municipal water supplies and a desire among consumers to limit caloric intake from alcoholic beverages and soft drinks.

Bottled spring water costs most consumers 50 to 100 times what they have to pay, if anything, for tap water. Consequently, it is not a product likely to attract the interest of the underprivileged. The clientele tends to come mostly from the middle to high income brackets.