



## COMMENT: Bottled water hit by the crunch

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Branded bottled water looks like the early victim in the global economic downturn, following results from big hitters Nestle and Danone last week. Poor bottled water sales in Western Europe and the US were a drag on both firms' third quarter results.

Danone, which owns Evian and Volvic, lifted bottled water revenue by 2% during the quarter. But, the French firm admitted that it had suffered volume decline in Europe, with the UK, France and, to a lesser extent, Spain proving difficult markets.

Nestle Waters, which owns Vittel, said that revenue slipped 1% on an organic basis in the first nine months of 2008. The Swiss food and drink giant said that this reflected "the slowdown of the bottled water category in Western Europe and North America due to a combination of economic conditions and perceived environmental issues around bottled water".

Given that PepsiCo reported a similar slowdown in bottled water sales this month, is bottled water the most at-risk soft drinks category in the looming recession that threatens to engulf western economies? PepsiCo noted that consumers were increasingly quenching their thirst via the traditional kitchen tap, as they looked to slim down their expenditure.

Independent analyst **James Amoroso** told just-drinks on Friday (24 October) that a weakening economy only provided part of the story for the big bottled water brands. For one thing, he said, different forces were at work in France, which has a far more established bottled water culture, compared to the UK and US.

He described the French situation as "worrying" for Danone, with signs of a "creeping structural change" towards "commoditisation" on the domestic water market. Price has increasingly driven the French market, echoing the growth of discount retailers in the country generally, but evidenced in bottled water by the meteoric growth in recent years of the lower-end Cristalline water brand, which has taken share of the likes of Evian.

Over the in the UK and US, much younger markets for water, **Amoroso** believes the power of environmental lobbyists has been a main factor in curtailing sales growth. Bottled water firms, he said, needed to "correct perceptions" about their products' environmental impact.

The UK's largest natural bottled water producers, Danone Waters (UK & Ireland) Ltd, Highland Spring and Nestlé Waters UK, have joined forces to combat the lobbyists by forming a Natural Hydration Council.

Consumer perceptions, once lodged, can be hard to shift, however. And, if people believe that by drinking tap water they can be more environmentally friendly as well as save on those increasingly precious pennies and cents, then it may be a tough couple of years for the branded players.

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