

Construction is not the only sector in South Africa experiencing a boom leading up to the 2010 Soccer World Cup. The country's fledgling bottled water industry is set to grow by an average 22,5% per annum over the next few years in anticipation of this global event. Lani van Vuuren reports.

If anyone had been told twelve years ago that the South African bottled water sector would be a highly successful industry, they would probably have laughed in disbelief. After all, South Africa is one of few countries where tap water in most places is still good enough to drink. Indeed, a little over a decade ago, the bottled water industry was virtually non-existent. Boy, have things changed.

Walk into any retail outlet, service station convenience store or restaurant, and you can probably take your pick from an aisle filled with different brands, from mineral to spring, still or sparkling, flavoured or unflavoured, local or imported, plastic or glass. These range in sizes from 250 ml to

the household supersized five-litre container.

Spurred on by the global trend towards healthier living, the sector is worth about R1,5-billion today, according to the South African Natural Bottled Water Association (SANBWA) technical manager Charlotte Metcalfe. This translates into a nominal bottle value of R6,90/litre. There are about 100 bottlers country-wide, ranging from small hand-bottled operations (who are in the majority) to large bottlers, such as Nestlé and Valpré, which produce between 15 000 and 20 000 litres of water an hour using automated systems.

SANBWA, whose members represent about 80% of the total South African

bottled water sector, reports that the two biggest markets for natural bottled water at present are Gauteng, where the South African health and lifestyle industry has its biggest footprint, and Cape Town, where tourists have a direct, semi-seasonal impact on sales of natural water.

EXPLODING GROWTH

Market researcher Shawn Henning of BMI Foodpack reports that the South African bottled water market grew by an estimated 33% during 2005, following on a consistent annual growth trend in excess of 20% since 2001. "The growth rate surpasses that of other beverages, clearly indicating a more health conscious market preferring bottled water to other beverage

alternatives, such as carbonated soft drinks. In fact, the industry has been doubling in volume every three years." The price could also have something to do with the growth, an average R6,74 per litre compared to the R6,96 of carbonated soft drinks.

Around 32% of the volume consumed is flavoured water, which is steadily increasing its share in the market, even in 'non-traditional' bottled water segments, such as townships and rural areas. Bottled water producer aQuellé, traditionally known for its flavoured water, reports sales across the entire cultural and income spectrum. The company, based in KwaZulu-Natal, has been steadily increasing production to keep up with demand, even launching a still water range (including five-litre packaging) in the last year.

"In the past, our greatest challenge was getting national retailers to stock

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our product, as they did not believe there was a market for it," notes Arno Stegen of aQuellé. "Now it is keeping the product at the top of the consumer's mind." Marketing certainly plays a big role in consumption, with the introduction of new brands and packaging initiatives among other

promotional activities contributing significantly to sales growth during the past year. At present, the main target market remains those with disposable income, especially the younger generation, aged 20 to 30 and 30 to 45.

Other factors were the favourable beverage consumption weather experienced in 2005, and increased disposable income of consumers. Then, of course, there is the convenience factor. "When you are hurtling down the highway it is difficult to find a tap when you are thirsty," notes SANBWA chair John Weaver.

Only a handful of bottlers distribute nationally, with all the other plants supplying regionally. This is related to the low price of bottled water versus the cost of transportation.

It is uncertain exactly how many people are employed in the



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Bottled water is no longer merely a healthier 'on the go' alternative. Larger containers for household use are increasingly being sold.



Flavoured bottled water is gaining in popularity, even in non-traditional markets such as townships.

bottled water industry, but the figure is estimated at 2 500. Small bottlers, operating by hand, provide income to unskilled people for whom there are very few other means of earning a living. They also tend to be regional businesses, generating much-needed income in local economies outside of the main commercial centres.

ON TO THE WORLD CUP

The sector is showing no signs of slowing, in fact, consumption is expected to reach 569,6 million litres by 2010, compared to 198 million litres in 2005 (about 550 m³/day). One of the reasons behind this is the Soccer World Cup, which is expected to bring around 300 000

foreigners to the country, many of them bottled water drinkers. "All indications are that bottled water is definitely a good market to be in," says Henning.

For bottled water producers, it is not all about pure profit, however. The tremendous growth in the sector means continuous capital outlay ensuring they can keep up with growing demand. Paul Collingridge, managing member of Ceres Spring Water, speaks for many when he says most producers are riding the wave with caution. "You don't want to spend too much increasing the capacity of your plant, only to find there is no or little growth in the medium to long term. We are all wondering how long this tremendous growth will last. Profit margins are generally small and so trends are monitored carefully."

The growth in the local bottled market closely follows international trends, with the global bottled water industry reported to be the most dynamic market of all the food and beverage industries. According to an article published by international organisation Earth Policy Institute, global consumption of bottled water has doubled in the last five years, representing a share of 11,8% of the world beverage market at present. In 2004, the global consumption of bottled water reached 154 billion litres. More than half of the bottled water drunk in the world is purified water, the remaining 40% or so being spring or mineral water.

Of course, the South Africa market remains tiny compared to international figures, and represents only 0,8% of present total local beverage consumption (including beverages such as tea, coffee, milk, beer and wine). "South Africa's annual turnover is the size of a single medium to large bottling plant in Europe," Weaver tells *the Water Wheel*. Annual per capita consumption is an

Definitions of bottled water under new regulations

	Natural water	Water defined by origin	Prepared water
Source	Natural or drilled sources from underground water-bearing strata	Any specific environmental source without passing through a community water system	Any acceptable water supply
Treatment allowed	Mineral content and essential constituents not modified: <ul style="list-style-type: none"> Filtration of unstable constituents. Removal or addition of CO₂ Not transported in bulk from source to another facility for treatment, packaging or any other process 	Chemical, radiological and microbiological safety not compromised: <ul style="list-style-type: none"> Elimination of dissolved gases and unstable constituents Addition of CO₂ Antimicrobial treatments 	Modification of physiochemical characteristics of original water allowed: <ul style="list-style-type: none"> Antimicrobial treatment Reverse osmosis Deionisation Chlorination etc.

Source: SANBWA

average 4,2 £ per person per year in South Africa (compared to the bottled-water guzzling Italians who drink an average 147 £).

SETTING THE STANDARD

There have been many debates regarding the quality of bottled water versus the quality of tap water. Unlike tap water, bottled water is defined as a food and is therefore regulated by the Department of Health rather than the Department of Water Affairs & Forestry. Interestingly, a random survey of the microbial quality of bottled water undertaken by the University of Pretoria a few years ago indicated that, generally, bottled water in South Africa complied with present drinking water legislation.


SANBWA has done much to promote high quality standards in the sector. Members must adhere to a set of stringent quality control checks at all stages of their operations. These are subject to bi-annual audits, carried out by external reviewers.

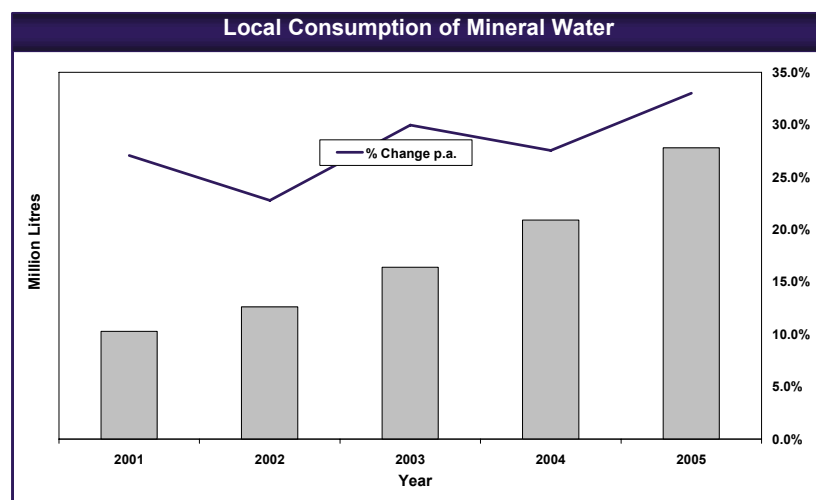
As yet, there is no formal government procedure to monitor and check the quality of bottled water, however, in July, new regulations for bottled water were introduced by the Department of Health. These include quality standards. SANBWA has indicated a willingness to work closely with the department to monitor the industry, even offering to train inspectors to know what to look for.



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Weaver feels there is no chance that bottled water can threaten the reticulated water-supply industry, even though recent water-quality scares, such as the typhoid outbreak in Delmas, and the maggot reports in Cape Town, have resulted in brief spikes of sales of bottled water. "Bottled water and tap water fulfil the needs of two entirely different market segments, the former being more of a social 'aspiration' beverage. They should actually be regarded as complementary to each other."

With urbanisation speeding up the pace of people's lives, increasing the quest for convenience, and health consciousness turning more people into aspiring gym bunnies there is no doubt that bottled water is here to stay. So what's your flavour? 



Ongoing growth experienced in the bottled water market over the past few years. (Source: BMI Foodpack)