Agriculture and Agri-Food Canada   Agriculture et Agroalimentaire Canada

Canada

Market Access Secretariat
Global Analysis Report

Bottled Water
in China

January 2016

EXECUTIVE SUMMARY

- In 2014, China was the second-ranked bottled water market worldwide, after the United States, with US$18.5 billion worth of retail value sales.
- Of the top five international bottled water companies in 2014, three sold products in China. They were the number one ranked Danone Groupe, number two ranked Coco-Cola Co. and number three ranked Nestlé SA.
- South Korea, Taiwan, and the United States were the top three suppliers of bottled water to China in 2014. Combined, these three countries held over 46% of the total available market share.
- The Chinese bottled water industry is dominated by still bottled water, which accounted for over 90% of retail values sales in 2014.
- The increasing consumption of bottled water in China is largely due to poor-quality tap water, growing awareness of health benefits, higher income levels and international tourism.
- Even though Canada exported over US$125.0 million worth of bottled water products to the world in 2014, it had a large export gap with China, as most (79.3%) of Canada's bottled water products were shipped to the United States.
- The National Health and Family Planning Commission of the People's Republic of China (NHFPC) announced in December 2014 that they had extensively modified their standards for packaged bottled drinking water, which come into effect on May 24, 2015.

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POSITIONING BOTTLED WATER IN THE WORLD

Top 5 Bottled Water Companies Worldwide in 2014, US$

Company	International Sales	Sales in China
1. Danone, Groupe	$12.9 billion	$1.7 billion
2. Coca-Cola Co	$11.5 billion	$738.5 million
3. Nestlé SA	$10.7 billion	$274.5 million
4. PepsiCo Inc	$4.3 billion	N/A
5. Suntory Holdings Ltd	$1.9 billion	N/A

Source: *Euromonitor International, 2015*

Top 10 Bottled Water Markets Worldwide in 2014, US$

Country	Retail Sales
1. United States	$18.8 billion
2. China	**$18.5 billion**
3. Mexico	$7.8 billion
4. Japan	$6.9 billion
5. Germany	$5.2 billion
6. Nigeria	$4.0 billion
7. Russia	$3.9 billion
8. France	$3.7 billion
9. Brazil	$3.2 billion
10. Argentina	$2.9 billion

The Bottled Water* Market in China in 2014, US$

Indicator	Value
Retail sales, 2014	$18.5 billion
Imports of bottled water products* from the world	$267.8 million
Exports of bottled water products* to the world	$758.5 million
Dependence on imports	4.1%

Source: *Euromonitor International, 2015; Global Trade Atlas, 2015*

Top 10 Importers of Bottled Water* Worldwide 2014, US$

Country	Imports US$	Top Suppliers & Market Share			Canada's Share
		1	2	3	
United States	2,783,739,039	Switzerland 27.5%	Austria 17.6%	Mexico 12.0%	3.30%
United Kingdom	1,371,906,385	Netherlands 23.5%	Belgium 17.5%	Germany 12.0%	0.07%
Belgium	1,151,927,803	France 52.5%	Netherlands 17.0%	Austria 12.2%	<0.01%
Germany	1,147,879,873	Austria 28.7%	France 23.1%	Netherlands 10.4%	<0.01%
Canada	934,650,218	United States 74.8%	Switzerland 7.0%	France5.4%	100.00%
France	910,871,833	Germany 21.6%	Belgium 20.4%	Italy 13.5%	0.01%
Netherlands	795,354,873	Germany 35.8%	Belgium 32.5%	Austria 9.2%	<0.01%
Hong Kong	774,267,806	China 76.6%	Taiwan 4.1%	United States 3.2%	0.08%
Japan	469,916,195	United States 36.0%	France 28.4%	Switzerland 17.1%	0.56%
Spain	408,644,692	Netherlands 22.0%	Germany 15.1%	Portugal 12.8%	<0.01%
China (17)	**267,771,781**	**South Korea 20.2%**	**Taiwan 15.6%**	**United States 10.3%**	**1.69%**

Source: *Global Trade Atlas, 2015*
****Note:*** *For the purposes of this report, "bottled water" was defined using the following HS codes: 2201, 2202*

Although Canada exported over US$125.0 million worth of bottled water products to the world in 2014, the majority (79.3%) went to the United States. China's imports of Canadian bottled water are small, but have been steadily increasing over the last five years. In addition, China's imports of Canada's bottled water have been increasing at a faster pace than their imports from the world, so Canadian exporters could take advantage of this trend.

Bottled Water* Supply Gap, 2014 (US$ Millions)

	2010	2011	2012	2013	2014	2010-14 CAGR* %
China's imports of bottled water products* from the world	71.50	84.91	122.95	181.76	267.77	39.11%
China's imports of bottled water products* from Canada	0.48	0.73	0.82	3.39	4.52	75.05%
Supply Gap	71.02	84.18	122.13	178.37	263.25	38.76%

Source: *Global Trade Atlas, April 2015* ****CAGR:*** *Compound Annual Growth Rate.*
****Note:*** *For the purposes of this report, "bottled water" was defined using the following HS codes: 2201, 2202*

ECONOMIC DRIVERS AND CONSUMER ATTITUDES

China is the second-largest economy in the world after the United States, and its economy will continue to grow through 2019, albeit at a slower rate than in previous years. In addition, China has the largest population in the world which will continue to growth over next few years, reaching over 1.3 billion (Euromonitor International, 2015). As Chinese consumers continue to worry about water safety, the growing economy and population could continue to have a positive effect on bottled water sales in the coming years.

Bottled water is a US$118.1 billion global industry, and the Asia-Pacific region has the highest consumption, accounting for 29.2% of the current worldwide market in 2014. Within the Asia-Pacific region, as of 2014, China accounted for over half of the total bottled water sales, reaching value sales of US$18.5 billion. Consumption of bottled water in China has been steadily increasing over the last five years (2010-14) as consumers continue to drink bottled water for hygiene and safety reasons (Euromonitor International, 2015).

The major factors affecting the increase in bottled water consumption in China are: poor-quality tap water, increasing health awareness, higher income levels, and international tourism are fuelling demand (chinadialogue, 2014).

RETAIL ENVIRONMENT

According to Datamonitor, unflavoured still bottled water accounted for 91.2% of total bottled water sales in China, in 2014, followed by unflavoured sparkling water (7.0%), and flavoured sparkling water (1.6%). Overall, bottled water sales saw an increase of 12.9% over 2013. Sparkling flavoured bottled water experienced the strongest growth from 2010-14 with a compound annual growth rate (CAGR) of 19.5%, while unflavoured still water (the largest subcategory) posted a CAGR of 13.1% over the same period, reaching value sales of just over US$18.5 billion. This trend is forecasted to continue through 2019 (Datamonitor, 2015).

Historic Retail Value Sales of Bottled Water Subcategories in China, in US$ Millions and Period Growth (%)

Subcategories	2010	2011	2012	2013	2014	2010-14 CAGR* %
Still unflavoured	10,053.0	11,545.1	12,965.8	14,568.5	16,448.3	13.1
Sparkling unflavoured	792.7	911.1	1,011.1	1,130.0	1,260.7	12.3
Sparkling flavoured	141.1	170.9	205.7	245.4	287.8	19.5
Still flavoured	23.4	26.8	29.8	33.4	37.3	12.4

Forecast Retail Value Sales of Bottled Water Subcategories in China, in US$ Millions and Period Growth (%)

Subcategories	2015	2016	2017	2018	2019	2015-19 CAGR* %
Still unflavoured	18,479.6	20,740.3	23,284.2	26,117.4	29,170.5	12.1
Sparkling unflavoured	1,397.9	1,544.7	1,703.4	1,874.9	2,057.0	10.1
Sparkling flavoured	334.2	389.3	449.3	515.8	587.2	15.1
Still flavoured	41.4	46.0	51.0	56.5	62.3	10.8

Source for both: *Datamonitor, 2015* ****CAGR:*** *Compound Annual Growth Rate.*

Retail volume of bottled water will continue to see steady growth over the next five years, reaching an estimated 44.2 billion litres by 2019. Sparkling flavoured water, albeit a small subcategory, posted the largest CAGR from 2010-14 with 19.4% and is forecasted to continue with double digit growth through 2019, with an estimated CAGR of 15.2%.

Historic Retail Volume Sales of Bottled Water Subcategories in China, in Millions of Litres

Subcategories	2010	2011	2012	2013	2014	2010-14 CAGR* %
Still unflavoured	21,803.0	23,799.7	25,579.3	27,806.6	29,991.7	8.3
Sparkling unflavoured	1,484.9	1,619.8	1,759.9	1,924.5	2,082.1	8.8
Sparkling flavoured	292.0	352.8	424.0	504.9	592.5	19.4
Still flavoured	40.3	43.6	46.5	50.0	53.4	7.3

Forecast Retail Volume Sales of Bottled Water Subcategories in China, in Millions of Litres

Subcategories	2015	2016	2017	2018	2019	2015-19 CAGR* %
Still unflavoured	31,903.7	33,811.6	36,022.3	38,022.1	40,078.4	5.9
Sparkling unflavoured	2,234.4	2,385.5	2,545.3	2,703.1	2,864.3	6.4
Sparkling flavoured	688.3	801.7	925.7	1,063.3	1,210.8	15.2
Still flavoured	56.7	60.1	63.6	67.3	71.0	5.8

Source for both: *Datamonitor, 2015* ****CAGR:*** *Compound Annual Growth Rate.*

Four of the top five bottled water companies in China are domestic players and account for a combined 45% of the total market share, indicating a very concentrated environment. Leading company Ting Hsin International Group with their brand of Master Kong, holds slightly more market share than the other four domestic companies of Yangshengtang Co. Ltd (Nongfu Spring), China Resources Enterprise Ltd (C'est Bon), and Hangzhou Wahaha Group Co. Ltd (Wahaha). As competition is fierce among beverage manufactures in China, Ting Hsin International Group has seen a slight yearly decrease in market share over the last five years (Euromonitor International, 2014), which was largely absorbed by China Resources Enterprise Ltd.

Top 5 Bottled Water Company Shares in China – Off-trade Volume % Breakdown

Companies	2010	2011	2012	2013	2014
Ting Hsin International Group	14.6	14.3	13.1	13.3	12.0
Yangshengtang Co. Ltd	11.1	12.1	12.9	12.0	11.4
China Resources Enterprise Ltd	5.5	6.5	7.6	9.3	10.8
Hangzhou Wahaha Group Co. Ltd	12.0	11.2	10.6	10.6	10.8
Coca-Cola Co.	5.6	5.4	5.9	5.7	5.6

Source: *Euromonitor International, 2015*

China's foodservice industry, such as full-service restaurants and self-serve cafeterias, offer patrons free tap drinking water; however, most patrons frequenting these types of establishments will chose to consume other beverages like juice, tea or alcoholic drinks. Therefore, bottled water companies are distributing their products through cafés and pubs and are mainly targeting high-end consumers (Euromonitor International, 2014).

Also, a number of bottled water companies in China started introducing lightweight packing in 2013 to respond to the government's strategy on energy saving and emission reduction. The result was a package weight reduction from 14g to 12g (Euromonitor International, 2014).

STANDARDS

The National Health and Family Planning Commission of the People's Republic of China (NHFPC) announced in December 2014 that they had extensively modified their standards for packaged bottled drinking water. The new Hygienic Standards of Packing Drinking Water (GB19298-14) will replace two outdated standards from 2003 (GB19298-2003) and 1998 (Bottled Purified Water: GB17323-1998) and come into effect on May 24, 2015 (Chemical Inspection and Regulation Service, 2015) .The new standard applies to all packaged water products for direct consumption, except natural mineral water products (SGS, 2014). For more information on the new standards, please refer to the article *New Hygienic Standard of Packaged Drinking Water* from Chemical Inspection and Regulation Service.

NEW PRODUCT LAUNCHES

According to the Mintel Global New Product Database (GNPD), from 2010-14, there were 430 new bottled water (unflavoured and flavoured) products launched in China. Of the 430 launches, 290 were completely new products. Unflavoured water was the most popular type accounting for 83.3% of overall products launched over the five year period. The top two bottle sizes were 350 ml with 98 products and 500 ml with 68 products launched. Lemon was the most popular flavour used over the 2010-14 period with 19 products, followed by rose (6) and orange (3). In addition, the most popular flavour group was fruit and vegetable with 38 products, followed by flora (9) and herbs and spices (7).

New Product Launches of Bottle Water in China,
January 1, 2010 to December 31, 2014, by Feature

Feature*	Yearly Launch Counts				
	2010	2011	2012	2013	2014
Yearly product launches	110	101	66	61	92
Launch type					
New product	82	74	42	41	51
New packaging	15	15	18	8	24
New variety/range extension	12	12	6	12	17
Top five claims*					
Vitamin/mineral fortified	3	10	1	0	9
Low/no/reduced sugar	29	11	6	7	8
Other (functional)	7	8	2	2	5
No additives/preservatives	2	7	3	5	4
Ethical – environmentally friendly product	4	6	2	2	4
Subcategories					
Unflavoured water	95	81	59	50	73
Flavoured water	15	20	7	11	19
Top five pack sizes					
500 ml	8	19	8	12	21
350 ml	39	26	12	6	15
550 ml	9	18	10	9	14
330 ml	7	6	7	5	8
360 ml	6	6	3	5	8
Top three prices (US dollars)					
$0.44	14	0	0	0	3
$0.37	13	1	0	0	2
$0.15	5	4	0	1	3

Source: *Mintel GNPD, 2015.*　　*****Note:*** *rankings are based on 2014 data*

NEW PRODUCT SAMPLES

Purified Drinking Water

Aquafina Yin Yong Chun Jing Shui (Purified Drinking Water) has been repackaged and is now available in a newly designed 550ml bottle. This product is Quality System (QS) certified.

Company: PepsiCo

Brand: Aquafina

Category: Water

Date Published: August 2012

Price: US$0.16

Pack Size: 550 ml

Claims: Ethical - Environmentally Friendly Package

Original Soda Water

Lanboer Yuan Wei Su Da Shui (Original Soda Water) is halal certified and is said to be good for your health. This product retails in a 380ml pack.

Company: Lanboer Beverage

Brand: Lanboer

Category: Water

Date Published: September 2014

Price: US$0.77

Pack Size: 380 ml

Claims: Other (Functional), Halal

Vitamin Water

Nongfu Spring Victory Wei Ta Ming Shui (Vitamin Water) has added vitamin E and is free from preservatives. This product is available in a Pomegranate and Blueberry flavour, and retails in a 500ml bottle. Also available are the following flavours: Lan Mei Shu Mei (Blueberry and Raspberry); Gan Ju (Orange); Ning Meng (Lemon); Re Dai Shui Guo (Tropical Fruits); and Xi You (Grapefruit). The blueberry and raspberry flavoured vitamin water has multiple added B vitamins (B3 and B12). This variety is free from preservatives, retails in a 500ml bottle. The grapefruit flavoured variety has added taurine and zinc. This preservative-free product retails in a 500ml pack.

Company: Nongfu Spring

Brand: Nongfu Spring Victory

Category: Water

Date Published: March 2011

Price: US$0.55

Pack Size: 500 ml

Claims: No Additives/preservatives, vitamin/mineral fortified

Source for all: Mintel, GNPD, 2015

CONCLUSION

China's demand for bottled water will only continue to increase over the coming years and their bottled water market is forecasted to almost double through 2019. This presents opportunity for Canadian industry to take advantage of this growth and increase their exports of bottled water to China, thus potentially reducing the supply gap with China.

FOR MORE INFORMATION

International Trade Commissioners can provide Canadian industry with on-the-ground expertise regarding market potential, current conditions and local business contacts, and are an excellent point of contact for export advice.

- **Overview of Trade Commissioner Services in China**
  http://www.tradecommissioner.gc.ca/eng/offices-china.jsp

- **Find a Trade Commissioner**
  www.tradecommissioner.gc.ca/eng/find-trade-contacts.jsp

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- ats-sea.agr.gc.ca

RESOURCES

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