

Bottled water market in Malaysia – creating ripples?

Bottled water is a lucrative market in Malaysia given the increasing consumer demand for it

Water, water, everywhere – but what do I choose? This is the question that continues to ring in everyone's mind when it comes to selecting the right brand of bottled water. Hold on – did I just say “bottled” water? Well, gone are the days when drinking water meant water from the tap that was filtered, boiled and then consumed. Goodbye now to tap water and welcome to the age of bottled water!

Hectic lifestyles coupled with mounting disillusionment towards municipal water has steered most of the population towards the portable and convenient bottled water. With a gamut of bottled water brands available in the market, ranging from high-end names like *Perrier* and *Evian* to local brands, today's consumer has numerous choices thereby making it imperative for the manufacturer of bottled water to come out with unique strategies to stay abreast in this highly competitive market.

“Eau” dear ..., “water” is the matter!

Drinking bottled water has become a trivial habit in people's everyday lives. Bottled water may even be necessary, in case of temporary tap water contamination. Whatever be the reason, the trend towards consuming bottled water is foreseen to increase in the coming years.

Being one of the most dynamic sectors of the food and beverage industry, bottled water has been steadily growing over the past three decades. Water has staying power and sales appeal in any food service segment. Free of sugar, calories and alcohol, it outruns beer, wine, juice, coffee and soda as a beverage for all day parts.

The chart on page 26 presents the volume of bottled water consumption across the globe.

Bottled water consumption in the world increases by an average 7% each year; in spite of the fact that bottled water is priced higher. The convenience of bottled water that can be easily purchased at retail outlets and then discarded is a major factor leading many to purchase bottled water. The world's top four bottled water companies are Danone, Nestle, Coca-Cola and PepsiCo. Although Coca-Cola and PepsiCo are known as the big carbonated soft drinks manufacturers, they have also noted the potential in the bottled water market and have been developing their brands and capabilities in this market.

Although major consumers of bottled water are in Europe and North America, the most promising markets are in Asia Pacific with an annual growth rate of 15%.

Market trends in Malaysia

The bottled water market in Malaysia is characterised by high levels of competition and consolidation among established participants. The trend in the Malaysian bottled water market seems to follow the path of other industrialised nations. Growth in this market is on an upward trend with more products and competitors entering the market.

Before we get into the details of the market dynamics for bottled water, it is essential to understand the different types of bottled water. Accordingly, bottled water can be split





into four major segments – still bottled water, carbonated bottled water, flavoured bottled water and functional bottled water.

Still bottled water is non-effervescent/non-sparkling water, which has no added ingredients such as chemical additives or sweeteners. Some products may include safe and suitable antimicrobial agents and/or limited amounts of fluoride. Still bottled water has to be both calorie-free and sugar-free.

The other popular type is the carbonated bottled water or “fizz”, referring to bottled water with carbonation. Next on the list is flavoured bottled water, that is, water added with fruit flavours or essence. Finally, there is functional bottled water which refers to bottled water enriched with vitamins for instance, vitamin B, calcium, or magnesium and/or herbal extracts.

“Fizz” versus “still”

Across the world, consumers are increasingly resorting to bottled water, especially still bottled water, as it becomes more

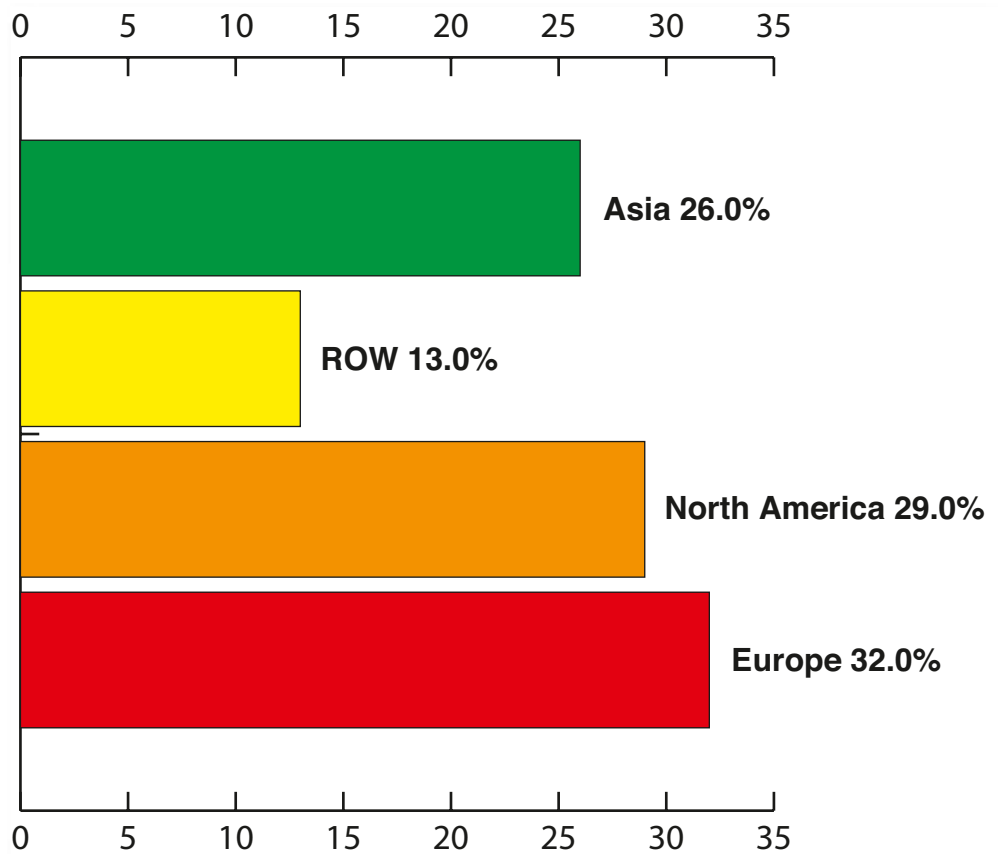
accessible and as the health and hydration benefits become more widely accepted.

As far as the bottled water market in Malaysia is concerned, still bottled water continues to dominate the market over its “fizzier” counterparts. The still bottled water market is in its initial stage of maturity in terms of industry life cycle. Still bottled water is expected to secure the largest part of the Malaysian bottled water market.

What is driving this market?

Urbanisation and the increasing hectic lifestyle of most urbanites have made convenience one of the main considerations when purchasing a product, especially when it comes to consumables such as bottled water. Still bottled water is appealing to busy people who may want to carry a bottle while on the move. The growth of the bottled water market in Malaysia is fuelled by the following factors:

- Convenience and portability of bottled water



Source: Frost & Sullivan

- Consumer disillusionment towards municipal water
- Paradigm shift towards healthy beverages
- Increase in travel and preference for clean, odour-free and colourless water

And the restraints are ...

Competition from water dispensed by vending machines, the price of bottled water, and growing consumer awareness of the environmental impact of bottled water are found to be restraining bottled water growth in Malaysia. Water from vending machines is becoming increasingly popular as many of these machines are strategically located for the convenience of consumers as well as costing less per unit when compared to single-serve bottled water.

In addition, growing consumer concern for the environment, both in terms of the wastes resulting from PET (polyethylenete repthalate) bottles and the effect on the ecological system from wide-scale water extraction, is also a reason for some consumers to restrain from purchasing bottled water.

What is next?

Bottled water is a lucrative market in Malaysia given the increasing consumer demand for still bottled water. The market

is set to undergo greater product differentiation with participants expected to expand into functional and flavoured bottled water, and to improve on packaging in order to obtain a higher share of the market. Competition is also foreseen to increase with more private labels appearing in the market. Positive growth in this market has increased the interest of other manufacturers and distributors, and the increasing competition is likely to spur growth in the coming years.

At the end of the day, water is water; all that matters is how well it is packaged, and made endearing to the consumer. **FBA**



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