Bottled water distribution in the uk

Environment, Ecology

The UK bottled water market, a sub segment of the soft drink market has continually increased it share of the soft drink market. Thomson (2008) reports that the UK market for bottled mineral and spring water alone experienced consideration expansion and is now worth an estimated E1. 7 billion annually, taking up about 15 percent of the soft drink sales in the UK. The market is projected to rise to 21 percent of the soft drink market by the end of 2008. Datamonitor (2007) reports that the UK bottled water market generated total revenues of $2.

8 billion in 2006, representing a compound annual growth interest (CAGR) of 9. 4 percent for the period between 2002 and 2006. Further, market consumption volume is estimated at 2. 3 billion liters in 2006, representing a compound annual growth rate of 8. 5 percent between the same periods. The authors further projected that the performance of the bottled water market should increase by an anticipated compound annual growth rate of 8. 6 percent during the five year period ending in 2011 to about 3. 4 billion liters, expanding the market to about $4.

2 billion by the end of 2011. The projected expansion of the market enhances the chances of new entrants into the market (Datamonitor, 2007; Thomson, 2008). The UK bottled water market is mainly comprised of sparkling flavored water, sparkling unflavored water, still flavored water and still unflavored water. Breaking down the market performance of each of this group of bottled water, Datamonitor reports that still unflavored water proves to be the most lucrative for the year ended 2006, generating revenues estimated at $1. 3817 million or taking up about 49.

6 percent of the total market. This is closely followed by sales of sparkling unflavored bottled water that generated revenues of $916. 5 million representing 32. 9 percent of the market share. In sum, Thomson (2008) reports that still bottled water, both flavored and unflavored, accounts for 86% of the market (Thomson, 2008). The entrance of Herbal Water into the UK bottled water market will be enhanced by a couple of factors. Most significant among these factors is the trend, the increasing demand for spring, mineral or nutrient rich water.

Thomson (2008), reports that the market demand for mineral water continues to grow faster than other sections of the bottled water market. As mentioned previously, the market share for mineral water was estimated at ? 1. 7 billion annually in 2007 and it is projected to experience further growth. Furthermore, the author reports that there appears to be excess demands for the product, with several customers reporting that they experience out-of-stock, when shopping for mineral water in their grocery store.

Ayala’s Herbal Water with her first herbally flavored water is expected to make a difference in the UK bottled water, especially within the mineral water sub-segment. The UK bottled water market has a fragmented structure with no definite distribution chain. Although major players like the multinational company Danone and Nestle are involved in the market, the major buyers are retailers. The most apparent distribution chain involves major retailers, such as larger supermarkets and hypermarkets like Tesco and Asda.

Retailers are very concentrated in the UK bottled water market, taking up almost 50 percent of the market share. Other distribution channels include convenience stores, online trades and an increasing significance of hotel sales that has been experiencing growth lately. It is well established that retailers represent the major distribution channel for bottled water in the UK. Datamonitor reports that large supermarkets and hypermarkets take up 49 percent of the total market share of bottled water in the UK.

However, two primary factors play significant roles in the buying capacity and choice of the retailers. It is reported that the buying choice of retailers is greatly influenced by the need to respond to the demands of the customers. Thus, while retailers are the strongest distribution channel for bottled water, the choice is primarily influenced by the demands of the immediate customers they serve. This fact weakens the power of retailers relative to manufacturers with strong and well known brands. Consequent upon the above fact, brand significantly influences distribution of bottled water.

While products may be differentiated and unique as a result of its content and characteristics, the herbal approach to water flavoring adopted by Herbal Water, for example, branding is most likely to play significant roles. Retailers will be more willing to stock popular brands that are in demand, and manufacturers of popular brands can get their product across the distribution channels of several retailers. However, Datamonitor (2007) contend that " Bottled water manufacturers and retailers operate in quite different businesses, and vertical integration rarely occurs to blur the boundaries between them.

As bottled water is a sub-segment of the soft drinks market, its importance to retailers is not very great, especially for the more powerful supermarket chains, which sell a wide variety offoodand drink products" (p14). Again, the rivalry in the UK bottled water is further strengthened because retailers which play the most significant role in distribution do not experience any considerable costs in switching from one manufacturer product to the order, building strong brand around consumerloyaltycan help defend manufacturers from this situation.

Moreover, this increased rivalry is compensated for by the healthy revenue accruable to each manufacturer due to the huge market potentials of bottled water (Datamonitor, 2007). Convenience stores and hotel sales are other channels for distributing bottled water; these channels represent 19. 2 and 13. 6 percents of total market volume respectively, while other channels such as the increasing demand for bottled water in the leisure industry accounts for 22. 4 percent of total market volume.

In sum, the UK bottled water market is has retailers as the primary buyers, these are well concentrated in the market and determines the success of any bottled water manufacturer in the market, although, to a large extent their buying power is influenced by the demands and choice of the customers they supply. Convenience stores and online sales are important channels, but they do not directly influence consumer loyalty and branding as would the retailers chain.

The fragmentation of the UK bottled water has both positive and negative implications, but the ability of the Herbal Water Company to effectively harness the positive implications should greatly enhance the success of its product in the UK market. References Datamonitor (2007). Bottled Water in the United Kingdom: Industry Profile. Reference Code: 0183-0016. Thomson,

Steven (2008). Bottled Spring Water. Scottish Agricultural College, Edinburgh. Acessed 24 Mar, 2008. Available at (Feb 6, 2008).