

GLOBAL INVESTMENT FUND FOR WATER
Consultant report

THE BOTTLED WATER SECTOR
Analysis, opportunities, engagement

Prepared by



THE WHO, WHY & WHAT NEXT OF INTERNATIONAL FOOD & DRINK

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INTRODUCTION

While consumers around the world are buying increasing quantities of bottled water for reasons of health, convenience and necessity, more than 660 million of the world's poorest citizens still rely on unsafe water for drinking and washing and more than a billion have no access to a toilet.

If a tiny fraction of bottled water revenues could be captured and redirected – for example at a rate of US\$0.01 per litre – hundreds of millions of dollars could be made available for targeted investments to end water poverty and tackle the sanitation challenge.

This is the very simple concept behind the Global Investment Fund For Water (GIFFW): a micro-levy, supported by the bottled water industry and retailers, that can complement existing industry efforts and, collectively, help to give every person on the planet access to clean water and sanitation by 2030¹.

This would see the bottled water value chain make a considerable contribution to the achievement of SDG 6, one of 17 global goals for development agreed by UN Member States in 2015. A further potential benefit of the initiative could be to further incentivise responsible consumption and production (SDG 12).

This report is part of a wider study assessing the feasibility of the GIFFW Initiative.

This paper focuses on the role that could be played by the bottled water value chain in creating and supporting the GIFFW. It analyses volume and value sales across regions, identifies leading businesses, and suggests models for revenue-raising.

This report also details the feedback we have received thus far from the value chain, the enthusiasm displayed but also the questions raised and, hopefully, addresses them.

For further detail on WASH sector financing needs, structures for disbursement of GIFFW funds and proposed governance structures, please see a companion report prepared by Lions Head Global Partners².

¹ The GIFFW is committed to supporting the 17 UN-agreed [Sustainable Development Goals](#), in particular SDG6 and SDG12.

² giffwater.org

Executive Summary

- ❖ Data presented in this report is based on extensive research gathered from a range of sources and in-person interviews with industry representatives worldwide.
- ❖ 2015 global sales of plain packaged water³ totalled 376 billion litres and US\$160 billion.
- ❖ By 2020, global volumes are forecast to approach 520 billion litres on a compound annual growth rate (CAGR) of nearly 7%. If value advances at a similar pace, the 2020 global market for packaged water will be valued at well over US\$200 billion.
- ❖ Industrially packaged plain bottled water comes in a myriad of sizes from 100ml to 20 litres and more. It is sold through many outlets and consumed out of home and at home. There is a large informal market in some countries.
- ❖ Pricing and margin vary considerably. Not all transactions provide an opportunity for revenue-raising. However, this report sets out to illustrate that there is sufficient scale and value – and the prospect of continued growth – as well as identified enthusiasm in the value chain, to make the GIFFW Initiative viable.
- ❖ We believe that the GIFFW should initially be focused on small pack (up to 10 litres) transactions in major consumption markets. The leading dozen countries presently account for two thirds of both the volume and value of annual small pack sales.
- ❖ Beginning in high income countries, then expanding to fast-growing developing markets, experts advising the GIFFW team believe a \$100-\$200 million fund can be created within two years, potentially rising to several billion dollars in a decade.
- ❖ To access these opportunities, flexible revenue-raising models, adapted as appropriate market by market, are proposed (see Section 4). Suggestions include a variety of pricing arrangements, voluntary levies and augmented recycling schemes.
- ❖ We envisage two phases: a Pioneer phase then a Breakout phase. In the Pioneer phase, early brand owner and retailer adopters will contribute voluntarily based on volume sales, most likely via a P&L sacrifice equivalent to at least US\$0.01 per litre.
- ❖ We have tested the idea of a micro-levy across the industry to identify the pros and cons of different options and which mechanisms are likely to resonate positively or negatively with consumers as well as with the industry.
- ❖ Undoubtedly, questions remain as to how the GIFFW will operate, but the industry feedback is clear – all actors in the value chain can play a role. Many are already willing to do so. Brand owners, retailers and distributors are ready to sign up.
- ❖ The challenge now is to maintain that momentum, address the practicalities in a way that does not upset the equilibrium of the value chain and get all parties working together to get the GIFFW Initiative up and running.
- ❖ If realised, the GIFFW Initiative could become the most credible and sought after endorsement of the commitment of the bottled water sector to the achievement of the SDGs and the future wellbeing of all.

³ Packaged water includes all sizes, small pack and bulk.

Introducing the Bottled Water Industry with a focus on small pack (< 10 litre)



<p>Small Pack Top 12 US\$ per litre retail (2015)</p> <ol style="list-style-type: none"> 1. Norway 2.97 2. Sweden 2.26 3. Finland 2.04 4. Denmark 1.59 5. Australia 1.52 6. New Zealand 1.35 7. Singapore 1.25 8. United Kingdom 1.09 9. Switzerland 1.08 10. Ireland 1.08 11. Hong Kong 1.05 12. Japan 1.03 	<p>Top 10 markets by volume (> 140bn)</p> <ol style="list-style-type: none"> 1. USA 35.25 2. China 30.90 3. Germany 14.53 4. Italy 12.14 5. Indonesia 10.00 6. India 9.36 7. France 8.05 8. Brazil 7.90 9. Spain 5.92 10. Nigeria 5.00 11. Turkey 4.70 12. Thailand 4.45 	<p>Top 12 Major brand owners Small Pack bn litres (2015)*</p> <ol style="list-style-type: none"> 1. Nestlé Waters 24.5 2. Coca-Cola 16.0 3. Danone 13.0 4. Niagara 7.0 5. PepsiCo 5.5 6. Tingyi 4.5 7. Hua Run 4.0 8. Nong Fu Shan Quan 3.8 9. Roxane 3.5 10. San Benedetto 2.7 11. Wahaha 2.5 12. Crystal Geyser 2.1 	<p>Major retailers by markets operating in</p> <ol style="list-style-type: none"> 1. Carrefour (France) 33 2. Metro (Germany) 32 3. Casino (France) 29 4. Wal-Mart (USA) 28 5. Schwarz (Germany) 26 6. Seven & I (Japan) 18 7. Aldi (Germany) 17 8. Tesco (UK) 13 9. Auchan (France) 13 10. Aeon (Japan) 11 11. Rewe (Germany) 11 12. Costco (USA) 10
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*by comparison vs. total volume

Major brand owners Top 12
All Water bn litres (2015)

1. Nestlé Waters 30.5
2. Danone 26.0
3. Coca-Cola 21.0
4. PepsiCo 10.5
5. Hua Run 7.0
6. Niagara 7.0
7. Nong Fu Shan Quan 5.0
8. Tingyi 4.5
9. Wahaha 4.5
10. Roxane 3.5
11. San Benedetto 2.7
12. Ganten 2.7

1. Introducing the Bottled Water Industry

Evolution: the bottled water industry has its origins in the spa tourism of the 19th and early 20th centuries, when mineral-rich water sources attracted visitors seeking curative relaxation. Some of these waters were subsequently packaged, initially in pottery, then in glass, from springs that we still know today – Perrier, Evian, San Pellegrino and many others.

In North America, water coolers had become increasingly popular in homes and offices by the mid 20th century, while in European markets, mineral waters in glass bottles were appearing on dining tables. By the 1970s a small but vibrant bottled water industry was well-established in a limited number of countries.

Brands proliferated and consumption accelerated with the introduction of plastic bottles, initially PVC and subsequently PET, in the mid 1970s. Multinationals recognised the opportunity and, mainly in Europe, began buying up mineral and spring water brands. In North America, mains supplied, purified waters kick-started demand. Sales across both source and processed waters⁴ grew strongly through the 1990s and into a new millennium.

Consumers: convenience, health concerns and safety, among other factors, have contributed to very notable on-going growth in the sales of small packs of bottled water, particularly in high and high middle income countries⁵ – as well as a steady increase in demand for bulk⁶ packaged water, especially in countries where water purity and potability is not assured. Packaged water has prospered through both consumer choice and socio-economic necessity. While many consumers want to buy water, many more have to.

Value: pricing of bottled water has evolved over the years and varies considerably according to region, pack size and the way the bottled water is sold. The small pack and bulk sectors can be markedly different. The pricing structures certainly are. The margin per litre on small pack sales is usually significantly higher, although less so when sold as a case or a multipack.

Channels: supermarkets, grocery and convenience stores and cash and carry retailers (known as the off-trade) are responsible for around 85% of the sales volume in small pack. Bottled water sold through the ‘on-trade’ – hotels, restaurants, catering establishments and entertainment venues – accounted for around a third of the value of total sales in 2015.

Methodology: we analyse bottled water by volume, value and in per capita terms, across regions and in specific countries. We look at where the value lies within the value chain – particularly focusing on bottlers, brand owners and retailers. We analyse across pack sizes (small pack/bulk water) and channels (off-trade/on-trade). We identify existing mechanisms that could be adapted to collect a micro-levy, recognising that this is not ‘one size fits all’.

Focus: our analysis of different pack sizes and sales channels has led us to conclude that small pack (10 litres or less) is likely to be the most appropriate category for revenue-raising under the GIFFW Initiative. Roughly 60% of the volume of bottled water sold globally in 2015 was in sizes up to and including 10 litres. With very limited exceptions, water sold in small packs is industrially packaged and branded while a growing proportion of bulk water demand is unbranded, informal and self-filled/refilled, with much lower margins. This is very difficult to quantify, let alone derive revenue from.

⁴ Source waters are drawn from, and bottled at a single source and are frequently labelled mineral and spring waters. Processed waters are commonly taken from the mains supply or from a source and are treated before bottling.

⁵ UN definition based on per person GDP income in real terms

⁶ Small pack is up to 10 litres, while bulk water usually refers to packs of 10.1 litres or more. 5 US gallon bottles (18.9 litres) are used on water coolers and provided to institutions, but the greater part of bulk is now refilled bottles for household use.

2. The Bottled Water Market

Small pack (up to 10 litres) sales totalled 223 billion litres in 2015 out of a total of 376 billion litres, the balance bulk water (packs of 10.1 litres and more). 31% was sold in Asia Pacific, 29% across Europe and 26% across the Americas.

Small pack sales⁷ contributed US\$138 billion to a total global packaged water value of US\$160 billion in 2015. Small pack sales in Europe, Asia Pacific and North America raised between US\$34 billion and US\$38 billion each. Latin America, Africa & the Middle East accounted for 10%, 5% and 5% of value sales respectively.

This gives a global average value per litre (VPL) of US\$0.62 for small pack bottled water. The average price in both North America and Latin America is above average, considerably so in the case of North America, with Europe just below average, Asia Pacific around 10% below average at US\$0.55 and only the Middle East and Africa well below.

For bulk water the average value per litre in 2015 was US\$0.14, with North America and Europe well above this level.

Table 1: Total Bottled Water Volume & Value: Small Pack & Bulk by Region, 2015

	VOLUME – bn litres		VALUE – US\$ bn		VOLUME bn litres	VALUE US\$ bn	VPL* SML PACK US\$
	SML PACK Up to 10 litres	BULK 10.1 litres plus	SML PACK Up to 10 litres	BULK 10.1 litres plus			
Asia Pacific	68.9	86.7	38.1	11.8	155.6	49.9	0.55
N America	37.8	6.1	34.0	2.0	43.9	36.0	0.90
Europe ⁸	64.3	3.7	38.5	1.0	68.0	39.5	0.60
L America	19.9	40.2	13.9	4.7	60.2	18.6	0.70
Africa	17.3	2.2	7.2	0.4	19.5	7.6	0.42
Middle East	14.8	14.0	6.6	1.8	28.8	8.4	0.44
TOTAL	223.0	153.0	138.3	21.7	376.0	160.0	0.62

Source: futureau consulting limited based on industry sources

* VPL – value per litre

2.1 Small pack – 10 litres or less

- ❖ Asia Pacific has been and will continue to be the driver not just of the packaged water market as a whole, but of the small pack category as well.
- ❖ Population growth, urbanisation and increasing affluence will see the volume of small pack water sales in Asia Pacific increase by an estimated 45% by 2020.
- ❖ Health, wellness and convenience will also play a role.
- ❖ In US\$ value terms, Asia Pacific's 2020 forecast is 40% higher than 2015.
- ❖ In Europe, growth drivers are similar but a stable population and a mature market will limit forecast volume growth for small pack to an estimated 15.5% by 2020.
- ❖ The volume forecast for North America to 2020 is 39%, value of a similar scale.
- ❖ Latin American volumes are forecast to rise 28% to 2020. In the Middle East by 42%.
- ❖ In Africa small pack volumes will almost triple between 2010 and 2020.

⁷ Figures include still and sparkling plain water with no flavourings.

⁸ The industry still tends to divide European sales into 'West' and 'East' Europe. For the purposes of this analysis we have combined the data.

- ❖ Such progression suggests it may be possible to raise some revenue from the bottled water industry in Africa. These financial flows could be retained in-country making a modest but important contribution to other domestic and external sources of WASH investments.
- ❖ This represents both a tangible incentive and a powerful logic for engagement with the GIFFW Initiative.

Table 2: Bottled Water Small Pack Volume and Value by Region, 2010-2020

	Volume (billion litres)			Value (US\$ bn)		
	2010	2015	2020	2010	2015	2020
Asia Pacific	40.6	68.9	98.9	22.2	38.1	53.4
N America	27.8	37.8	52.6	20.8	34.0	47.4
Europe	58.5	64.3	74.3	39.2	38.5	45.1
L America	14.7	19.9	25.5	14.5	13.9	17.8
Africa	10.1	17.3	27.2	4.3	7.2	11.7
Middle East	9.7	14.8	21.0	5.5	6.6	9.3
TOTAL	161.4	223.0	299.5	105.9	138.3	184.7

Source: futureau consulting limited based on industry sources

2.2 Sales and Consumption of Small Pack by Country

Turning to the top markets for small pack bottled water sales by volume.

- ❖ The top 10 markets accounted for around 62% of small pack sales or nearly 140 billion of the 223 billion litres total in 2015. Another 36 billion litres (16%) comes from countries ranked 11 to 20.
- ❖ The top 10 markets cover a little over 50% of the world's population.

Table 3: Bottled Water Small Pack Volume Ranked by Country, 2015

Rank	Country	Volume (billion litres)
1	USA	35.25
2	China	30.90
3	Germany	14.53
4	Italy	12.14
5	Indonesia	10.00
6	India	9.36
7	France	8.05
8	Brazil	7.90
9	Spain	5.92
10	Nigeria	5.00
11	Turkey	4.70
12	Thailand	4.45
13	Mexico	4.10
14	Poland	3.77
15	Russian Federation	3.65
16	Japan	3.60
17	Saudi Arabia	3.60
18	Argentina	3.20
19	Canada	2.56
20	United Kingdom	2.50

Source: futureau consulting limited based on industry sources

- ❖ The table below also includes volume data for countries where the high value per litre of small pack should provide an opportunity for revenue-raising engagement with the GIFFW Initiative.
- ❖ There is also a feeling that consumers in these markets may well be more open to the concept of achieving the 2030 SDGs in ways such as the GIFFW Initiative.

Table 4: Bottled Water Small Pack Volume – selected countries, 2015

Rank	Country	Volume (billion litres)
39	Australia	0.86
56	The Netherlands	0.38
73	Denmark	0.15
77	Hong Kong	0.14
80	Singapore	0.09
82	Sweden	0.09
86	Norway	0.05

Source: futureau consulting limited based on industry sources

- ❖ The Top 10 small pack countries in value terms accounted for two thirds of US\$ sales in 2015, equivalent to US\$92 billion of the US\$138 billion total.
- ❖ When measured by value, Japan replaces Nigeria in the leading 10.
- ❖ Countries ranked 11 to 20 contributed just under another US\$22 billion, equivalent to 16% of the 2015 total.

Table 5: Bottled Water Small Pack Value Ranked by Country, 2015

Rank	Country	Value (US\$ bn)
1	USA	32.20
2	China	19.88
3	Germany	8.92
4	Italy	7.04
5	Brazil	6.50
6	France	4.54
7	Japan	3.73
8	Indonesia	3.42
9	Spain	3.12
10	India	3.12
11	Argentina	3.07
12	Nigeria	2.99
13	United Kingdom	2.73
14	Russia	2.11
15	Mexico	2.00
16	Thailand	1.89
17	Poland	1.84
18	Canada	1.78
19	Turkey	1.76
20	Saudi Arabia	1.51

Source: futureau consulting limited based on industry sources

- ❖ In those selected high value per litre markets, 2015 US\$ sales ranged from US\$1.31 billion in Australia down to US\$0.12 billion in Singapore.

- ❖ Collectively, across the seven markets, value sales totalled around US\$2.4 billion, which could yield substantial GIFFW revenues with consumer engagement and appropriate revenue-raising models.
- ❖ A number are already home to existing packaging and recycling schemes that will be explored in greater depth in a later section of this report.

Table 6: Bottled Water Small Pack Value – selected countries, 2015

Rank	Country	Value (US\$ bn)
21	Australia	1.31
49	The Netherlands	0.25
55	Denmark	0.23
66	Hong Kong	0.14
74	Singapore	0.12
59	Sweden	0.20
70	Norway	0.13

Source: futureau consulting limited based on industry sources

- ❖ A closer look at the value per litre, indicates a ranking of where the potential to operate a micro-levy might be strongest. It is probable that consumers would be less likely to notice price impacts and bottlers and retailers may have greater margins.

Table 7: Small Pack Value per Litre Ranked by Country (off-trade), 2015

Rank	Country	US\$
1	Norway	2.00
2	Finland	1.70
3	Sweden	1.41
4	Singapore	0.92
5	Denmark	0.91
6	Japan	0.90
7	New Zealand	0.89
8	United Kingdom	0.80
9	Hong Kong	0.80
10	Australia	0.78
11	Ireland	0.75
12	USA	0.72
13	Switzerland	0.70
14	Taiwan	0.69
15	Chile	0.64
16	Argentina	0.63
17	Brazil	0.61
18	Angola	0.60
19	South Africa	0.56
20	China	0.55

Source: futureau consulting limited based on industry sources

- ❖ These tables show that opportunities for revenue-raising are not only to be found in markets with high volume and value, but also in much smaller markets where the price per unit is higher, often significantly so.
- ❖ Where the price per litre paid is highest, a micro-levy may be more readily absorbed by the value chain and almost certainly less evident to consumers.

2.3 Bulk Water – 10 litres or more

We foresee that small pack sales are the most likely focus for application of the GIFFW initiative. However, we provide the following brief bulk water sales and consumption data for comparison and information purposes.

- ❖ Asia Pacific and Latin America take 82% of the global consumption of bulk water.
- ❖ 10% of bulk water, mainly collected not delivered, is sold in Africa & the Middle East.

Table 8: Bulk Sales Volume and Value by Region, 2010-2020

	Volume (billion litres)			Value (US\$ bn)		
	2010	2015	2020	2010	2015	2020
Asia Pacific	43.7	86.7	136.3	5.5	11.8	18.2
N America	5.8	6.1	7.3	1.9	2.1	2.5
Europe	3.4	3.7	4.4	1.1	1.0	1.2
L America	31.4	40.2	48.6	3.7	4.7	5.8
Africa	1.4	2.3	3.4	0.3	0.3	0.5
Middle East	11.9	14.0	16.5	1.6	1.8	2.1
TOTAL	97.6	153.0	216.5	14.1	21.7	30.3

Source: futureau consulting limited based on industry sources

- ❖ 80% plus of the volume and value of bulk water sales is in the Top 10 countries. Only the USA and Saudi Arabia are in the UN high income bracket.
- ❖ The US model of Home & Office Delivery (HOD) is present in nearly all markets, but small scale in many.
- ❖ In many others, household consumption is more self-sufficient, with empty bottles swapped at groceries or filled at water stations.
- ❖ Distribution is still multi-level and sophisticated as anyone who has seen tricycles piled high with 5 gallon bottles on the streets of Mexico City or Jakarta can attest.

Table 9: Volume of Bulk Water Sales Ranked by Country, 2015

Rank	Country	Volume (bn litres)
1	China	45.0
2	Mexico	23.4
3	Indonesia	19.0
4	Brazil	11.2
5	India	9.1
6	Turkey	6.5
7	USA	5.2
8	Saudi Arabia	3.5
9	Vietnam	2.9
10	Pakistan	2.5
	Other	24.7
	TOTAL	153.0

Source: futureau consulting limited based on industry sources

- ❖ Dropping out of the Top 10 by value were Saudi Arabia, Vietnam and Pakistan to be replaced by Japan, Argentina and the Philippines.

Table 10: Market Value of Bulk Water Ranked by Country, 2015

Rank	Country	Value (US\$ bn)
1	China	7.46
2	Mexico	2.25
3	USA	1.80
4	Brazil	1.35
5	Indonesia	1.13
6	Turkey	0.87
7	Japan	0.68
8	India	0.65
9	Argentina	0.43
10	Philippines	0.38
	Other	4.71
	TOTAL	21.71

Source: futureau consulting limited based on industry sources

2.4 Per Capita Consumption of bottled water

- ❖ On average global per capita consumption of packaged water is 51 litres per year – small pack and bulk combined. That equates to around 1 litre per person per week.
- ❖ Of that, in 2015, 21 litres was in bulk form, just over 30 litres in smaller formats.
- ❖ Average expenditure is just under US\$22 per capita. Roughly US\$12 is through the off-trade, almost US\$7 the on-trade and a fraction under US\$3 is spent on bulk water per person globally.

Table 11: Per Capita Consumption and Expenditure by Region, 2015

	Consumption per capita (litres)			Expenditure per capita (US\$)		
	Small Pack	Bulk	Total	Small Pack	Bulk	Total
N America	104.7	16.9	121.6	94.11	5.68	99.79
Europe	80.7	4.7	85.4	48.36	1.27	49.63
L America	31.6	63.6	95.2	21.99	7.50	29.49
Middle East	41.1	39.0	80.1	18.27	5.00	23.27
Asia Pacific	17.1	21.4	38.5	9.43	2.92	12.35
Africa	15.0	1.9	16.9	6.29	0.30	6.59
Global Average	30.4	20.9	51.3	18.85	2.96	21.81

Source: futureau consulting limited based on industry sources

- ❖ Average annual consumption in North America and Western Europe is around 120 litres per person at a cost of about US\$100 and US\$75 respectively.
- ❖ Relatively low per capita small pack consumption in Asia Pacific pulls the global average down, but four regions are still on or well above the average – North America, Europe, Latin America and the Middle East.
- ❖ Highest consumption of bulk water is in Latin America, with rates in the Middle East also high and Asia Pacific already a little above the global average.
- ❖ In expenditure terms, North America is also well above the global average.

Thus, a micro-levy of about US\$0.01 per litre on small pack bottled water sales would equate to around US\$1.20 per person per year in North America or Western Europe.

- ❖ Breaking small pack per capita consumption down to country level, the Top 10 range between 100 and 200 litres per person per year. Six are in Europe, two in the Middle East, with Tunisia and the USA in 9th and 10th positions respectively.
- ❖ The per capita expenditure Top 10 paints a slightly different picture, ranging from US\$118 per head down to US\$65, bringing in Switzerland, Argentina and Kuwait to replace Hungary, Saudi Arabia and Tunisia.

Table 10: Small Pack Consumption & Expenditure Ranked by Country, 2015

Consumption per capita (litres)		Expenditure per capita (US\$)	
Italy	199	Switzerland	118
Germany	176	Italy	115
UAE	133	Germany	108
Belgium	127	USA	99
Spain	125	Belgium	91
France	124	Argentina	73
Hungary	121	France	70
Saudi Arabia	120	Spain	66
Tunisia	116	UAE	65
USA	108	Kuwait	65
Global Average	30	Global Average	21

Source: futureau consulting limited based on industry sources

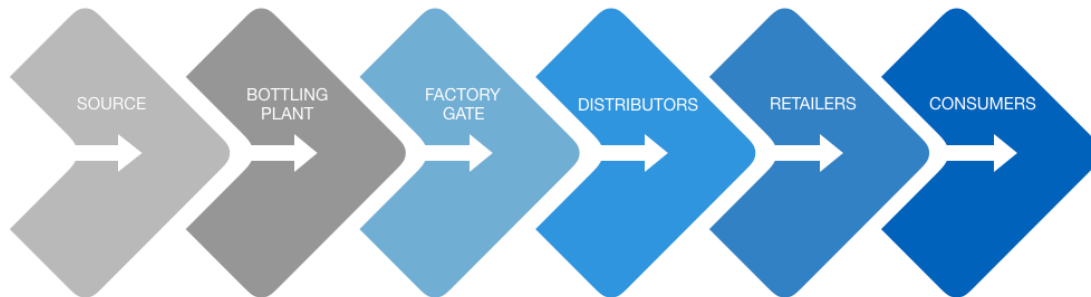
- ❖ For bulk water, seven of the Top 10 markets for both per capita consumption and expenditure are in the Middle East.

3. The bottled water value chain and its participants

The bottled water value chain is relatively straightforward.

- ❖ The water source can be natural or from the mains supply, subsequently purified.
- ❖ The product is bottled, then delivered via retailers and distributors to consumers.

Figure 1: Bottled Water Value Chain



- ❖ There are revenue-raising opportunities along the value chain, many of which are already taken. For example, natural source waters are often licensed, and mains supplied water is usually charged on a per cubic metre rate.
- ❖ Brand owners and bottlers apply their margin at the factory gate while distributors and retailers add further margins.
- ❖ Consumers often pay a price with general sales tax (GST) added and in some cases a packaging deposit or further duty held against recycling.

3.1 Bottlers and Brand Owners

The bottled water industry includes many well-known, widely-distributed brands.

- ❖ Some, such as San Pellegrino, Perrier, Evian and Volvic are exclusively bottled in one place, then sold and exported. These brands epitomise source waters.
- ❖ However, national and regional brands make up the greater part of the industry, with a high proportion of sales achieved relatively close to the point of bottling.
- ❖ There are also multi-market brands, which are bottled in various locations, such as Bonaqua and Dasani from The Coca-Cola Company, Aquafina from PepsiCo and Nestlé Pure Life (NPL) from Nestlé Waters.
- ❖ At a global level, the four leading players – Nestlé Waters, Danone Waters, Coca-Cola and PepsiCo – account for around a quarter of volume and 30% of value in small pack water.
- ❖ Behind them in the Top 12 are a quintet of Chinese companies⁹ and three Western suppliers: Niagara (USA) which is the principal supplier to own labels in North America; Roxane, with its Cristaline brand in France and extensive private label interests elsewhere; and San Benedetto, a leading player in Italy, Spain and Poland.
- ❖ Nestlé Waters' sales in 2015 were more than 30 billion litres, 20% from bulk waters. Nestlé's flagship brand is Nestlé Pure Life, sold in more than 40 countries, and is now

⁹ C'est Bon (Hua Run), Nong Fu Shan Quan, Tingyi, Wahaha and Ganten

the leading brand globally by value. Perrier, San Pellegrino and Vittel are Nestlé Waters' brands as are such well-known US brands as Poland Springs and Ozarka.

- ❖ Danone Waters' sales were around 26 billion litres (and closer to 29 billion litres if its 'water plus'¹⁰ portfolio is added). Bulk water represents around 50% of sales. Danone's largest brands are Aqua (Indonesia) – the world's leading brand by volume – Bonafont (Mexico) and its Chinese bottled water portfolio. Danone also owns Evian and Volvic, which are exported from France.
- ❖ Volumes of packaged water sold across the Coca-Cola system¹¹ totalled around 21 billion litres in 2015 – more than 22.5 billion litres when water plus is added – 20% from bulk waters. Coca-Cola has Ciel (Mexico), Bonaqua, Dasani and smartwater among its international brands.
- ❖ For the PepsiCo system, 2015 volume was at 10.5 billion litres, bulk water taking around 40% of that. PepsiCo has Aquafina as its multi-market brand.

It is important to acknowledge that each of these four leading bottled water companies already operates a charitable foundation, undertaking a range of activities targeted towards delivering water access. They work with a variety of NGOs and are very conscious of sharing expertise, particularly in the field of water stewardship.

3.1 Leading Retailers

The top six global retailers in 2015, had a combined turnover of more than US\$1 trillion from all their activities.

- ❖ Most leading retailers are multi-country operators, US-based Kroger, Walgreens and Target the only exceptions in the Top 10 by revenue.
- ❖ Amongst leading retailers, two operate in more than 30 countries, another two in well over 20 markets and three of the other six are present in a minimum of ten.
- ❖ The multi-country, consolidated nature of modern retailing is clear.
- ❖ Five of the top ten retailers by revenue are of US origin, three have their roots in Germany, another two are also European. In terms of country of operation, four of the Top 5 are either French or German in origin, with eight of the Top 12 from Europe.

This consolidation means that there are potentially some significant gains to be realised for a GIFFW Initiative that recognises retailers as key value chain operators.

- ❖ Almost all retailers now offer own label or private label bottled water products.
- ❖ For many this is a fast-growing category.
- ❖ For the purposes of an initiative such as the GIFFW, this also means that retailers have two potential sources of contribution:
 - Branded bottled water sales
 - Own label bottled water sales
 - Or, of course, both.

¹⁰ Water plus products are flavoured waters or waters where a functional ingredient (e.g. vitamin) has been added. Water plus figures are not included in the definitions within this report. See glossary.

¹¹ The sales attributed to Coca-Cola and PepsiCo are system-wide – i.e. they include company brands owned and bottled by the company, company brands owned and bottled by the company's bottlers and brands owned by the bottlers.

Table 11: Top 20 Grocery Retailers*, 2015

	Country of origin	No. Countries of operation
WalMart	USA	28
Costco	USA	10
Kroger	USA	1
Schwarz	Germany	26
Tesco	UK	13
Carrefour	France	34
Aldi	Germany	17
Metro	Germany	32
Walgreens	USA	2
Target	USA	1
Auchan	France	13
CVS	USA	3
Casino	France	29
Aeon	Japan	11
Edeka	Germany	1
Seven & I	Japan	18
Rewe	Germany	11
Woolworth's	Australia	2
Leclerc	France	7
Wesfarmers	Australia	2

Source: Deloitte

* ranking of retailers with grocery interests

3.2 Bottled Water Pricing Considerations

As already acknowledged, the price paid by consumers varies greatly from country to country and again widely within countries depending on venue.

- ❖ In 2015, the average price in the off-trade of small pack water in high-income countries was estimated at US\$0.54 per litre.
- ❖ It was almost four times higher – US\$2.04 – in the on-trade.
- ❖ The global averages were US\$0.47 (off-trade) and US\$1.47 (on-trade) for an overall small pack average of US\$0.62.

Table 12: Small Pack value per litre (\$) by Sales Channel & Income Levels [2015]

Income Level	Off-Trade (US\$)	On-Trade (US\$)	All Small Pack (US\$)
High	0.54	2.04	0.73
Upper middle	0.48	1.24	0.61
Lower middle	0.26	0.86	0.38
Low	0.26	0.78	0.38
Global Average	0.47	1.47	0.62

Source: futureau consulting limited based on industry sources

However, although higher prices may to some extent mitigate the impact of a micro-levy for consumers, they do not always correlate to higher margins for everyone in the value chain, especially not for brand owners.

From a cost and administrative perspective, point of sale represents the most efficient location in the value chain to raise revenue for the GIFFW. However, a micro-levy needs to take into account such additional factors as pack size and multi-pack pricing.

Pack size: a micro-levy operating in small pack could apply on sizes up to 10 litres.

- ❖ If the calculation were purely volumetric, it would have a greater impact as a proportion of retail sales price (RSP) on larger packs.
- ❖ These are commonly positioned as better-value packs. A purely volumetric calculation of a micro-levy could compromise this.
- ❖ So, it may be sensible for a micro-levy to be raised per pack, rather than by volume.
- ❖ For example, US\$0.01 up to 1 US gallon (3.78 litres) and US\$0.02 from that point up to 10 litres.

Multi-pack pricing: a similar challenge applies in the case of multi-packs.

- ❖ For example, it is unrealistic to expect to raise US\$0.09 from a multi-pack of six 1.5 litre bottles.
- ❖ So, again, perhaps some kind of per pack contribution may well be the practical solution to implementing a micro-levy.
- ❖ In the case of the six 1.5 litre multipack it could again be US\$0.02 or US\$0.03.

On the face of it, such considerations may make the implementation of the GIFFW complex. It would certainly be more challenging to estimate and calculate potential revenues if pack SKUs (stock-keeping units) were the favoured metric rather than volume.

However, in our discussions with brand owners and retailers, the emphasis has been on keeping it simple.

- ❖ It is straightforward for brand owners and retailers to know units or volumes sold, and the value generated, and to make a contribution to the GIFFW accordingly.
- ❖ It is also worth remembering, that even with mandatory models that might require a point of sale calculation for multi-packs/larger packs, such challenges have already been addressed in mechanisms such as the packaging duty operating in Germany.

4. Potential Revenue Generating Mechanisms

Before exploring potential mechanisms, other factors need to be acknowledged.

Consumers: in considering the application of a notional US\$0.01 per litre micro-levy at point of sale, consumers would almost certainly become more aware of it on case or multi-pack sales than on a single bottle of water or a bottle purchased in a restaurant or bar.

Price points: consumers become accustomed to price points – e.g. US\$0.99 – and price competition and promotion often congregates around such expectations. Any model, micro-levy or otherwise, needs to be aware of and accommodate such markers.

Price reviews: in most geographies, bottled water is not highly price-sensitive, bringing opportunities for retailers to release revenue via pricing reviews which typically take place twice per year. However, if retailers try to push the costs down the value chain to bottlers, where profit margins are commonly smaller, such a move would likely be resisted.

In spite of these and other challenges, in our discussions with retailers and brand owners we encountered widespread support for the GIFFW Initiative, if understandable nervousness about how it might operate in practice in what is a low margin category.

The GIFFW is seen as a real opportunity to work together to achieve outcomes that brand owners, retailers and consumers should all have an interest in delivering.

4.1 A voluntary contribution

As can be seen, even something as apparently simple as a US\$0.01 per litre micro-levy could be, in practice, quite complex.

However, in conversations with retailers and food service operators it has emerged that they may choose to commit to the GIFFW initiative in a more straightforward way.

- ❖ More than one of these operators has indicated a willingness to make a GIFFW contribution on the basis of category sales/litres sold as, effectively, a P&L sacrifice.
- ❖ Brand owners would be invited to participate.
- ❖ Consumer pricing would not necessarily be impacted above and beyond any existing and on-going review of prices.

An introductory mechanism by retailers and distributors along these lines would be:

- ❖ Easy to calculate
- ❖ Low cost to administer
- ❖ Easy to communicate to consumers as a retailer/supplier choice
- ❖ Simple for consumers to understand
- ❖ Likely to be incremental in key markets where the category is growing

4.2 Revenue Models

There is a range of alternative models that could be used to raise revenue from bottled water sales. The examples below are drawn from pre-existing mechanisms that could be introduced or adapted on a market-by-market basis.

4.2.1 Deposit Systems

Germany: Since 2003, Germany has operated a compulsory deposit system for one-way drinks packaging – items that are not reused.

- ❖ “Ecologically beneficial packaging” – i.e. carton, heat sealed bags and foil bags – is excluded as are packs of less than 100ml and more than 3 litres.
- ❖ Collection obligations are applied to the distributors. If they sell one-way (non-returnable) glass, plastics, metals and composites they have to accept returned one-way drinks packaging of the same type(s).
- ❖ Smaller outlets must accept brands they have sold.
- ❖ The ‘Pfand’ (deposit or duty) is set at a minimum of €0.25 and applies across beer, water and soft drinks.

The emphasis, therefore, is on encouraging the recycling of one-way packaging material.

USA (State level): 10 US states charge packaging deposits on non-alcoholic beverages.

- ❖ Commonly these arrangements have been in place since the late 1970s/early 1980s.
- ❖ An original focus on carbonated soft drinks and mineral water, amongst others, has in a number of states been extended to include all bottled water.

- ❖ California and Maine mandate non-carbonated bottled water as well.
- ❖ Deposit rates are commonly US\$0.05, rising to US\$0.10 in Michigan and, for some larger packs, California.
- ❖ Despite repealing its bottle deposit scheme, Delaware operates a packaging tax at US\$0.04 per pack, payable by retailers monthly.
- ❖ Dairy is usually excluded from these deposit schemes.

Australia (State level): deposit schemes exist or are being introduced.

- ❖ Currently in place in South Australia and the Northern Territory.
- ❖ Being introduced in New South Wales, Queensland and Western Australia by 2018.
- ❖ Victorian legislators believe existing recycling systems are adequate and Tasmania deems the scheme too expensive.
- ❖ The rate will likely be A\$.010 per container.

4.2.3 Import Tariffs

Liberia: on imported still and sparkling mineral waters.

- ❖ Since 2012, duties of US\$0.10 per litre, 7% GST and 35% excise tax have been applied to imported bottled waters. There is 0% tax on locally produced waters.
- ❖ Flavoured or sweetened waters and soft drinks also attract import duty of US\$0.20 per litre, 7% GST and an import excise duty of just 10% (versus 2% for locally produced).

4.2.4 Export Tariffs

Fiji: on exported still and sparkling mineral waters.

- ❖ Bottled water makes a significant contribution to government revenues via an export excise rate of US\$0.20 per litre.
- ❖ In 2014 this raised US\$113 million, the second largest source of export revenue in the economy.
- ❖ Most of the water is exported to the USA where the Fiji brand generates sales of around 150 million litres per year.

4.2.5 Production and Distribution Taxes

Belgium: excise tax is payable.

- ❖ “By the person who releases the beverage for consumption on the Belgian market”.
- ❖ It is set at €3.72 per hectolitre, equivalent to €0.0372 per litre.

Scandinavia: packaging related taxes.

- ❖ Governments across Denmark, Sweden, Norway and Finland encourage reuse/refill of containers, with levies and taxes making one-way options less competitive.
- ❖ Also, in most cases, the revenues raised help to directly fund recycling schemes.

Algeria: soft drink production is taxed at 0.5% of volume.

Guatemala: production taxes.

- ❖ Carbonated soft drinks attract taxes and fees equivalent to US\$0.02 per litre.
- ❖ Sports drinks and fruit juices attract lower rates, with bottled water attracting the lowest rates, equivalent to US\$0.01 per litre.

4.2.6 Consumer Donation

Switzerland: the Project-Aqua scheme is promoted to consumers as “water micro-sharing”. By tearing off a sticker from bottled water labels at Migros and other retailers, consumers effectively donate CHF0.20 to water projects in Mali, guaranteeing the provision of safe water for 47 days to one person. Further details can be found at www.project-aqua.ch

4.2.7 Control of caps and closures

South Korea: in the past, South Korea’s government has sought to manage the growth of the domestic bottled water market through the control and issue of caps and closures. It is a model that could perhaps be applicable in emerging markets.

4.3 Home and Office Delivery Appropriate Models

Applying a rate of US\$0.01 per litre across the bulk water category is unlikely to be feasible. However, the HOD business model may provide opportunities for revenue-raising.

Number of trips: the 5 US gallon PC bottle is designed to last for a number of refills. A potential contribution could be calculated on the basis of:

- ❖ a per bottle/refill contribution on bottles used on an above average number of trips.
- ❖ a contribution per bottle refill/per truck.

Voucher books: in many markets – notably in the Middle East – home customers buy voucher books of 30/50/100 for their 5 US gallon deliveries, providing the possibility of a contribution per book, or the option of a customer choosing a GIFFW voucher book.

Off mains: most HOD water sold is purified off the mains, offering a potential source of revenue-raising by the mains supplier.

4.4 Preferential General Sales Tax/Value Added Tax

Bottled water, classified as a soft drink, attracts GST/VAT in most jurisdictions. The bottled water industry has long pointed out the anomaly of charging GST on water, when 100% fruit juice, milk and flavoured milk often attract a zero-rating as “essential foods.”

The industry argues that hydration is also essential and bottled water should therefore attract a preferential or zero GST rating. Should that occur, some of the revenue ‘released’ could be redirected to a GIFFW.

4.4.1 European Union VAT Directive

Across the EU a VAT Directive requires Member States to apply a standard rate of at least 15% (reviewed every two years), but allows a reduced rate for certain categories and services. For example, non-alcoholic beverages (NABs) are eligible for a reduced rate of VAT.

The rate of VAT applied to mineral waters varies from country to country (see table 13 below). In some countries preferential rates are already applied to mineral water and, in some cases, all non-alcoholic drinks.¹²

Table 13: European Union Member States GST on Mineral Water (2015)

%	Countries
3% to 10%	Luxembourg (3%); Cyprus (5%); France (5.5%); Belgium (6%); The Netherlands (6%); Romania (9%); Slovenia (9.5%); Spain (10%)
11% to 20%	Sweden (12%); Greece (13%); Portugal (13%); Finland (14%); Czech Republic (15%); Malta (18%); Germany (19%); Austria (20%); Bulgaria (20%); Estonia (20%); Slovakia (20%); United Kingdom (20%)
21% +	Latvia (21%); Lithuania (21%); Italy (22%); Ireland (23%); Poland (23%); Croatia (25%); Denmark (25%); Hungary (27%)

Source: European Commission

4.4.2 United States of America

General Sales Tax is applied at a state level.

- ❖ Including the Federal District, 17 states have no GST applicable to bottled water.
- ❖ A further 17 only apply it through vending machines.
- ❖ The remaining 17 use rates ranging from 1%-7%.
- ❖ Often, mandatory local taxes are applied too.

The variety of these measures suggests that a country-wide (federal) approach to raising revenue through GST at the point of sale is almost certainly a non-starter. State-by-state would be the alternative, which is not impossible but would require prioritisation.

4.4.3 Impact of Sugar Taxes

In a number of jurisdictions a 10%-20% tax on sugary drinks has either been implemented or is being considered.

- ❖ The introduction of sugar taxes could mean that the price differential between bottled water and other soft drinks may widen.
- ❖ It will depend on retailer and brand owner commitment to maintaining existing price points for those drinks affected.
- ❖ It could follow that a slight rise in the price of bottled water would be less evident to consumers.
- ❖ However, brand owners operating in soft drinks and bottled water may seek to make up some of the margin potentially lost in sugary beverages with gains in bottled water – and other category – margins.

¹² For example in Belgium, the Czech Republic, Greece, Spain, France, Cyprus, Luxembourg, the Netherlands, Portugal, Romania, Slovenia, Finland and Sweden.

5. Industry perspectives on the GIFFW concept

In the course of conducting this study we sought a wide variety of industry perspectives on the GIFFW Initiative and how it might work in practice.

- ❖ There was an encouraging alignment of views from bottlers and brand owners.
- ❖ The retailers also showed considerable alignment in their opinions.
- ❖ However, the sectors have their own concerns and questions.

“Is bottled water even a separate industry?” (a leading brand owner)

- ❖ Among bottlers and brand owners, there are different views as to whether bottled water constitutes a separate industry and category, or should be considered a part of the wider beverage industry.
- ❖ Companies such as Nestlé Waters and Danone Waters, with limited beverage interests beyond bottled water, are more likely to see it as a separate industry.
- ❖ Other leading players with wider portfolios, such as Coca-Cola and PepsiCo, view bottled water as part of the larger soft drinks sector.
- ❖ This makes them more alive to the possibility that initiatives such as a micro-levy, linked to water usage, plastics recycling or other revenue-raising mechanisms, could go beyond purely bottled water to a much broader range of consumables.

“Every project should involve retailers, manufacturers, NGOs and consumers” (a leading retailer)

- ❖ Retailers have an intimate understanding of their supply chains and are constantly reviewing opportunities to frame and deliver their offer to consumers.
- ❖ They are willing to align themselves with suppliers, consumers and governments and are keen to be a proactive partner in bringing stakeholders to the table.
- ❖ Finding ways to work together is a common theme.
- ❖ With a much more differentiated offer, retailers see less risk, and show less concern, that a concept focused on bottled water could extend more widely.

“We are trying to find something to do on water” (a leading retailer)

- ❖ Retailers see the simplicity of the GIFFW idea and appreciate the virtue of achieving outcomes such as water efficiency and safe water supply for those that need it most with the support of the bottled water sector.
- ❖ Many of them are seeking simple yet effective schemes that may be easily grasped by consumers.
- ❖ Gratifyingly, the retailers that we spoke to recognise that the GIFFW, when set up and communicated correctly, fulfils these criteria.

“We are moving from an exclusive to an inclusive world” (a leading brand owner)

- ❖ Most bottled water companies, particularly those with multinational interests, are aware that consumers have expectations of the industry around water usage and

stewardship, the use and recycling of plastic bottles and the provision of safe water in developing countries.

- ❖ They recognise the need to embrace such challenges or at least have responses to them and, more often than not, these already shape their sustainability priorities.

“Raising it just from the bottled water industry feels like a punishment” (a leading brand owner)

- ❖ In some markets the GIFFW will be viewed as an opportunity for the bottled water industry to be at the forefront of achieving water-related SDGs by 2030.
- ❖ In others, the bottlers in particular may interpret the GIFFW proposal almost as a way of unfairly singling out the industry from other packaged beverages.
- ❖ That said, bottlers have no wish to oppose initiatives aimed at improving the quality of water and sanitation for the world’s poorest people.
- ❖ Many bottlers support such activities already.

“[The GIFFW Initiative is] simple, sensible, resonant, pertinent” (a leading brand owner)

- ❖ Ideally the GIFFW will provide a mechanism for collective action that can achieve real change at scale – but for the bottlers it needs to be a challenge that is met and borne fairly.
- ❖ If it can deliver on this promise it will be pertinent and worth supporting.
- ❖ However, pertinence should not be taken for granted. Individual players in the value chain retain the option of doing – and continuing to do – their own thing.
- ❖ Retailers are more likely to welcome the simplicity of the GIFFW Initiative.

5.1 Communication

Brand owners and retailers view communication as key to their thinking on the GIFFW Initiative. Specifically, the ability to communicate to customers what they are doing and why.

They were additionally asked to consider whether they would prefer overt or discreet communication about their involvement in the GIFFW.

“Aren’t we doing a lot already?” (a leading brand owner)

- ❖ Most organisations use corporate social responsibility (CSR) or charitable activities as an extension of their commercial business.
- ❖ This provides them with stories to share and an opportunity to build relationships with communities and suppliers as well as consumers.
- ❖ While many activities are already undertaken in regards to water usage and safe water supply, brand owners and retailers also acknowledge more can be done, particularly in a co-ordinated and efficient manner.

“To create value there must be a link to the consumer” (a leading retailer)

- ❖ Provision of clean water resonates especially well with consumers and other stakeholders while sanitation needs are harder to communicate.
- ❖ However, there is a growing understanding that the two are linked – i.e. poor sanitation can compromise the water supply – and need to be addressed together.
- ❖ What both brand owners and retailers seek to avoid are activities that are seen to place an extra cost on consumers.

“We need people to know what we do” (a leading brand owner)

- ❖ Brand owners and retailers do recognise the virtue of being seen to act together as stakeholders and largely welcome a communicable endorsement mechanism such as the GIFFW.
- ❖ Options discussed included logos and labels linked to independent endorsement.
- ❖ Straightforward and transparent marketing and communication are key to GIFFW adoption, particularly if it becomes a recognised, independent brand.

5.2 Applying a micro-levy – how could the industry make it work?

There are a variety of different mechanisms that could be used to collect the micro-levy on bottled water, some of which have been outlined above.

“Talking of a tax will provoke reflexive opposition” (a leading brand owner)

- ❖ For the GIFFW to operate effectively, the key will be to generate a predictable and sustainable income stream, delivering uninterrupted and growing revenues.
- ❖ To achieve this, mechanisms will need to be cost-efficient, simple to understand, pragmatic in the way they are applied and, ideally, have neutral impact on industry profits. This last is key to brand owner buy-in.
- ❖ They should be widely recognised and applied too – it would not be beneficial for mechanisms to become, at a brand level, competitive or product differentiating.

“We don’t make any money on bottled water” (a leading retailer/a leading brand owner)

- ❖ Achieving clarity on where the profit margin lies within each bottled water value chain is a key step.
- ❖ It will vary from country to country and value chain to value chain.
- ❖ To be clear, the sector does generate value.
- ❖ Someone, somewhere is making margin in any value chain, otherwise it has no *raison d’être*. In almost all, all participants are making margin and, if they aren’t, it is frequently out of choice.
- ❖ We have therefore refrained from being overly prescriptive about which part of the value chain would be *the* place where the micro-levy could be extracted.
- ❖ Flexibility, choice and pragmatism will be essential to getting the GIFFW up and running with as broad a support base as possible – and running smoothly thereafter.

“It would only work if it was voluntary” (a leading brand owner)

- ❖ Brand owners certainly favour voluntary mechanisms over mandatory ones.
- ❖ In our view, voluntary schemes may make it difficult to develop an industry position.
- ❖ Revenues generated from year to year would vary, making proceeds unpredictable.

“It could drive revenue away from our Foundation” (a leading brand owner)

- ❖ In many cases, it is unlikely that contributions would be additional to existing individually funded CSR initiatives.
- ❖ If voluntary, it is possible that any contribution to the GIFFW would come from funds diverted from these other charitable activities.

- ❖ Clearly this would not be incremental.
- ❖ Brand owners are not keen to cede control and commercial benefits currently accruing from such individual initiatives, to say nothing of the impact on such worthwhile schemes themselves.
- ❖ However, in truth, this is still a matter of choice for the brand owners. They could continue to support their own foundations as well as the GIFFW Initiative.

“Offer consumers the option to do good with the GIFFW” (a leading retailer)

Retailers also tend to favour a voluntary approach to the GIFFW, but would seek to identify and release neutral revenue opportunities in the value chain.

- ❖ This would have the advantage of being automatic rather than discretionary.
- ❖ It would be company policy, the communication of it and the viability and success of the GIFFW serving to formalise and cement it.
- ❖ The GIFFW would need to ensure that retailers have no cause to change policy.

“If it’s the right idea, why wait for the government to force us into it?” (a leading retailer)

- ❖ Some retailers would be comfortable with governments requiring them to participate in a micro-levy on bottled water.
- ❖ This would make their messaging to consumers easier to communicate if it had an impact on pricing.
- ❖ Others thought that there was no advantage in waiting for legislation.

“Each retailer decides what to do with its profitability” (a leading retailer)

- ❖ Retailers often have at least two revenue streams to consider – the brands they stock and the private labels they source.
- ❖ They can choose to contribute revenue from one or the other or both.
- ❖ Some retailers indicated they would consider utilising the entire profits of specific drinks categories as a basis for their contribution, or, alternatively or additionally, base their contribution on sales of their own brand (private label) products.
- ❖ Again, some retailers appeared less inclined to draw a distinction between branded and unbranded products and spoke in terms of ‘surrendering P&L’ across the bottled water category – with brand owners genuinely being invited to opt in or out.
- ❖ This was a primary reason why on-shelf product differentiation – ideally communicated, on label/bottle, by some sort of logo – was attractive to them.

“All waters are the same. You can choose one that does good” (a leading retailer)

- ❖ We see the GIFFW Initiative as a platform for combined commitment between retailers and brand owners, from which they both benefit.
- ❖ This is not to ignore the commercial reality of price and margin negotiations, but rather to hope that the GIFFW Initiative is strong enough to transcend the search for individual gain.
- ❖ To do so it must resonate with consumers and other stakeholders.
- ❖ Not all waters are the same. But the GIFFW should not be one of the differentiators.

“The GIFFW idea is both inspirational and aspirational” (a leading brand owner)

- ❖ The conclusion is that both voluntary and mandatory approaches could work.
- ❖ However, placed in the context of a message to communicate to consumers, the industry preference is for a voluntary contribution.
- ❖ The message is more powerful if consumers choose where they shop and for what, based on the awareness that the value chain is choosing to support the GIFFW.
- ❖ It is the GIFFW’s challenge to convince brand owners, retailers and other distributors alike, that it is a commitment worth making, both now and into the future.

5.3 Control over resource allocation

There was some scepticism expressed that revenues could be successfully ring-fenced for the GIFFW over the medium to longer term.

- ❖ This was expected to be a particular issue if tax was the mechanism, both in terms of collection and allocation.
- ❖ However, even voluntary mechanisms need a form of on-going compliance to ensure funds are collected and allocated efficiently and transparently.

As has been referred to already, brand owners and retailers already engage in a wide range of initiatives.

- ❖ One of the drivers – but by no means the only one – is that they wish to be recognised for their charitable efforts.
- ❖ They also want to be in control of how, where and on what contributions are spent.
- ❖ The concept of entirely handing over such decision-making is likely to be resisted.

“Companies may be working from a different starting point” (a leading brand owner)

- ❖ Companies tend to view CSR as a point of brand differentiation, although some are becoming more enlightened and flexible on this issue.
- ❖ Modesty about CSR is still commonly seen as a missed commercial opportunity.
- ❖ Being able to measure success, gain independent endorsement and communicate achievements are also important considerations for many.
- ❖ It follows that brand owners are hard-wired to think brand before industry.
- ❖ The GIFFW represents an opportunity to address these issues directly.

“The GIFFW keeps it simple and ties water sales to action on water” (a leading retailer)

For retailers, as long as GIFFW objectives and achievements are:

- ❖ easily communicable and ...
- ❖ ... meet sustainability objectives, notably around water and packaging ...
- ❖ most would be comfortable with the GIFFW operating with a degree of autonomy.

- ❖ Indeed, for many, such autonomy and independence is appealing.

The GIFFW and leadership on sustainability

- ❖ For brand owners, following a sustainability agenda presents issues of prioritisation and the cost of educating consumers.
- ❖ Retailers, on the other hand, are more likely to interpret leadership as setting agendas, often on behalf of consumers.
- ❖ Consequently, even if a majority, even a sizeable minority, of consumers have not voiced a specific interest or concern, that is not to be taken as an excuse for inaction.
- ❖ Sustainable choices still need to be made and that is the context in which something like a micro-levy on bottled water could be prioritised.
- ❖ For both retailers and brand owners, a scheme such as the GIFFW can address their concerns:
 - ❖ Keeping it simple keeps the cost of educating consumers low.
 - ❖ Making it deliverable gives retailers and brand owners alike the confidence that they are signing up to a sustainability initiative that is itself sustainable.
 - ❖ Making it global brings in the greatest number of customers and consumers, both to contribute to and to benefit from the initiative.

Simple. Deliverable. Global.

6. Futureau's Conclusions

Based on the analysis, Futureau believes the GIFFW provides the bottled water value chain with a unique and powerful means to engage with the UN's Sustainable Development Goals.

By participating in it, companies will be able to build brand value and industry credibility around an ambitious global initiative to lift hundreds of millions of the world's poorest people out of water poverty.

This SDG agenda is a global one; GIFFW resources could be deployed in support of this agenda anywhere. This will be explored in more detail in the companion report to this study.

We further believe that the GIFFW will answer a real need for a catalytic investment vehicle to support water and sanitation projects, and a transparent mechanism for participation by all actors – brand owners, bottlers, retailers, distributors and consumers.

We recognise that there is no 'one size fits all' mechanism. The GIFFW seeks to offer a range of participation opportunities and to utilise a variety of revenue-raising mechanisms. This may involve augmenting and propagating existing schemes to realise additional revenue. Added benefits could include encouraging, applying and adapting recycling programmes.

Through the GIFFW, stakeholders in the bottled water value chain will have the opportunity to be in the vanguard of making sustainability central, tangible and easier to achieve through everyday consumer behaviour.

We believe the GIFFW will be introduced in two phases:

1. **The Pioneer Phase:** based on industry feedback, we anticipate that the GIFFW will debut in a select number of countries with the support of a pioneering group of brand owners and retailers and with government and NGO endorsement. We estimate that this could deliver annual revenues of US\$100 million plus, within two years, on an effective contribution in excess of US\$0.01 per litre.
2. **The Breakout Phase:** having demonstrated proof of concept, we see the GIFFW going 'wider and shallower' at closer to US\$0.01 per litre, becoming embedded across the bottled water value chain and possibly spreading into other beverage categories. The measure of the GIFFW's success will be that participation has become an expectation of brand owners and retailers by consumers.

With global population projected to grow beyond 8 billion by 2030, the increase in demand for bottled water is not slowing. Growing populations will place additional pressure on water and sanitation infrastructures that are already inadequate or under stress in many countries. In the absence of a co-ordinated and enlightened response it is possible that access to safe water and sanitation could deteriorate rather than improve.

We strongly believe that tapping into the expanding demand for bottled water can generate multi-million dollar value. We also believe that the bottled water industry, retailers and food service operators have a vital and self-evident role to play in realising these ambitions, a role that a gratifyingly high number appear willing and able to assume.

In short, the GIFFW's greatest strength is that it represents a direct and tangible way in which the private sector and individual consumers can contribute to making SDG 6 a reality by 2030 and giving millions of people access to safe, clean water and sanitation.

Glossary

Off-trade: refers to sales via hyper- and supermarkets, groceries and discount stores, convenience outlets such as petrol forecourts, newsagents and smaller local groceries, specialist beverage outlets and smaller outlets. Also referred to as take-home.

On-trade: refers to sales via hotels, restaurants, catering establishments, pubs, bars, canteens and cafeterias, vending machines and entertainment venues. Also referred to as away-from-home.

HOD (Home and Office Delivery): primarily 5 US gallon/20 litre containers, usually delivered direct to offices and households from bottler or via sub-contractors.

Small pack: 10 litres and below

Bulk water: 10.1 litre packaging and above

Natural/source water: water sourced from a natural spring. Includes mineral water (where mineral water is not referring to soda water).

Mains supplied/processed water: water sourced from the public supply which is then purified and, often, remineralised.

Water plus: refers to products that explicitly claim a water base in the brand communication but which are flavoured or contain added functional ingredients. These can be brand extensions such as Volvic Touch of Fruit or unique brands such as Mizone or vitaminwater.

Private labels/own brands: water bottled and packaged for a retailer.

GST/VAT: Goods and Services Tax/ Value Added Tax.

CAGR: Compound Annual Growth Rate.

Global Goals: 17 development goals, agreed by UN member states, aiming to achieve specific outcomes between 2015 and 2030 on poverty, hunger, health, education, water, sanitation and a range of other development challenges.

Sustainable Development Goals: See Global Goals. They are called the Sustainable Development Goals to distinguish them from the Millennium Development Goals (2000-2015) and because they seek to achieve development outcomes that also address environmental, climate change and pollution issues.

SDG 6: also called Goal 6 “Ensure availability and sustainable management of water and sanitation for all.”

SDG 12: also called Goal 12: “Ensure sustainable consumption and production patterns.”