

## EDITOR'S EMPHASIS

By Wendi Hope King, WQP Staff

**T**he health and fitness craze among consumers has certainly been a power that is pushing the bottled water market. Single-serve polyethylene terephthalate (PET) sales alone account for approximately one-third of the United States' bottled water volume, according to Beverage Marketing Corp.'s 2001 figures. Among the most recent trends is the demand for enhanced and functional bottled waters.

You might think that health and fitness is the main drive for such water varieties, but actually it is the aesthetics that people seemed to be most interested in. Taste is the number-one reason people select bottled water, according to the International Bottled Water Association's consumer attitude and usage survey.

That being said, WQP spoke with Barry Willson, senior vice president of operations at BEVsystems International, Inc., based in Miami, about the current enhanced water trends that seem to be driving the industry and giving marketers a lot to work with.

### How Did This Category of Bottled Water Get Its Start?

All of these enhanced waters began very much as a business decision. Bottlers

Single-serve packaging has become a hot commodity in the last decade, continually seeing double-digit growth.



were making money on bottled water products and enjoying the high margins. Bottled water became an excellent opportunity for people involved in bottled beverages. Beverage giants such as Coca-Cola and PepsiCo decided to enter the bottled water market with their brands—Dasani and Aquafina.

“Coke came in and started giving away a free box of water with every 10 cases of Coke purchased,” reports Willson. “Price wars broke out, these special offers broke out and margins were driven down, the value of the bottled water was driven down. Water then becomes very cheap, not to the consumer but to the retailer.”

In addition, the bottled water category found itself in direct competition with other beverages such as fruit juices and carbonated products. Children were not targeted at all and many adults were not interested in plain bottled water either. For instance, Nestle had problems with its bottled water product because it was not generating the attention of many younger consumers. “Nestle’s advertising agencies were telling them that they had to make water more exciting for a younger consumer or it would not make it,” Willson says.

Companies were forced to find new ways of selling their bottled water products, and so the enhanced waters category was born.

There have been several ways to differentiate water including flavors and vitamins, so companies were charged with discovering new ways to make bottled water more appealing and create a need for consumers. "If it comes from the Appalachian Mountains, who cares? You have to find some value in the mind of the consumer to make them prepared to pay more for the [enhanced] water than if they buy regular bottled water," Willson says.

In our information-driven society, consumers are more aware of the benefits of water, and they seek out a variety of portable beverages.

## Nicotine Water Ruled Illegal Drug

Nicotine-laced bottled water was ruled an illegal drug by the U.S. Food and Drug Administration. This ruling came not long after similar rulings on sales of nicotine-laced lollipops and lip balm were stopped.

Nico Water was to be sold this past summer before the ruling. The manufacturer of Nico Water, QT5, Inc., stated that the water is a diet supplement intended as a smoking alternative and not a medication to be used as a cessation product. The product was intended for smokers to use in restaurants, offices and airplanes.

The International Bottled Water Association (IBWA) emphasizes that water-based products that contain nicotine and are intended for drinking are not considered to be bottled water and are not produced, marketed or regulated as such. They are not considered bottled water since they do not meet the applicable FDA regulatory requirements and standards required of bottled water products.

In previous correspondence on the matter, FDA's Center for Food Safety and Applied Nutrition (CFSAN), the FDA branch responsible for the regulation of conventional foods, nutritional products and dietary supplements, concluded that nicotine is not recognized as an approved food additive, nor is it Generally Recognized As Safe (GRAS), a classification applied to ingredients added to conventional food products.\*

The Supreme Court rule in 2000 that the FDA cannot regulate cigarettes and smokeless tobacco, reported *USA Today*. The FDA does regulate nicotine gum and patches because of their health claims. The FDA also regulates dietary supplements, though less restrictively.

The ongoing debate will revisit whether substances containing nicotine but do not make drug claims should be classified as dietary supplements or drugs.

The secret is in the marketing of such products. What is the most important marketing tool? The label. "You see people reading the labels while eating or drinking—and that's advertising magic," Willson explains. "The consumer is going to draw a conclusion from what he reads on the label as to whether the product is right for him. And, depending on how convincing the label copy is, he either will buy it again or not. The message is credible or it isn't."

### Types of Enhancements

Enhanced waters is a general term used to describe bottled waters with additions including such things as flavors, colors or vitamins. Willson lists three main categories of these waters.

The **sports water** segment includes bottled waters that contain such additions as vitamins and flavors. These waters contain added vitamins that the body needs and are marketed to the active population who are seeking extra enhancement from

their water to aid in their workouts. For example, Gatorade's Propel fits into this category. Propel contains three B vitamins that are claimed to facilitate metabolism at the cellular level. Active people will seek out drinks such as these as aids in helping to improve their workouts.

**Modified waters** are quite different. These types of water demineralize the water to free it of "bad" minerals by running it through a reverse osmosis system or similar treatment and then adding the "good"

The International Bottled Water Association recognizes the demand for enhanced waters. This year, the 44th Annual IBWA Convention and Trade Show will present a bottled water pavilion that will feature such innovative products as oxygenated water, various flavors, mineral and vitamin enhanced waters and more.

minerals—the ones the manufacturers think a consumer should have—back in. A well-known example in this category would be Essentia brand bottled water.

**Super-oxygenated water** actually can be split into two subcategories. The first is where the water is treated with chemicals such as peroxides to increase the bound chemical oxygen content to the water.

The second technique is done by a process called microdiffusion, patented by

BEVsystems and sold as Life O<sub>2</sub> bottled water. This process creates very small bubbles of water. “This enables us to make stable solutions of oxygen up to 200 parts per million (ppm),” explains Willson. “Once the bottle is opened, there is a gradual release of oxygen. After 12 hours, you still will have more than 100 ppm in the product.”

Why would someone want to drink it? “If your favorite sport is changing the television channels, then it isn’t going to

do very much for you,” says Willson. “If you are into any kind of strenuous exercise, it will give your levels of saturation of blood oxygen a boost.” It is explained that if you have an extra storage of oxygen in your stomach, you are maintaining higher oxygen levels, and this can serve as a second source of oxygen. Willson adds, “Your blood won’t be at saturation levels for oxygen as fast, which wouldn’t slow you down as quickly.”

#### Standards

The FDA takes a liberal stance on regulating these enhanced waters. “With super-oxygenated water for instance, it is water with oxygen in it, and oxygen is a natural ingredient in water. Therefore, there is nothing new about it and you can sell it,” Willson says.

The FDA wants to know if you are putting something noxious into the water. Vitamins are in a person’s diet, and oxygen already is in the water. So, all that is needed with vitamins in the water is a nutrition panel explaining how much of everything is in it. Making specific claims about what a bottled water can do for you such as live longer or run further needs to be backed up with documented proof.

#### Market for Small Bottlers

With beverage giants such as PepsiCo moving into bottled water territory, how can a smaller bottler compete in the enhanced waters category? Although many small- to medium-size bottlers believe they can compete in this category—and some will even become a success in it—Willson doesn’t express much hope in that particular segment. “[Large beverage companies] came in and busted something up,” he says. “They either break it up by pricing, confuse the consumer or block the trade such as what PepsiCo and Coca-Cola did with particular restaurants. It is increasingly more difficult for smaller bottlers to compete in this market segment. Many of the small operations that grew during the mid-90s have gone broke or been bought up by larger conglomerates.”

#### Enhanced Water’s Future

Flavored waters definitely seem to be where most interest lies right now. Consumers are searching for better tasting, less bland beverages that will quench their thirsts. These products are capturing the younger generations as well as the health-conscious consumers.

As consumers become more health-conscious and informed, the enhanced water product category will become even more important. “There is growing importance in the value-added waters,” Willson concludes. “It is the value and credibility of the claim that will establish whether the consumer will continue to buy.”

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