

INDUSTRY INSIGHT

THIRST FOR SUSTAINABLE WAYS WITH WATER

Previously a symbol of a healthy lifestyle, packaged water has become social faux pas as consumers try to decrease their consumption of single-use plastic, not to mention the significant impact of Covid-19. However, there are already promising results from two key water subcategories.



By IRI Lead Consultant Justin Nel.

Category snapshot

Total packaged water was worth around \$821 million within grocery in 2020, a value decline of 2.5 per cent versus 2019. While not yet back in growth, this is promising given that while most grocery categories attracted significant increases during the panic buying, the water category was in decline of 6.5 per cent for the first half of 2020. This was due largely to the loss of key social consumption occasions, need for hydration on the go, and the lack of necessity for packaged water when working from home.

However, sparkling and functional waters have performed well and are in value growth of 4.9 per cent and five per cent, respectively. The flavoured segment of sparkling water is driving this growth, adding an incremental \$13 million in 2020 compared with 2019.

Through IRI's panel data, it's clear that people are moving out of the category, with penetration decreasing in 2020 for total plain sparkling water, down two penetration points to 19 per cent, and flavoured sparkling water down by 2.5 penetration points to 28.3 per cent for the same period. However, the lightly flavoured sparkling water segment is the smallest of the three, which has increased penetration by one per cent.

Plastic pollution threat

Arguably the biggest current threat to the bottled water category is the crusade against plastic over the past few years. This has led brands to search for new ways in which they can adapt their products in response. Many big brands have already moved, or pledged to move, to using recycled plastic, as well as improving their other sustainability credentials. But it's younger consumers who feel most strongly about this, which will no doubt impact the category longevity. A recent study found that 82 per cent of surveyed children aged between 12 and 18 felt hopeless about plastic waste and 25 per cent blamed adults. In the UK, 56 per cent of surveyed drinks buyers said concerns over plastic waste had caused them to limit the number of drinks in plastic bottles they buy, and 75 per cent of surveyed bottled water drinkers and buyers agreed that the amount of plastic waste is concerning.

Where to next for water?

Water brands must address consumers' environmental concerns by contributing to environmental causes and invest in plastic alternatives. We've already noted successful innovation through water in cans, which, while from a small base of \$34 million annually, was in value growth of 103 per cent for 2020. This clearly

shows the growing thirst for a more sustainable alternative.

Recycling plastic is more complex, leads to degradation and has lower reuse rates than aluminium, so the metal has been heralded as a greener alternative. Cans have on average 68 per cent recycled content compared with just three per cent for plastic.

So, I'm optimistic that consumers will sacrifice the convenience of a resealable bottle for the sustainability of a can.



About Justin Nel

Justin Nel is a lead consultant for IRI and brings with him extensive experience in the food and beverage industry.

His focus is aligning clients' business objectives with relevant insights and information, using IRI services to deliver unique strategic views of consumer trends and products that will deliver growth.

About IRI

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