

## Beijing Packaged Drinking Water Market Investment Report, 2009

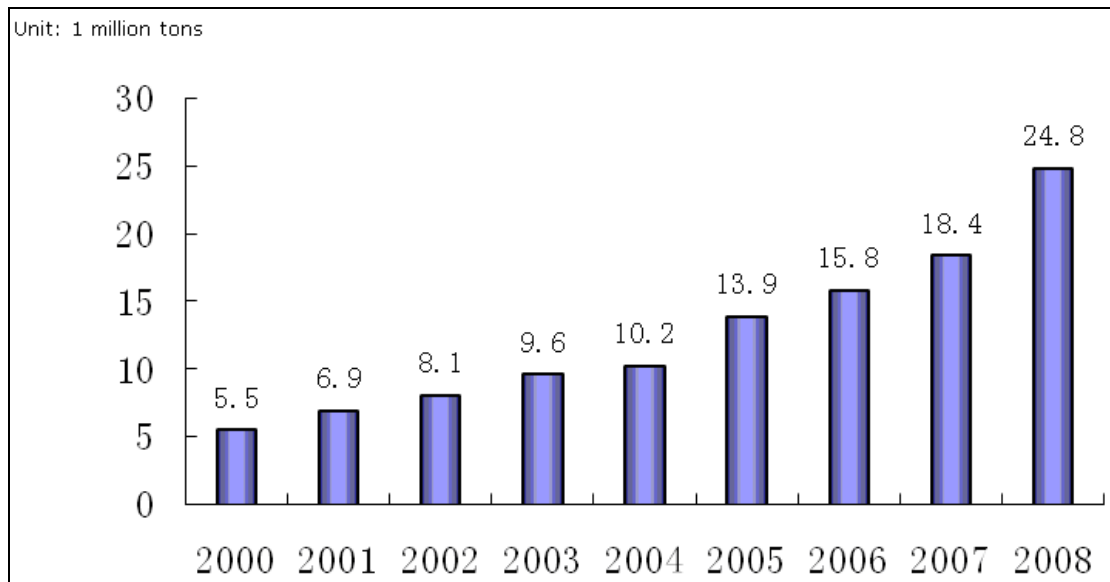
July 2009

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### 1.1 China Drinking Water Market

The average annual growth rate of China water industry has been 15% since 1995. Since 2000, the output of drinking water has been more than that of other types of soft drinks, accounting for 37.2% of the total output of soft drinks and exceeding the output of carbonated drinks. In 2005, China produced 13.9 million tons of drinking water, up 23.75% over the same period in 2004. In 2006 and 2007, the growth rate was 13.67% and 16.46% respectively, less than that of 2005. In 2008, the output was 24.8 million tons, increasing rapidly.

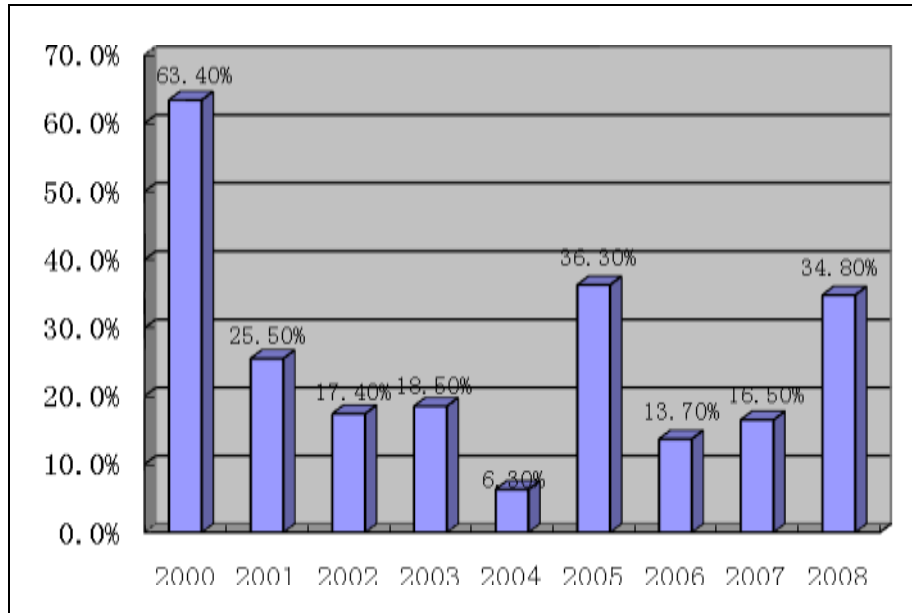
**Output of China Drinking Water, 2000-2008 (Unit: 1 million tons)**



Source: National Bureau of Statistics of China

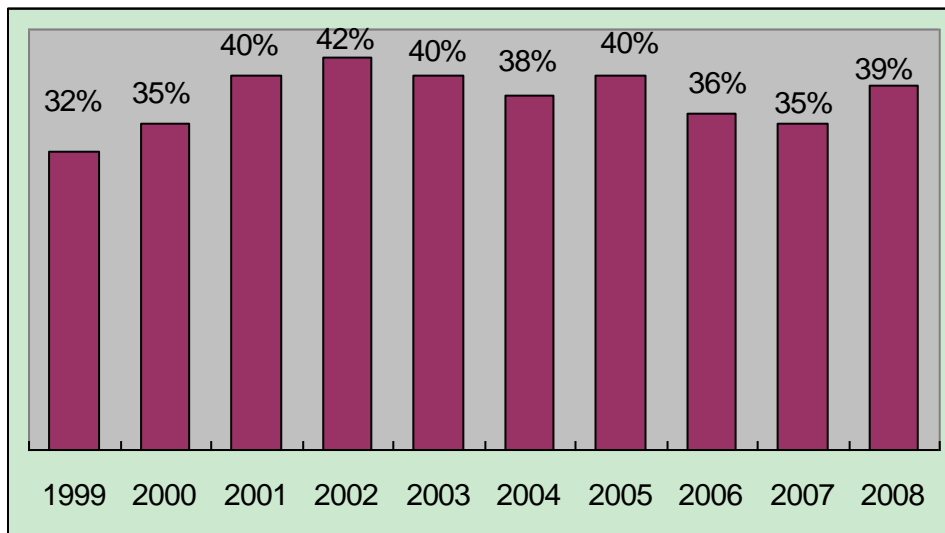
Meanwhile, the proportion of drinking water against soft drinks continues to rise. The output of drinking water increased stably in 2003, while shrunk in 2004. After 2005, the output increased slightly, but increased swiftly in 2008.

**Growth Rate of China Drinking Water, 2000-2008**



Source: National Bureau of Statistics of China

**Proportion of China Drinking Water against Soft Drinks, 1999-2008**



Source: Beverage Industry Association

It can be seen that the proportion of drinking water against soft drinks kept rising from 1999 to 2002. After 2005, the output tended to decline, while tended to rise in 2008.

## **1.2 China Bottled Water Market**

### **1.2.1 Brands in Bottled Water Market**

The total demand for bottled water reduces. Many consumers reduce their consumption on bottled water. The survey shows that consumers like to drink carbonated beverage most in summer, accounting for 59.5%, while bottled water accounts for only 7.3%, ranking fourth; consumers prefer fruit juice in winter, accounting for 41.7%, while bottled water 4.5%.

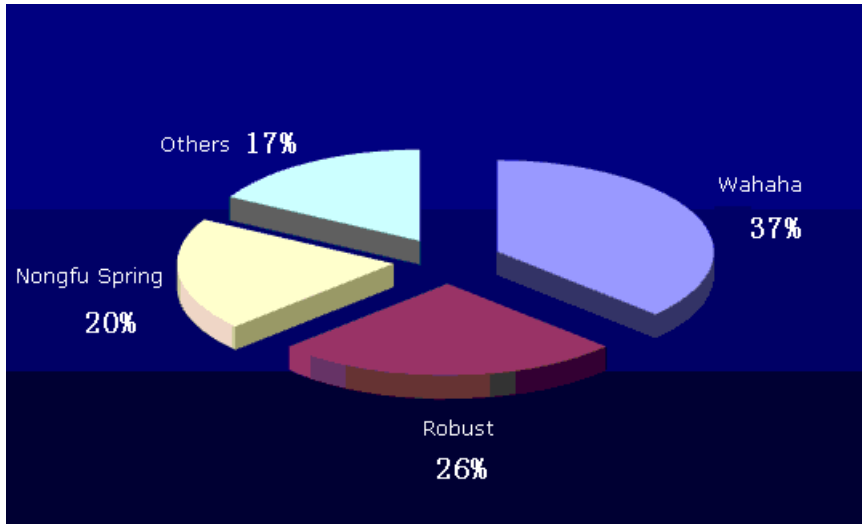
Selection of Variety - tending to mineral water

In bottled water market, the dominant position of pure water has gradually been replaced by mineral water. According to a survey, in seven major cities of China, 48.9% of Chinese people like mineral water, while 30.1% like pure water, 21% have no preference.

Choice of Brands – focusing on three major brands

According to the survey, Wahaha, Robust and Nongfu Spring have gained most shares of bottled water market. Among the bottled water brands consumers choose most often, 37% choose Wahaha, 26% Robust, 20% Nongfu Spring.

**China Bottled Drinking Water Brands by Choice of Consumers**

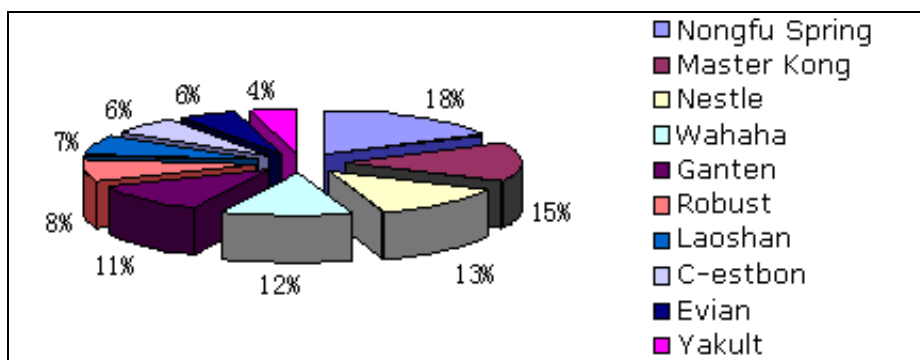


Source: www.okokok.com.cn

Emphasize the quality of Bottled Water

Survey shows that more than 1 / 3 of the respondents would pay attention to the safety of bottled water, following brand and price.

**Ranking of Water Beverage Brands Internet Users are most Concerned about, 2008**



Source: Baidu Data Center

### **1.2.2 Bottled Water Market Patterns by Region**

Chinese bottled water market mainly distributes in East China and Central South China where Chinese bottled water manufacturers are converged. It is not difficult to find out that the cities in which large bottled water enterprises are situated locally enjoy a big share nationwide. For instance, Hangzhou Wahaha Group Co., Ltd, Nongfu Spring Co., Ltd, and Yibao Food & Beverage (Shenzhen) Co., Ltd.

In 2007, Chinese bottled water market was still concentrated in East China and Central South China. This is related to little change in the layout of the bottled water enterprises. In the meanwhile, the rapidly developing economies in the regions aforementioned also conduce to the huge consumption of bottled water.

#### Northeast China

Wahaha, MasterKong and Nongfu Spring are the influential drinking water brands in the three provinces of Northeast China. But they are challenged by some local brands, and hardly seize any market share particularly in Wudalianchi Region.

#### North China

In Shanxi drinking water market, Nongfu Spring, Wahaha and MasterKong is in a tripartite situation. In Hebei and Henan provinces, Nongfu Spring sells better. In Shandong province, foreign brands and local brands compete for market share fiercely, and the local brand LaoShan is the most well-known. The hosting of Beijing 2008 Olympic Games promotes the sales volume of Nongfu Spring in Beijing and Tianjin to soar up, making Wahaha and Robust etc inferior by comparison.

### East China

Wahaha sweeps the most market shares in East China, followed by Nongfu Spring and MasterKong. The 'Tian Yu Di' mineralized water, which is promoted by Coca Cola, is priced below one Yuan, but the sales volume achieved poorly. In Shanghai, Wahaha, MasterKong and Nongfu Spring are competitive equally. In Zhejiang province, Wahaha is playing the leader locally. In Fujian province, MasterKong and Wahaha equal each other, and Nongfu Spring has no choice but rank the second group together with Health Mineral Water and Nestle. In addition, such local brands in Fujian province as Meihuashan etc also has made remarkable achievements locally, while other brands are hard to survive.

### Central South China

In Hunan and Jiangxi provinces, Wahaha and Robust are the key role-players in the drinking water market, with which Local brands can not compete. In Guangdong province, Wahaha and Robust compete fiercely with local brands of Health Mineral Water and C'estbon.

### Southwest China

In Southwest China, Wahaha, MasterKong and Nongfu Spring sell best and are the leading brands. Besides, Yunnan's brand – TaiYi Water gets widely distributed as well in Yunnan and Guangxi. In Chongqing, local brand – 'Ice Point' Water equal other brands from the outside in the competition.

## → Related Reports

- **China Drinking Water Market Report, 2008-2009 (Updated Version)**  
<http://www.researchinchina.com/Htmls/Report/2009/5645.html>
- **China Food and Beverage Industry Report, 2008**  
<http://www.researchinchina.com/Htmls/Report/2008/5555.html>
- **China Apple Juice Concentrate Industry Report, 2008-2009**  
<http://www.researchinchina.com/Htmls/Report/2009/5708.html>
- **China Milk Market Report, 2008-2009**  
<http://www.researchinchina.com/Htmls/Report/2009/5640.html>
- **China Listed Liquor Companies Report, 2008**  
<http://www.researchinchina.com/htmls/Report/2009/5751.html>



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