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The Really Real Thing: Coke to Peddle Brand of Purified Bottled Water in U.S.

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ATLANTA -- After 112 years of selling mostly sugar water in the U.S., **Coca-Cola Co.** is making plans to peddle plain water in plastic bottles.

The soft-drink giant expects to introduce in select markets its own brand of purified bottled water early next year, with a national rollout likely by May, according to people familiar with the plans. A leading candidate for the brand's name is Dasani. The water will come from the tap or wells, be purified and then have minerals added, which Coke will sell to bottlers.

Leading Bottled Water Companies

1997 U.S. market share:

Company	Brand	Market Share
Perrier Group	Perrier, Poland Spring, Arrowhead, Zephrhills, Deer Park	27.9%
Suntory	Crystal, Belmont, Hinckley-Schmitt	9.2
McKesson	Sparkletts, Alhambra	7.1
Groupe Danone	Evian, Dannon	5.8
Crystal Geysers	Crystal Geysers	2.4

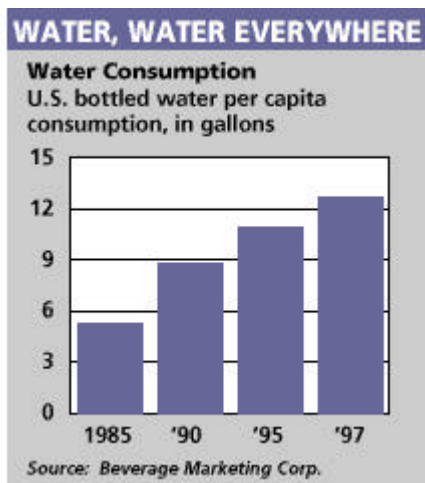
A nationally branded water by Coca-Cola has been the subject of intense speculation in the beverage industry. Many industry executives say Coke can't wait any longer, given the explosive growth of bottled water during the past few years. Coke officials reason that if consumers are going to drink bottled water, they might as well drink a Coke product.

Furthermore, several Coke bottlers have been urging Coke to market a national brand of water so they don't have to sell a hodgepodge of little-known waters. Currently, Coke bottlers sell a variety of bottled waters, which they make a significant profit on. Several have said they are willing to pay a royalty to Coke if it puts marketing muscle behind a bottled water.

A Question of 'When'

"It's no longer a question of if, but when," one person familiar with Coke's plans said. Others, however, cautioned that several details need to be ironed out, and that may have some bearing on a final decision by Coca-Cola Chairman M. Douglas Ivester.

Coca-Cola sells a bottled water called BonAqua, in several overseas countries. Coca-Cola also for years owned a small water business, Belmont Springs, which mostly sold bulk water. It sold that business in 1989.



Thanks to health-minded consumers, the bottled water business is a \$4 billion-a-year business, up from \$2.65 billion in 1990, according to Beverage Marketing Corp., a New York consulting firm. Sales of plastic bottles of water, popular because of their convenience, have been the biggest winners, increasing 28% to 30% for the past couple of years. **PepsiCo Inc.** jumped into the water business with its Aquafina brand, first test-marketed in 1994, and the sheer power of Pepsi's vast distribution system already has made Aquafina the top-selling water brand at convenience stores and gas stations.

For Coke, dipping its toe in the water business has been a source of internal debate for years. The biggest obstacle has been financial. Coca-Cola makes its money by selling concentrate to bottlers, independent companies that add water and carbonation to the drinks

and distribute them. But with water, Coke can't sell any syrup. Indeed, Mr. Ivester said in June that bottled water is a "tricky subject -- we have to be careful that we don't replace high-margin soft drinks with low-margin water."

Role of Mineral Packets

The mineral packets Coke plans to sell the bottlers would take the place of concentrate and make the venture more financially feasible. The minerals could include small amounts of potassium and magnesium and would make water taste better, industry executives said. The purification process of reverse osmosis removes all taste from water and gives it a bland flavor, says James Stevens, a veteran bottled-water executive and former chief operating officer of **Coca-Cola Enterprises Inc.**, Coca-Cola's largest bottler.

Coca-Cola is already in the juice business with its ownership of Minute Maid, and it characterizes itself as selling "nonalcoholic liquid refreshment." "So how can they not be in the bottled-water business?" Mr. Stevens asks.

One plus for Coke is consumers seem far more accepting of purified water over spring water; that makes it easier to create a national brand. Coke has been wary of spring water, because it could mean relying on an outside company to bottle it at the source, according to Mr. Stevens.

'A Big Advantage'

A bottled-water venture doesn't need to be expensive for Coke. It could vault to the top tier, thanks to its far-flung distribution system. "They'll have a big advantage," Mr. Stevens says.

The bottled-water business remains fairly fragmented but is consolidating rapidly, with a number of smaller players disappearing. The largest player is Perrier Group, which owns Poland Spring, Arrowhead and other brands. Just Monday, **Groupe Danone**, the French concern that owns Evian and Dannon waters, agreed to acquire **AquaPenn Spring Water Co.**, Milesburg, Pa., the 10th largest company, for \$112 million.

In 1997, the top five companies accounted for 52% of the bottled-water business, up from 44% in 1990, according to Beverage Marketing. In contrast, Coca-Cola and PepsiCo alone command 75% of the soft-drink business.

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