

# Bottled water's success suggests that consumers are suckers

THE ECONOMIST

So the emperor really isn't wearing any clothes. Last week PepsiCo announced that the label on its Aquafina brand of bottled water will soon carry the words "public water source," instead of simply the innocent looking "P.W.S." That's right: Aquafina is to all intents and purposes tap water.

Coca-Cola is under pressure to follow suit with its Dasani brand, though so far it is refusing to do so. "We don't believe that consumers are confused about the source of Dasani water," Diana Garza Ciarlante, a Coca-Cola spokeswoman, said. "The label clearly states that it is purified water."

No doubt Coca-Cola still remembers what happened in Britain in 2004, when the press made a stink over the fact that Dasani was simply filtered tap water. The company became a laughing stock, as readers were reminded of an episode of a popular TV comedy, "Only Fools and Horses." In it Del Boy, a decidedly dodgy businessman, decides to tap water, selling it as "Peckham Spring," named after the unprepossessing inner-London borough.

Dasani was axed in Britain a mere five weeks after it was launched.

Will Pepsi's new label have a similarly disastrous impact on sales of Aquafina, which is now

the market leader in bottled waters in America? It is by no means inevitable.

The success of bottled water is in many ways one of capitalism's greatest mysteries. Studies show consistently that tap water is purer than many bottled waters — not including those that contain only tap water, which by some estimates is 40 percent of the total by volume.

The health benefits that are claimed for some bottled waters are unproven, at best. By volume, bottled water often costs 1,000 times the price of tap water. Indeed, even with oil prices sky high, a liter of bottled water can cost more than a liter of gas. And on top of that, there are the environmental costs of transporting bottled water and of manufacturing and disposing of the bottles.

Yet sales of bottled water have been booming. In 2006 Americans spent nearly \$11 billion buying 8.25 billion gallons of the stuff, an increase in volume of 9.5 percent on a year earlier. The average American drank 27.6 gallons of bottled water last year, up from 16.7 gallons in 2000.

In Britain, despite the failure of Dasani, sales of bottled water have soared from 990 million liters in 1998 to 2.28 billion liters in 2006 — worth \$3.3 billion and accounting for 15 percent of the total soft-drinks market. Its share is forecast to rise to 21 percent next year.

Moreover, drinks companies are betting heavily on the future growth of bottled water, including popular new varieties with added "healthy" ingredients. In May Coca-Cola paid \$4.1 billion for Glaceau, the company that makes vitaminwater.

To many, all this is the ultimate proof that consumers are daft and easily manipulated by retailers to buy things they don't need. Indeed, a campaign, "Think Outside the Bottle," is now under way in America, aiming to wean the public off bottled water.

It is winning influential converts. Having

successfully popularized gay marriage, San Francisco's charismatic young mayor, Gavin Newsom, is now trying to achieve the opposite impact on bottled water: his ban on the use of city funds to buy the stuff took effect on July 1. Other mayors are starting to follow his lead.

Even so, there may be good, rational reasons for the popularity of bottled water. It is convenient, much more portable than a tap. Also, some consumers suspect, perhaps correctly, that there is a "last mile" problem with tap water. It may be pure as driven snow when it is tested at the plant, but is it still so virginal once it has passed through old pipes in homes and offices?

Above all, consumers may be buying bottled water because they believe it is fundamentally safer, less likely than tap water to become contaminated — a growing worry nowadays, thanks to terrorists. And, if it is contaminated, that contamination is likely to be spotted and neutralized faster and more effectively by a bottler than by government regulators or a water utility.

The contaminated Dasani water in Britain brought bad publicity, but the dirty water never reached the public. Likewise, the impressive way that Perrier handled its benzene contamination scare in 1990 — immediately recalling its entire output of bottles — is a case study in how to manage such a problem.

Perhaps the popularity of bottled water is an indictment of the waste inherent in capitalism. On the other hand, maybe it is testimony to the good job that capitalism, in the form of bottled-water producers, has done in developing quality controls and safety protections that are more reassuring than those put in place by our governments and regulated utilities.

The difference may be small, but big enough to get those who can afford it to pay a substantial premium for what is, after all, the stuff of life. ■

## Water bottlers fight back

SAN FRANCISCO (AP) — Bottled water is fighting back.

The industry's reputation took a hit this summer as restaurants, church associations and cities led by San Francisco Mayor Gavin Newsom extolled the virtues of the tap and swore off the bottle, denouncing it as an expensive and environmentally unsound extravagance that leaves millions of empty plastic shells in its wake.

Now, an association of water bottlers is defending their reputation with full-page ads in *The New York Times* and the *San Francisco Chronicle* that fend off criticism and recast the debate.

No one should dissuade consumers from drinking water in a country where diabetes, obesity and heart disease are threatening public health, said Joe Doss, chief executive of the International Bottled Water Association.

"It's not a bottled water vs. tap water issue," Doss said. "Water is

a very healthy drink that shouldn't be discouraged."

The numbers show Americans have been buying into their argument. As the population increasingly swears off the calories in sugary drinks, bottled water sales have grown to match their thirst, ballooning from 18.8 gallons a year per person in 2001 to 28.3 gallons per person annually five years later, according to the Beverage Marketing Corporation.

But critics haven't been swayed by the industry's latest campaign, calling the ads just another attempt by corporations to polish their image and promote a product that isn't necessary.

Concerned over the waste piling up in municipal landfills, and the greenhouse gases emitted by the production and transportation of bottles, and the expense to taxpayers, Newsom stopped city departments from buying bottled water in June.

In July, he led the U.S. Conference of Mayors in a resolution praising the stuff that flows from the tap and calling for a study on the environmental impact of bottled water.

Consumer groups who have long called for accountability from the bottled water industry agree the ads are a defense tactic at a time when consumers are asking more questions about what's actually in the bottle.

Last week, PepsiCo Inc., which produces the top-selling water brand Aquafina, became the latest company to come clean about the source of its water.

"The industry is coming under



pressure," said Gigi Kellett, director of a campaign to educate the public on the problems with the bottled water industry by the non-profit Corporate Accountability International. "People are asking questions, and the bottled water association is rolling out a campaign to polish their image." ■