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When you're scrolling down the supermarket aisle looking for water to quench your thirst, you're most likely going to pick up any water bottle off the shelves. After all, they're all the same right?

The reality is that each bottled water brand is different from the other. It's needless to dwell on the difference between sparkling and still water but little is known about the variations between different brands of still water. In fact, each brand has a different PH, meaning that the acidity or the alkalinity of each brand varies. While all the brands may contain Calcium, Chloride, Bicarbonate, Magnesium, Nitrate, Potassium, Silica, Sodium, Sulfates and Total Dissolved Solids (TDS), each brand contains these elements in different proportions as shown in the figure below.

	VOLVIC	EVIAN	SANNINE	RIM	SOHAT
pH	7.0	7.2	7.1	7.4	7.9
Calcium (Ca)	9.9	78.0	50.0	33.0	31.3
Chloride (Cl^-)	8.4	4.5	10.0	7.0	5.1
Bicarbonate (HCO_3)	258.0	357.0	230.0	150.0	105.2
Magnesium (Mg)	6.1	24.0	12.0	16.0	5.2
Nitrate (NO_3)	6.3	3.8	0.0	1.5	1.8
Potassium (K)	5.7	1.0	2.0	0.3	0.5
Silica (SiO_2)	30.0	13.5			
Sodium (Na)	9.4	5.0	10.0	2.3	3.5
Sulfates (SO)	6.9	10.0	40.0	12.0	10.9
TDS	109.0	357.0	230.0	150.0	130.0

Sourse: www.mineralwaters.org

Numerous other factors also set bottled water brands apart; the constancy of the water's composition throughout the year, the source of the water and whether or not it undergoes modifications after it is collected. Based on this, we can group bottled water into four major types.

- ***Natural mineral water*** is obtained directly from underground sources protected from pollution risks. Its mineral composition stays constant throughout the year and is bottled at the source. The minerals contained in this type of water are claimed to have health benefits. The bottling of mineral water doesn't undergo any treatments except for limited ones such as carbonation.
- ***Table Water:*** The Lebanese Ministry of Public Health (MOPH) defines this type of water as clean, drinkable water but that lacks the healthy minerals found in natural mineral water.
- ***Spring water*** differs from natural mineral water in the sense that its composition may change and it also comes from a **specific** underground source**.** That's why this type of water is defined by its origin.
- ***Treated water*** differs from mineral and spring water because it does require human interference in order to be drinkable and it can be sourced from any type of water supply. Desalinated water and sewage water are proper examples of treated or prepared water.

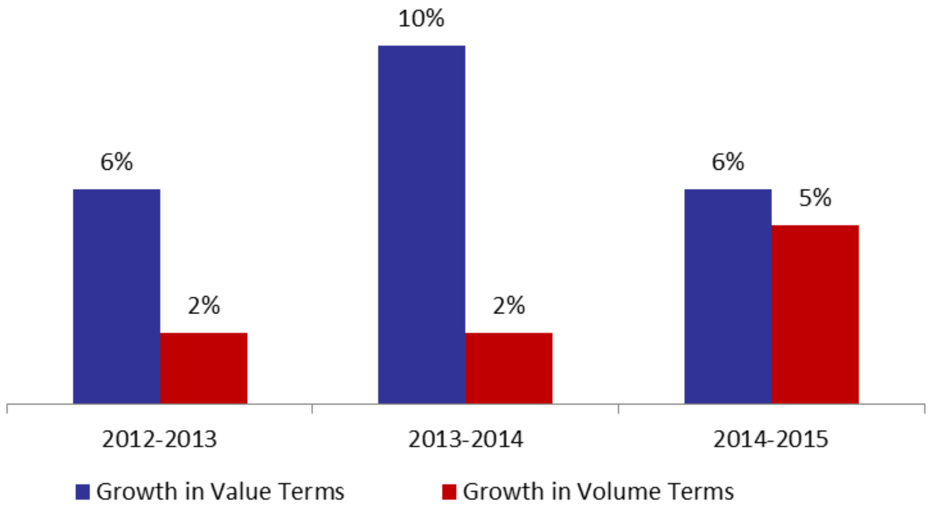
The Lebanese bottled water market encompasses three different segments: regulated bottled water, imported bottled water and un-licensed bottled water. According to the Lebanese Ministry of Public Health, there are 42 licensed bottled water companies in Lebanon while guesstimates put the number of unlicensed bottled water companies in the several hundred. More than half of the licensed bottled water companies are classified under the table water segment. As for imported brands, their number amount to 8: Perrier, San Pellegrino, Acqua Panna, Contrex and Vittel distributed by Nestlé Waters and Evian, Badoit and Volvic distributed by KFF Food and Beverage Sal (Fattal Group).

Lebanese consumers prefer natural mineral water probably on account of its health benefits. In fact, 4 out of the top 5 market players in Lebanon sell natural mineral water. According to Neilson, a company specialized in studying consumer trends and behaviors, Nestlé Waters is the top market player in Lebanon in the retail segment**.** In fact, Neilson data only covers the retail segment and doesn't include home and institutional sales. In 2014, Nestlé Waters held a combined volume market share of 27% with its two local brands Nestlé Pure Life (15%) and Sohat (12%). Also in volume terms, Tannourine held a market share of 15%, Rim a market share of 11% and Sannine a market share of 4%. The ranking for the market shares of bottled water companies is identical when classified in volume terms. It is worth mentioning that due to scarcity of data, we have only cited the top 5 players on the market but Lebanon houses other major players such as Mona Cool, Sabil etc…it is also worth mentioning that in 2016, Aquafina, a product of Pepsi, was a new entrant to the water bottling business in Lebanon.

The Lebanese bottled water market is a growing market. Regulated bottled water companies in Lebanon bottle around **700 to 800 million liters of water annually**. However, this figure is only relevant to licensed water companies; when unlicensed water is included the figure is bound to be higher. The upward growth trend in the market is understandable given the fact that water is a basic necessity and demand for these types of goods is inelastic to price fluctuations. The size of the market is estimated at **$300 million dollars** and it has been developing each year. In volume terms, the yearly growth of the market across bottled water sizes stood at 2% in each of the years 2013, 2014 and at 5% in 2015. In value terms, the yearly market growth reached 6% in 2013, 10% in 2014 and 6% in 2015. The growth in value terms exceeds the growth in volume because consumers are leaning more towards smaller formats.

In the 2007-2010 period, the growth registered by the top bottled water companies mimicked the high economic growth characterizing that period. The economic growth rate during that period ranged between 8% and 10% on account of surges in tourism, construction and real estate. A booming tourism sector means hotels, restaurants and tourists all boost demand for all types of bottled water and that's why sales in that sector grew by double digits. After the eruption of the Arab Spring and the ensuing slowdown in the Lebanese economy, the growth of bottled water sales reverted to a single digit.

Bottled Water Market Growth



Further down the line, consumption is expected to increase as the "healthy living" trend is gaining traction. The MOPH's crackdown on unlicensed bottled water companies also helped raise awareness towards the importance of staying healthy and knowing what you are consuming. It's this same inclination towards a healthy lifestyle that explains why Lebanese bottled water companies introduced glass bottles. It's a fact that glass is the most neutral form of packaging as opposed to plastic packaging that may witness a chemical transformation when exposed to heat for example. Moreover, a glass bottle is premium looking, which is a plus for the consumer, but also holds higher value for the manufacturer since it can be sold at a higher price.

Recently, local sparkles became the newest addition on the Lebanese market. The bottled water company Rim recently introduced the first local sparkling water. Obviously, it is offered at a cheaper price than the imported brands. The 330 ml sparkling Rim retails at LBP 995 while the 330 ml Badoit, retails at LBP 2,000. The 200 ml Perrier and the 250 ml San Pellegrino, both glass bottles, retail each at LBP 1,500. Water connoisseurs will surely argue against this simplified comparison given that the mentioned brands are different on many levels. Badoit and Perrier are naturally carbonated waters; Badoit and San Pellegrino accompany fine dining experiences due to their fine bubbles while Perrier is regarded more as a soft drink in itself. However true, these nuances matter little to a pub's cocktail maker who is after some fizziness in his drinks or to consumers looking for a cheaper and healthier soft drink alternative; that's where Rim can potentially benefit from its price-advantage.

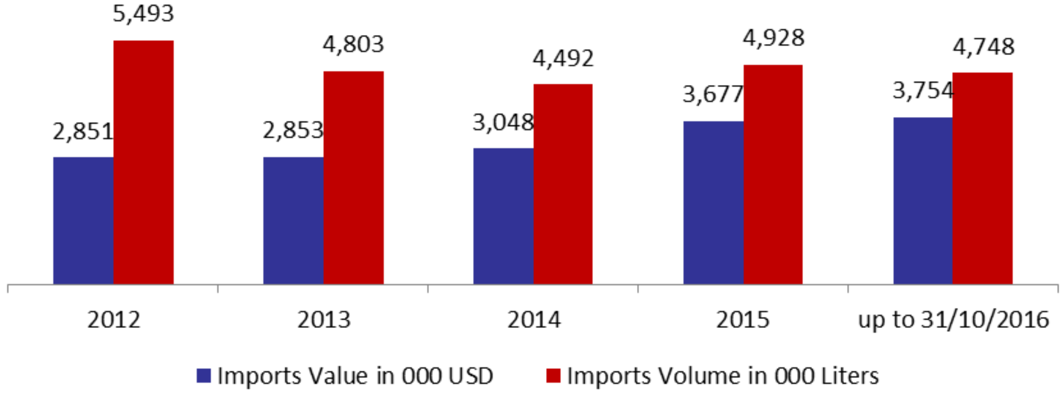
Distribution is essential in the water bottling business and is the most expensive element of the cost structure. Launching a new water bottle is made substantially easier if the distribution channel of the initiating company is strong and/or already in place in the case where it has a portfolio of other beverages under its belt. A strong distribution channel means your product can reach a substantial number of points of sales in a relatively short time span. A portfolio of other strongly branded beverages means you can impose that your new product is put on the shelves or in the coolers along with other drinks in your portfolio. Some companies outsource their distribution by associating themselves with F&B companies endowed with a strong portfolio, a move that allows them access to many more points of sale and better contractual terms.

Bottled water is a low-value product so distance plays a major part for the bottlers. The cost of the water bottling company will increase every time the destination it is delivering to is further away. At some point, each market player was dominant in a region; Tannourine in the North, Sannine in the Metn – Keserwane, Rim in the Metn, South and Bekaa. According to market players this regional segmentation has now changed and all market players are spread across the entire Lebanese territory.

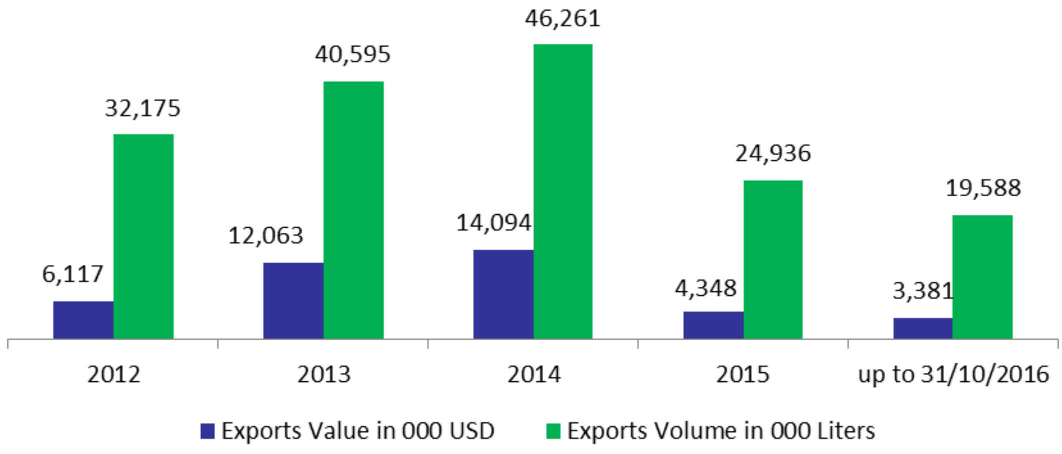
In 2015, Lebanon imported $3.68 million worth of water, equivalent to a gross volume of 4.93 million liters. Water imports from France accounted for 85.15% of the total value of Lebanon's water imports with a value of $3.13 million while Italy came in second with $454,000 or 12.34%. This concentration of imports between French and Italian brands makes sense because 7 out of the 8 imported waters are French with the exception of San Pellegrino which is Italian water.

Meanwhile Lebanon exported a volume of 24.94 million liters with a value of $4.35 million. 22% or $955,000 worth of Lebanese water was exported to Qatar, 21% or $917,000 were exported to Kuwait and 19% or $826,000 were exported to Saudi Arabia. Due to the disruption of trade routes caused by the Syrian war, shipments by land had to be replaced with shipments by sea which are much more costly and that could explain the drop in the value of exports from $14.09 million in 2014 to $4.35 million in 2015.

Water Imports



Water Exports



Source: Lebanese Customs

The Lebanese bottled water sector is expected to remain thriving as companies continue to tailor smart strategies and as consumers continue to make smart health choices.

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