Bottled Water - Vietnam

Euromonitor International : Country Sector Briefing

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BOTTLED WATER IN VIETNAM

HEADLINES

- Bottled water enjoys a strong growth rate of 14% in 2009 in total volume terms
- The year witnessed many small manufacturers close down due to producing unsafe and insanitary bottled water
- Still bottled water registers the highest growth of 14% in total volume terms
- Stable prices for bottled water thanks to lower cost of raw materials
- Fierce competitive landscape with many small manufacturers competing
- Sales of bottled water will continue to grow at a healthy rate over the forecast period

TRENDS

- Bottled water in Vietnam has been disorganized for years as there are many brands from both big and small manufacturers; some of which do not have operating licenses or brand registration and have quite similar names and packaging to some famous brands to mislead consumers. For example, Tavie and Aquara are mimic products of Lavie and Aquafina. In 2009, through inspection of many small manufacturers, the authorities closed down many producing facilities such as E-ban, Aquara and Golf for not having operating licenses and products that are manufactured under inappropriate conditions with non-standard technology and do not meet food hygiene and safety requirements. The incident made consumers more cautious about the brands that they choose, therefore they turned to famous and prestigious local and foreign brands, like Vinh Hao, Lavie and Aquafina.
- In 2009, bottled water enjoyed a rapid growth rate of 14% in volume terms; which is a little bit slower than the growth rate in 2008. The growth of bottled water in Vietnam remains steady due to the sector being less mature than other soft drinks products. Furthermore, due to the incident of many manufacturers being closed down for producing unhygienic products, local consumers lost trust in other brands of bottled water and started to boil water for consumption for safety reasons.
- Carbonated bottled water still makes a very small contribution to the overall sector of less than 13 million litres or 3%. It is only consumed among niche consumer groups e.g. expatriates and consumers who study over seas and may be more familiar with the products. Carbonated bottled water is drunk chilled with a slice of lime or mixed with some wine. Carbonated bottled water has seen a lot of local brands presented, for example Vital and Vinh Hao, however other international brands e.g. Perrier also see higher penetration in the market. H2OH! launched in Vietnam in 2008 and is available in many supermarkets and hypermarkets in urban areas like Ho Chi Minh City.
- Most bottled water is consumed via the off-trade in Vietnam. Vietnamese people have a habit of having a bottle of water in their bag when going to school or to work everyday. Bottled water can be found in every shop along the road, in supermarkets and at open markets due to strong and nationwide channels of distribution. On-trade sales account for a very small percentage of bottled water sales in Vietnam due to the fact that when people go to coffee shops or restaurants, they prefer other kinds of drinks like coffee, fruit juice or shakes.
- Flavoured bottled water is not yet very popular in Vietnam. There is only one brand of flavoured bottled water available in Vietnam, which is H2Oh! by PepsiCo Vietnam. Many Vietnamese consumers have the opinion that H2Oh!'s taste is similar to 7-Up or Sprite which are preferred by consumers for their affirmed position in the market. There is no presence of functional bottled water in Vietnam up until the year 2009.

COMPETITIVE LANDSCAPE

- Being one of the leading brands of bottled water, La Vie by Nestlé continues to hold the biggest share of bottled water in Vietnam. In 2009, it held a 23% share of off-trade volume sales. La Vie is famous for its advanced and fully automated technology and nicely packaged bottle. It also claimed to contain many added minerals such as salt, magnesium, and calcium which are very good for the health.

- International brands such as La Vie from Nestlé, Joy from Coco-Cola Co and Aquafina from PepsiCo were expected to register the best growth of 14-15% in off-trade volume terms for 2009. Thanks to strong branding and reliability, they are performing better than local brands. Although these brands are perceived as international, their unit prices are close to those of local brands which is another factor that consumers are concerned about.
- Despite international brands holding a bigger volume share, domestic manufacturers are trying to improve their brands and image in order to be able to compete with international brands. Many domestic manufacturers are investing in automatic production systems which are of international standard.
- H2OH! is the latest new product development to enter the market in late-2008. The brand has penetrated many modern retailers in urban areas like Ho Chi Minh City. Being flavoured and less gassy comparing to carbonates, H2OH! gained better awareness among consumers not long after it was launched. It is seen as the immediate competitor for some brand in carbonates e.g. 7-Up and Sprite.
- Whereas international brands are mostly purchased in small sized containers of 500ml or 1.5L, domestic brands' bigger sized containers of 5L and 25L are consumed a lot. This is mainly because for smaller sized bottles, the prices of both domestic and international brands are nearly the same (a 500ml bottle of Lavie costs VND4,000 while the same size of Vinh Hao is VND3,000). For larger sized containers, there starts to be big difference: international brands are more expensive than local ones. Moreover, most local brands including Vinh Hao and Sapuwa produce big-sized bottled for usage in offices or in hot-and-cold machines.
- In the premium price range, there is only Evian present and the price is quite a bit more expensive than other standard brands in the market (VND28,000 per litre as compared to the market price of VND9,500 per litre). While most economy products are local brands from small manufacturers that are sometimes found in HDPE which is very cheap to produce and always sell in bulk of six or 12 bottles per pack.

PROSPECTS

- With the mass appearance of many soft drinks products such as RTD tea, fruit/vegetable juice and RTD coffee, bottled water still has an affirmed position in the market as it is still the best at quenching the thirst of consumers. With the incident in the year 2009 whereby many small unlicensed manufacturers got closed down for not meeting hygiene and safety requirements, consumers have grown concern about which brand of bottled water to choose. Therefore, there will be a lot of unfamiliar brands withdrawing from the market for not being able to meet the sanitation expectations.
- During the forecast period, it is predicted that the sector will continue to grow further with a total volume CAGR of 11%, which is lower than the CAGR recorded over the review period. This is mainly because local consumers have in doubt and confused about which brands of bottled water are safe for consumption. Many people have switched to boiling water to be safest.
- Being the leading international brand of bottled water, La Vie is expected to continue to perform better than other brands on the market. In Vietnam, bottled water manufacturers do not usually have big advertising campaigns like big billboards and merchandising. There are only posters at some independent and convenience stores with some adverts on TV from time to time. However, bottled water is still largely consumed because it is a daily need for people. Therefore, these products compete with each other on packaging. La Vie has eye-catching bottles with the name of the product carefully embossed on the bottles which makes La Vie stand out among the many bottled water products in Vietnam.
- The government has passed the decision to increase the price of electricity and water in early-2010, making the production process of bottled water more expensive. Moreover, the inflation rate in 2010 is also predicted to be higher than that in the year 2009 which was at 6%. Therefore, it is expected that there will be a unit price increase during the forecast period. With high price increases, it may drive consumers, especially rural and low-income ones, to switch to drink boiled water instead.
- Still bottled water is expected to grow more strongly than carbonated bottled water despite the former having a more mature market. Carbonated bottled water has been available in Vietnam for quite some time and despite the presence of many local brands, it could not capture a larger group of consumers. It also

cannot penetrate the still bottled water drinking consumer group as for consumers, carbonated bottle water is viewed as a mixer substitute and not regular drinking water as still bottled water is.

- It is expected that H2OH! could be the inspiration for many players in terms of product innovation and flavoured bottled water. However, other players in the market may wait to gauge the success of H2OH! before they decided to launch similar products into the market.
- The focus of marketing for companies in bottled water might still be on packaging innovation rather than TV commercials or mass media. Point of sale or small billboards that catch the attention of consumers in grocery retailers are also expected.

CATEGORY DATA

Institutional Bottled Water Sales

- Institutional bottled water in Vietnam was expected to maintain strong growth in 2009 thanks to more offices and companies expanding into the country.
- Furthermore, with the convenience of door-to-door delivery services, the number of brands competing in institutional bottled water, such as La Vie, Sapuwa, Vin Hao and Vital and other small players, will increase.

Table 1 Sales of Bottled Water to Institutional Channel 2004-2009

Million litres

	2004	2005	2006	2007	2008	2009
Sales	149.8	179.3	215.2	263.0	315.6	394.5
% growth		19.7	20.0	22.2	20.0	25.0

Source: Trade press, company research, store checks, trade interviews, Euromonitor International estimates

Table 2 Off-trade Sales of Bottled Water: Volume 2004-2009

million litres

	2004	2005	2006	2007	2008	2009
Still Bottled Water	91.9	104.8	118.4	133.2	151.2	170.9
Carbonated Bottled Water	2.3	2.6	2.9	3.3	3.6	4.0
Flavoured Bottled Water	-	-	-	-	-	-
Functional Bottled Water	-	-	-	-	-	-
Bottled Water	94.2	107.4	121.3	136.5	154.8	174.9

Source: Official statistics, trade associations, trade press, company research, store checks, trade interviews, Euromonitor International estimates

Table 3 Off-trade Sales of Bottled Water: Value 2004-2009

VND billion

	2004	2005	2006	2007	2008	2009
Still Bottled Water	467.2	518.6	580.8	659.2	758.1	865.7
Carbonated Bottled Water	18.4	20.3	22.2	24.8	27.7	31.0
Flavoured Bottled Water	-	-	-	-	-	-
Functional Bottled Water	-	-	-	-	-	-
Bottled Water	485.6	538.8	603.0	684.1	785.8	896.8

Source: Official statistics, trade associations, trade press, company research, store checks, trade interviews, Euromonitor International estimates

Table 4 Off-trade Sales of Bottled Water: % Volume Growth 2004-2009

% volume growth

	2008/09	2004-09 CAGR	2004/09 TOTAL
Still Bottled Water	13.0	13.2	85.9
Carbonated Bottled Water	10.5	11.8	74.6
Flavoured Bottled Water	-	-	-
Functional Bottled Water	-	-	-
Bottled Water	12.9	13.2	85.6

Source: Official statistics, trade associations, trade press, company research, store checks, trade interviews, Euromonitor International estimates

Table 5 Off-trade Sales of Bottled Water: % Value Growth 2004-2009

% current value growth

	2008/09	2004-09 CAGR	2004/09 TOTAL
Still Bottled Water	14.2	13.1	85.3
Carbonated Bottled Water	12.0	11.0	68.6
Flavoured Bottled Water	-	-	-
Functional Bottled Water	-	-	-
Bottled Water	14.1	13.1	84.7

Source: Official statistics, trade associations, trade press, company research, store checks, trade interviews, Euromonitor International estimates

Table 6 Company Shares of Bottled Water by Off-trade Volume 2005-2009

% off-trade volume

Company	2005	2006	2007	2008	2009
La Vie Joint Venture Co (Long An Mineral Water)	22.4	22.0	22.4	22.3	22.5
PepsiCo Vietnam (PIVN)	14.1	14.6	15.1	15.6	15.9
Saigon Purified Water Co (Sapuwa)	18.5	17.6	17.1	16.6	15.6
Coca-Cola Beverages Vietnam Co Ltd	10.7	10.9	11.2	11.7	11.9
Binh Minh Import Export Co	13.0	12.8	12.4	11.9	11.4
Tropical Wave Corp	2.7	2.9	2.8	2.9	2.9
Vinh Hao Mineral Water Co	1.3	1.5	1.8	1.9	2.0
Saigon Beverages JSC (Tribeco)	1.6	1.5	1.4	1.6	1.6
Advance & Best Enterprise	1.6	1.6	1.5	1.2	1.1
Thai Binh Oil & Gas Services Co	0.3	0.3	0.3	0.3	0.3
Thach Bich Mineral Water Co	0.5	0.4	0.4	0.3	0.2
Danh Thanh Mineral Water Co	0.4	0.3	0.3	0.3	0.2
Others	12.7	13.6	13.3	13.4	14.3
Total	100.0	100.0	100.0	100.0	100.0

Source: Trade associations, trade press, company research, trade interviews, Euromonitor International estimates

Table 7 Brand Shares of Bottled Water by Off-trade Volume 2006-2009

% off-trade volume

Brand	Company	2006	2007	2008	2009

La Vie	La Vie Joint Venture Co (Long An Mineral Water)	22.0	22.4	22.3	22.5
Aquafina	PepsiCo Vietnam (PIVN)	14.6	15.1	15.6	15.9
Sapuwa	Saigon Purified Water Co (Sapuwa)	17.6	17.1	16.6	15.6
Joy	Coca-Cola Beverages Vietnam Co Ltd	10.9	11.2	11.7	11.9
Vital	Binh Minh Import Export Co	12.8	12.4	11.9	11.4
Laska	Tropical Wave Corp	2.9	2.8	2.9	2.9
Vinh Hao	Vinh Hao Mineral Water Co	1.5	1.8	1.9	2.0
Watami	Saigon Beverages JSC (Tribeco)	-	-	1.6	1.6
A&B	Advance & Best Enterprise	1.6	1.5	1.2	1.1
Tien Hai	Thai Binh Oil & Gas Services Co	0.3	0.3	0.3	0.3
Thach Bich	Thach Bich Mineral Water Co	0.4	0.4	0.3	0.2
Danh Thanh	Danh Thanh Mineral Water Co	0.3	0.3	0.3	0.2
Tribeco	Saigon Beverages JSC (Tribeco)	1.5	1.4	-	-
Others		13.6	13.3	13.4	14.3
Total		100.0	100.0	100.0	100.0

Source: Trade associations, trade press, company research, trade interviews, Euromonitor International estimates

Table 8 Company Shares of Bottled Water by Off-trade Value 2005-2009

% off-trade value rsp

Company	2005	2006	2007	2008	2009
La Vie Joint Venture Co (Long An Mineral Water)	24.1	23.1	23.2	23.6	24.1
PepsiCo Vietnam (PIVN)	14.4	15.4	15.9	16.3	16.6
Saigon Purified Water Co (Sapuwa)	17.3	17.8	17.3	16.9	15.9
Coca-Cola Beverages Vietnam Co Ltd	11.5	11.8	11.9	12.3	12.5
Binh Minh Import Export Co	14.4	13.3	12.9	12.3	11.8
Tropical Wave Corp	4.6	4.8	4.6	4.7	4.7
Vinh Hao Mineral Water Co	1.8	2.1	2.4	2.5	2.6
Saigon Beverages JSC (Tribeco)	1.6	1.4	1.3	1.5	1.5
Advance & Best Enterprise	1.7	1.4	1.3	1.1	1.0
Thai Binh Oil & Gas Services Co	0.5	0.6	0.6	0.6	0.6
Danh Thanh Mineral Water Co	0.5	0.4	0.4	0.3	0.3
Thach Bich Mineral Water Co	0.5	0.5	0.4	0.3	0.3
Others	6.9	7.4	7.6	7.5	8.0
Total	100.0	100.0	100.0	100.0	100.0

Source: Trade associations, trade press, company research, trade interviews, Euromonitor International estimates

Table 9 Brand Shares of Bottled Water by Off-trade Value 2006-2009

% off-trade value rsp

Brand	Company	2006	2007	2008	2009
La Vie	La Vie Joint Venture Co (Long An Mineral Water)	23.1	23.2	23.6	24.1
Aquafina	PepsiCo Vietnam (PIVN)	15.4	15.9	16.3	16.6

Sapuwa	Saigon Purified Water Co (Sapuwa)	17.8	17.3	16.9	15.9
Joy	Coca-Cola Beverages Vietnam Co Ltd	11.8	11.9	12.3	12.5
Vital	Binh Minh Import Export Co	13.3	12.9	12.3	11.8
Laska	Tropical Wave Corp	4.8	4.6	4.7	4.7
Vinh Hao	Vinh Hao Mineral Water Co	2.1	2.4	2.5	2.6
Watami	Saigon Beverages JSC (Tribeco)	-	-	1.5	1.5
A&B	Advance & Best Enterprise	1.4	1.3	1.1	1.0
Tien Hai	Thai Binh Oil & Gas Services Co	0.6	0.6	0.6	0.6
Danh Thanh	Danh Thanh Mineral Water Co	0.4	0.4	0.3	0.3
Thach Bich	Thach Bich Mineral Water Co	0.5	0.4	0.3	0.3
Tribeco	Saigon Beverages JSC (Tribeco)	1.4	1.3	-	-
Others		7.4	7.6	7.5	8.0
Total		100.0	100.0	100.0	100.0

Source: Trade associations, trade press, company research, trade interviews, Euromonitor International estimates

Table 10 Forecast Off-trade Sales of Bottled Water: Volume 2009-2014

million litres

	2009	2010	2011	2012	2013	2014
Still Bottled Water	170.9	192.2	215.3	240.0	266.4	293.1
Carbonated Bottled Water	4.0	4.4	4.8	5.2	5.6	5.9
Flavoured Bottled Water	-	-	-	-	-	-
Functional Bottled Water	-	-	-	-	-	-
Bottled Water	174.9	196.6	220.1	245.2	272.0	299.0

Source: Official statistics, trade associations, trade press, company research, trade interviews, Euromonitor International estimates

Table 11 Forecast Off-trade Sales of Bottled Water: Value 2009-2014

VND billion

	2009	2010	2011	2012	2013	2014
Still Bottled Water	865.7	952.3	1,057.1	1,183.9	1,328.3	1,494.4
Carbonated Bottled Water	31.0	33.8	37.2	40.6	44.0	47.3
Flavoured Bottled Water	-	-	-	-	-	-
Functional Bottled Water	-	-	-	-	-	-
Bottled Water	896.8	986.1	1,094.3	1,224.5	1,372.3	1,541.7

Source: Official statistics, trade associations, trade press, company research, trade interviews, Euromonitor International estimates

Table 12 Forecast Off-trade Sales of Bottled Water: % Volume Growth 2009-2014

% volume growth

	2009-14 CAGR	2009/14 TOTAL
Still Bottled Water	11.4	71.5
Carbonated Bottled Water	8.0	46.9
Flavoured Bottled Water	-	-
Functional Bottled Water	-	-
Bottled Water	11.3	71.0

Source: Official statistics, trade associations, trade press, company research, trade interviews, Euromonitor International estimates

Table 13 Forecast Off-trade Sales of Bottled Water: % Value Growth 2009-2014

% constant value growth

	2009-14 CAGR	2009/14 TOTAL
Still Bottled Water	11.5	72.6
Carbonated Bottled Water	8.8	52.4
Flavoured Bottled Water	-	-
Functional Bottled Water	-	-
Bottled Water	11.4	71.9

Source: Official statistics, trade associations, trade press, company research, trade interviews, Euromonitor International estimates