

# Premiumization

The move toward more expensive premium products

Fine Water Society Summit

Guangzhou 2017

# The move toward...

- Who is moving?
- An opportunity – and a threat!

# Is it happening?

In HORECA?

Not yet:

- Filtered water and single-brand-menus dominate the industry
- Brand selection is based on price and availability
- High-end opening up toward 3-4 brand menus, but customer demand is still weak

# Is it happening?

In Retail?

Yes:

- More brands, more shelfspace to water in glassbottles
- Industrial brands mixed with fine waters
- No guidance to customers other than design and price



# Growth drivers: Retail

Growth is supply-driven:

- substitute revenue lost on CSDs
- replace low margin bottled water with high margin products
- Could "water be the new wine"?

# Growth Drivers, fine waters: HORECA

Growth is demand driven:

- Logistical challenges
- Lack of cooling capacity
- Profitability of filtered water or single brand offering beats portfolio offering
- Lack of recognition from Michelin and other evaluation institutions

# Horeca versus Retail

## Horeca wants

- Products selected by cooks and sommeliers
- Portfolio trails longtailed bellcurve, (many brands, desire to be special)
- Small volume deliveries

## Retail wants

- Products demanded by the market
- High degree of logistical flexibility and capability
- Professional purchasing favours industrial suppliers



# If Retail retains it's lead over HORECA....

- Industrial "fine Waters", like Evian, Pellegrino, Fiji, Gerolsteiner etc will dominate the field
- They will set priceexpectations in shops at mass-volume levels
- They will use volumes gained in shops to reduce prices in HORECA
- By offering their products in glass with fine labels, they will blurr the distinction between fine waters and premium waters

Beer: an example

Just five industrial groups selling thousands of brands of beer



# Nestle Waters, an example

- 100+ production sites in 33 countries
- 51 unique brands, incl. several "fine waters"
- 32.000 employees....

# What can FWS do?

- Cooperate where possible, to achieve scale-economies (purchasing, marketing, distribution etc)
- Promote education of consumers
- Promote education of HORECA-staff
- Organize and promote water-sommelier training