



September 15, 2006

Deep Sea Water Sourcing

Is it a bird? Is it a plane? No, it's another marketing scheme aimed at duping consumers into paying more for a bottle of water. The Star Wars-esque animated website (www.hawaiideepseawater.com) introduction says it all: "Our search for the purest water on earth brought us to the most remote island on earth, Big Island of Hawaii on the Kona coast, 3000 feet below the surface where there is no pollution, no man-made chemicals and no bacteria."¹

If Koyo USA's *MaHaLo Hawaii Deep-Sea* bottled water is the wave of the future, there is reason for concern. This company is conducting deep-sea water takings. The idea of a corporation seeking deep-sea water was literally out of this world, given the expense of accessing the water and the cost of desalination. Yet, with the rise in bottled water consumption (the company's current market is Japan, but has set its gaze on the U.S. market next), new processing techniques and clever marketing, this company has become very successful. Its earnings jumped from \$21 million in 2004, to \$31 million in 2005. In three years, desalinated bottled water has become Hawaii's second largest foreign export.²

The Natural Energy Laboratory of Hawaii Authority (www.nelha.org) pumps the water from 3000 feet below the surface directly to Koyo USA's processing facility. When it arrives the water goes through a process of reverse osmosis to remove 'excess' salt. The water is then bottled and shipped.

To convince the buying public to purchase its products, the company has co-opted critiques at the bottled water industry to its advantage. Consider this quote from their website: "In some cases, bottled water marketed as 'natural spring water'...is nothing more than filtered tap water. We at Koyo USA take these deceptive claims very seriously...."

The marketing folks at Koyo don't seem very serious about what the consequences of pumping 1 million bottles of water a day from this deep-sea location might have in terms of the marine environment.

¹ Mahalo Deep Sea Water, *Koyo USA*, August 13th 2006: <http://www.hawaiideepseawater.com/>

² David K. Choo, 'Water, Water (and Revenue) Everywhere,' *Hawaii Business*, August 13th 2006: <http://www.hawaiibusiness.com/archivearticle.aspx?id=3684&q=august>

The company also claims that its deep-sea water is free from human related contaminants. From their website: "...some bottled water may contain bacterial contaminants...traces of industrial solvents or other chemical contaminants absorbed from the bottling source. Since our water is pumped from 3,000 feet below the ocean's surface, it does not come in contact with surface contaminants, and we do not have to use any additives to remove those contaminants."³

Koyo even acknowledges that the demand for potable water is far out pacing its accessibility thereby underlining the importance of this venture. This is a slick way to tempt investors.

It is doubtful the 1 billion people without access to potable water are breathing a sigh of relief knowing that they can order a case of 30, 500 ml bottles online for \$86.00 USD with shipping.

Three other Hawaiian corporations have seen this lucrative market and decided that they also want a piece of the action. Watch out water activists, – the new danger lurks deep below the surface.

Summer Headlines for the industry

It has been a busy summer for the big bottled water corporations. Over the last few months' businesses have changed hands, new CEOs have been hired, leading brands have come under fire, and the global reach of the industry has expanded.

For Coke and PepsiCo in particular it was a very difficult summer. The two giants have had to answer serious allegations of selling pesticide-laden products in India and have been banned in over 7 Indian States over the issue. In addition, Coke faced legal challenges from Greek antitrust authorities and a former Uzbek joint venture partner. To make matters worse for the red and white, one of its employees tried to sell corporate secrets to PepsiCo.

With media headlines saying things like 'Is Coca-Cola's bubble about to burst?' and 'Giving the goliaths a good kicking', Coke is definitely feeling the pinch. Even with the pressure mounting from many sides, Coke managed to snap up another bottled water company in Australia, while their latest financial results show that sales from non-carbonated drinks (including water) are keeping the company in the red.

The other bottled water giants Nestlé and Danone spent the summer buying and selling water subsidiaries. Danone, the French yogurt and water corporation, let go of their Canadian Home and Office Delivery units, while Nestlé expanded its water operations in Turkey and built another water bottling plant in Russia.

The following is a sample of summer 2006 news headlines from the bottled water industry:

[US] Starbucks's Corp signed a deal with PepsiCo Inc. to expand distribution of Starbucks-owned Ethos Water

June 19

The Food Institute Report

Starbucks signed a deal with PepsiCo to expand distribution of Starbucks owned Ethos water. Ethos water, currently sold in 5,000 Starbucks outlets and several small US retailers, will eventually expand to 100,000 points of distribution.

[Brazil] Ouro Fino exports bottled water to Walgreens

July 19, 2006

³ MaHaLo Deep Sea Water, *Koya USA*, August 13th 2006: <http://www.hawaiiideepseawater.com/compare-water.html>

Gazeta Mercantil

US drug store giant Walgreens has signed a contract with Brazilian bottled water company Ouro Fino to supply its outlets with bottled water. Walgreens, ranked 134th on the 2006 Fortune 500 with an annual revenue of \$42.2 billion, has close to 5,000 stores in the US and Puerto Rico. The water will be sourced and bottled by Ouro Fino and distributed in the US under the label Brazilian Springs. The President of Ouro Fino said that this was the first large sale of water to the United States by a Brazilian company. The water is sourced from a protected spring near the city of Curitiba, which is located 100kms from the port of Paranaguá. Ironically, 10% of the revenue from sales will be put towards the preservation of the Amazon rain forest.

[US] Pre-packed ice takes bottled water's cake

August 1, 2006

Packaging

Frozen bottled water? AqualCE founder and CEO, Peter Moenicke claims that his company 'brings bottled water quality to ice in conveniently packaged ice cube trays' claims. The company is selling packages of 10 prefilled sealed ice-trays of 10 cubes.

[Turkey] Nestlé acquires majority stake at bottled water company Erikli

August 3, 2006

Dunya

Nestlé announced that it would merge with Turkey's number one bottled water company Erikli. Nestlé Waters will hold a 60 percent stake in the company. If the deal is approved by Turkey's competition authorities, Nestlé will be handed the country's leading premium water brand at a time when the market is experiencing double digit growth.

[Canada] Danone Sells Canadian Water ops to Birch Hill Equity Partners: Terms undisclosed

August 23

AFX International Focus

Danone confirmed that it has sold its Canada division to Birch Hill Equity Partners. Birch Hill will change the name of the company to Aquaterra Corporation, but will retain the Canadian Springs and Labrador Source brand names. The move follows Danone's sale of its US bulk water activities in November 2005. Danone Waters of Canada was the leading distributor and manufacturer of large format bottled water in Canada.

[India] Tata [Indian corp] taps into US bottled water

August 23 2006

BBC News Online

India's Tata Group – a Mumbai-based conglomerate with interests in engineering, energy, consumer goods, mining – has purchased a 30% stake in Glaceau, a US bottled water company for \$677 million. Glaceau produces nutrient-enhanced and fruit-flavoured bottled waters. Tata is best known outside of India for owning Tetley Tea, which it bought in 2000. The Tata Group encompasses more than 90 companies, which produced sales of more than \$22 billion in 2005.

Other headlines from the past summer (If you would like to read any of these articles in full please send a request to richard@polarisinstitute.org)

[Russia] Nestlé Waters to build Leningrad plant

July 13

Just-Drinks

[Uzbekistan] Coca Cola faces \$100M claim over Uzbek Venture

June 14, Dow Jones International News

[Greece] Competition Commission fines Coca Cola Hellenic Bottling with 8.6 mln euros

June 14, Athens News Agency

[China] PepsiCo to expand its production capacity in China
June 19, Economist Intelligence Unit

[Switzerland] Nestlé to buy Jenny Craig for about \$660M
June 19, Dow Jones Commodities Service

[US] McDonald's testing bottled beverages; Coca-Cola may lose exclusive right to beverages
June 20, Belleville News-Democrat (IL)

[US] Coca-Cola and Nestlé team up to launch calorie-burning tea drink
June 22, Marketing Week

[Algeria] Groupe Danone buys bottled water firm Tessala
June 27, Economist Intelligent Unit

[Belgium] Belgian Consumer Group to complain about Coca-Cola Prices
June 28, Dow Jones Commodities Service

[UK] 'Environmental insanity' to drink bottled water when it tastes as good from the tap
June 29, The Independent

[US] Coca-Cola trade secrets 'stolen'
July 6, BBC News Online

[Italy] Coca-Cola acquisition of Fonti del Vulture cleared by Italy's antitrust body
July 7, AFX Asia

[South Korea] Coca-Cola recalls drinks in SKorea after poisoning
July 11, Agence France Presse

[US] Bottled water in meaty flavours? Dogs lap it up
July 13, Agence France Presse

[US] Non-carbonated drinks boost Pepsi profit
July 13, AFX International Focus

[India] India set to be hub for Pepsi's juice sourcing
July 13, Financial express

[Russia] Nestlé Waters to build Leningrad plant
July 13, Just-Drinks

[South Korea] Coca-Cola attempts to cover up poisoning threat
July 14, Korea Times

[US] The bottled-versus-the-tap debate; Consumers who spent \$10 billion last year on bottled water think it's a better bet. But is it?
July 17, Los Angeles Times

[US] Coca-Cola earning rise 7%, helped by sales of water
July 18, Dow Jones Business News

[Latvia] Madeleine Albright represents "Coca Cola" in protest to [Latvian] President
July 19, Latvian News Agency

[India] Green study slams Coke's Kerala plant
July 21, Business Standard

[US] Coca-Cola wins pouring rights for city schools
July 21, Buffalo News

[Australia] Coca-Cola [Amatil] buys Palm Springs water
July 31, The Sydney Morning Herald

[US] Bottled Water's Leaky Logic
August 1, USA Today

[US] Pre-packed ice takes bottled water's cake
August 1, 2006
Packaging

[Australia] Bottled water a dental disaster
August 2, The Australian

[India] Dangerous pesticides in Coca-Cola, Pepsi in India
August 3, Centre for Science and Environment

[India] Soft drink giants Coke, Pepsi face poisoning allegations: Coca-Cola sample in India found to have 200 times allowed pesticide level: report
August 5, London Daily Telegraph

[India] Coke and Pepsi told to spill secrets or face ban
August 5, The Times

[US] Officials at California state long beach announces new, 10-year beverage agreement with Coca-Cola Bottling Company
August 9, US Fed News

[India] Ban on Coca-Cola and Pepsi extends across 7 Indian states
August 11, Financial Times

[US] Wegmans water recalled for high bromate levels
August 13, 2006, The Post Standard/Herald Journal

[Zimbabwe] Coca-Cola sets its sights on Zim bottled water market
August 18, All Africa

[UK] Coca-Cola's 'unethical ways' leave a bad taste in Sussex students' mouths
August 19, The Independent

[Latvia] Latvia bans Coca-Cola, Pepsi and sweets in schools
August 22, Agence France Presse

[US] North America buoys Nestlé Waters
August 23, Just-Drinks

[UK] Student Union bars ban Coca-Cola
August 23, BBC News Online

[India] Indian court refuses to lift ban on Coca-Cola, PepsiCo in Kerala state
August 25, AFX Asia

[US] Coca-Cola sued in US on ingredients that may form benzene
August 25, Dow Jones International News

[US] U. Florida: PepsiCo grants \$1.1 million for U. Florida's obesity research
August 31, U-Wire

[Australia] Coca-Cola says fizzy drinks not responsible for obesity: Soft drinks 'victimised' in obesity debate
September 4, Australian Broadcasting Corporation Transcripts

Feel free to distribute or cite this material on the condition the Polaris Institute is appropriately credited.

Encourage friends and family to subscribe to NewsBytes, check out <http://www.insidethebottle.org> - twice a month bytes exposing what's inside the bottle.

Got a comment? - Let us know what's on your mind at insidethebottle@polarisinstitute.org .

Polaris Institute
180 Metcalfe Street
Ottawa, Ontario
K2P 1P5
Canada
(613) 237-1717
Fax: (613) 237-3359
www.polarisinstitute.org
www.insidethebottle.org

To unsubscribe to the this mailing list please send an email to unsubscribe@polarisinstitute.org