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Consumption Upgrading in Chinese Bottled Water Market

The Case of S.Pellegrino

Supervisor
Ch. Prof. Tiziano Vescovi

Assistant supervisor
Ch. Prof. Franco Gatti

Graduand
Giulio Pio Argentieri
Matriculation Number 847982

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“The journey of a thousand miles begins with one step.”

Lao Tzu

TABLES OF CONTENTS

CHAPTER 3: CULTURAL BACKGROUND OF CHINESE IMPORT OF MINERAL WATER_____83

前言

这个论文的主题是中国瓶装水市场，其转向天然矿泉水、高端水的趋势，让进口瓶装水成为生活方式和社会地位的象征产品的背景。瓶装水市场是一个巨大的行业/邻域。尽管瓶装水的数量既在全球又在中国都不断增加， 但是，在学术论文和各类论文中都很少涉及到这一话题。然而，在每天的生活中我们都喝瓶装水，无论何时何地，从学校到家，从餐馆到工作，瓶装水已经成为我们生活中必不可少的一部分。

水不含卡路里、糖或酒精，是人们保持水分的最好和最古老的方式。此外，几十年来，一些品牌的瓶装水已经能够从普通的解渴产品转变为与众不同的文化形象以及跟生活方式相关的产品。这是营销和沟通策略的力量的见证，它们能够在消费者中建立一个稳定和公认的市场地位也适用于像瓶装水这样物理特性有限的产品。

用瓶装水市场作为我论文主题的念头源于一个发生在我身上的事情。去年，我在中国首都师范大学留学。我到学校的时候，所做的第一件事就是去学校的超市买瓶装水。到了瓶装水架子的前面，我迷惑了，我不知道选择哪一个瓶装水。在那一刻，我意识到，在之前的生活中，我在瓶装水购买过程中的决策是基于意大利水品牌的市场定位，多年来的广告以及瓶装水品牌的沟通策略的结果。

在中国，我不认识这些品牌中的任何一个，对它们没有任何印象。因此，我开始对中国瓶装水市场产生兴趣，想要更好地了解它，找出其变化背后的原因和社会文化背景，同时了解中国消费者对进口瓶装水的态度。

这些就是我的论文的目标，需要对学术文章和瓶装水市场报告进行长期研究之后达成。同时，考虑到有关这一话题的数据具有经济价值，并且详细报告针对的是各家公司，所以这些数据不仅需要付费，成本还不菲。 这就是为什么我无法找齐我想要收集的所有数据的原因。除了这些资料以外，我还创建了一个在线问卷，对我的理论研究结果给出了真实的反馈。本研究旨在调查中国消费者对进口瓶装水，尤其是**圣培露**气泡天然矿泉水的消费频率、偏好、习惯和原因。圣培露是一种高端、进口和气泡水，是瓶装水消费变化趋势的代表性的例子。

接下来我将对论文的每一部分的内容进行更详细的总结。

第一个部分的题目是全球瓶装水消费。在这个部分中，我将分析不同类型的水的定义，（比如天然矿泉水、泉水、纯净水、自来水和气泡水），这些水在论文中会被反复提到。之后，将从全球的角度简要介绍瓶装水市场的历史，以及瓶装水开始被视为自来水的替代品的原因。除此之外，还会分析一些品牌瓶装水之所以能够从解渴产品转变为具有享乐主义特征和象征价值的产品，原因就是因为它们的定位策略。

在**第二个部分**中，将对中国瓶装水市场进行详细分析。事实上，中国人习惯于喝热水，而在中医中，冷水和室温水被认为对人体有不良影响。中国瓶装水行

业的起点可以追溯到 1930。崂山矿泉在那年建立，这是中国第一个商业瓶装水的水，由于打开市场了。从那时起，中国的瓶装水消费量大幅增长，同时也吸引了国际跨国公司（如达能、雀巢和可口可乐公司）进入中国市场。2013 年，中国成为世界上瓶装水消费量最大的国家。在这个部分中，还将分析瓶装水消费增长背后的因素。第一个因素是对受环境污染影响的自来水水质的安全关注。第二个是中产阶级和富裕阶级的崛起，以及·人均可支配收入的显著增长。第三个因素是健康意识的提高、饮食健康问题的出现（如超重、肥胖和糖尿病发病率的增长），这些问题使中国人更加注重健康饮食，并选择瓶装水作为高糖碳酸软饮料和果汁饮料的良性替代品。此外，中国消费者不仅买得更多，而且买得更好。随着生活水平的提高，他们更加关注自己饮用的瓶装水，它们不再是简单的解渴产品，而是被视为一种能取悦自己、美化生活的产品。事实上，在中国的瓶装水消费可以看到从矿化水（如康师傅和娃哈哈）到纯净天然水（如怡宝和农夫山泉）的消费升级。目前销量最高的瓶装水就是农夫山泉，属于天然水。中国水品牌。在第一次消费升级之后，预计瓶装水消费将迎来第二次升级，国内和进口的高端和天然矿泉水的消费量将增加。在这一行业中，气泡水有着显著的增长，成为了水行业中，社会地位和高端生活方式的象征。在这个部分中还将揭示中国高端瓶装水市场越来越拥挤的事实，以及这将如何导致更激烈的竞争。这就需要成功的营销策略，尤其是成功的市场定位，这是能够决定品牌成败的关键策略。

第三个部分的题目是中国矿泉水进口的文化背景。本部分将探讨进口食品饮料消费中的社会文化背景，让进口矿泉水成为生活方式产品的背景。据报道，越来越多的中国消费者追求西方的生活方式。随着进口食品和饮料消费的增加，这在很大程度上影响了消费者的行为，尤其是食品和饮料方面。事实上，很多

不属于中国传统的西方产品（如奶酪、巧克力、意大利面、葡萄酒、咖啡和冷水）在市场上很普遍，中国消费者也开始接受这些产品。中国消费者愿意支付高价购买进口产品的原因有两个。第一，中国消费者普遍认为，由于近年来中国瓶装水行业发生了许多食品丑闻，进口产品的质量高于国内。第二个原因是，进口食品和饮料产品具有社会和象征价值（如现代性、世界主义和威望），被认为是社会地位的象征。这个部分还将介绍中国的矿泉水进口情况，尽管法国是中国矿泉水的主要供应商，但从 2012 年开始，从意大利进口的矿泉水增长迅速。意大利出口矿泉水由于其历史和声望，在国外市场，特别是在高端餐饮业有着很高的地位。意大利矿泉水被认为是意大利美食典型产品，也是地中海饮食的典型产品，更普遍地说，它是“意大利生活方式”的象征。

第四个部分的题目是**圣培露**气泡天然矿泉水。关于与生活方式有关的瓶装水，它是最有名的品牌之一。事实上，正如本个部分所述，品牌的成功是由于其生活方式产品的形象。圣培露的故事长达一个多世纪，不仅出口到世界上 150 多个国家的矿泉水，还出口**意大利生活方式**的概念，其核心价值观是美食、欢乐和对美的热爱。本个部分将介绍圣培露在其持续不断的工作中所做的一些最新项目和国际广告宣传活动，以加强其在消费者认知方面的市场定位，将品牌与其他和意大利文化相关的活动和品牌联系起来，具有与品牌所拥有的价值相一致的价值。事实上，这个品牌有着百年的历史，与意大利美食文化有着密切的联系。此外，这些特征与圣培露的目标人群的文化背景是一致的，这些目标人群是希望追求西方生活方式的中国消费者。

在**第五个部分**，我将介绍一份在线问卷调查的数据和结论。 它的目的是调查中国消费者对进口瓶装水，尤其是圣培露的频率、偏好、习惯和原因。

本论文将对中国瓶装水市场及其变化背后的原因进行全面的考察。此外，中国消费者越来越被西方生活方式和进口产品所吸引，给国外瓶装水出口者带来了巨大的机遇，在论文中，我们将看到美国佩莱格里诺的例子，由于其文化、价值观和故事，已经成为中国消费者之间公认的品牌。

INTRODUCTION

The subject of my thesis is the Chinese bottled water market, and its upgrading shift towards natural mineral water, high-end waters, background that let some imported bottled water become lifestyle and status symbol product. Despite the fact that Bottled Water Market is a huge sector, with increasing numbers both in the global and in the Chinese context, is a topic that is rarely treated both in academic articles and in thesis. However, Bottled water is a constant presence in our life, representing something that we are used to drink in every occasion, from school to home, from restaurant to work. With zero calories, sugar, or alcohol, water represents the best and the ancient way for people to stay hydrated. However, in few decades, some brands of bottled water had been able to shift from being a banal thirst-quenching product into a consumer commodity connected to a range of different cultural images and lifestyles. This are a witness of the power of marketing and communication strategies, able to create a stable and recognized position in consumers' minds, also for a product like bottled water, that has limited physical characteristics.

The idea of use the bottled water market as topic of my thesis started with an episode that happened to me last year.

Last years I was in China as overseas student in the Capital Normal University in Beijing. The first day I arrived, after dispatching my luggage, the first thing that I've done was going to the supermarket of the campus and buy bottled water. Arrived in front of the bottled water shelf, I paralyzed. I didn't know what water choose. In that moment I

realized the fact that in my entire life I based my decisions in the purchasing process of bottled water were based for the positioning that I had of Italian water brands, result of years and years of advertisements and communication strategies of bottled water brands. in china, I did not know any of those brands, so I did not have that kind of references. So, I started to be interested in Chinese bottled water market and wanted to better understand it, to identify the reasons and the socio-cultural background behind its changes, and understand the Chinese consumers' consumption of imported bottled water.

These are the **objectives** of my thesis, that I was able to reach after collecting a long study of reviewing academic articles and also reports of the bottled water market. However, I was not able to find all the data I was determined to collect, considering the fact that data about this topic have economic value, and that detailed reports about it are aimed for companies and have very expansive costs. In addition to these sources, I also created an online questionnaire that gave me a real feedback of my theoretical findings. It was aimed to investigate Chinese consumers' frequency, preferences, habits and reasons regarding their consumption of imported bottled water and especially of S.Pellegrino Sparkling Natural Mineral Water, that, being an high-end, imported, and sparkling water, epitomizes the changing trends in bottled water consumption .

Following there will be provided a more detailed summary of the contents of each chapter of the thesis.

The **first chapter** regards the global consumption of bottled water. In the chapter, will be given some definitions about the different type of water that return also in the rest of the thesis, (like natural mineral water, spring water, purified water, tap water,

sparkling water). After that, it will be presented a brief history of the bottled water market in a global prospective and the reasons why bottled water has started to be seen as a substitute for tap water. In addition to this, there will reported also the reasons why some brands of bottled water, thanks to positioning strategies, are able to shift from being a thirst-quenching product to be a product with hedonistic characteristics and symbolic values.

In the **second chapter** there will reported a detailed analysis of the Chinese bottled water market. Chinese people, in fact, were used to drink hot water, and in traditional Chinese medicine, cold and room temperature water was considered having bad effects on human body. The beginning point of the bottled water industry in China can be due to Laoshan Mineral Water, that represents the first commercial bottled water in China, that opened the market to this industry. From that moment, consumption of bottled water in China has grown considerably, at the point of also attracting also international multinational (like Danone, Nestlé and Coca-Cola) to enter in the Chinese Market. The big growth of the Chinese bottled water market let China became the country with the most consumption of bottled water in the world in 2013. In the chapter there will be also analyzed the factors behind this growth in bottled water consumption. The first is identified in safety concerns about the tap water's quality that affected by environmental pollution. The second in the rising of the middle and wealthy class, with a significant growth in per capita disposable income. The third is identified in the rising health awareness, results of the emerging of dietary health problems, (like the growth in overweight, obesity and diabetes rates) that let Chinese people paid more attention to healthy diet and choosing bottled water as a virtuous alternative to high-sugar carbonated soft drinks and fruit juice drinks.

Moreover, Chinese consumers are not only buying more, but they are also buying better. with improvements in their living standards, they pay more attention to bottled water they consume, no more seen just like a thirst- quenching product but seen also as a product that can please themselves and embellish their lives. In fact, in the Chinese consumption of bottled water can be traced a consumption upgrading from mineralized water (like Master Kang 康师傅, kāngshīfù and Wahaha 娃哈哈, wáhāhā) to purified and natural water (like C'est Bon 怡宝, yí bǎo and Nongfu Spring 农夫山泉, nóngfūshānquán), the latter being the current biggest bottled water brand in China. In addition to this first consumption upgrading, it is expected a second upgrading in the consumption of bottled water, with the increasing in consumption of high-end and Natural Mineral Waters, both domestic and imported. In this sector is remarkable the growth of sparkling water, that became a status symbol product and the symbol of the high-end lifestyle in the water sector.

In the chapter there will also exposed the fact that Chinese high-end bottled water market is more and more crowded, and how this results in more fierce competition. This led to a need of successful marketing strategies, and especially in successfully positioning strategies that can determine a brand successful, or failure.

The topic of the **third chapter** is the cultural background of Chinese import of mineral water. In this chapter there will be treated the socio-cultural context in the consumption of imported food & beverage, background that let imported mineral water became a lifestyle product. It will be reported that more and more Chinese consumers are pursuing a western lifestyle, and this influences their spending behavior, and especially food and beverage consumption, with an increasing of consumption of imported food and beverage. In fact, typically Western products (like cheese, chocolate, pasta, wine, coffee, and cold water), that did not belong to Chinese tradition become widespread in the market, and Chinese consumers started to get used to.

There are identified two reasons why Chinese consumers are willing to pay a *premium price* to buy imported products. The first is that Chinese consumers have the general perception that imported products have a higher quality than the domestic ones, as consequence of the many food scandals that happened in china in latest years, also in the bottled water sector. The second reason is identified in the fact that imported food and beverages products have social and symbolic values (like modernity, cosmopolitanism, and prestige), and are considered status symbols.
In the chapter there will also exposed the Chinese import of mineral water, in which, although France represents the main supplier of mineral water to China, starting from 2012 there has been strong growth in imports from Italy**.** Italian exported mineral waters, thanks to their history and prestige, have premium positions on the foreign market, especially in high-end catering**.** Italian mineral water is proposed as a typical product of Italian gastronomy, and of the Mediterranean diet in general, and more generally as a symbol of "Italian Lifestyle".

The topic of the **fourth chapter** is S.Pellegrino Sparkling Natural Mineral Water. It represents one of the first water that came to mind thinking at bottled water related to lifestyle. In fact, as reported in the chapter, the success of the brand is due to its image of lifestyle product. S.Pellegrino, with its story longer than a century, not only exports in more than 150 countries all over the world the physical bottles of waters but exports also the concept of Italian Lifestyle, based on the core values of fine food, conviviality, and love for beauty. In the chapter there will be exposed some of the latest projects and international advertising campaigns done by S.Pellegrino in its incessant work to reinforce its positioning in consumers perception, connecting the brand with other activities and brands related to Italian Culture, possessing values coherent with the ones possessed by the brand.
The brand, in fact, has a centenary story, and strong values related to Italian and fine dining culture. These characteristics, moreover, are coherent with the cultural

background of the targeted people of S.Pellegrino, that are Chinese consumers that want to pursue a Western lifestyle.

In the **fifth chapter**, there will be exposed the results of an online questionnaire, aimed to investigate Chinese consumers' frequency, preferences, habits and reasons regarding their consumption of imported bottled water and especially of S.Pellegrino.

The thesis will provide a panoramic view of the Chinese bottled water market and of the reasons behind its changes. Chinese consumers, more and more attracted towards Western Lifestyle and imported products, give a big opportunities to foreign exporter of bottled water, and in thesis there will be exposed the example of S.Pellegrino that, thanks to its culture, values and story, has become a recognized brand between Chinese consumers.

CHAPTER 1

BOTTLED WATER MARKET

Before presenting the core subject of the thesis, that is the analysis of the Chinese Bottled Water Market, this first chapter will bring some notions about the bottled water market in general. Firstly, in this chapter there will be given some definitions about different types of waters that will return forward in the thesis. After that, it will be presented a brief history of the bottled water market in a global prospective and the reasons why bottled water has started to be seen as a substitute for tap water. In addition to this, it will be reported also the reasons why some brands of bottled water, thanks to positioning, diversification and communication strategies, are able to shift from being a thirst-quenching product to be a product with hedonistic characteristic and symbolic values.

1.1. WATER IN THE FOOD INDUSTRY

In the food industry, as an end product, water is delivered to the consumer as bottled water[1], that is:

> water intended for human consumption that is sealed in bottles or other containers with no added ingredients except a disinfectant, if necessary, to ensure microbial quality[2].

[1] Dijkstraand, A.F., & de Roda Husman, A.M., (2013), *Bottled and Drinking Water*, Motarjemi, Y., & Lelieveld, H., (editors), *Food Safety Management: A Practical Guide for the Food Industry,* Elsevier Science Publishing Co Inc

[2] McTigue, N., & Symons, J. M., (Editor Emeritus), (2010), *The Water Dictionary: A Comprehensive Reference of Water Terminology,* American Water Works Association

According to source and characteristic, water can be defined in several ways, as follow:

- **Natural Mineral water:**

  Natural mineral water is drawn from the underground source, becoming enriched with minerals as it flows through underground formations. These total dissolved solids[3], that comprise also inorganic salt and a small amount of organic matter, must be at least 250 mg/L, and cannot be added later. Natural Mineral Water status is only granted to waters drawn from identified and protected unpolluted source, with a characteristic stable composition. It must be collected under conditions which guarantee the original microbiological purity and chemical composition and must be packaged close to its source with particular hygienic precautions[4].

- **Spring water:**

  Spring waters are underground waters, that for their own pressure flows naturally from the underground formation to the earth surface. Spring water can be collected on the earth surface or, through a borehole, can collect directly the underground water feeding the spring. In this case, the water must have the same physical properties, composition, and quality as the water that reaches the earth surface.[5]

- **Sparkling water:**

  According to the characteristics of the water, it can be labeled as sparkling *drinking* water, sparkling *natural mineral* water or sparkling *spring* water. It can be naturally carbonated, thanks to limestone geology or volcanic activity; this sparkling natural mineral water is believed to have healing properties since ancient Romans. It can also

[3] Total dissolved solids (TDS) is a measure of the dissolved combined content of all inorganic and organic substances contained in a liquid in molecular, ionized or micro-granular (colloidal sol) suspended form.
[4] Food and Agriculture Organization of the United Nations, *Codex Standards for Natural Mineral Waters,* http://www.fao.org/input/download/standards/223/CXS_108e.pdf, consulted on November 2018.
[5] http://sushi-shikon.com/wp-content/uploads/2015/07/Something-in-the-Water.pdf, consulted on November 2018.

be *artificially* carbonated, by adding dissolved carbon dioxide from another origin, or from the same origin of the water, by harvesting the natural carbon dioxide at the source and reinjecting it into the water during the bottling operation[6].

- **Distilled or Purified Drinking Water**

These are "water from which minerals have been removed by processes such as distillation (i.e., water vaporized and then condensed), deionization (i.e., the passage of water through exchange resins), or reverse osmosis (i.e., the passage of water through special membranes which retain the minerals) [7]". It has been argued that may not be the best choice for long-term consumption, because the absence of minerals can lead to mineral deficiencies in our bodies.

- **Tap water**

Tap water is also referred as city water, municipal water, running water, etc. This is the water that pours from domestic taps and that can also be bottled and sold with or even without additional treatment[8]. For example, in the United States, 25-40% of bottled water is bottled tap water. Tap water is recognized to be safe and very controlled, although poorly maintained water tanks within individual buildings and corroded pipes can affect its quality[9].

In addition to these, there are also other types of waters, as well water, artesian water, glacier water, and iceberg water, the latter two often sold as high-end waters[10].

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[6] Bitton, G., (2014), *Microbiology of Drinking Water: Production and Distribution*, John Wiley & Sons
[7] Bitton, G., (2014)
[8] Dijkstraand, A.F., & de Roda Husman, A.M., (2013), *Bottled and Drinking Water*, Motarjemi, Y., & Lelieveld, H., (editors), *Food Safety Management: A Practical Guide for the Food Industry,* Elsevier Science Publishing Co Inc
[9] http://sushi-shikon.com/wp-content/uploads/2015/07/Something-in-the-Water.pdf, consulted on November 2018.
[10] Mascha, M. (2006), *Fine Waters: A Connoisseur's Guide to the World's Most Distinctive Bottled Waters*, Quirk Books

1.2. HISTORIC ASPECTS OF THE GLOBAL BOTTLED WATER MARKET

Bottled waters date back to Roman times, and the first type of bottled water was the natural mineral water, valued for their unique biochemical properties and pristine source. The ancient Romans believed natural mineral waters had health benefits and cured disease[11], and for this reason, they used to bath and drink them. They used to visit spa towns such as Spa in Belgium and Vichy in France and, to continue to benefit at home from their properties, they started to bottle mineral water in amphoras.

In the XVI century, natural mineral waters started to be sold in pharmacies as medicinal waters. Both their therapeutic benefits and the source of provenience were recognized, and most of them came from France, Italy, Belgium, and German. In the mid-1800, bottled water started to be considered also as a safer and healthier alternative to municipal water. In fact, in those years, diseases like cholera and typhoid spread throughout Europe and the United States, and tap water could be potentially contaminated[12].

However, even if natural mineral water has been drunk for centuries in many European countries, it was not an option for everyday consumption, and it was considered an expensive luxury with medicinally beneficial.

The main factor that revolutionized the bottled water market was the introduction of the PET[13]. Although Polyethylene terephthalate (PET) bottles, were patented in 1973,

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[11] European Federation of Bottled Waters, *Natural Mineral & Spring Waters: The Natural Choice For Hydration,* https://www.efbw.org/fileadmin/user_upload/documents/Publications/EFBW_Industry_Report_interactive_web_PDF_version_final.pdf, consulted on November 2018

[12] Chapelle, F. & Brown, K. F. (2005), *Wellsprings: A Natural History of Bottled Spring Waters,* Rutgers University Press

[13] Hawkins et al. in an analysis of bottled water, found out that the remarkable growth of bottled water consumption is due to the convergence of three phenomena:

the use of PET plastic bottles in the beverage industry did not include the use for bottled water, at least until 1990, when Nestlé introduced PET bottled water line[14]. PET bottled waters were the first plastic bottle to be able to withstand the pressure of carbonated liquids and soon replaced glass as the preferred material for single-serving bottled water containers due to its lightweight, resistance to breakage and its property to act as a barrier to oxygen, water, and carbon dioxide[15]. The use of PET also eased companies to transport bottled water on long distances, even overseas.

Since the introduction of PET in the bottled water market, there has been a very rapid growth in consumption, so much that bottled water market became a beverage industry phenomenon. With this light packaging, bottled waters started to be a daily consumption good, both outdoor, becoming a convenience drink for those on the go, and also at home, as bulk 'family packs' of plastic bottles are easy to be carried home.

All these factors let the bottled water industry enjoy a meteoric rise in the early years of the twenty-first century[16]. Apart from a slight downturn during the global financial crisis of 2008/2009[17], the consumption of bottled water is steadily rising. In fact, bottled water is one of the fastest growing markets in the world. Global consumption grew from

(1) the come PET in bottle,
(2) more interesting in health
(3) the wider intensification of branding.
Source: Hawkins, G., (2017), "The impacts of bottled water: an analysis of bottled water markets and their interactions with tap water provision", *WIREs Water*, vol. 4, (3)

[14]Gleick, P. H. (2010), *Bottled and Sold: The Story Behind Our Obsession with Bottled Water,* Island Press

[15]American Chemistry Council, *Plastic Packaging Resins,* https://plastics.americanchemistry.com/Plastic-Resin-Codes-PDF/, consulted on November 2018.

[16] Klein, C. A., & Huang, L., (2008), "Cultural norms as a source of law: the example of bottled water", *Cardozo Law Review,* vol. 30, pp. 507-510.

[17] Hawkins, G., (2017)

72,675.62 billion liters in 1996 to 131 billion liters in 2002[18] to 391 billion liters in 2017 and it is forecast to reach the 450 billion liters in 2021[19].

Currently, in almost every region of the world bottled water became a sizeable, mainstream commercial beverage category, both in developed and developing countries' market, bottled water is the preferred beverage for consumers of all kinds. It is recognized to be healthy, safe and convenient. It's a portable and affordable beverage, relatively inexpensive when compared with other ready-to-drink beverages and it is suitable for consumption at any time of the day or night, and not necessarily in need of being kept ice cold[20].

1.3. BOTTLED WATER AS A SUBSTITUTE OF TAP WATER

Global Bottled Water Market reaches $195 Billion in 2018[21], with its sales continuing to increase year on year. In addition to the introduction of PET, another reason to explain this growth can be identified in the intensification of marketing strategies[22], insisting on the superiority of bottled water instead of tap water.

Referring to the consumptions of tap and bottled water, it is firstly necessary to make a difference between developing and developed countries, that have different situations regarding tap water.

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[18] Gleick, P.H., & Cain, N.L., (2004), *The World's Water 2004-2005: The Biennial Report on Freshwater Resources,* Island Press

[19] GlobalData, (2017), *Rising drinking culture will boost Chinese spirits through to 2021,* https://www.globaldata.com/rising-drinking-culture/ , consulted on November 2018

[20] https://www.bottledwater.org/public/BMC2017_BWR_StatsArticle.pdf, consulted on November 2018.

[21] https://www.bccresearch.com/pressroom/fod/global-bottled-water-market-reach-$195-billion-2018, consulted on November 2018.

[22] Hawkins, G., (2017)

In developing countries, the problem of the quality of tap water is the main factor pushing for the consumption of bottled water. In these countries bottled water, often just purified tap water, serve as a solution to the problem of often-unsafe water. In fact, often centralized supplies don't meet basic criteria for drinking water quality and there are even countries that don't provide it at all[23].

In developed countries (such as Europe and North America), many people, despite having a safe, clean and cheap supply of water delivered to their homes, are willing to buy bottled water. Researches evidenced that in many countries bottled water is less regulated than tap water, thus there is no real need to buy it. However, people believe that bottled water is better and cleaner than tap water and are convinced of the more 'purity' of the former[24].

Purity is the most important quality referred to the bottled water and is also the point the advertisements of bottled water insist the most on. Doing this, referring to the more purity of bottled water, it logically follows that the other types of water, like tap water, are somehow less pure and possibly dangerous to drink[25]. Actually, bottled water sometimes contains more impurities than tap water, as the latter is subjected to more controls than the former.

Bottled water companies to transform the perception of bottled water, and to convince people that water in a plastic bottle is safer and healthier than tap water[26], have even reached the point of directly using advertisements to promulgate doubts about the safety of tap water. Examples of this are the cases of the French bottled water brand

[23] Dolnicar, S., Hurlimann, A., & Grun, B., (2014), "Branding water", *Water Research*, vol. 57, pp. 325-338.
[24] Brei, V. A., (2018), "How is a bottled water market created*?", WIREs Water*, vol. 5
[25] Brei, V. A., (2018)
[26] Kajtazi, S., & Reshidi, N., (2018), "Consumer-side decision factors on their selection of bottled water brands: statistical method study in a Kosovo sample", *Ekonomika,* vol. 97, (1)

Cristaline, that in its 2007 campaign, explicitly denigrated tap water quality in France[27]. Another example is the case of the 2006 advertisement ran by Fiji Water. This stated: "The label says Fiji because it's not bottled in Cleveland". The Cleveland Water Department then ran tests comparing a bottle of Fiji Water to Cleveland tap water and reported that the quality of the municipal tap water of Cleveland was actually better than Fiji's one[28].

Consumers choose bottled water firstly because of the promises of the water quality that every brand of bottled water makes. In fact, unbranded tap water is undifferentiated, and its source is unknown, so the consumer must consume it on the basis of trust that urban service provides safe and reliable water. Bottle water reorganizes this network of relations, reconfiguring reliability and responsibility into a contractual exchange between the consumer and the beverage company[29]. Unlike tap water, every brand of bottled water provides the consumer technical information about the source, the purity, the history and the characteristics of the water.

1.4. *DIFFERENTIATION POSITIONING* IN THE BOTTLED WATER MARKET

In the bottled water industry, marketing strategies' objective is not only to show the superiority of bottled water from tap water. Another key objective is *positioning* and *differentiating* a bottled water brand[30].

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[27] Brei, V. A., (2018)

[28] In fact, Fiji Water contained 6.31 micrograms of arsenic per liter, while the tap water of Cleveland contained none. http://www.washingtonpost.com/wp-dyn/content/article/2006/07/20/AR2006072000322.html, consulted on November 2018.

[29] Hawkins, G., (2017)

[30] According to the American Marketing Association (AMA), a brand is a "name term, sign, symbol or design or a combination of them, intended to identify the goods and services of one seller or group of sellers and to differentiate them from those of competition", and according to Keller et al., a brand functions is to create awareness, reputation, prominence and so on in the marketplace. Brand can

Bottled water is an example to show how the power of communication and advertising tools can modify the perception that consumers have about a good. Bottled water has been transformed from a thirst-quenching product into something else, shifting the cultural meaning of bottled water from a banal, life-essential good into a consumer commodity connected to a range of different cultural images and lifestyles. According to marketing communication, drink bottled water can produce miraculous results: youth, good health, vitality, affluence, sexiness, enhanced memory and general well-being[31], all qualities that make bottled water more attractive than tap water and that transformed bottled water into a *status symbol* that claims to promote health and happiness in ways that tap water cannot[32].

Worldwide are sold more than 2900 different bottled water brands[33], and the market results highly segmented. To find new markets, bottled water companies super-segment the market by sociographic characteristics of targeted customer groups, and to better attract them define positioning strategies.

In fact, as reported by Porter, in recent decades, in developed countries, competition between companies has intensified in almost every sector and, consequently, companies have tried to adopt strategies capable of ensure a strong and defensible *competitive advantage*[34]*.* These strategies are increasingly based on a market-oriented

generate consumer interest, patronage and loyalty as consumers learn to expect certain brands and products that help create an image and establish positioning in the market.

[31] Collins, H., & Wright, A**., (**2014), **"**Still Sparkling: The Phenomenon of Bottled Water—An Irish Context*"*, *Journal of Marketing Management***,** vol. 2, (1), pp. 15-31.

[32] Klein, C. A., & Huang, L., (2008)

[33] Biro, A., (2017), "Reading a water menu: Bottled water and the cultivation of taste", *Journal of Consumer Culture*, vol. 0, (0), pp. 1–21.

[34] Porter, M., (1985), *Competitive Advantage: Creating and Sustaining Superior Performance*, Free Press.

vision, with competitors and consumers as the only true subjects able to determine the success or the failure of a brand, or a product.

Positioning defines the way in which the company wants the targeted consumers to perceive the brand or a brand's product. The company wants that in their mental elaboration, consumers will perceive that brand or product as better and different from the competitors. Being a company's competitive advantage assessed through the perception consumers have of it compared to the competitors, consequently, is very important for a company make use of differentiation strategies capable of giving a higher perceived value to its product, able to arouse the interest and the intentions of purchasing to the consumers.
In a more and more competitive market, in fact, one way that the company can use to have a competitive advantage is **differentiation positioning,** that is seeking a less-competitive, smaller market niche in which to locate a brand[35].

In fact, product positioning is a concept closely connected to the principles of the policy of differentiation both of products and brands, within a specific target market. The link established between the positioning concept and the chosen market segment, as well as its positioning in comparison to the competitors, constitute the determinants that make product positioning one of the most critical aspects in defining the marketing strategy of a good[36].

From the point of view of the company, in fact, it is clear that for building an effective positioning, the company must have a clear knowledge of its target audience and of the strategies of the competitors. Only this way it is possible to correctly determine the

[35] Kerin, R., & Hartley, S., (2017), *Marketing 13th Edition,* McGraw-Hill Education.
[36] Valdani, E., (1995), *Marketing Strategico. Un'impresa proattiva per sviluppare capacità market driving e valore*, Etas Libri

distinctive variables of the products that constitute a value for the customer. It is also important that these distinctive elements are effectively perceived by the consumer as well as difficulty imitated by competing companies because non-perceived differences between products are not able to generate competitive advantage, while easily imitable differences between products would only be of short-term benefit.

Finally, it must be underlined that, being the positioning built on the basis of the perceptions of the customers, it is influenced not only by the decisions of the company, but also by the choices of the competitors who, by acting on the market, can modify the system of perceptions that customers they have of that market, redefining the position of all the competing products.

In operational terms, for the company, building a product positioning means, substantially, identify the dimensions on which to differentiate your product. In general, such dimensions can be searched by referring to the attributes of the product, to its occasions or methods of use, the benefits sought by customers, and the positioning of competitors. The marketing mix tools related to product, price, promotion and place, undoubtedly constitute the fundamental elements through which the company can build the product positioning.

From what has been described so far, it is clear that positioning analysis can be considered a valid interpretative model for the study of differentiation strategies implemented by companies operating on the same market, addressing the same consumers[37]. However, decisions related to product positioning are related to the perception that consumers have of a product/brand compared to the position occupied by the competitors. Consequently, only the choices based on actions able to impact on

[37] Disanto, R., Pilone, V., & Viscecchia, R., (2007), Il posizionamento comunicativo delle acque minerali: Un possibile modello interpretativo, Conference's contribute available on-line at Foggia University website.

the consumer cognitive system are considered to be effective[38]. Regarding this, marketing communication tools, and especially advertising, can encourage the understanding of the distinctive characteristics of the products on the market, can constitute a means by which the company communicates its position. In positioning, in fact, all the analyzes carried out during the cognitive phase of the marketing process are summarized, the decisions that can allow the product to be placed in the most appropriate and convenient way in the selection processes and in the consumers' preferences are provided.

The positioning strategies are conducted by acting on the levers of the *marketing mix,* that flow together in support of the most appropriate product position on the market. This process is constructed starting from *objective* and *subjective* characteristics, and in markets where the possibilities for *objective* differentiation are limited, like the bottled water market is, communication is an effective and efficient mean for differentiating from the competitors and for create, maintain, and change the unique brand image that every bottled water brand want to create[39].

Within the formerly homogeneous texture of the market, there are now brands that focus on health claim of their bottled water, such as diuretic properties and health strengthening, brands that position themselves for pregnant women and children, brands that claims slimming treatments, brands as a source of energy, art, and creativity. Moreover, targeted subjects have gone even beyond the human consumer, reaching the animal world. In fact, there has been launched on the market bottled water especially created for animals, as beef, liver, chicken, and lamb flavored bottled waters for dogs[40].

[38] Molteni, L., & Troilo, G., (2003), *Ricerche di marketing,* McGraw-Hill.
[39] Brei, V. A., (2018)
[40] Collins, H., & Wright, A., (2014)

1.5. PREMIUM AND LUXURY BOTTLED WATER MARKET

As reported before, bottled water market is highly fragmented, and highly segmented, with brands target specific niche markets. The different positioning in bottled water market, results also in low-end and high-end positioned bottled waters, with varies levels of retail prices. Researches show that the price of bottled waters is mainly affected by extrinsic characteristics (such as source, brand, and packaging), and that, intrinsic characteristics (such as mineral composition), affect the price of bottled water moderately[41].

Consumers are more and more willing to pay a little more for small and affordable luxuries in their daily lives and, in the premium and luxury bottled water, they are willing to pay a premium price for bottled water with some characteristics, primary indicated in their source. Before was reported that purity is the most important and recognized quality regarding water[42], and this is especially true in the high-end bottled water sector. The characteristic of 'purity' is associated with non-anthropogenic processes suggesting that the guarantor of purity is the discovery of a source far from anthropogenic impacts, in a natural contest. The more this natural context are isolated and unique, the more the water source is perceived to be pure and the more brands are justified to place a premium price[43]. An example is the Japanese Kona Nigari Water, one of the most expensive water in the world, sold at $ 402 for the 750 ml bottle. It is collected from a spring that is about 2000 meters below the sea under the island of Hawaii Islands[44].

[41] Capehart, K.W., & Berg, E.C., (2018), "Fine Water: A Blind Taste Test", *Journal of Wine Economics,* vol. 13, (1), pp. 20-40.
[42] Brei, V., Tadajewski, M., (2015), "Crafting the market for bottled water: a social praxeology approach", *European Journal of Marketing*, vol. 49, (3/4), pp.327-349.
[43] Pfeiffer, E.*, Voss Water and Retail Expansion: Implications for a Luxury Brand*, Master thesis available online.
[44] https://www.inabottle.it/it/tendenze/10-acque-piu-costose-mondo , consulted on November 2018.

The source of most of the premium bottled water brands, in addition to the purity of the water, carry with them also strong cultural meanings. This is particularly true especially in a brand with a long history, rooted in a recognized mineral water source, such as famous spa, associated with prestige and magical healing power.

Hence, consumption of premium and luxury bottled water is driven by the image, the social meanings and the emotions they reflect, contrary to low-end bottled water, which consumption is driven by rational and utilitarian factors, that are the physical characteristics and properties of the water. Moreover, premium and luxury bottled waters are connected to *consumption situations* capable of remove the rational though in the consumers and create the association of the premium and luxury bottled water with emotional needs. in fact, consumers accordingly to different *consumption situations* can drink different positioned bottled waters.

The creation of a sophisticated and symbolic image for bottled water can be exampled in two consumption situations related to the consumption of premium and luxury bottled water, premium food stores and top-class restaurants, where is created an allure of uniqueness and individuality around the premium and luxury bottled waters.

Premium food stores are stylish environments, usually associated with the world of fashion and gastronomy. Here premium water brands are offered in small, colorful and fancy designed bottles, often in glass, and are designed for special moments, distant from the banal and mundane ones, and their consumption is far different from the low-end bottled water, something essential to human survival and perceived as a product aimed to satisfy a basic physiological need. Brands sold on those upmarket stores tried to associate themselves with embellishment of life and feelings of refinement. Their strong symbolic associations, high price, and nice bottles drive consumers to perceive

them as social signals, which do not require a 'rational' reason for their shopping decision process[45].

In addition to premium food stores, dining in top-class restaurant is another consumption situation related to the consumption of high-end bottled waters. Dining is a time-limited, sedentary experience, where bottled water is seen as a complement of food and other beverages. In this context, it is difficult to rationalize the consumption of bottled water as a matter of 'convenience'. Here, bottled water is consumed for their terroir and they become symbol of refined taste and 'stylish consumption'[46]. This ability of premium waters to complement a first-class meal is more and more recognized, with the finest restaurants started to offer a wide selection of bottled waters, even providing "water menus"[47] .

1.6. REASONS FOR PREMIUM BOTTLED WATER CONSUMPTION

There are formal water competitions, as the Berkeley Springs International Water Tasting where 'water sommeliers' crown the world's best bottled water based on a blind tasting.

However, with the exception of 'water sommeliers', blind tests show that consumers cannot distinguish between tap and bottled water, cannot distinguish among different brands of bottled water, and some of the subjects also prefer the inexpensive tap water to any of the bottled waters, with no or weak association between a bottled water's price and its rating.[48]

[45] Brei, V. A., (2018)
[46] Biro, A., (2017)
[47] As the Ray's and Stark Bar in Los Angeles, California, that has a 45-page water menu with 20 different brands of bottled water.
[48] Capehart, K.W., & Berg, E.C., (2018)

Consumers are willing to pay a premium for certain bottled waters and, considering the result of the test, this is not related to what is inside a bottle. This type of *consumer behavior* can be identified with the Hedonic consumption.

The **Hedonic consumption** describes a type of consumption that, rather than satisfying the traditional economic view of maximizing one's utility, satisfies our emotional wants.

As Levy stated:

> people buy products not only for what they can do but also for what they mean [49].

From his point of view, Hedonic consumption is disengaged from a utilitarian conception, based on products' and services' use value, and is an activity that involves meanings and symbolic exchanges. Consumers do not consume product or services but consume the product's meanings and images[50].

Used in the past to try to explain price differences among bottles of wine, hedonic pricing approach it is now used also for the high-end bottled waters consumption[51]. This is not aimed at the satisfaction of utilitarian needs, thus hydration; rather, to satisfy consumers' multisensory and emotional needs[52].

[49] Levy, S.J., (1959), "Symbols for Sale", *Harvard Business Review*, vol. 37, pp. 117-124.
[50] Carù, A., & and Cova,B.,(edited by), (2007), *Consuming experience,* Routledge
[51] Capehart, K.W., (2015), "Fine Water: A Hedonic Pricing Approach*", Journal of Wine Economics*, vol. 10, (2), pp. 129–150.
[52] Mundel, J., Huddleston, P., & Vodermeier, M., (2017), "An exploratory study of consumers' perceptions: What are affordable luxuries*?", Journal of Retailing and Consumer Services*, vol. 35, pp. 68–75.

Another way to try to understand the consumption of high-end bottled water, it is provided by a Chinese marketing company, that has built a theoretical model of drinking water's attributes (and consequently of water grades), linked to the Maslow's hierarchy of needs[53].

Abraham Maslow shows that human needs are arranged in a hierarchy, from the most pressing at the bottom to the least pressing at the top. Starting from the bottom, these are: physiologic, safety, social, esteem and self-actualization needs. A person tries to satisfy the most important first. When that need is satisfied, it will stop being a motivator, and the person will try then to satisfy the next need[54].

In fact, needs are related to the purchasing behavior. If a need is sufficiently pressing, can direct the consumer to seek satisfaction, becoming a motivator, a driver in the consumer decision-making process.

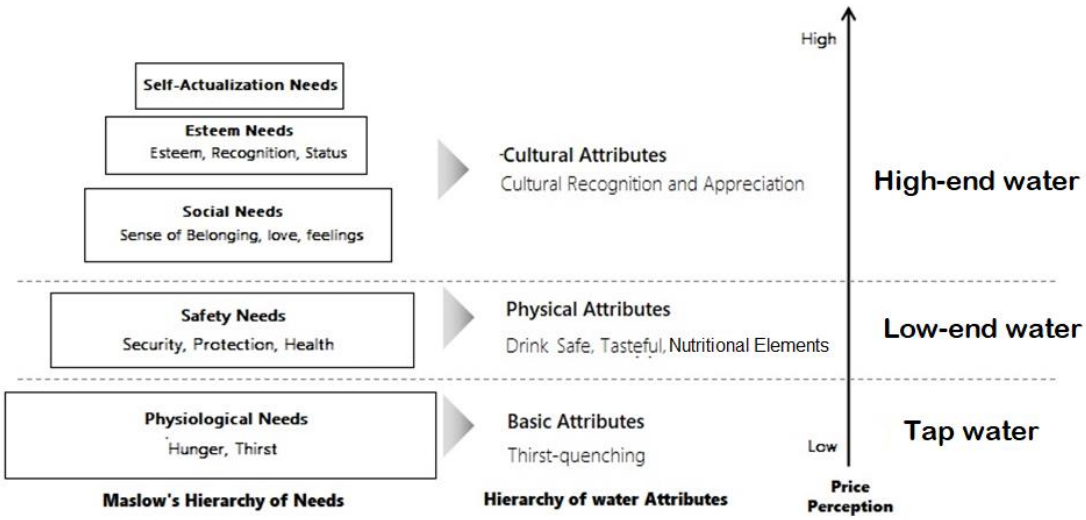


Fig. 1.1. A Model of Mineral Water Value Based on Maslow's Demand Theory. Personal translation. Source: *http://www.ceoim.com/article-88060-1.html*, consulted on November 2018.

[53] http://www.ceoim.com/article-88060-1.html , consulted on November 2018.
[54] Kotler, P., & Armstrong, G., (2012), *Principles of Marketing 14th Edition*, Pearson

From this theoretical model, we can see that in the drinking water consumption, the basic attribute of the water is thirst-quenching. Satisfied this physiological need, grows in the consumer the need for safety, represented in the physical attributes of safety, taste and healthy nutritional elements of the drinking water. If also this need is satisfied, in the consumer will grow, in order: social, esteem and self-actualization needs. These are reflected in the cultural attributes given to high-end bottled waters. In my opinion cultural attributes must be intended in two aspects: the first is the cultural meanings related to the source of the water, the second is the social prestige that the consumption of premium bottled water, as a *status symbol*, can give to the consumer.

In fact, having high-end bottled waters higher prices than low-end bottled waters, this makes them not available to the masses, and becoming this way more desirable because of the symbolic value they represent. In fact, bottled water also serves as an identity-signaling function: like articles of clothing, visible water bottles of well-known high-end brands can provide a marker of social status or identity. People carrying around high-end bottled water, can distinguish themselves from people that carry a generic low-end brand of bottled water, identifying themselves as a particular kind of subject in consumerist capitalism.

CHAPTER 2

UPGRADING OF CONSUMPTION IN CHINESE BOTTLED WATER MARKET

2.1. FROM BOILED WATER TO BOTTLED WATER

In China, it's a cultural belief that drinking hot water is good for health. For the majority of Chinese people, hot water is an essential part of their daily life. They daily boil water and store it in a thermos to keep the water warm for the day and when they want to drink it, then pour the water into a cup and make tea, or just drink hot water. Doesn't matter the weather or the season, the average temperature for drinking water in China goes always from warm to hot[1].

This deep-seated tradition goes back to the **traditional Chinese medicine (TCM)**. In fact, a fundamental precept of TCM, is that drinking any fluids cold less than 37 degrees Celsius, can slow blood circulation, lead to an imbalance in internal body temperature and causes symptoms like irritability, thirst, low energy, hot chest, sweating at night, sluggish digestion, headaches, restless sleep, abdominal gas and cramps. In TCM is believed that, as organs cannot immediately metabolize fluids that are below 37 degrees Celsius core body temperature, in order to make cold drinks warm enough for the body to use, the body has to work harder, wasting energy. Cold water can result in contractions and reduced circulation in the digestive organs, damaging it and, in the long term, can lead to digestive disorders and weight gain. Oppositely, drink warm or hot water, have beneficial effects, as it helps to preserve and protect the internal

[1] Chen, J., Kuo, J., Zhang, L., (2013), *New Method Chinese,* Lulu.com.

organs, promotes blood circulation, remedies internal cold patterns of disharmony and can relieve many symptoms, as stomachaches or constipation[2].

Moreover, TCM divides food and drink into five "natures" or "essences": cold, cool, neutral, warm, and hot. These don't refer to the actual temperature of foods, but rather onto the impact they have on the body. For example, raw food is considered cold, rice is neutral, and beef is hot[3]. Each organ has its own type of energy, and in the case of the stomach the cold essence has bad consequences on it, thus TCM recommends warm or hot water to prevent upsetting the stomach energy.

For ancient Chinese people, because of poor living standards, fuel was expensive, and hot water was a luxury item reserved for society's most vulnerable, such as the elderly, pregnant women, and the infirm[4]. Thus, before the spread of gas and electric stoves, most households could not afford to boil water at home. They instead bought it from professional hot water stores known as "tiger stoves" (老虎灶 Lǎohǔ zào). They were named this way because the shape of furnace chambers reminded the eyes of a tiger, and the chimneys had the shape of a tail. Today, with thermoses, home kettles, and public hot water dispensers, they're just a memory, however Laohuzaos, at that time, not only provided hot water, but also acted like a teahouse for residents, being sometimes adjacent to snack shops, and were also places for social aggregation. Every household in the neighborhood was a customer, both in the winter, because people bought water to heath, and also during the summer when people brought their own

[2] https://drmeelainling.com/8-reasons-to-drink-warm-water/, consulted on November 2018.
[3] https://www.atlasobscura.com/articles/china-hot-drinking-water-traditional-medicine, consulted on November 2018.
[4] http://www.sixthtone.com/news/1000919/the-history-behind-chinas-obsession-with-hot-water, consulted on November 2018.

chairs to sit near the stoves. There were about 159 hot water stores in Shanghai in 1912 and by 1936, the number raised at more than 2,000[5].

The cultural preference for hot water was also shared and fostered by the political powers. In the 1930s, the Republican government led by Chiang Kai-shek launched a campaign called "The New Life Movement", to counteract both Western capitalist values and communist ideology that was leading to profound cultural changes in the Chinese society. In 1935, was released "The Catalogue of the Requirements for the New Life Movement"—96 rules of conduct that reflected neo-Confucian values. In addition to values regarding personal hygiene and manners, the catalogue also reported that the temperature of drinking water must be hot.

Fig.2.1. Pictures from the 'New Life Weekly' encouraging people to drink boiled water. Source: picture from National Digital Library of China, reported in http://www.sixthtone.com/news/1000919/the-history-behind-chinas-obsession-with-hot-water, consulted on November 2018.

[5] Lu, H., (2004), *Beyond the Neon Lights: Everyday Shanghai in the Early Twentieth Century*, University of California Press.

The communist party, the opposed ideology, also agreed on hot-water drinking. Mao Zedong and other top leaders actively promoted the consumption of hot water among Red Army troops, and when communists gained power in 1949, founding the People's Republic of China, the government established across the country free hot water services in schools, factories, and government departments[6].

Although for many Chinese the boiling of drinking water is not necessarily considered a form of "treatment" but a widespread cultural preference; boiling water can provide complete pathogen inactivation, in fact boiling kills or deactivates all waterborne pathogens and viruses, and even if the water is turbid, boiling can remove microorganisms and volatile organic compounds.

However, concerns about tap water's safety, a fast-moving life, imitation of Western lifestyle, are all factors that have let people in urban areas replace boiled water preferring bottled water. Even in rural China, where boiling water is still a common practice, the young generation and more affluent households prefer bottled water to boiled tap water and researches shows that, with the improvement of the socioeconomic situation in rural China, in the coming years there will be a further growth in the use of bottled water[7].

2.2. HISTORY OF BOTTLED WATER MARKET IN CHINA

As reported before, Chinese people were used to prefer hot water, drinking it at home, or bringing it outside in thermos. In recent years, the consumption on an everyday

[6] http://www.sixthtone.com/news/1000919/the-history-behind-chinas-obsession-with-hot-water, consulted on November 2018.

[7] Cohen, A., Zhang, Q., Luo, Q., et al., (2017), "Predictors of Drinking Water Boiling and Bottled Water Consumption in Rural China: A Hierarchical Modeling Approach", *Environmental Science and Technology*, vol. 51(12).

basis of bottled water has replaced this habit, especially between the youngest consumers. Despite the fact that bottled water was started to use as a beverage in the everyday life consumption, bottling water in China is a quite ancient activity and can be traced back to the Zhou Dynasty (B.C. 781–771), when bottled mineral water was used especially for **medicinal** purposes. In fact, from historical documents we can see that in China people knew about mineral water for a long time, with Emperors bathed in hot springs to recover from diseases like rheumatism[8]. The beginning point of the bottled water industry in China can be due to Laoshan Mineral Water, established by Germans in Shandong Province, near the coastal city of Qingdao in 1930[9]. It represents the first commercial bottled water mineral industry in China, that opened the market to this industry. After that, production from several other mineral water enterprises have also been put onto the market, especially in the 1960s, and since that then bottled water's popularity in China has grown considerably, representing for Chinese people no more a product with medical purposes, but a product for the daily consumption.

A significative development of the development of the bottled water industry in China happened in 1982 when the state listed beverages as planned management products. In 1987, China issued the first time the national standard of drinkable natural mineral water GB8537-87. Thanks to the adoption of this standard, the bottled water industry begins to develop very quickly. In the 1990's, with the raising of the Chinese standard of living, the demand for bottled water increased rapidly by 20% annually. By 1994, there were about 100 bottled water enterprises with an output of 3million tons[10].

[8] LaMoreaux, P. E., (2012), *Springs and Bottled Waters of the World,* Springer.

[9] Barnes, A., & Cao,W., (2014), "Muddy Waters: the public health risks and sustainability of bottled water in China", *Vermont Law Review,* vol. 38, pp. 971-1025.

[10] http://www.finewaters.com/bottled-waters-of-the-world/china, consulted on November 2018.

In the 1990s the bottled water market was introduced with new products, as purified and distilled water, with C'est Bon being the first purified water in China[11].

In 2012 approximately 740 bottle-manufacturing firms operated in China, and with over 1,500 domestic bottled water brands, China's bottled water market is complex, fragmented and localized, as there are a lot of leading regional players within provinces that meet the needs of local consumers[12]. Consumption habits varying by province, with significant differences between each region. Although national brands control a majority of the volume and value of sales, international players have established their presence in China[13]. In fact, the booming bottled water market has attracted the attention of Nestlé, Danone, Coca-Cola, and other international well-known beverage brands, that are involved in China's bottled water industry through sole proprietorship or joint venture in the past decades[14].

The big growth of the Chinese bottled water market let China became the country with the most consumption of bottled water in the world in 2013 [15] and in 2017, China accounted for more than one-quarter of the world's bottled water volume[16].

[11] http://www.ewenku.net/docs/d5b3ac25517128, online report of the 'Northeast Securities Co. Ltd, consulted on November 2018.

[12] https://www.packagingstrategies.com/articles/88556-china-bottled-water-market-to-grow-58-by-2019, consulted on November 2018.

[13] http://www.agr.gc.ca/resources/prod/Internet-Internet/MISB-DGSIM/ATS-SEA/PDF/6856-eng.pdf , "Sector Trend Analysis: Bottled Water in China", online report of the 'Agriculture and Agri-Food Canada', consulted on November 2018.

[14] http://www.sohu.com/a/252272270_354988, online report of the ASKCI Consulting Co. Ltd, consulted on November 2018.

[15] http://ecommercechinaagency.com/bottled-water-chinese-beverage-market/, consulted on November 2018.

[16] https://www.bottledwater.org/public/BMC2017_BWR_StatsArticle.pdf , online report of the 'International Bottled Water Association', consulted on November 2018.

2.3. BOTTLED WATER STANDARDS IN CHINA

The many food scandals happened in the latest years in China, let the public's awareness of food health more and more strengthened. This resulted in the necessity by the state regulatory authorities of a more standardized and regulated market.

In December 2014 The National Health and Family Planning Commission of the People's Republic of China (国家卫生和计划生育委员会，Guójiā wèishēng hé jìhuà shēngyù wěiyuánhuì) announced the extensive modification of their standards for packed bottled drinking water. The new Hygienic Standards of Packing Drinking Water (GB19298-14) replaced two outdated standards from 2003 (GB19298-2003) and 1998 (Bottled Purified Water: GB17323-1998) and came into effect on May 24, 2015[17] .

The new national standard applies to packaged drinking water, except *natural mineral water,* and it stipulates that "The name of packed water for drinking shall be true and scientific; packed water for drinking shall not be named with one or more than one ingredient other than water."

Therefore, after the implementation of the new national standard, there are only two kinds of bottled water market in China: **natural mineral water** and packed water for drinking, the latter divided into **purified water** and **other drinking water.** Other drinking waters include:

> Drinking water of natural sources, with water in conformity to the raw material requirements in the standard, used as water source for production and treated by such finite treatment methods as deaeration, aeration, filtering, ozonation or UV

[17] http://www.agr.gc.ca/resources/prod/Internet-Internet/MISB-DGSIM/ATS-SEA/PDF/6856-eng.pdf , consulted on November 2018.

sterilization process only, without changing the basic physicochemical characteristics of water[18].

It is articulated within the standard that packaged drinking water shall only be named or labeled with the term 'drinking water', making disappear the use of denominations as oxygen-enriched water, ionic water, energy water, functional water, and other unscientific contents[19]. If any food additive has been added to the product, the claim "with food additives as flavorings" shall be presented on the package next to the product name.

This standard does not apply to natural mineral water, for which remains in effect the "Drinking Natural Mineral Water the National Food Safety Standard" (GB 8637-2008), issued on November 29, 2008, and implemented on January 10, 2009. This standard "specifies details on the product classifications, requirements, testing methods, testing guidelines, labeling, packaging, transportation and storage for drinking natural mineral water" and "applies to the production, inspection and sales/distribution of drinking natural mineral water"[20].

2.4. CHINESE BOTTLED WATER MARKET ANALYSIS

In a **volume** perspective, in 2017 China was the country with the most consumption of bottled water by volume.

[18] https://www.chinesestandard.net/PDF.aspx/GB19298-2014 , consulted on November 2018
[19] http://wemedia.ifeng.com/66839427/wemedia.shtml, consulted on November 2018.
[20] https://www.chinesestandard.net/PDF.aspx/GB19298-2014 , consulted on November 2018

According to China Daily, the market has steadily grown in the years from 2010 to 2015, from 19 billion to 37 billion liters of bottled water. In 2016, retail sales of bottled water rose to 42,640 million liters. According to the "China Business Industry Research Institute", retail sales of China's bottled water industry has maintained a growth rate of more than 10% in recent years[21], and during 2016-2021, GlobalData expects China's bottled water market to expand at a Compound Annual Growth Rate (CAGR) of 7.42%, expecting to consume, in 2021 alone, 57,903.90 million liters[22]. Thus, at least until 2021, China is expected to continue to be the biggest market for bottled water[23].

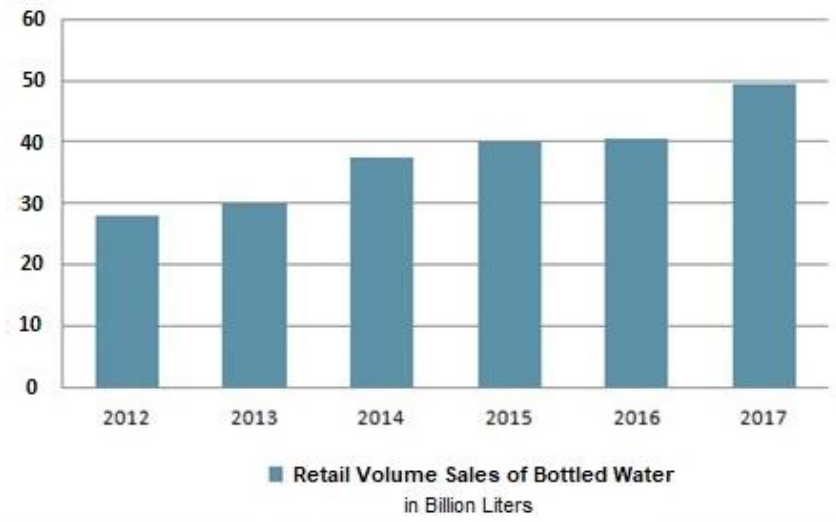


Fig.2.2. Retail **volume** sales of bottled water in Chinese Market, in the 2012-2017 period. Source: http://www.chyxx.com/industry/201807/657510.html, consulted on November 2018.

The volume of Chinese bottled water market still has a big potentiality for its growth. In fact, although Chinese bottled water market is the biggest in the world, China's **per capita bottled water consumption** is quite low. According to Beverage Marketing

[21] http://www.sohu.com/a/244740548_694663, consulted on November 2018.
[22] https://www.globaldata.com/china-will-remain-worlds-largest-bottled-water-market-2021-says-globaldata/, consulted on November 2018.
[23] https://www.inabottle.it/it/news/mercato-acqua-imbottigliata-Cina, consulted on November 2018.

Corporation, China ranked 12th place in 2016 for per capita consumption. Latest years per capita consumption of bottled water has been on a steady upswing, from 13,7 liters in 2007 to 23.6 liters in 2013[24] to 28.8 liters in 2016, but it is still quite far from the Global average per capita consumption of 49,94 liter. Taking developed countries as a reference, like the U.S., where per capita consumption is 148,77 liters, or France with 138,54 liters, can be understood that Chinese per capita consumption is still limited in numbers, and that, with improvements in health awareness and standards of life, has a lot of potential growth.

In the period 2012-2017, the retail **value** sales of Chinese bottled market doubled, from 80 billion Yuan to 160 Billion Yuan.

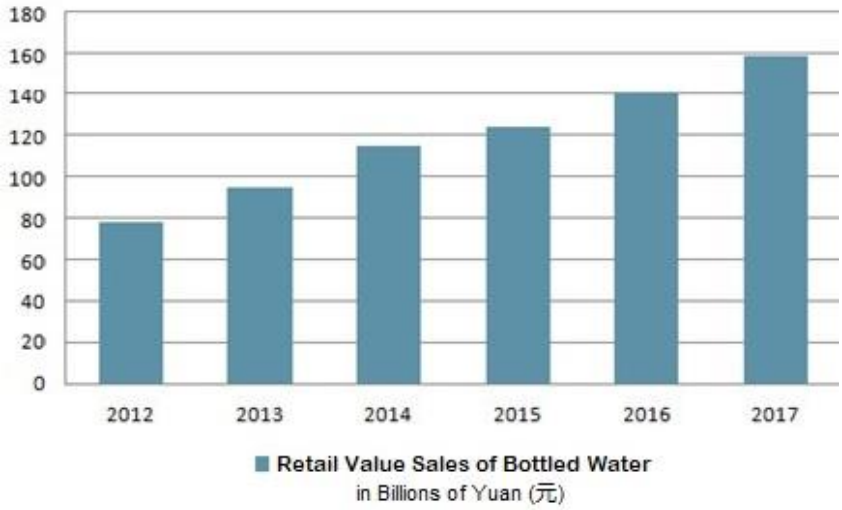


Fig.2.3. Retail **value** sales of bottled water in Chinese Market, in the 2012-2017 period. Source: http://www.chyxx.com/industry/201807/657510.html, consulted on November 2018.

It is estimated that China's demand for bottled water will continue to increase over the coming years, and it is predicted that the sales revenue of China's bottled water

[24] https://www.globaldata.com/china-will-remain-worlds-largest-bottled-water-market-2021-says-globaldata/, consulted on November 2018.

manufacturing industry will be close to 200 billion yuan in 2020[25], with a 5%-12 % annual growth rate between 2015 and 2025[26].

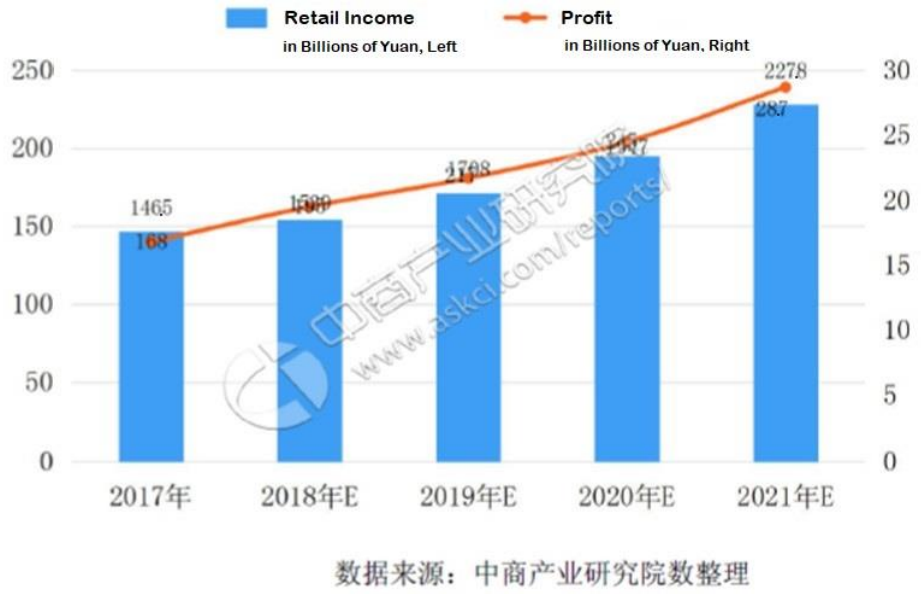


Fig.2.4. Change in Net Profit of Bottled water manufacturing industry's sales revenue. Source: ASKCI Consulting Co. Ltd, reported in http://www.sohu.com/a/252272270_354988 , consulted on November 2018.

2.5 REASONS BEHIND THE GROWTH OF BOTTLED WATER IN CHINA

Behind this enormous growth can be identified different reasons, such as the Chinese consumers' rising safety concerns about the effects of environmental pollution on tap water, the improving living standards and disposable income, and the risen of health-awareness among Chinese consumers.

[25] http://www.sohu.com/a/252272270_354988 , online report of the ASKCI Consulting Co., consulted on November 2018.
[26] http://ecommercechinaagency.com/bottled-water-chinese-beverage-market/, consulted on November 2018.

2.5.1. Safety Concerns: environmental pollution that affects tap water's quality

According to the "Blue Book on China's Public Health Drinking Water", 61% of consumers use bottled water (46% natural mineral water and 15% purified water), while only 37% use tap water (25% drink tap water and 12% directly purified water, e.g. through water purification systems) as their daily drinking water[27].

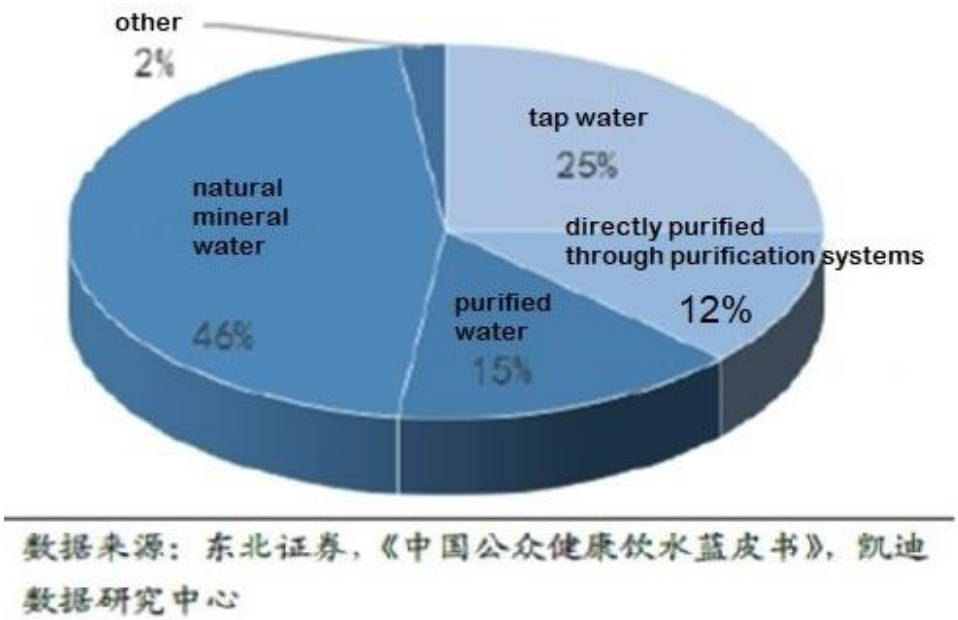


Fig.2.5. Percentages of types of waters used as daily drinking water among Chinese consumers. Personal Translation. Source: Data from KDNET data-research center, reported by the Northeast Securities Co. Ltd

In 2014 in China, about 75 percent of the population (1.1 billion people) were without access to unpolluted drinking water, according to China's own standard.

[27] http://www.ewenku.net/docs/d5b3ac25517128, online "Detailed Industry Report" of the Northeast Securities Co. Ltd, consulted on November 2018.

In less than 20 years, China has become the largest consumer of bottled water in the world, and the main driving factor to support its rapid growth is the public concern about water safety.

During the 1980s and 1990s with the rapid development of modern industry, China's rapid economic growth transformed the country. Although the economic boom lifted millions of Chinese people out of poverty, has been accompanied by environmental degradation, polluting atmosphere, soil, vegetation, and waters. Extensive use of fertilizers by farmers and industrial wastewater dumping by manufacturing firms have rendered the water in many lakes and rivers unfit for human consumption[28], making the Yellow River became one of the most polluted rivers in the world.

Over the past three decades with the risen in water pollution, this has also spread from surface waters to groundwater resources. According to a 2016 report of the Ministry of Water Resources (中华人民共和国水利部, Zhōnghuá Rénmín Gònghéguó Shuǐlìbù), Chinese aquifers are polluted by the presence of nitrates, heavy metals, perchlorate[29] and persistent organic pollutants. Data reported that 32.9 percent of the water was considered suitable only for agricultural and industrial use (class IV) and 47.3 percent was not suitable for domestic consumption (class V).

China recognizes this problem, in fact in 2012, has been mandated that tap water in all cities should meet a standard based on 106 indices called for by the World Health Organization[30]. But so far, only a few cities meet the desired standards. China is facing

[28] Ebenstein, A., (2012), "The consequences of industrialization: evidence from water pollution and digestive cancers in China", *The Review of Economics and Statistics,* vol. 94(1), pp. 186–201.

[29] A study done in 2009 collected and analyzed water samples in 13 provinces and municipalities, and the presence of perchlorate, a potent thyroid hormone–disrupting compound, was detected in 86% of the samples analyzed. Source:
Wu, Q., Zhang, T., Sun, H., & Kannan, K., (2010), "Perchlorate in Tap Water, Groundwater, Surface Waters, and Bottled Water from China and its Association with Other Inorganic Anions and with Disinfection Byproducts", *Archives of Environmental Contamination and Toxicology,* vol. 58 (3), pp. 543-50.

[30] Tao, T., & Xin, K., (2004), "A sustainable plan for China's drinking water", *Nature,* vol. 511, pp. 527-528.

the problem of lack "first-class drinking water sources" (Class I and II), so many cities have to use Category III or even worse waters as the water source for tap water in the municipal water distribution system, with serious public health consequences[31]. Official data released by the National Development and Reform Commission (中华人民共和国国家发展和改革委员, Zhōnghuá Rénmín Gònghéguó Guójiā Fāzhǎn hé Gǎigé Wěiyuánhuì) show that the tap water quality of nearly 20% of the cities was not up to standard, and even water that's been purified in treatment plants is often recontaminated *en route* to homes, because of the outdated water pipes of many urban areas that leech impurities into the public drinking water. According to the Shanghai Water Authority, "almost all" of the city's surface water is polluted and fails to meet drinking standards[32].

The situation is even worst in rural areas, where about 300 million people don't have access to tap water[33] and rely on unsafe drinking water with unhealthy levels of hazardous materials, with 190 million people drink water that is so contaminated that makes them sick, and 66,000 people die every year as a result of water pollution[34]. In the past, the lack of access to piped water has been associated with a 26 percent increase in diarrhea in children under five years of age[35]. Moreover, with the decline in water quality, the country experienced an increase in rural cancer rates, especially in stomach and liver cancer (that in 2002 represent China's fourth and sixth leading causes of death) that, together with other digestive tract cancers accounted for 11%

[31] http://www.chinawaterrisk.org/wp-content/uploads/2015/09/CWR-Bottled-Water-In-China-Boom-Or-Bust-Sep-2015-ENG.pdf, consulted on November 2018.
[32] Barnes, A. & Cao, W., (2014).
[33] Wu, Q., Zhang, T., Sun, H., & Kannan, K., (2010).
[34] Zhang, J., (2012), "The impact of water quality on health: Evidence from the drinking water infrastructure program in rural China*", Journal of Health Economics,* vol. 31, pp. 122– 134.
[35] Xie, J., (2009), "Addressing China's water scarcity*", Water P-Notes*, vol. 37

of all fatalities and nearly 1 million deaths annually in China, as reported by World Health Organization in 2002[36].

In addition to the water pollution, in recent years happened many scandals related to the contamination of the waters, that had pushed the Chinese consumer to consume bottled water instead of tap water. Among these scandals can be reminded: the 15 thousand dead pigs discovered in the Huangpu river in Shanghai, which provides the tap water to most parts of the city (2013) and the loss of benzene from a pipeline directly in the plants of drinking water in Lanzhou (2014)[37]. With the deterioration of the quality of water sources and, in consequence, of the safety of drinking water, Chinese consumers are more and more concerned about water-safety issues and the quality of tap water, sharing also their opinions on social media[38]. With the awareness that the quality of the tap water is not indicated for human consumption, people are more and more choosing bottled water as an alternative.

Bottled water companies, aware of these growing concerns, try to take advantages of this, directly criticizing tap water in their advertisement, as the case of one Nestlé Pure Life (雀巢优悦 Quècháo yōu yuè)'s television advertisement (**Fig.2.6.**).This shows children making unhappy faces after tasting tap water, with one child pouring his glass into a fish tank instead of drinking it, and they change attitude when has offered them Nestlé Pure Life[39]. This advertisement shows that water quality is a big recognized concern for Chinese consumers, turning to bottled water as a safer alternative.

[36] Ebenstein, A., (2012).
[37] http://www.china-briefing.com/news/2017/03/01/investire-nel-settore-delle-acque-bottiglia-cina.html, consulted on November 2018.
[38] Delang, C. O., (2016), *China's Water Pollution Problems,* Routledge Focus Series, Routledge.
[39] https://www.bloomberg.com/news/articles/2013-01-24/chinas-unsafe-water-is-nestl-s-opportunity, consulted on November 2018.

Moreover, companies know and use this in advertisements, trying to reinforce this idea in consumers.

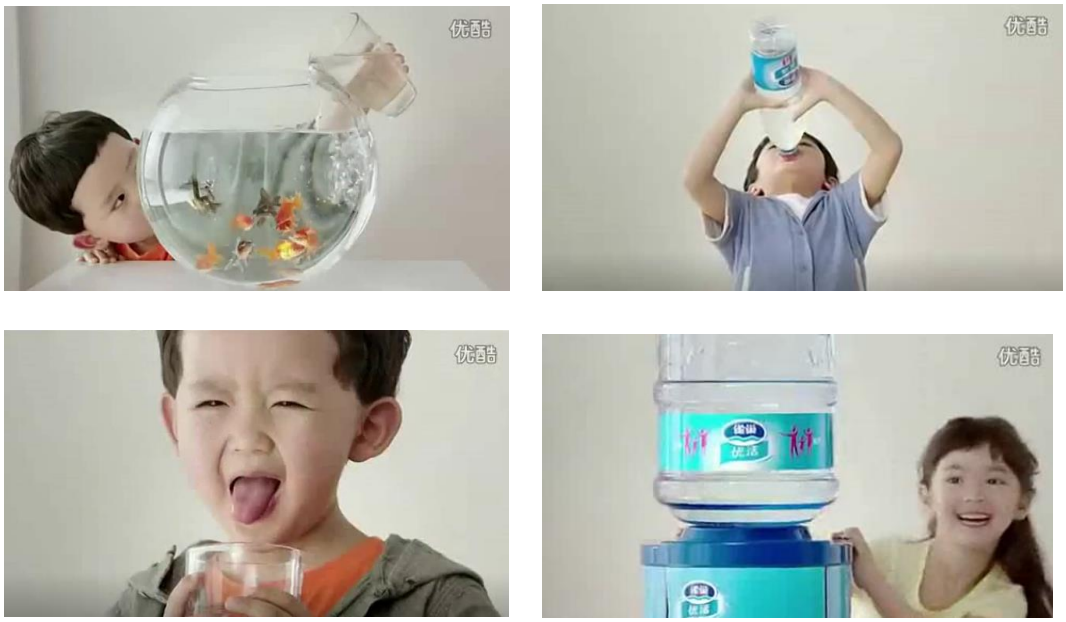


Fig.2.6. (Video frames from) Nestlé Pure Life's (雀巢优悦 Quècháo yōu yuè) TV advertisement. Source: https://v.qq.com/x/page/x0130zz7mzi.html, consulted on November 2018.

2.5.2. The Rising of the Middle and the Wealthy Class

The second driving force behind the growth of the Chinese bottled water market is China's rising middle class. In recent years, China's national economy has maintained a steady development trend, and along with the macroeconomic growth, also the living standard of the Chinese people has been greatly improved[40].

[40] Gleick, P.H., & Cain, N. L., (2004)

Researches, examining Chinese consumers food purchasing behavior and their awareness of food safety, showed that the changes in the food market are related to rising incomes and urbanization. The results of this survey showed that consumers with a lower level of education tend to be less concerned about certain food safety factors compared to those with a higher level of education. The respondents with higher food expenditures were also more concerned about food safety than those who spent less money on food[41]. As Chinese consumer disposable income continues to grow, they are also more concerned about food safety and, as a result, are searching for superior food and better-quality water, thus bottled water[42].

Fig.2.7. shows the growth of **per capita disposable income** of Chinese *urban* residents, that increased from 6,280 yuan in 2000 to 31,790 yuan in 2015, with CAGR of 11.4%.

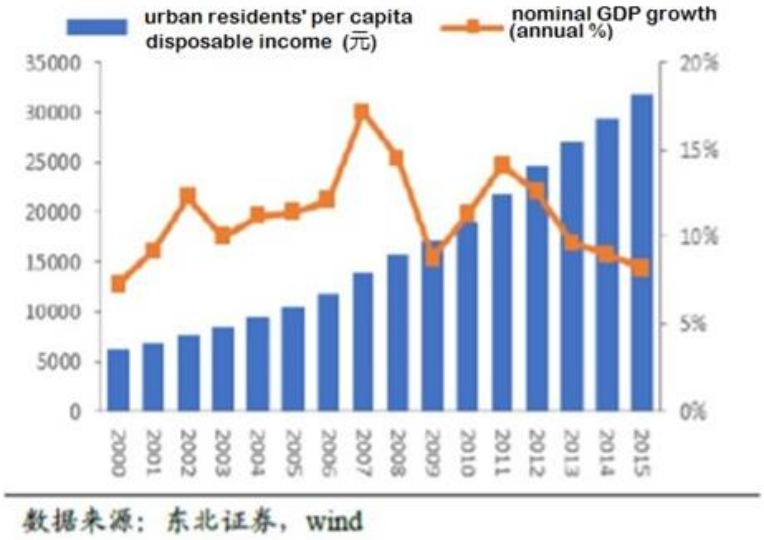


Fig.2.7. Urban Chinese consumers' growth of disposable income.
Source: data from WIND, reported by the Northeast Securities Co. Ltd

[41] Liu, A., & Niyongira, R., (2017), "Chinese consumers food purchasing behaviors and awareness of food safety", *Food Control*, vol. 79, pp. 185-191.
[42] Barnes, A. & Cao, W., (2014)

Moreover, also the per capita net income of *rural* residents has reached 9,892 yuan in 2014, with a 12.34% of CAGR in the period 2011-2014[43].

According to Boston Consulting, the number of Chinese upper middle class (household which monthly disposable income is 12,500-24,000 yuan) and rich class (household which monthly disposable income is more than 24,000 yuan) will have a big increase, from 50 million households in 2015, to 100 million in 2020, from 17% of total households in 2015 to 30% households in 2020[44] (**Fig.2.8**.). And, contrary to the low-income group that prefer carbonated beverages, the middle and high-income group prefers healthy beverages, thus the rise of the upper middle class and of the wealthy one will be a driver for the rapid growth of bottled water market.

Fig.2.8. The rise of Chinese Middle-class and wealthy households.
Source: data from BCG, reported by the Northeast Securities Co. Ltd

[43] http://www.ewenku.net/docs/d5b3ac25517128, online "Detailed Industry Report" of the Northeast Securities Co. Ltd, consulted on November 2018.
[44] http://www.ewenku.net/docs/d5b3ac25517128, online "Detailed Industry Report" of the Northeast Securities Co. Ltd, consulted on November 2018.

In conclusion, the rapid development of China's economy and the increase of income of urban and rural residents provide a strong demand power for China's drinking water consumption market.

2.5.3. Rising Health Awareness

In the Western countries, the overweight and obesity problem is well-known, particularly in the European and North American populations, with media increasingly links it with the increased consumption of soft drinks[45] this has led to a growth of health-conscious consumers. Consequently, marketers started to position bottled water as a virtuous alternative to high-sugar carbonated soft drinks and fruit juice drinks.

In the latest year, this is happening also in China, with the emerging of dietary health problems, as the growth in overweight, obesity and diabetes rates. This let Chinese people paid more attention to healthy diet.

According to the "Report on the Status of Nutrition and Chronic Diseases of Chinese Residents" issued by the National Health and Family Planning Commission (中华人民共和国国家卫生和计划生育委员, *Zhōnghuá Rénmín Gònghéguó Guójiā Wèishēng Hé Jìhuà Shēngyù Wěiyuánhuì*), the overweight and obesity incidences in China increased significantly in the 10 years from 2002 to 2012. The overweight incidence of adults increased from 22.8% to 30.1%, and the obesity one increased from 7.1% to 11.9%.

[45] Rani, B., Maheshwari, R., Garg3, A. & Prasad, M., (2012), "Bottled Water – A Global Market Overview*", Bulletin of Environment*. *Pharmacology and Life Sciences,* vol. 1, (6), pp. 01-04.

Children and adolescents, that often prefer sugary drinks, also face these dietary problems. In fact, the overweight incidence in children and adolescents from 6 to 17 years old had a rising from 4.5% to 9.6% and obesity incidence rose from 2.1% to 6.4% in the 2002-2012 period.

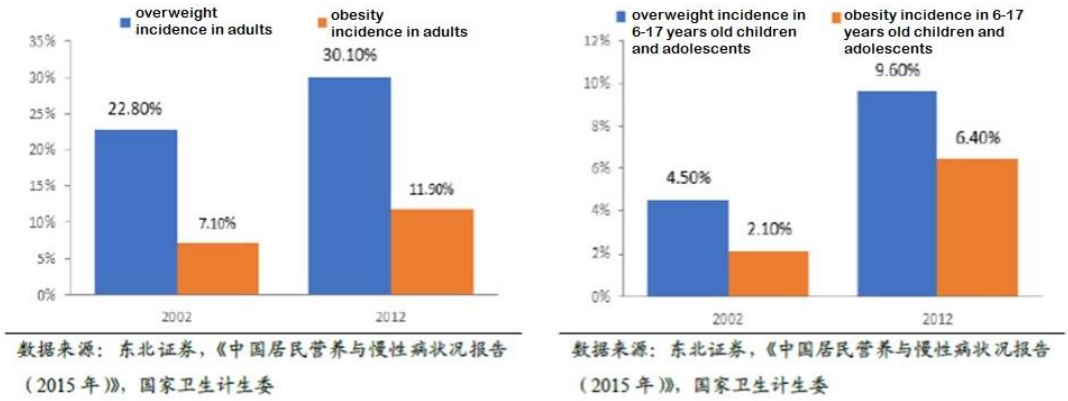


Fig.2.9. Rise of overweight and obesity among Adult (left) and 6-17 years old Chinese People (right). Source: data from Chinese National Health and Family Planning Commission, reported by the Northeast Securities Co. Ltd

According to the International Diabetes Federation, in 2000, there were only 23 million people with diabetes in China aged 20-79 years old, with a prevalence rate of 2.7%. In 2015, 110 million people aged 20-79 in China suffered from diabetes, nearly four times the number of patients in 2000, and the incidence rose to 10.6%. This huge growth made China rank the first country in the world for the number of adult diabetic patients, far higher than the second country, India, with its 69.2 million.

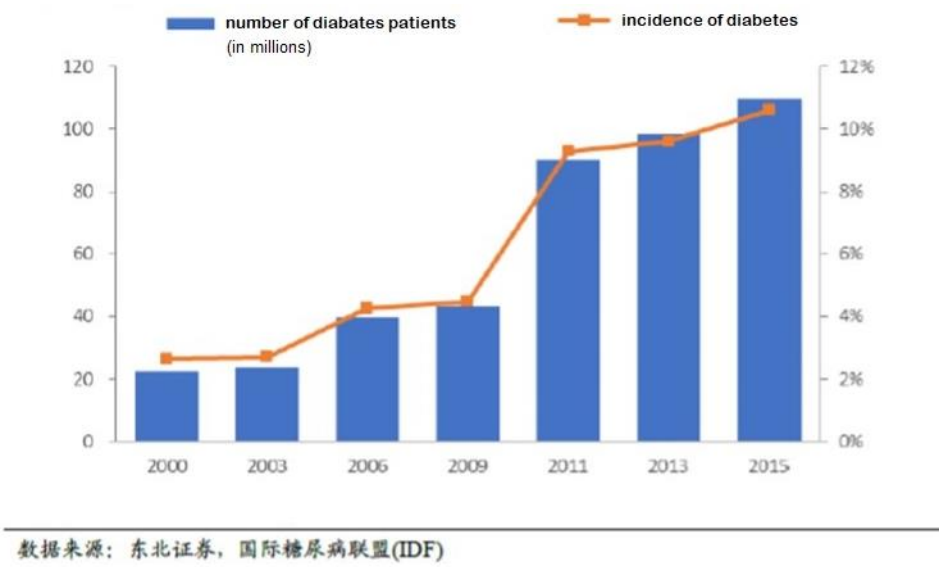
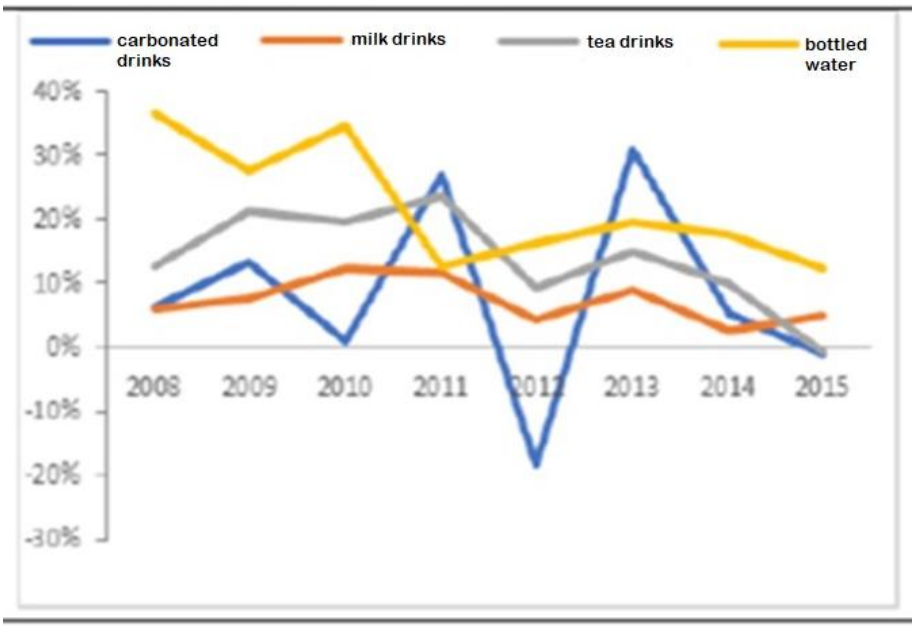


Fig.2.10. The rise of Diabetes number and incidence in 20-79 years old Chinese People. Source: data from International Diabetes Federation, reported by the Northeast Securities Co. Ltd

As a result of the emergence of these problems, Chinese consumers' health awareness has been gradually strengthened[46] and they are now starting to pay attention to a healthy diet. Because of this awareness, and of the improvement of people's living standards, Chinese consumers are shifting from "eating well" to "eating safely and healthily". This shift will also have an effect on the beverage consumption, that will change *from tasty to healthy*. Chinese consumers already started this trend of "safety, nutrition, health", gradually replacing unhealthy high-sugar and high-calorie beverages, like juice and sodas, with low-sugar and low-calorie diet habits. It has been reported that the mainstream consumer groups, firstly shifted from carbonated drinks to tea drinks and secondly, with the rising of health demands, to healthy beverages and bottled water. As the only beverage that doesn't have fats, sugars, alcohol, water

[46] https://www2.gov.bc.ca/assets/gov/farming-natural-resources-and-industry/agriculture-and-seafood/statistics/exports/market_research_water_japan_and_china.pdf, online report, consulted on November 2018.

represents the best and most healthy choice, representing the primary component in the healthy nutrition for every age and for every situation of consuming during the day[47]. Consumers' pursuit of healthy drinks led to a rapid increase in bottled water production in 2007-2015, and for most of the time higher than other categories. Especially in 2014 and 2015, the growth rate of carbonated beverages, milk drinks, and tea drinks decreased to single digits or even negative growth, but bottled water still maintained double-digit growth. Between 2007 and 2015, CAGR in bottled water production reached 22%, higher than tea (14%), milk (7%) and carbonated (7%).



数据来源：东北证券，国家统计局

Fig.2.11. Trends in the growth of carbonated beverages, milk drinks, tea drinks and bottled water in the period 2008-2015.
Source: data from the Chinese National Bureau of Statistics, reported by the Northeast Securities Co. Ltd

[47] Biffignandi, S. & Chiesa, F., (2012), *Il comparto alimentare e beverage: Produzione, consumo, packaging e macchinari*, Franco Angeli.

Bottled water is the drunkest non-alcoholic beverage in China. In 2002 bottled water accounts for 36% of global soft drink consumption per capita, in 2016 this number rise at 50% and is expected to reach 55% by 2021. In addition to this, it is also the most preferred. According to the "Beverage Industry Satisfaction 2016 report", 24% of Chinese consumers prefer bottled water over the other beverages, and only 7% of them preferred carbonated beverages.

2.6. THE FIRST CONSUMPTION UPGRADE FROM *MINERALIZED* TO *PURIFIED* AND *NATURAL WATER*

China's bottled water industry can be divided into four groups.

1. The first group is imported and domestic high-end *natural mineral waters*, the retail price is basically more than 5 yuan/500 ml. Between the others, it includes Kunlun Mountains (昆仑山, kūnlún shān), Evian (依云, Yī yún), Perrier (巴黎水, bālí shuǐ), Tibet 5100 (西藏 5100, xīzàng 5100), and San Pellegrino (圣培露, Shèng péi lù).

2. The second group includes low-end *natural mineral waters* brand, as King Hundred Mountain (景田百岁山, jǐng tián bǎi suì shān), mostly sold at a 3-5 yuan/500 ml price.

3. The third group includes *purified waters* and *natural waters*, the latter belonging to the "other drinking water" denomination. At this echelon belong C'est Bon (怡宝, yí b ǎo) and Nongfu Spring (农夫山泉, nóngfū shānquán), the current biggest bottled water brand in China.

4. The fourth group comprises *mineralized waters*, belonging to "other drinking water", as Master Kang (康师傅, kāngshīfù) and Wahaha (娃哈哈, wáhāhā).

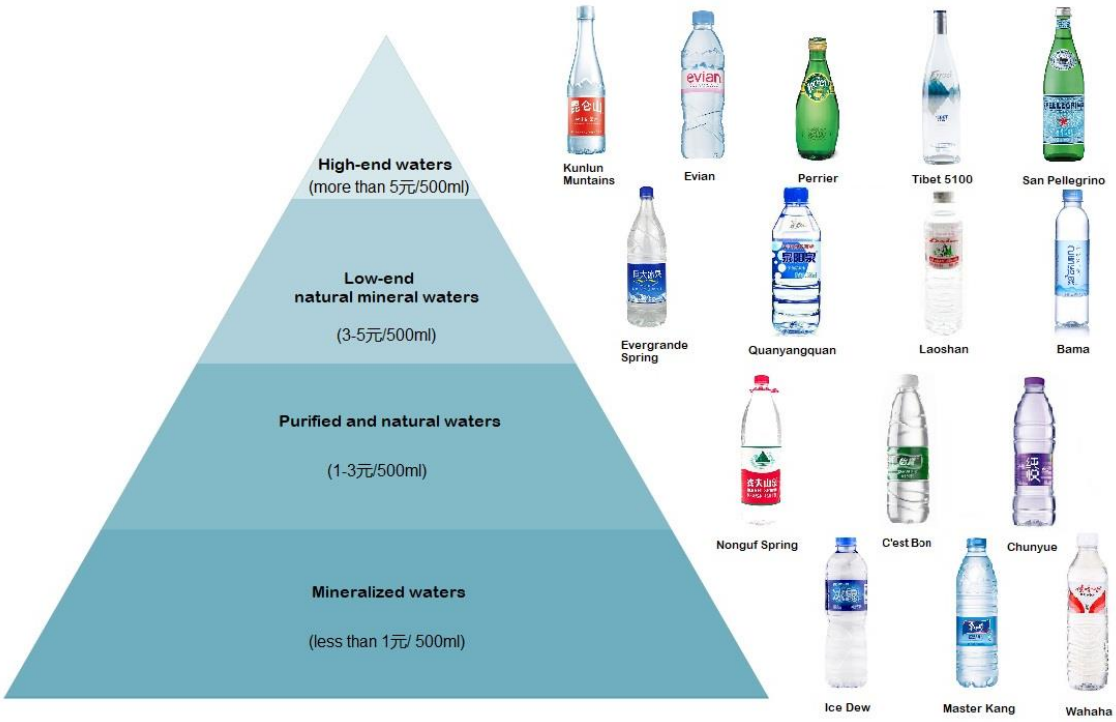


Fig.2.12. The four groups in the Chinese Bottled Water Market. Personal elaboration. Data source: Northeast Securities Co. Ltd

The bottled water industry in China experienced two rounds of consumption upgrade. The first, from *mineralized waters* to *purified* and *natural waters*, and the second, from *purified* and *natural waters* to *natural mineral* and *high-end waters*.

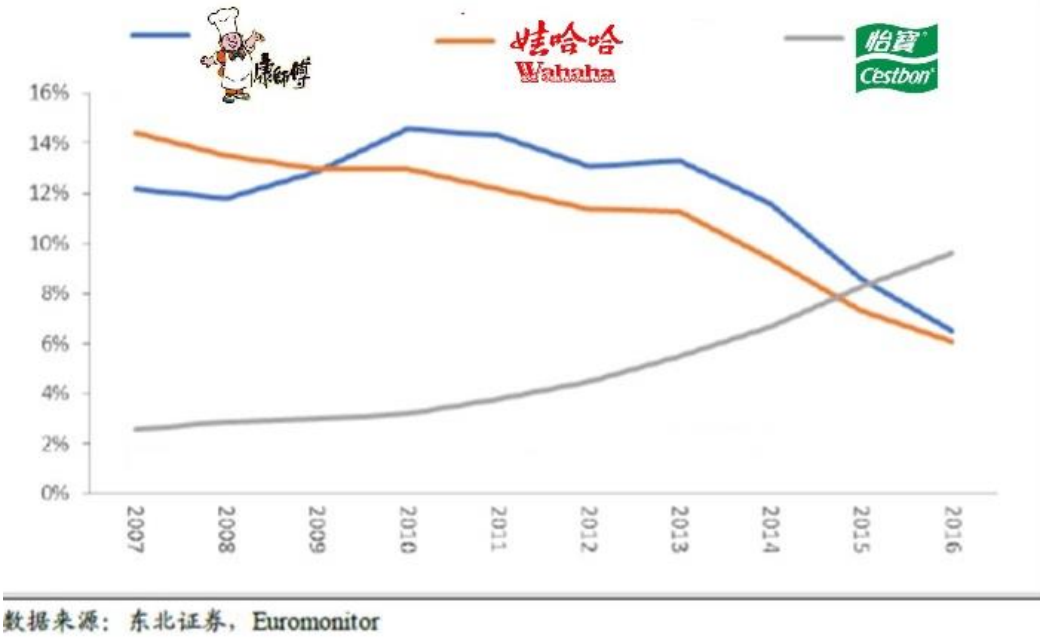


Fig.2.13. Variations in the Bottled Market share. From the figure, we can see the decrease in the market share of Master Kang and Wahaha, both mineralized waters, and the increase in the market share of C'est Bon, natural water. Source: data from Euromonitor, reported by the Northeast Securities Co. Ltd

Before 2010, *mineralized water* occupied the majority of the bottled water market in China, but from 2010 onwards, the mainstream trend shifted towards *purified water*. As we can see in **Fig.2.13./Fig.2.16.**, Master Kang in 2010 was the leader of Chinese bottled water market, and its Market share from 14.6% in 2010 fell to 8.1% in 2015 (**Fig.2.13/Fig.2.16.**). Recent data shows that it still continues to fall, as in the first quarter of 2018 Master Kang's water sales fell by 21.4%, compared to the previous year.

From **Fig.2.13./Fig.2.16.** we can also see the fallen of the market share of Wahaha, another *mineralized water* brand belonging to the fourth group. Its market share from

more than 14% in 2010 fell to 7.5 % in 2015. The figures also show the rise of the market share of the purified water C'est Bon, from 3.2% in 2010 to 7.8% in 2015.

Fig.2.14. C'est Bon logo both in Chinese characters (left) and roman letters (right)

C'est Bon started its activity as a local brand, the leader in Guangdong. Then became a leading brand in South of China, and after this started the nationalization process, with a very rapid growth in the company's performance. In fact, C'est Bon's sales increased from 1.07 million tons in 2007 to 6.56 million tons in 2014, with a CAGR of 29.5% in the 2007-2014 period, and the sales in the same period increased from HK$959 million to HK$9.89 billion, with CAGR of 39.6%.

Fig.2.15. C'est Bon trends in volume sales (left) and value sales (right) in the 2007-2014 period.
Source: data from C'est Bon Company Report, reported by the Northeast Securities Co. Ltd

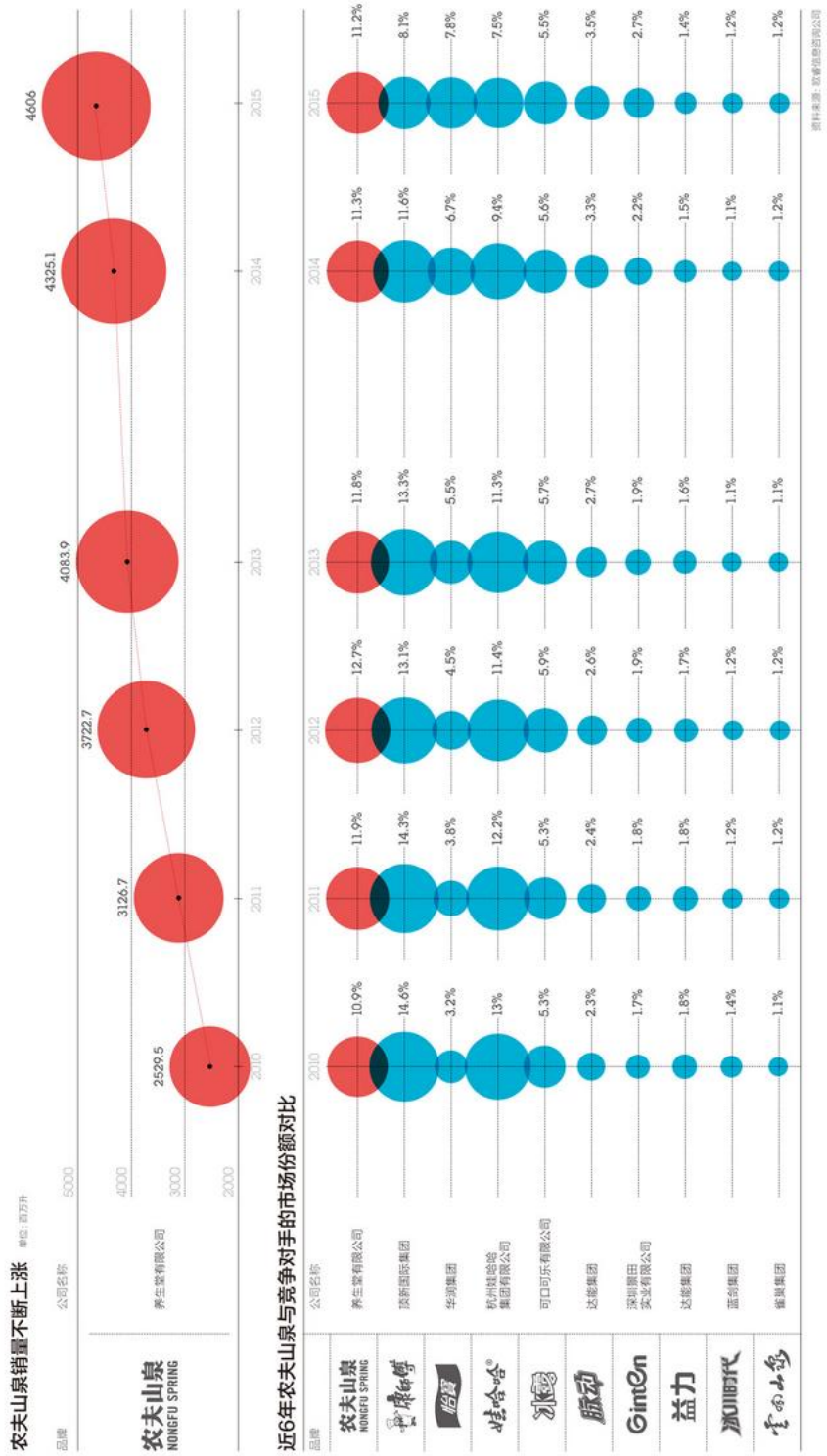


Fig.2.16. Changes in the Market Shares Percentages of the leader companies in Chinese Bottled Water Market in the 2010-2015 period. Source: Euromonitor International

2.6.1. NONGFU SPRING, THE MARKET LEADER

Headquartered in Hangzhou, Zhejiang Province, **Nongfu Spring Co., Ltd** (农夫山泉股份有限公司 Nóngfū shānquán gǔfèn yǒuxiàn gōngsī) in 2016 was the leader of bottled water market in China. In addition, with its production of fruit and vegetable juices, functional and tea drinks, the company was also one of the top 20 beverages in China. In 2016, the company achieved an operating income of 14 billion 100 million yuan, an increase of 29.58% over the previous year's 10 billion 900 million yuan.

Nongfu Spring is very strict in the selection of water sources, and the current eight ones are all high-quality. Its products do not contain additives and are all produced directly in the water source, thus the water that consumer purchase is exactly the same that comes from the sources.

Its success is not accidental, and the key of it can be identified in Nongfu Spring's main *values* of Nature and Health [48], present in a coherent way in every aspect of the company marketing mix strategies[49].

Starting from the **Product**, the *values* of Nature and Health that Nongfu Spring wants to transmit the consumer can be identified from its **Name**. Product naming, in fact, is considered a critical part of the branding process, and it is indicated to hold appeal to

[48] https://baike.baidu.com/item/农夫山泉, consulted on November 2018.

[49] Li, C., (2018), "Research on Marketing Strategies of Bottled Waters: The Example of Nongfu Spring", *Northern Economy and Trade,* vol. 8

targeted consumers and let them distinguish the product from its competitors by conveying it unique positioning. The Chinese name of Nongfu Spring represents a successful choice of name, being it different from other leader brands' product names, and more realistic and emotional, suggesting the product benefits. In fact, in Chinese language 农夫 (nóngfū) means "farmer" and 山泉 (shānquán) "mountain spring", so "Farmer's Spring". It is in line with the concept and characteristics of "natural water" of the product itself and is in line with consumers' pursuit of health, natural, pollution-free consumer demand.

Always related to Product, **Packaging**, is another element coherent with Nongfu communication strategy. Packaging, in fact, in addition to the practical function to store and transport water, has to communicate product information to consumers. On the label of the bottled water, there is a representation of three mountains reflecting in the Qiandao Lake, in Zhejiang province, where the production of the company started. It represents the natural beauty and pure water source with concrete images, in line with people's pursuit of nature and purity and with the values of the company. Moreover, Nongfu's Packaging, with red as dominant color, differently the colors usually used by bottled water brands, such as blue or green, give the brand a factor of differentiation. The importance that company gives to the packaging can be identified in the fact that the studies for the packaging design of its glass-bottled high-end *natural mineral water* lasted for three years. Five design firms from three countries were invited to create the bottles, for a number of more than 300 designs. However, results obtained were remarkable, stressed by the fact that this packaging has won five global design awards.

Fig.2.17. Nongfu Spring's *product lines*. From left, student series, natural mineral water, natural water. Source: https://v.qq.com/x/page/e0152g5lx68.html , consulted on November 2018

Price Strategy, the second aspect of marketing mix here exposed, represents another key factor for the success of the brand. When Nongfu Spring entered in the market, adopted the strategy of a high price (about one yuan higher than other well-known products on the market), to create in the consumers the *image* of being a high-quality brand. Targeted people were more interested in natural and healthy products, and in their purchasing process, the primary factor they considered was the quality of the products rather than the price. Then, the brand lowered prices, receiving a good response in the market, as being remained, in the consumers' perception, as high positioned brand.

Nongfu Spring's main *values* of Nature and Health, are obviously, key points its **Promotion** focus on. Nongfu Spring's ***advertising slogans*** "Nongfu Spring is a little sweet" and "We do not produce water, we just transport nature," are extremely popular in China. In its advertisements, Nongfu insists on the source of water, as they don't use city tap water, but good water quality with a sweet taste. Some of its TV advertisements takes also a view of the Nongfu Spring water sources, presenting the

transportation process of the bottles from the mountain to the city, evoking in consumers a desire and pursuit for nature. Showing this transportation process also reflects what has been reported in the previous chapter, that is the importance of the consumer recognition about the water source, and the promise between the bottled water brand and the consumer.

Fig.2.18. In this figure, from the e-commerce platform jhw58.com (聚货网, Jù huò wǎng) , there are three qualities of Nongfu Spring, all foucusing on the high-quality of Nongfu Spring water sources: (1) it is high quality natural water, coming from eight high-end sources, (2) it's bottled direcctly to the source, (3) the sources can be found in every drip of the water.

Source: http://www.jhw58.com/goods.php?id=275 , consulted on November 2018.

Nongfu advertisements shows that the Company has a great ability in storytelling and how it can be possible to increase *brand equity*[50] also in activity such as a factory construction design process[51]. That's what happened in the design process of the company's Fusong Factory, that takes place in a National forest reserve. To design this factory it needed 3 years, as it was intended that all the design of the factory buildings had no effects on the natural environment of the forest[52]. This element was also reported in advertisements, showing the importance that the company gives to it.

[50] Brand Equity is the added value a brand gives to a product beyond the functional benefits provided. Kerin, R., & Hartley, S., (2017), *Marketing 13th Edition,* McGraw-Hill Education.
[51] http://bbs.pinggu.org/thread-4640774-1-1.html, consulted on November 2018.
[52] https://v.qq.com/x/page/e0152g5lx68.html, consulted on November 2018

In addition to its successful advertising marketing, Nongfu's support and sponsorship activity in Chinese sports have also played a very positive role in its *brand image* shaping. Nongfu Spring is reflected in the consumers' mind with the spirit of sport, health, openness, unity, and mutual assistance. As matter of fact, Nongfu Spring was selected as the water for the Chinese delegation for the 27th Sydney Olympic Games.

2.7. THE SECOND CONSUMPTION UPGRADE FROM *PURIFIED WATER* TO *NATURAL MINERAL WATER* AND *HIGH-END WATER*

With the second upgrading shift in the Chinese consumer consumption, the market share of brands of the first and second group are expected to rise substantially. Although at the present the second group, and especially the first group, are relatively small. However, these two groups have maintained relatively rapid growth in recent years, as for example King Hundred Mountain (景田百岁山, jǐng tián bǎi suì shān) which market share went from 1.7% in 2010 to 2.7% in 2015.

As reported above, per capita disposable income is rising, and consequently the number of upper-middle class and wealthy Chinese households. Moreover, about their expectations regarding future incomes, 55% of consumers are confident their incomes would increase significantly over the next 5 years. This confidence is encouraging consumers in their spending habits, that is trading up for premium products over mass products. A survey reported that in the bottled water sector, 15% of consumers want to trade up[53].

[53] http://mckinseychina.com/wp-content/uploads/2016/03/The-Modernization-of-the-Chinese-Consumer_EN.pdf, consulted on November 2018.

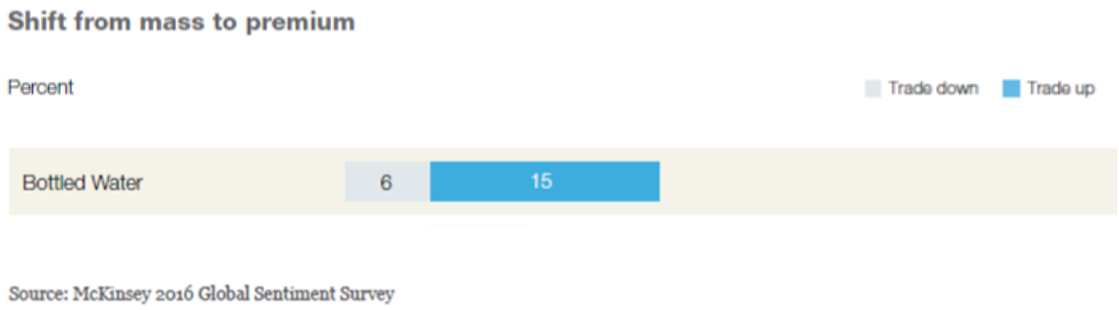


Fig.2.19. The intention of Chinese Costumers to trade down or trade up in the bottled water consumption.
Source: McKinsey 2016 Global Sentiment Survey

With the improvement of purchasing power and the increasing of health-awareness, the mainstream trend in Chinese consumers consumption is gradually upgrading to *natural mineral water* and *high-end water*[54].

Chinese consumers are not only buying more bottled water, but they are also going upmarket. In fact, with improvements in their living standards, they pay more attention to bottled water they consume, no more seen just like a thirst- quenching product but seen also as a product that can please themselves and embellish their lives.

2.8. NATURAL MINERAL WATER

Chinese consumers' bottled water demand is changing from thirst-quenching to healthy and quality. With the increasing understanding and health demands of natural mineral water by consumers, the mainstream shift towards natural mineral water is inevitable, and it is believed to become the leading product in China's drinking water market.

[54] http://www.sohu.com/a/244740548_694663, consulted on November 2018.

Natural mineral water is recognized and loved by the broad masses of the people because is more in line with the healthy water demands of Chinese consumers than *purified water* and "other drinking water", both treated products. In fact, *natural mineral water* is much more than drinking water: with its original purity and qualitative consistency, contains *natural* minerals and trace elements which are beneficial to the human body. Consumers are also willing to pay a higher premium for natural mineral water, in fact, the average price of natural mineral water is higher than the price of mainstream *non-natural mineral water*[55].

Driven by consumer demand, natural mineral water market in China has maintained a growth rate of more than 20% in recent years. By 2015, the market size of the *natural mineral water* industry in China reached 49.5 billion yuan.

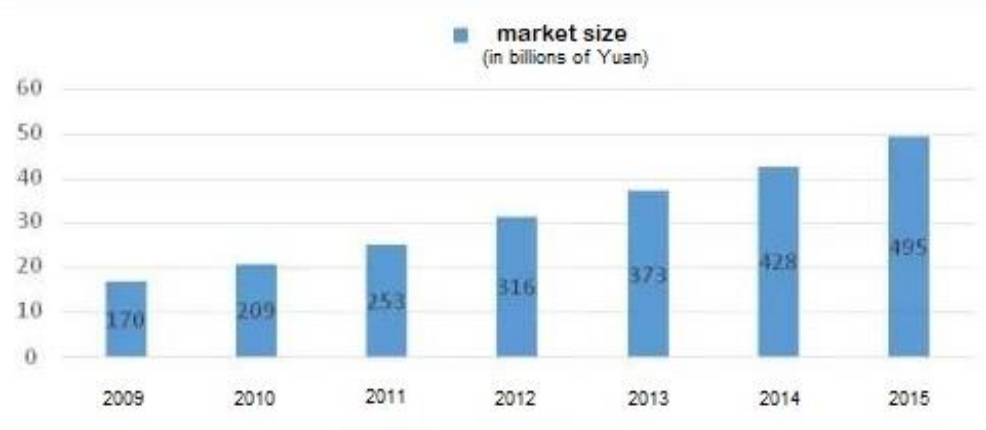


Fig.2.20. Natural Mineral Water Market Value Sales in the Chinese Market in the 2009-2015 period. Source: http://www.ceoim.com/article-88060-1.html, consulted on November 2018.

[55] http://www.ewenku.net/docs/d5b3ac25517128 , online report of the 'Northeast Securities Co. Ltd', consulted on November 2018.

At present, the trend of shifting towards *natural mineral wate*r in China has begun to manifest. China's natural mineral water accounts for less than 30%, and this proportion is expected to increase substantially. In mature markets such as Europe, America, and Japan, the proportion of natural mineral water has been as high as 80%, showing that in Chinese market there is a great room for improvement, and it is believed that this shift from purified water to natural mineral water will be mature in 2021.

2.9. CHINESE HIGH-END BOTTLED WATER MARKET

In the natural mineral water sector, high-end bottled waters, in addition to being considered healthier, are also becoming a *status symbol* product of the middle-class and wealthy groups. In fact, the rise of these groups has been followed by a growth of the high-end bottled water market.

From mid-2015 to mid-2016the, high-end bottled water sales grew 27%, 5% higher than the low-end market. This trend continues in 2017 when has been a growth of 20% in value sales, and a growth of 15% in volume sales[56]. To report some examples, the sales of Evian, French high-end water on the market for decades, rose from 14.9 million in 2007 to 63.3 million in 2016, with CAGR of 17%. Kunlun Mountains (昆仑山), a new Chinese high-end water brand, grew rapidly from 3.6 million to 214 million liters in 2009, with CAGR as high as 79%[57].

[56] https://www.digitaling.com/articles/62726.html, consulted on November 2018.
[57] http://www.ewenku.net/docs/d5b3ac25517128 , online report of the 'Northeast Securities Co. Ltd', consulted on November 2018.

In the future, the growth of high-end water market will continue. The improvement of economic conditions and the changes in lifestyle will become the driving force to promote the growth of high-end water consumption market, that is expected to reach 86.5 billion Yuan (US$13.05 billion) in 2021[58].

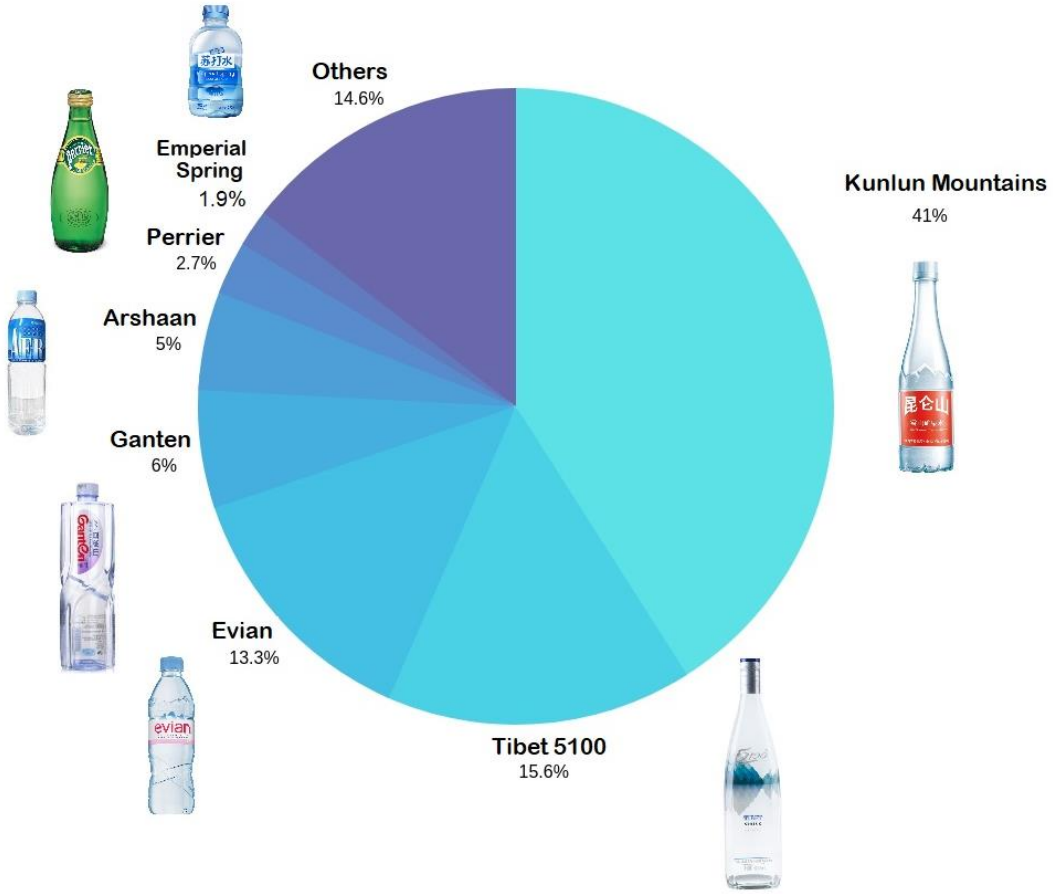


Fig.2.21. Market Shares Percentages in the Chinese high-end bottled mineral water market. Personal Elaboration. Source: Qianzhan Industry Research Institute, reported at https://bg.qianzhan.com/report/detail/300/160119-42860d93.html, consulted on November 2018

[58] http://asiafoodbeverages.com/admin/pubs/showpg.asp?pg=4475 , consulted on December 2018

In the previous chapter, there has been told that purity is the most important quality about water and that the more is unique and isolated the source, the more brands can place a premium price. The two Chinese domestic leaders in the high-water sector, confirms this. In fact, both Kunlun Mountains and Tibet 5100 have established their leader position because of their water sources origin, also reported in their product names, that are named as their sources.

Fig.2.22. Kunlun Mountains (left) and Tibet 5100 (right), leader domestic brands in the high-end bottled water market.

2.8.1. *Entering in the Mineral and High-End Market*

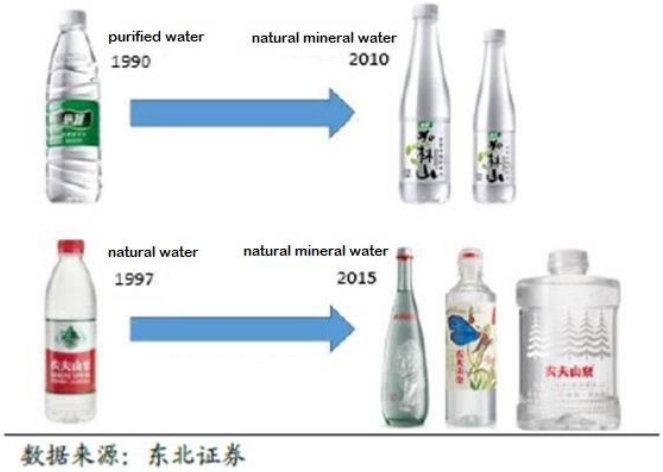


Fig.2.23. Some well-known brands, not involved in the natural mineral water sector, looked for large-scale high-quality mineral water sources and entered in the market sector, like in the case of C'est Bon and Nongfu Spring, that, respectively from purified and natural waters, extended their product lines.
Source: Northeast Securities Co. Ltd

In the early years, China's high-end water market was mainly imported brands, such as the French Evian and Perrier that entered the Chinese market in the 1980s. However, because of improvement of residents' consumption capacity and the high profit margin of high-end water[59], many domestic enterprises began to pay more and more attention to high-end water market, entering in the sector through mergers and acquisitions, equity participation and expansion of product, scrambling to get a larger share of the high-end segment. For example:

- Tibet Galaxy Science (西藏发展上市公司, Xīzàng fāzhǎn shàngshì gōngsī) through an International Joint Venture with Carlsberg, invested 500 million yuan to build the world's highest-altitude mineral water production base. It is in Dangxiong, in a high-quality mineral water source of 5,100 meters above sea level.
- Hangzhou Wahaha Group Co., Ltd. (杭州娃哈哈集团有限公司, Hángzhōu wáhāhā jítuán yǒuxiàn gōngsī) Group in 2009 set up a mineral water production line in Changbai Mountain, with an annual output of 100 thousand tons.
- Huarun Yibao Beverage (China) Co., Ltd. (华润怡宝饮料中国有限公司, Huárùn yí bǎo yǐnliào zhōngguó yǒuxiàn gōngsī), acquired Zhuhai's local water business, Calin Mountain, a local leading brand in the south of china., expanding its business from *purified water* (C'est Bon) to *natural mineral water.*
- Nongfu Spring Co., Ltd (农夫山泉股份有限公司, Nóngfū shānquán gǔfèn yǒuxiàn gō ngsī) in 2010 invested 1 billion 470 million and built 300 thousand tons of mineral water production bases in Changbai Mountain. In 2015 launched three natural mineral water products in 2015: glass bottled, sports capped and baby water.

[59] According to the CIC consultant's research report, the average profit margin of domestic mineral water is only 3.85%, while the profit margin of high-end mineral water is about 6-7 times that of ordinary water.

- Dingxin International Group (顶新国际集团, Dǐng xīn guójì jítuán) wanting to expand from mineralized water (Master Kang), invested 500 million yuan in Changbai Mountain for natural mineral water production base, expanding from the production of mineralized
- Shenzhen Ganten Food&Beverage Co., Ltd. (深圳景田饮料食品公司, Shēnzhèn jǐng tián yǐnliào shípǐn gōngsī) starting from producing purified water, then expanded into natural mineral water and, in recent years, also released *Blairquhan* (本来旺, Běnlái wàng) high-end mineral, still and sparkling water series[60]
- Reignwood Group (华彬集团，huá bīn jítuán) in 2016 acquired a majority stake in the Norwegian high-end bottled water Voss[61]
- A number of well-known beverage enterprises such as the Uni-President Enterprises Corporation (统一企业股份有限公司, Tǒngyī qǐyè gǔfèn yǒuxiàn gōngsī) and Xiamen Huierkang Food Co., Ltd. (厦门惠尔康有限公, Xiàmén huì ěr kāng yǒuxiàn gōngsī) are also express willingness to enter in the sector and are searching for high-quality water sources.

This upgrading in Chinese consumers' consumption, is attracting also the main leaders in the global bottled water marketing, pushing them to expand their presence in the high-end sector:

- Danone in 2013 completed the first phase of the project to build Asia's largest natural mineral water production base in Huizhou, Guangdong Province, with an investment of 500 million RMB. It is planned to produce 500,000 tons of natural mineral water

[60] https://www.wenku1.com/news/E6352EC4A6EAE5A4.html, consulted on December 2018
[61] https://www.bevnet.com/news/2016/voss-water-sells-majority-stake-to-reignwood-group , consulted on December 2018

annually. Moreover, Danone placed its high-end Aoraki (极境之兰, Jí jìng zhī lán) on Chinese e-commerce platforms[62].

- The Coca-Cola Company, that had only low-end Ice Dew (冰露 Bīng lù) and Chun Yue (纯悦 chún yuè,) in the Chinese market, in 2017 quietly launched its sparkling water brand Valser online, on the e-commerce platform Taobao, with a price of 64 yuan (US$9.29) for its 750ml bottle. The company had acquired the Swiss high-end water brand for US$ 2.64 billion in 2002[63] and that fact that only after 15 years decided to finally launch it in China, shows the importance and the recognition of the Chinese high-end bottled water market.

2.8.2. Need for differentiation in the Chinese bottled water market

As Chinese high-end bottled water market is more and more crowded, this also results in more fierce competition and in a need of successful marketing strategies. In fact, enter in the high-end bottled water market, doesn't mean have success in it, and good, or bad, positioning strategies can determine a brand successful, or failure. The case of the Evergrande Spring (恒大冰泉, Héng dà bīng quán) is an example. In 2013, the Evergrande Group (恒大地产集团有限公司, héng dà dìchǎn jítuán yǒuxiàn gōngsī) launched this high-end mineral water with an enormous advertising campaign to promote sales. However, the company made the biggest mistake of not position itself in the market. Its advertising slogans made referment to beauty, health, the promise of long life, and it was even indicated as water to make tea and to cook food [64]. Evergrande Spring was intended to be the water for everyone, but at the end of the day, it results to be the water of no-one. Later, in order to stimulate sales, the 500 ml

[62] https://www.wenku1.com/news/E6352EC4A6EAE5A4.html, consulted on December 2018
[63] https://www.marketing-interactive.com/coca-cola-launches-us9-premium-bottled-water-in-china/, consulted on December 2018
[64] https://www.jianshu.com/p/b59a81b3ee21, consulted on December 2018

bottled water's price from 4 yuan were lowered first to 2.5 yuan and then to 2 yuan, losing all chances to create a fixed and stable position in the consumer's perception, and also creating confusion about its actual value. This large-scale product operation resulted in a huge loss of 2.37 billion yuan a year and a cumulative loss of 4 billion yuan[65].

Fig.2.24. Famous Chinese actress Fan Bingbing (范冰冰, Fàn Bīngbīng), testimonial of Evergrande Spring. Source: http://www.ceoim.com/article-88060-1.html , consulted on December 2018

The case of Evergrande Spring shows how the Chinese bottled water market is on the road to becoming a mature market, and that bottled water brands in China are under pressure to differentiate[66] themselves from competitors[67]. Chinese consumers now

[65] http://www.ceoim.com/article-88060-1.html, consulted on December 2018

[66] Product differentiation is a market strategy involving a firm using different marketing mix actions, such as product features and advertising, to help consumer perceive the product as being different and better than competing products. Kerin, R., & Hartley, S., (2017), *Marketing 13th Edition*, McGraw-Hill Education.

[67] Morton, A., (2018), "Bottled water sales dip in China as market reaches limit", *Aroq - Just-Drinks.com (Global News).*

recognize this product differentiation, buying at the same time different kinds of water[68].

As already reported, water source can be the main differentiation factor in the high-end bottled water market. Another one is physical properties of water, that is its mineral elements, focusing on creating value perception based on the functional benefits of the water.

The case of the Chinese natural mineral water SeSpring (硒倍健, Xī bèijiàn) gives an example of how to differentiate a brand on the basis of its physical properties. In the past, Sesprings' positioning was not very clear, and it was not differentiated among the other many mineral water brands. After, the company used a marketing strategy based on the physical properties of the water, that contains high percentages of selenium. Through the creation of this brand functional value perception, SeSpring quickly turned losses into profits and lays a solid market foundation in the competitive mineral water market.

[68] For example choosing mineral water of a *specific* brand for boiling tea. http://www.ecns.cn/business/2017/09-06/272357.shtml, consulted on November 2018.

Fig.2.25. SeSpring bottle, before (left) and after (right), having differentiated itself due to its physical properties. Source: http://www.ceoim.com/article-88060-1.html , consulted on December 2018

In addition to product differentiation, Chinese high-end bottled water brands are also devoting themselves to find **differentiated distribution strategies**.

For high-end bottled waters are usually used distribution channels such as top-class hotels, high-end restaurants and cafe chain, and convenience stores. With more and more competition in these channels, has been started to use also personal care shops and especially in night-clubs.

A brand consultant of a chain KTV in Shanghai explains that high-end waters are more and more popular in clubs, where consumers have more and more choices and can

satisfy the demand for non-alcohol drinks[69]. Here they are well sold, with a quite high price of around 50 yuan for a small bottle.

There are brands, as Kunlun Mountains has also developed special sales channels such as airports and cinemas[70], while others, as Tibet 5100, monopolized the sales in the railway system. There are also many domestic or regional high-end water brands that, because they cannot compete with strong international and domestic competitors, chose as their market the two or three tier cities.

2.10. SPARKLING WATER IN THE CHINESE BOTTLED WATER MARKET

In the Chinese bottled water market, the consumption behavior is shifting towards mineral and high-end waters. In addition to this sparkling water[71] is also having a steady increase. Because of the high unit price, sparkling waters are also high-end waters, in fact, Euromonitor data show that in 2016, the retail price of sparkling water in China is about 30 yuan per liter, while the retail price of bottled water is 3.3 yuan per liter, a tenth of the sparkling water retail price.

Chinese bottled water industry is dominated by still bottled water, which accounted for over 90% of retail values sales, however, since 2013, Chinese sparkling water market has entered a period of rapid growth. Data shows that sparkling water's volume sales increased from 100,000 liters in 2012 to 1.2 million liters in 2016, with CAGR

[69] Lu, J., (2018), "High-end water enters in the Red Sea", *Foreign Investments in China*, vol. 1, pp. 58-59.
[70]Shui, (2015).
[71] Sparkling water can be naturally carbonated or artificial carbonated, in this case is called soda water.

reaching 86%. Value sales increased from 1.8 million yuan in 2012 to 36 million yuan in 2016, with CAGR reaching 111%[72].

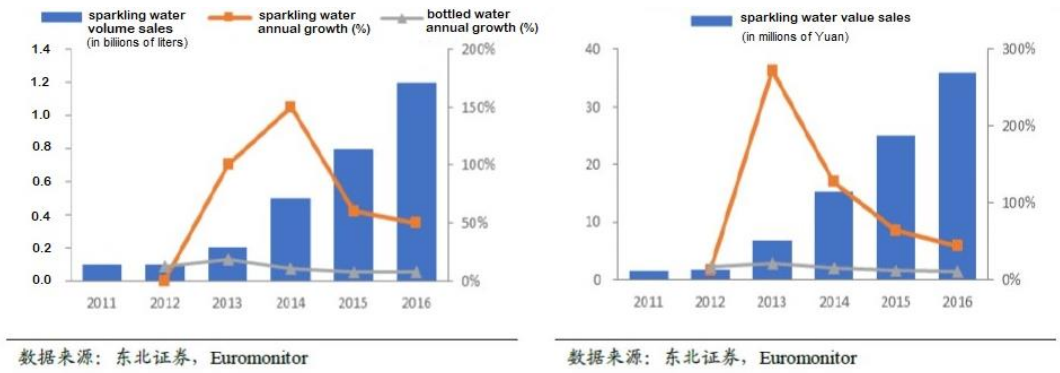


Fig.2.26. Trends of volume sales (left) and value sales (right) of Sparkling Water in China in the 2011-2016 period. Source: data from Euromonitor, reported by the Northeast Securities Co. Ltd

Sparkling water has entered the Chinese market for nearly 20 years. Initially, due to the limited understanding of sparkling water by Chinese consumers and the higher price than the same type of mineral water, main consumers were foreigners living in China. When first entering the Chinese market, sparkling water initially focused on high-end catering B2B channel and in the retail channels were basically limited to imported supermarkets and some large supermarkets. In these early stages, the presence in the high-end restaurant channel and high-end bars was used to educate the Chinese consumer to sparkling water, and to establish a *brand image*.

Sparkling water in China become popular starting from 2013-2014 with also activities of *product placement* in Chinese domestic dramas and movies, where wealthy

[72] http://www.ewenku.net/docs/d5b3ac25517128, online report of the 'Northeast Securities Co. Ltd', consulted on November 2018.

characters and characters that after a period of living overseas came back in China (海龟精英 ǎiguī jīngyīng), often drunk high-end sparkling bottled waters[73].

According to a Mintel report, the main consumers of sparkling water in the Chinese market are **wealthy** consumers (with family monthly income more than 8,000 yuan) and **young** consumers (20-29 years old)[74]. Taking the experience of sparkling water development in the United States and Japan as examples, it is believed that the Chinese millennials will be the main driving force for sparkling water growth[75]. *As* reported before, Chinese consumers are shifting towards healthy beverages, seeking alternatives to high-calories and high-sugar carbonated drinks and, among bottled waters, sparkling water is an ideal substitute. Although it's water, it's not flat like boiled or still water, and with its bubbles retains the taste of carbonated beverage with the advantage of zero sugar and zero calories. Moreover, sparkling water can be found also flavored.

However, the main factor that explains the rising consumption of sparkling water in recent years is that sparkling water has become in the Chinese society the symbol of the high-end lifestyle in the water sector.

In the Chinese perception, sparkling water's consumer is identified in high-income consumer with overseas travel or life experience that pursues a high-quality life. Drink sparkling water represents a new Western lifestyle and this aspect is well underlined by the presence of sparkling water in international coffeehouse chains, like Starbucks. In China posting photos of sparkling waters on social networks is popular. On social media people work on a daily basis on their 'self-image management', and sparkling

[73] https://www.digitaling.com/articles/62726.html, consulted on November 2018.

[74] According to a 2014 survey of 2,941 respondents aged 20 to 49, 50% of the respondents had consumed bubble water in the past six months, suggesting a high level of acceptance among the younger generation.

[75] Millennium generation refers to the generation born in 1985-1995.

water is considered a refined product. Consume it, and show it to other people, serves to create a desired imagine about oneself and about one's personality, "it's a way to demonstrate that you are willing to spend more money to take care of your inner feelings" [76]. As a *status symbol* product, even those who can't afford to consume sparkling water on a regular basis, everytime and then can have a "sip" of the high-end life.

At the moment Chinese sparkling water market is in the initial stage of development, it's still a *niche market* with a very low market share compared to still water. However, it has a large growth potential. According to the data of the "2017-2022 China Sparkling water industry market outlook forecast and development strategy analysis report" published by *China Industrial Information Research Network*, sparkling water market in China is having a rapid development and the industry has broad prospects for development, as it expected to reach 17.45 billion yuan by 2022[77].

[76] http://fashion.sina.com.cn/l/ts/ta/2017-03-30/0032/doc-ifycstww1830098.shtml, consulted on November 2018.
[77] http://www.china1baogao.com/news/20170306/8610722.html, consulted on November 2018.

Fig.2.27. Forecast of Value sales of Sparkling Water in the Chinese Market in the period 2017-2022. Source: data from Sansheng Consulting, reported at http://www.china1baogao.com/news/20170306/8610722.html, consulted on November 2018.

CHAPTER 3

CULTURAL BACKGROUND OF CHINESE IMPORT OF MINERAL WATER

In the previous chapter there has been exposed the upgrading of Chinese consumers in Bottled Water Market, and the consequent increasing consumption of high-end, both domestic and imported, Natural Mineral Waters, in which sparkling water is having a remarkable growth. In this chapter there will be treated the socio-cultural context in the consumption of imported food & beverage and the changes that let imported mineral water became a lifestyle product.

3.1. THE RISE OF WESTERN LIFESTYLE

The rise in imported food and beverage consumption must be framed in the wider aspect that is characterizing Chinese society in the latest years, thus the pursuing by Chinese consumers of a Western Lifestyle. **Lifestyle** can be identified as:

> a set of cognitive categories that mediate between the most abstract cognitive categories, like values, and perceptions of concrete objects and behaviors.

It is also assumed that lifestyle is connected to personal values and the process by which people seek to achieve their values through various modes of expressions, including food purchasing and consumption[1].

[1] Grunert K. G., Perrea T., Zhou Y.,Huang G., Sørensen B. T. & Krystallis, A., (2011), "Is food-related lifestyle (FRL) able to reveal food consumption patterns in non-Western cultural environments? Its adaptation and application in urban China", *Appetite*, vol. 56, pp. 357–367

Historically, Chinese consumers have been ethnocentric and shown a dislike of Western commodities. Pioneering Western marketers noticed that Chinese consumers only considered those products that met Chinese cultural standards. However, from a developmental perspective, any society that is in the process of becoming modernized will also see a modernization of its values, with the rise of ''revolutionary values'' that are different from a society's traditional ones[2]. In the past few decades, there has been a broadening of cultural horizons in the habits of Chinese society. As matter of fact, in the Chinese tradition has been added elements from other cultures, especially from the Western Culture[3]. The diffusion of Western-style magazines that promote a consumerist lifestyle[4], and the rise of new trends inspired by western countries, witnesses the increasing adoption by Chinese Consumers of a Western Lifestyle.

The pursuing of a Western Lifestyle, has effects on the Chinese consumer behavior, and will continue to be a mainstream trend also in the next years. In fact, according to the global management consultancy Bain & Company, among Chinese consumers can be identified two different paths in their attitudes toward culture and lifestyle, that result in different spending behavior. On one side there are Chinese consumers that follow a Western culture and lifestyle, on the other side there are consumers that follow China's cultural heritage[5]. According to their survey of respondents of the same

[2] Lin, X., & Wang, C.L., (2010), "The heterogeneity of Chinese consumer values: a dual structure explanation", *Cross Cultural Management: An International Journal,* Vol. 17 (3), pp.244-256.
[3] Del Giudice, T., Cicia, G., Grunert, K. G., Krystallis, A. K., Zhou, Y., Cembalo, L., Verneau, F. & Caracciolo, F., (2016), "New trends in the Chinese diet: cultural influences on consumer behavior", *Italian Journal of Food Safety 2016,* vol. 5:5273, pp. 106-110
[4] Among them, an entire group of titles consists of localized Chinese editions of internationally popular lifestyle magazines. Source: Song, G., & Lee, T.K., (2012), "'New Man' and 'New Lad' with Chinese Characteristics? Cosmopolitanism, Cultural Hybridity and Men's Lifestyle Magazines in China", *Asian Studies Review*, Vol. 36 (3), pp. 345-367
[5] https://www.bain.com/insights/consumption-in-china-ten-trends-for-the-next-ten-years/, consulted on December 2018.

age group and income, those who self-identify as preferring a Western lifestyle spend 4% more than Chinese lifestyle respondents. It is also reported that the consumption categories on which lifestyle has a big impact are overseas travel, sports and fitness activities. However, its biggest effect is identified in **food and beverage** consumption, with an incremented spending on premium food and dining out.

3.2. CHINESE IMPORT OF FOOD AND BEVERAGE PRODUCTS

Key moments for Chinese import of Food and Beverage were the economic reform of the Chinese economy, that led to an opening up of China with an open-door policy (门户开放政策 ménhù kāifàng zhèngcè) in 1978, and the entry of China in WTO (World Trade Organization) in 2001. China, with its population of over 1.3 billion, has emerged as the world's largest consumer market for F&B[6], and this vastness of potential consumers made the Chinese market increasingly appealing for foreign brands. The steady growth of the Chinese economy, together with the increasing purchasing power of Chinese consumers, allowed a growing number of urban consumers to afford affordable-luxury imported goods, in which can be identified also imported food and beverages[7]. Chinese consumers becoming more mobile and traveling throughout the regions of China and other countries, have the occasion to taste more foreign foods. Products that did not belong to local traditions become widespread in the market[8],

[6] EUSME center & China-Britain Business Council, Sector Report: The Food & Beverage Market in China, online report http://ccilc.pt/wp-content/uploads/2017/07/eu_sme_centre_report_-_the_food_and_beverage_market_in_china_update_-_july_2015-1.pdf, consulted on December 2018.
[7] Gomel, G., Marconi, D., & Musu, I., (Editors), (2012), *The Chinese Economy: Recent Trends and Policy Issues,* Springer
[8] Hu, L., (2017), *Three Essays on International Marketing in the Chinese Market,* available online PhD thesis.

and Chinese consumers started to get used to typically Western products, like cheese, chocolate, pasta, wine, coffee, and cold water[9].

This made China's import quantity of F&B products increased greatly. As reported in **Fig.3.1.**, in 2005 imported food trade was valued at over USD 10 billion and by 2014 this number has more than quadrupled to USD 48 billion[10].

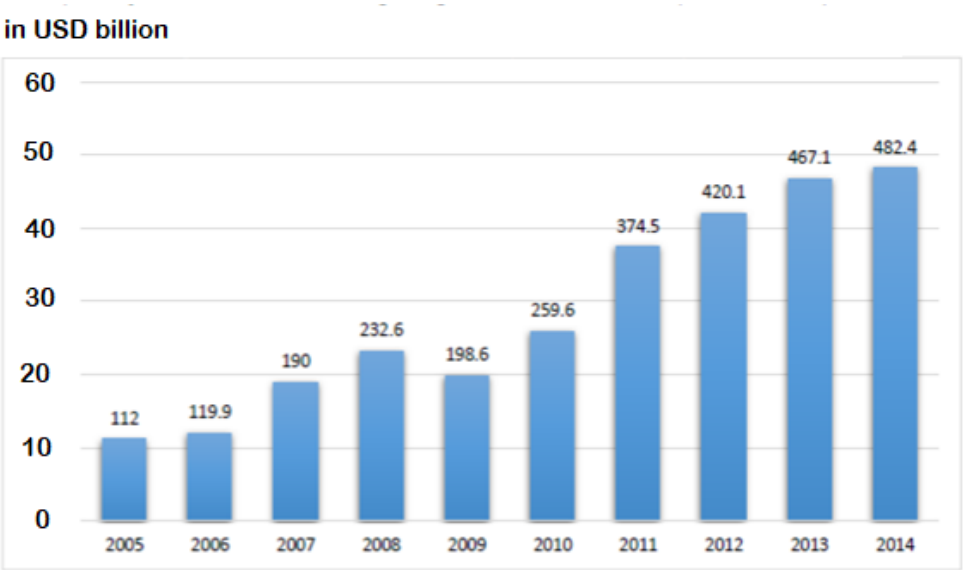


Fig.3.1. China's imported food trade value in period 2005-2014. Source: http://ccilc.pt/wp-content/uploads/2017/07/eu_sme_centre_report_-_the_food_and_beverage_market_in_china_update_-_july_2015-1.pdf, consulted on December 2018.

[9] https://www.atlasobscura.com/articles/china-hot-drinking-water-traditional-medicine, consulted on December 2018.

[10] http://ccilc.pt/wp-content/uploads/2017/07/eu_sme_centre_report_-_the_food_and_beverage_market_in_china_update_-_july_2015-1.pdf, consulted on November 2018.

3.2.1. The Rise in Eating Out

In China, imported F&B products are generally consumed in bars, cafés, restaurants, and hotels in urban settings, and Chinese consumers are increasingly choosing 'Western food', instead of Chinese cuisine, when they dine out. Generic Western-style chain restaurants are widespread, and many Western-style restaurants, originally targeted at expatriates, now have predominantly Chinese clientele[11]. In addition to the major clientele of Western Restaurants, composed by young and affluent consumers, currently, also many social occasions and family celebrations take place in Western restaurant.

In recent years, in China there has been an increase trend in the per capita number of meals consumed away from home[12]. According to research conducted by Mintel, the retail market value for China's full-service restaurants (excluding fast food restaurants) reached 1,865 billion Yuan in 2014; and it is predicted that by 2019, the retail market value will reach 2,724 billion Yuan. There has been a rising proportion of income spent on food and eating out.

The greater frequency of dining in restaurants can be associated with both an increase in expendable income and a scarcity of time that accompanies economic development. Moreover, Chinese consumers view dining out as a way to establish and maintain a close personal and professional relationship.

[11] http://ccilc.pt/wp-content/uploads/2017/07/eu_sme_centre_report_-_the_food_and_beverage_market_in_china_update_-_july_2015-1.pdf, consulted on December 2018.

[12] Veeck, A., & Veeck, G., (2000), "Consumer Segmentation and Changing Food Purchase Patterns in Nanjing, PRC", *World Development*, vol. 28 (3), pp. 457-471

3.3 PERCEPTION OF QUALITY AND SAFETY OF IMPORTED FOOD AND BEVERAGE PRODUCTS

Key reasons why Chinese consumers purchase imported F&B products are their reputation of high-quality products and confidence in their food safety[13].

Chinese consumers have the general perception that imported products have a higher quality than the domestic ones, and are so willing to pay a *premium price* to buy imported products, which price tends to be higher by 50-100% than the country where are produced[14]. In China, there is a general perception that imported food products from developed Countries enjoy the reputation of having a **higher quality** than domestic products. The reason for this belief, as reported by studies[15][16], can be identified in the fact that consumers in less developed economies prefer foreign brands from more developed countries or regions, because these brands are thought to represent high-quality and fashionable styles.

The origin of the mistrust of domestic production lies also in the cultural background of Chinese traditional culture. In China there is a strong inclination to trust only people related to oneself, and conversely to mistrust people outside one's family and kinship group[17]. This widespread mistrust of people and companies leads in turn to mistrust of domestic food products, and this mistrust has become amplified by a succession of food scandals. In recent years, in China there has been a lot of food scandals, that

[13] http://www.millwardbrown.com/docs/default-source/china-downloads/newsletter/2-building-trustworthy-brands-in-china-en.pdf, consulted on December 2018.
[14] Online report available online edited by Italian Embassy (China), http://www.infomercatiesteri.it/public/rapporti/r_122_cina.pdf, consulted on December 2018.
[15] Papadopoulos, N., & Heslop, L. A., (1993), *Product-Country Images: Impact and Role in International Marketing,* International Business Press
[16] Verlegh, P.W.J.A. and Steenkamp, J-B.E.M. (1999), "A review and meta-analysis of country-of-origin research", *Journal of Economic Psychology*, Vol. 20 No. 5, pp. 521-46.
[17] Fukuyama, F., (1995), *Trust: The social virtues & the creation of prosperity,* New York: The Free Press.

happened especially from 2005. Between the many, can be reported the following: iodine in powder milk, tainted milk, chicken laced with a high level of antibiotics, artificial green peas, kebabs from cat meat, contaminated chives, chlorine showing up in soft drinks, gutter waste sold as cooking oil.

These food scandals affected also the bottled water sector. In fact, in 2015 were founded 400 bottled waters that failed to meet standards[18], and also the biggest brands in the industry, like C'estbon's, Wahaha and Master Kang have faced quality issues[19]. Moreover, in Chinese market there has also been the appearance of "Fake water", this term refers to bottled water produced by unauthorized or unregulated companies that bottle water from illegal wells or use tap water without proper treatment and sold with fake labels of big brands[20].

As these domestic food scandals continue to be uncovered, in Chinese consumers increase skepticism towards domestic food, and they are so more willing to purchase imported F&B products, consider safer also because they have to pass through a series of safety inspections for entering in the Chinese market[21].

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[18] http://www.chinawaterrisk.org/wp-content/uploads/2015/09/CWR-8-Things-You-Should-Know-About-Bottled-Water-In-China-Sep-2015-ENG.pdf, online report of 'China Water Risk'. Consulted on December 2018.

[19] Master Kang was found bottle urban tap water instead of water coming from "high-quality sources", like was reported in its advertisements. Source: https://www.longfinance.net/media/documents/rr_foodsafetychina_2009.pdf, consulted on December 2018.

[20] Health risks can come from the insufficient removal of chemicals from the water source and also from the poor quality recycled plastic containers that illegal bottlers tend to use. Source: http://www.chinawaterrisk.org/wp-content/uploads/2015/09/CWR-8-Things-You-Should-Know-About-Bottled-Water-In-China-Sep-2015-ENG.pdf, consulted on December 2018.

[21] Knighta, J., Gaoa, H., Garrettb, T., & Deansa, K., (2008), "Quest for social safety in imported foods in China: Gatekeeper perceptions", *Appetite,* vol. 50, pp. 146–157

3.4. SYMBOLIC VALUES OF IMPORTED FOOD & BEVERAGE PRODUCTS

With the introduction of the *socialist market economy* economic system[22], China has become a *consumer society* and, as a result, traditional Chinese cultural values and lifestyles have undergone rapid changes. The consumer consumption has been followed by a growing in **hedonic consumption** values (See **Chapter 1.7.**). Studies demonstrate that a growing number of Chinese consumers have accepted buying for hedonic reasons rather than for only utilitarian needs[23], especially among young consumers. It is also found that hedonic values have positive impacts on Chinese consumers' choice and consumption patterns, such as novelty seeking, brand consciousness, and preference for foreign brands[24]. The utilitarian value of the products is surpassed by the social distinction that foreign brands can give to the consumer[25].

Studies report that in developing and transitional economies, there is a generalized preference for foreign brands among consumers, who, in these countries, associate foreign products not only with images of high quality but also with social and symbolic value. In fact, the desirability of foreign brands in developing countries is primarily driven by symbolic motives, such as defining and communicating social distinctions[26].

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[22] Ding, X., (2009), "The Socialist Market Economy: China and the World", *Science & Society,* Vol. 73, No. 2, pp. 235-241

[23] Wang, C.L., Chen, Z.X., Chan, A.K.K. & Zheng, Z.C., (2000), ''The influence of hedonic values on consumer behaviors: an empirical investigation in China'', *Journal of Global Marketing,* Vol. 14, pp. 169-86.

[24] Lin, X., & Wang, C.L., (2010)

[25] Zhou, L. and Hui, M., (2003), "Symbolic value of foreign products in the People's Republic of China", *Journal of International Marketing*, Vol. 11 No. 2, pp. 36-58

[26] Batra, R., Ramaswamy, V., Alden, D.L. and Steenkamp, J-B.E.M. (2000), "Effects of brand local/foreign origin on consumer attitudes in developing countries", *Journal of Consumer Psychology*, Vol. 9 No. 2, pp. 83-95.

This can be seen also in China, where, because of the rapidly rising income and influence of materially oriented Western values, Chinese consumers are likely to prefer foreign brands that offer symbolic status and that enable them to achieve greater self-esteem[27] [28]. Researchers reported that Chinese people feel that consumption of imported products reflects their social status, and in China there is the perception that only high-class people can consume them[29]. In addition to this, the **collectivistic** nature of China, with the prevalence of the group on the individual, increase the functions of products and brands as signals of belonging to a social group[30] and to establish a social identity.

Summing up, symbolic benefits (such as modernity, prestige, cosmopolitanism, and associations with foreign lifestyles) constitute one of the primary motivating forces of PRC consumers' purchases foreign products, in which are included also products that may not be commonly regarded as conspicuous, like food[31]. In fact, in China being "Imported'' confers **symbolic value** to food products, and imported food and beverages represent *status symbols.*

[27] Kim, J., Forsythe, S., Gu, Q. and Moon, S.J., (2002), "Cross-cultural consumer values, needs and purchase behavior", *The Journal of Consumer Marketing*, Vol. 19 No. 6, pp. 481-502.
[28] Wei, R. and Pan, Z.D., (1999), "Mass media and consumerist values in the People's Republic of China", *International Journal of Public Opinion Research*, Vol. 1, pp. 75-96.
[29] Zhou, N. and Belk, R.W., (2004), "Chinese consumer readings of global and local advertising appeals*", Journal of Advertising*, Vol. 33 No. 3, pp. 63-76.
[30] Vescovi, T., (2011), "Strategie di marca per i prodotti italiani in Cina", *Micro & Macro Marketing*, a. XX, n. 1, pp. 73-92
[31] Zhou, L. and Hui, M., (2003)

3.5. CHINESE IMPORT OF MINERAL WATER

As reported before in this chapter, in China, the risen of a Western Lifestyle led to an increase in consumption of Imported Food and Beverage Products, regarded as safer and of higher quality than domestic products. Moreover, imported F&B products possess also symbolic values, like modernity, cosmopolitanism, and prestige, and are considered *status symbols*.

This represents the context in which imported bottled water, and especially imported sparkling water (**Chapter 2.10.**), has become in China the symbol of the high-end lifestyle in the water sector. Generally, in fact, high-end bottled waters are characterized by their strong symbolic values, consumed not for the reason of being a thirst-quenching product, but for their cultural meaning, connected to lifestyle and image (**Chapter 1.4.**). A proof that image is an important factor in purchasing imported water, is given by an importer and brand agent, who reports the use of S.Pellegrino Sparkling Natural Mineral Water by Chinese host as a sign of respect for the guests[32].

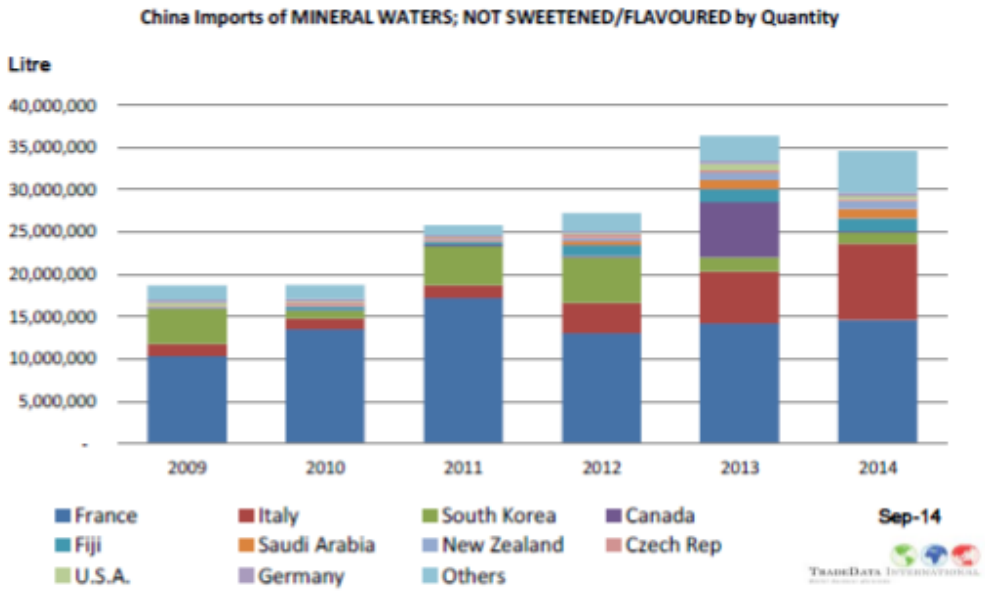
The upgrading in Bottled Water Consumption and the rise in the natural mineral water consumption (**Chapter 2.8.**), is reflected also in Chinese Import of Mineral Water. In 2013 China was the fifth Country in the import of Mineral Water by value:

[32] Knighta, J., Gaoa, H., Garrettb, T., & Deansa, K., "Quest for social safety in imported foods in China: Gatekeeper perceptions", in *Appetite* 50 (2008) 146–157

	Value in USD million	Percentage in World Import of Mineral Water
United States of America	$417.00	18.8%
Japan	$223.70	10.1%
Russian Federation	$105.40	4.7%
Korea, Republic of	$24.77	1.1%
China	$23.60	1.1%
Singapore	$19.37	0.9%
Taipei, Chinese	$12.46	0.6%
Thailand	$8.06	0.4%
New Caledonia	$4.41	0.2%
Malaysia	$2.12	0.1%
Brazil	$1.76	0.1%
New Zealand	$1.56	0.1%
Indonesia	$1.24	0.1%
Philippines	$0.71	0.0%
India	$0.49	0.0%
Fiji	$0.04	0.0%

Fig.3.2. Worldwide Imports of Mineral Water in 2013 by Value.
Source: http://www.tradedata.net/wp-content/uploads/2015/04/Trade-in-Mineral-Waters-not-containing-added-sweetening-maters-or-flavours-x.pdf, consulted on December 2018, consulted on December 2018.

Moreover, **Fig.3.3.** shows the steady growth in Chines Import of Mineral Water during the 2009-2014 period. In 2009 import values accounted for little more than 10 million USD, and in 2014 this number grow at 24.6 million USD. Although France represents the main supplier of mineral water to China, starting from 2012 there has been strong growth in imports from **Italy.** In 2013, accounting the 17.96% of the total imported Mineral Water by Value **(Fig.3.4.),** Italian imported water drove the growth in the increase of Mineral Water Import, and the strong presence in the market by Italy continued also in 2014 (**Fig.3.3**).



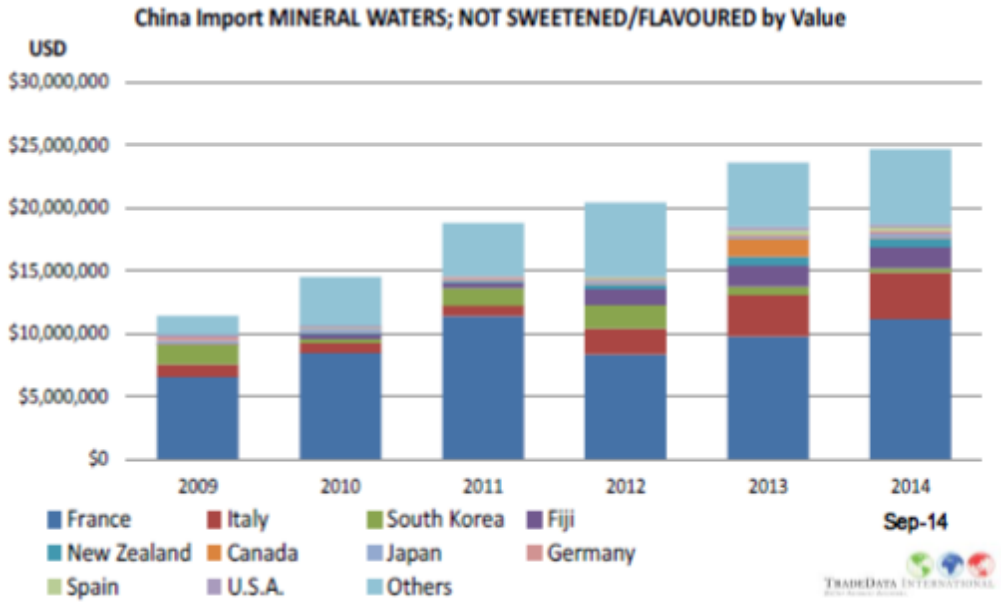


Fig.3.3. China Import by Volume (up) and by Value (down) during the period 2009-2014. Source: http://www.tradedata.net/wp-content/uploads/2015/04/Trade-in-Mineral-Waters-not-containing-added-sweetening-maters-or-flavours-x.pdf, consulted on December 2018.

Chinese import of Mineral Water
(2011 – 2013)

in USD million

Rank	Country	YEAR			%Var	%percentage		
		2011	2012	2013	13/12	2011	2012	2013
	-- World --	22.38	29.34	31.08	5.95	100	100	100
1	France	13.42	10.73	10.48	-2.32	59.95	36.58	33.73
2	*Italy*	*2.37*	*4.18*	*5.58*	*33.55*	*10.59*	*14.25*	*17.96*
3	Canada	0.63	0.74	3.16	327.74	2.82	2.52	10.17
4	Fiji	0.45	1.27	1.71	34.31	2	4.34	5.5
5	United States	0.37	0.39	1.12	184.1	1.66	1.34	3.59
6	New Zealand	0.43	0.78	1.04	33.02	1.91	2.67	3.35
7	Japan	0.66	4.83	0.89	-81.51	2.96	16.46	2.87
8	Norway	0.57	0.79	0.89	11.9	2.56	2.7	2.86
9	Russia	0.25	0.32	0.84	162.69	1.1	1.1	2.72
10	Korea, South	1.37	1.90	0.77	-59.29	6.13	6.47	2.49

Fig. 3.4. Chinese import of Mineral Water. Source: ICE (Istituto nazionale per il Commercio Estero)

3.5.1. Italian Export of Mineral Water

The second place that Italy has as exporter of mineral water in the Chinese market represents also its place in the worldwide market. Italy with an export value of 480 million euros is second only to France 600 Million Euros. However, export of Italian Mineral Water shows a growing trend, in fact, only in 2017 export of Italian water grew by 10%.

In 2017, Italian mineral water exports represented about the 10% of the total national production in volume, and more than 17% in value. This difference is due to the fact that abroad there is a higher euro/liter price compared to the average prices on the domestic market. Italian exported mineral waters, thanks to their history and prestige, have premium positions on the foreign market, especially in high-end **catering.** Italian mineral water is proposed as a typical product of Italian gastronomy, and of the

Mediterranean diet in general, and more generally as a symbol of "Living in Italian style”[33].

Increase in import by China shows that Italian mineral water is more and more recognized among Chinese consumers. Moreover, an increasing number of Italian Mineral Water brands decide to enter in the Chinese market. Currently, in addition to the most famous S.Pellegrino, Acqua Panna and San Benedetto, in the Chinese Market can be found also Sant'Anna water[34], Dolomia water[35], Molisia water, Pian della Mussa water, and Paradiso water[36], the latter awarded with the "Creators of value" recognition at the 2014 China Awards. The Awards, issued by the Italy-China Foundation (www.italychina.org) and the business newspaper “Milano Finanza”, recognizes the best Italian and Chinese companies, institutions and personalities, able to seize the opportunities in the economic and cultural fields[37].

Fig.3.5. Paradiso Natural Mineral Water. Glass (left) and PET (right) series.
Source: http://www.acquaparadiso.it/zh-hans/, consulted on December 2018.

[33] Bevitalia, (2018), *Acque Minerali, Bibite e Succhi. Soft Drinks Directory 2018-2019,* Beverfood.com. Pdf report consulted on December 2018.
[34] https://www.beverfood.com/acqua-santanna-sbarca-in-cina-con-accordi-di-distribuzione-con-le-catene-metro-e-city-super_zwd_41785/, consulted on December 2018.
[35] https://www.beverfood.com/acqua-dolomia-cina_zwd_48934/, consulted on December 2018.
[36] http://www.china-briefing.com/news/2017/03/01/investire-nel-settore-delle-acque-bottiglia-cina.html, consulted on December 2018.
[37] https://quibrescia.it/cms/2014/11/27/acqua-paradiso-jolly-del-gruppo-gabeca/, consulted on December 2018.

CHAPTER 4

S.PELLEGRINO[1]: INTERNATIONAL AMBASSADOR OF ITALIAN LIFESTYLE

"Water was our very first beverage and it continues to be the one consumed the most. The antithesis of thirst and an endless source of pleasure, […] it's the beverage that best accompanies every dish and perfectly harmonizes with all cultures"

Clément Vachon, International Marketing Manager of Sanpellegrino S.p.A. [2]

In the previous Chapter, there has been exposed the socio-cultural background for the consumption of Imported Food & Beverage by Chinese consumers, included the consumption of imported mineral water, in which the pursuing for a western lifestyle is a consolidated consumption path among Chinese consumers. From a marketing point of view, the challenge of any marketing strategy for penetrating the Chinese market relies on offering a different approach to life. Food products are very able to capture this opportunity with the intangible attributes that they possess, such as a feeling of modernity and of a different lifestyle[3].

In regard to bottled water related to lifestyle, S.Pellegrino, the worldwide famous Sparkling Natural Mineral Water, is one the first water that came to mind. As matter

[1] Referring to the water brand is used "S.Pellegrino", "Sanpellegrino" refers to the company, while San Pellegrino Terme is the city in which there is the water source.
[2] https://www.sanpellegrino.com/files/italy/taste/tasting-and-pairing/Water_Codex.pdf, consulted on December 2018.
[3] Del Giudice, T., Cicia, G., Grunert, K. G., Krystallis, A. K., Zhou, Y., Cembalo, L., Verneau, F. & Caracciolo, F., (2016)

of fact, Fabio Degli Esposti, International Business Unit Director of Sanpellegrino S.p.A., explains that the success of S.Pellegrino in foreign markets is the result of work on the brand that transformed the conception of water, rending it a **lifestyle product**[4].

S.Pellegrino, with its **story** longer than a century, not only exports in more than 150 countries all over the world the physical bottles of waters but exports also the concept of **"Live in Italian"**, based on the core **values** of fine food, conviviality, and love for beauty. S.Pellegrino, in fact, works on an incessant basis promoting activities to connect its brand with the main components of Italian **Culture,** that are Italian values, and also other Italian brands, reinforcing this way the position in the consumer perception.

4.1. THE STORY OF THE COMPANY: SANPELLEGRINO S.P.A.

S. Pellegrino water has a story long more than a century. It is owned by the Italian company **Sanpellegrino S.p.A**., founded in 1899 in in the city of San Pellegrino Terme, where still today all the Sanpellegrino products, both water, and drinks, are bottled directly near the source. The company started with bottling S.Pellegrino water and at the moment it produces other three brands of natural mineral water (Panna, Levissima

[4] http://www.ilgiornale.it/news/dati-record-sanpellegrino.html , consulted on December 2018.

and Nestlé Vera) and non-alcoholic soft drinks and aperitifs. In the factory there are 10 lines of bottling operations, working 24 hours per day and that gives jobs to 400 people[5].

The city of San Pellegrino Terme has been known for its thermal waters since the 13th Century, and many doctors in northern Italy advised patients to convalesce there[6]. It was even visited by Leonardo da Vinci in 1509, who included the source in a map that he himself drew of the Brembo Valley[7]. In XVIII and XIX centuries, the source was so famous that came and visit members of aristocracy coming from all the Europe. Cesare Mazzoni was the first man that foresees the economic potential of the water, and in 1899 founded the *Società Anonima delle Terme di San Pellegrino, that* started to bottle and commercialize the natural mineral water. Under the initiative of Mazzini, between 1901 and 1906 were realized the new San Pellegrino thermal baths, the Grand Hotel, and the Casino, closed in 1917 but still present today on the label of S.Pellegrino bottles. The company also financed the Bergamo-San Pellegrino rail line.

As a consequences of these investments, the number of tourists grew, and San Pellegrino Terme became one of the most popular destinations for members of high society from Europe, Russia and the Middle East: ministers, diplomats[8], politicians, tycoons, senators, members of parliament, prefects, ambassadors, high ranking military officers, princes, princesses and even queens used to visit the city and benefit of the waters. Those represent the golden years of San Pellegrino Terme, the years of the Belle Époque[9].

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[5] https://www.sanpellegrino.com/it/it/factory-and-quality, consulted on December 2018.
[6] https://www.jiemian.com/article/1399755.html, consulted on December 2018.
[7] https://www.finedininglovers.com/blog/food-drinks/s-pellegrino-label-history/, consulted on December 2018.
[8] https://www.jiemian.com/article/1399755.html, consulted on December 2018.
[9] http://www.lascatoladelleidee.it/la-costruzione-di-una-citta-termale-san-pellegrino-e-la-sua-belle-epoque/, consulted on December 2018.

The tourism made increase the popularity and the image of S.Pellegrino went beyond Europe. The company had a continuous development and became bigger, and in a continuous growing success has become one of the icons of Italy in the world.

In the following decades, the company had enormous success and continuously launched new products on the market[10]. A key moment in the history of the company can be identified in 1970, when the company took the name San Pellegrino S.p.A. becoming a full-fledged group and opening its share capital to newcomers. In 1998 **Nestlé** acquired the 100% of Sanpellegrino S.p.A., that became one of Nestlé Waters' flagship brands. The acquisition was fundamental for the growth of the Sanpellegrino, letting the company enter a new different dimension, that is having the possibility of taking advantage of structures positioned all over the world.

4.1.1. Sanpellegrino's Export

At the moment Sanpellegrino exports its product in more than 150 countries in the world[11], and this orientation to the global market was evident since its foundation. In 1900 were produced 35.343 bottles of water, of which 5.562 exported in foreign markets[12]. By 1908 the S.Pellegrino water was already exported, not only in Europe, but also in Egypt, India, China, Morocco, the U.S, Brazil, Peru, and even in faraway Australia. From that, S.Pellegrino water has grown in terms of production, market share, and notoriety[13], and has become an iconic Italian water abroad.

[10] https://www.sanpellegrino.com/it/it/heritage, consulted on December 2018.
[11] https://www.sanpellegrino-corporate.it/files//valorecondiviso/ReportCSV.pdf, consulted on December 2018.
[12] https://www.sanpellegrino.com/it/it/heritage, consulted on December 2018.
[13] Moutinho, L., (2016), *Worldwide Casebook in Marketing Management*, World Scientific

Fig.4.1. Vintage S.Pellegrino Advertisements show its long story in export. Sources: https://www.sanpellegrino-corporate.it/it/tappe-61 and https://www.sanpellegrino.com/it/it/heritage, consulted on December 2018.

The international market has become the main market of the company, and this made the company be oriented to the export. The International Business Unit is mainly focused on S.Pellegrino, Acqua Panna and Sanpellegrino Sparkling Fruit Beverages.

In recent years, Sanpellegrino S.p.A. exports continue to grow. In 2012 export represented 40% (306 million euros) of the total revenues of the company. In 2016 this number grew at 54% of the total revenues, with 485 million and 1,6 billion bottles sold abroad. In 2017 the export of Sanpellegrino grew of 4%[14], Federico Sarzi Braga, President and CEO of the Sanpellegrino S.p.A., explained that this growth has been driven by the mineral water S.Pellegrino and Acqua Panna[15]. With 80% of its production is for the export, S.Pellegrino is the most exported product of the company.

[14] https://www.repubblica.it/economia/2018/04/10/news/sanpellegrino_nel_2017_895_milioni_di_fatturato-193479589/, consulted on December 2018.

[15] https://quifinanza.it/editoriali/sanpellegrino-acqua-italiana-regina-mercato-internazionale/183110/ , consulted on December 2018.

4.2. THE PRODUCT: S.PELLEGRINO

S.Pellegrino is sparkling natural mineral water brand, and for its refined taste and its soft *perlage"*[16] is referred as the "champagne of mineral waters", and recognized between the best waters on the global market. Moreover, it is the most exported Italian mineral water[17]. Between its numerous awards, there is also the Crystal Taste Award, given by the International Taste and Quality Institute of 2012.

Its famous green bottle, with its blue label and the red star, has become an icon of Italy and a synonymous of *fine dining*. The bottle is refined and elegant, traditional but timeless. The brand gives a lot of importance to its heritage, and the packaging of S.Pellegrino bottles has maintained some elements that make referments to the **story** of the brand and of its territory[18]:

[16] https://www.sanpellegrino-corporate.it/it/sanpellegrino-38, consulted on December 2018.
[17] Bevitalia, (2018), *Acque Minerali, Bibite e Succhi. Soft Drinks Directory 2018-2019,* Beverfood.com. Pdf report consulted on December 2018.
[18] https://it.wikipedia.org/wiki/S._Pellegrino, consulted on December 2018.

- the **Green Bottle** has a characteristic silhouette, that S.Pellegrino shares with its 'sister' Acqua Panna. The form is the same used since the first bottles of 1899. It is called "Vichy" because in the past the city of San Pellegrino Terme was called "the Italian Vichy".
- the **Label**, that with its white and blue filigree, remind the Belle Époque style.
- the **Red Star**, present both on the tap and on the front label. It is a symbol for premium goods. It was used in Italy between the XIX and XX centuries on exported top-quality products[19].
- the **Stamp** on the neck of the bottle represents the Casino of San Pellegrino Terme, that is one the historic element of the territory. Moreover, there is also the date in which the company and the brand were founded, 1899.

[19] https://www.finedininglovers.com/blog/food-drinks/s-pellegrino-label-history/ , consulted on December 2018.

There are two series of bottles, glass and PET bottles. Glass bottles are mainly for the best hotels, restaurants, and cafés all over the world. PET bottles are for the consumption at home or on-the-go[20]. S.Pellegrino can make every occasion special, bringing the **fine dining** atmosphere and creating a pleasant and elegant conviviality in an informal location[21].

4.3. S.PELLEGRINO AS AMBASSADOR OF ITALIAN *CULTURE* AND *VALUES*

Stefano Agostini, President and CEO of Sanpellegrino S.p.A., explains that Sanpellegrino exported products, in which S.Pellegrino water has a leadership position, are appreciated all over the world and are recognized by as Italian excellence products. In fact, Sanpellegrino products promote the image of the high-quality made in Italy products, becoming testimonial of the refined Italian taste[22]. In fact, Sanpellegrino is between the founder members of the Altagamma Foundation, that works in the high-end market with the aim of promoting internationally the excellence of Italian industry and **culture**[23]. Moreover, the company was awarded "Champion of Made in Italy in the World", with the assignment of the "Confindustria Awards for Excellence – Andrea Pininfarina"[24]. This is a prestigious award, a tribute to the Company that has most actively contributed to the international diffusion of the "Made in Italy" and the image of Italy and Italian values.

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[20] https://www.sanpellegrino.com/it/it/bottle-range, consulted on December 2018.
[21] In addition to these, there also the Magnum bottle of 150cl that remind the typical form a Champagne bottle, and the new S.Pellegrino Cans. Source: https://www.bevindustry.com/articles/91359-spellegrino-releases-aluminum-can-format, consulted on December 2018.
[22] http://www.ilgiornale.it/news/dati-record-sanpellegrino.html, consulted on December 2018.
[23] https://altagamma.it/chi-siamo/ , consulted on December 2018.
[24] https://www.nestle-waters.com/media/mediainformation/press-releases/the-sanpellegrino-company-is-champion-of-made-in-italy-in-the-world, consulted on December 2018.

As reported before, Sparkling Natural Mineral Water S.Pellegrino is the most exported product of the company and is also one of the most recognized Italian product worldwide. It is an Italian icon, ambassador of the Italian way of living in more than 150 countries in the five continents, with an exporting experience that counts more than a century. Its famous bottle became an **elegant** and **refined** image of the "Made in Italy", bringing the **Italian Lifestyle** all over the world in every kind of occasions[25].

> For **Italian Lifestyle** is intended a way of life that somehow privileges human relationships, characterized by the attention to the person and to his needs, taking time for oneself and placing oneself in a comfortable way. Moreover, particular importance has the connection with one's own culture and the love for one's own traditions[26].

This lasting success of S.Pellegrino water has its root in its historic and cultural heritage that made it a timeless icon of Italian **Style** and an expression of Italian high-quality products. The success of the brand is based on fact that S.Pellegrino is a perfect interpreter of the Italian taste lifestyle, characterized by the universally recognized values of **conviviality**, **elegance, good food** and **love for beauty**.

Moreover, being S.Pellegrino export-oriented, in addition to represents these values it also gives contributes to spread them worldwide, acting as an **ambassador** of Italian **Culture** all over the world [27]. Its representative role of Italy can be also found in the

[25] https://www.sanpellegrino.com/it/it/an-italian-icon, consulted on December 2018.
[26] Report of Assocamerestero. Source: http://www.assocamerestero.it/download.asp?ln=&idtema=1&idtemacat=1&file=Informazioni/Files/103012/MadeinItaly.pdf, consulted on December 2018.
[27] https://www.sanpellegrino-corporate.it/files//valorecondiviso/ReportCSV.pdf, consulted on December 2018.

fact that in 2015 S.Pellegrino has been chosen as official water for Expo Milan 2015 and for the Italian Pavilion.

4.3.1. "S.Pellegrino meets Italian Talents"

To reinforce the position in the consumer perception, S.Pellegrino works on an incessant basis, and in this context can be reported the ***"S.Pellegrino meets Italian Talents"*** project, started in the 2010 and dedicated to the "Italian talents". The project based on the association of the S.Pellegrino brand with other internationally famous Italian brands, other Italian talents that share the vocation for excellence, and that share the same **values** of the brand. The primary objective of the project is having *synergies* with other Italian brands that have an excellent international reputation and that are examples of tradition and the Italian way of living. This collaboration has the benefits of consolidates the brands in foreign markets. As Stefano Agostini, former president and CEO of the Sanpellegrino S.p.A., explained: "the real competitive advantage of the best "Made in Italy" brands is their intangible value. It must be valorized because can give the brand a unique and last-longing position and prestige" [28].

At the moment, the project has seen the realization of four editions, with the respective four limited-edition bottles, intended exclusively to the Ho.Re.Ca. channel, both Italian and abroad.

[28] https://www.nestle-waters.com/media/mediainformation/press-releases/s-pellegrino-italian-talents, consulted on December 2018.

Fig.4.2. The four editions for the "S.Pellegrino meets Italian Talents" project. From Left to Right, Missoni (2010), Bulgari (2011), Luciano Pavarotti (2013) and Vogue Italia (2015).
Source: https://www.nestle-waters.com/media/featured-stories/s-pellegrino-celebrates-the-journey-of-water-with-a-first-ever-design-project

- **2010: "S.Pellegrino meets Missoni"**

  The first brand chosen for this project was the high-end Italian fashion house **Missoni**. This choice was made by the fact that the two brands share the characteristics of perceived high quality, they are leaders in their sector and have both high international

reputation[29]. In this limited-edition bottles, at the classic label of S.Pellegrino were added the characteristic zig-zag Missoni motive in watercolors.

- **2011: "S. Pellegrino sparkles with Bulgari"**

  In the second edition of the project, it was chosen the Italian luxury brand **Bulgari**. This special edition was the result of a partnership based on shared common values, as history, prestige, quality, originality, and timeless fashion. In this occasion, the S.Pellegrino label became all gold and was embellished with the reproduction of a one-of-a-kind piece necklace from the 1965 Bulgari Vintage collection, made by gold and jewels, emeralds, diamonds, amethysts and turquoises. The result is a "sparkling" and sumptuous bottle that express the unique, elegant and fashionable of the jewelry brand, but also highlighted the special and precious of S. Pellegrino, reflecting the two brands' pursuit of excellence[30].

[29] https://www.nestle-waters.com/media/mediainformation/press-releases/s-pellegrino-italian-talents, consulted on December 2018.
[30] https://www.inabottle.it/it/tendenze/quando-la-classe-e-acqua, consulted on December 2018.

- **2013: "S.Pellegrino celebrates Luciano Pavarotti"**

  The third edition of the project is a tribute to the Italian operatic tenor **Luciano Pavarotti,** considered one of the biggest tenors in history. He was a talent of international success and, through the Italian Opera, brought the Italian excellence in all the world. He gave the world a strong and positive image of Italy, that is also the object of S.Pellegrino, and represents the same culture, passion, and joy of living that S.Pellegrino exports in all the world. S.Pellegrino shares the Pavarotti's devotion to the ideals of Italian excellence, including culture, togetherness and beauty, as well as supporting emerging young talents. Like S.Pellegrino, the tenor was a worldwide ambassador of the Italian way of living[31].

[31] https://www.nestle-waters.com/media/featuredstories/san-pellegrino-luciano-pavarotti-special-edition-bottle, consulted on December 2018.

- **2015: "S.Pellegrino together with Vogue Italia: Fine Food and Style"**

  In 2015 there has been the fourth edition of the project with Vogue Italia, the Italian edition of Vogue magazine, recognized as Italian Talent. S.Pellegrino and Vogue Italia are two ambassadors of the art and style of the Italian living. Vogue Italia is a famous and influent magazine, a very icon of fashion all over the world. It, unified to S.Pellegrino, a symbol of water and of the fine dining, created a unique project that combines food and style, two Italian excellence[32].

[32] https://www.sanpellegrino.com/it/it/exclusive-collections, consulted on December 2018.

4.3.2. International Advertising Campaigns

The company uses a marketing communication strategy that can be simplified as **"Live in Italian",** underlying **values** like elegance conviviality, *bien vivre,* all positive values connected to Italy. In reference to this, can be reported some examples of S.Pellegrino's International advertisements campaign:

- The first big international campaign traces back to 2001. The campaign, through black and white photos represented not only the Italian good food but also values like family, happiness, love, sharing, and conviviality. The claim **"Whatever language you speak, live in Italian"** encouraged to live these Italian values. Later, the concept around with is developed the communication of the brand become simply "**Live in Italian**". There are no more geographical boundaries to this way of living, that everyone around the world can experiments in the social aggregation moments during the consumption of high-quality food[33].

- **"Live in Italian"** is the claim also of the international advertisement campaign of 2010. It has been shot by the big famous American photographer Elliott Erwitt with a refined documentary style, showing the pleasure of eating good food and be together, in some moments inspired by S.Pellegrino[34].

- **"Live in Italian**" continues to be the claim of the international advertisement campaign also in 2013. It was shot in Shanghai and directed by Antony Hoffman, winner of a Gold Lion at the Cannes Creativity international festival. The testimonial is Pierfrancesco Favino, an icon of the Italian cinema. Thanks to his style and elegance, represents in

[33] https://www.sanpellegrino-corporate.it/it/advertising-194, consulted on December 2018.
[34] https://www.sanpellegrino.com/it/it/international-adv-campaigns , consulted on December 2018.

the best way the core values of S.Pellegrino. Moreover, having participated in many foreign movies, he also is a representer of Italy in an international context, just like S.Pellegrino.

The story is set in Shanghai, the economic, financial and commercial capital of China. It is night and Favino in his bed can't fall asleep because of the jet-lag. He stands up and, at the window of its hotel, sees the sparkling city lights and an advertisement of S.Pellegrino water. He decides to go to the restaurant, but this is closed. Favino met other two western guests of the hotel that wanted to eat at the restaurant and after just one glance of complicity, they sneak in the restaurant kitchen and start to cook spaghetti. In this atmosphere of happiness and conviviality, they eat the spaghetti and drink S.Pellegrino[35]. It is more than an advertisement, it is a story that wants to show the most positive aspect of the Italian way of life, that is the art of the table, the Italian capacity of found creative solutions for every kind of situation and the pleasure of being together. This campaign is based on the affirmation: **"Practice the Art of Fine Food Every Time you Can"**[36].

[35] https://www.ogilvy.it/portfolio/s_pellegrino_italian_inspiration.html, consulted on December 2018.
[36] https://www.youtube.com/embed/4OMNA50L5co?rel=0&autoplay=1, consulted on December 2018.

Fig.4.3. (Video frames from) S.Pellegrino 2013 advertisement.
Source: https://www.youtube.com/embed/4OMNA50L5co?rel=0&autoplay=1, consulted on December 2018.

- Another claim of the company is "**Tastefully Italian**". **Tastefully** is referred both to the inimitable soft and refined taste of S.Pellegrino water, and is also referred to Italian beauty and elegance values. **Italian** identify the origin of S.Pellegrino, Italy, with all its values and its way of living, full of passion and conviviality.

4.3.3. Other activities

In addition to "S.Pellegrino meets Italian Talents" project and to its international advertising campaigns, S.Pellegrino has carried other partnership and sponsorship activities to connect its brand with other sectors, in which Italy has an internationally recognized position, like Automotive, Food, Design, and Fashion[37]. Following there are reported some of the most recent ones:

- In 2012 it was launched the "Live in Italian: On the Go. A virtual Experience with Fiat 500" project, followed by the related special edition bottle. Through the QR code on the bottle label, can have access to an app containing an archive of Italian recipes and itinerary. The project gave also the participant the chance to win a Fiat 500[38].
- In 2014 S.Pellegrino, in partnership with Ducati, realized the "**Ducati: share the Italian Passion"** limited-edition bottle. The two brands have in common the same philosophy, expressing the love for beauty and the proud of being Italian[39]**.** For this project, it was also released an app, called "The Sparkling Italian Experience", where there were presented Itineraries in Italy.
- In 2015 S.Pellegrino was the official water for EXPO Milan 2015, and of the italian pavillon[40].

[37] Fortis, M., (2005), *Le due sfide del made in Italy: globalizzazione e innovazione*, Il Mulino.
[38] https://queenbeecoupons.com/san-pellegrino-live-in-italian-on-the-go-sweepstakes-win-a-fiat-and-5000/?m, consulted on December 2018.
[39] https://www.inabottle.it/it/tendenze/le-bollicine-di-spellegrino-rombano-con-ducati, consulted on December 2018.
[40] https://www.sanpellegrino.com/ch/it/news/expo-invita-il-mondo-a-milano-s-pellegrino-lo-accoglie-con-gusto-836, consulted on December 2018.

- In 2017 S.Pellegrino was the official water of the Salone del Mobile.Milano, sharing with it the values of passion, creativity, elegance and the commitment to the promotion of young talents[41].

- In 2017 and 2018, S.Pellegrino is the official water of the Camera Nazionale della Moda Italiana (National Chamber of Italian Fashion), a prestigious association with the aim of promoting and develop the Italian Fashion. Thanks to this, S. Pellegrino has been the sponsor of the Milan Fashion Week, both in runaways and events[42].

4.4. S.PELLEGRINO AND THE CULTURE OF *FINE DINING*[43]

Another aspect that characterizes S.Pellegrino, in addition to be an Italian water, is the one of being a fine dining water. S.Pellegrino has a centenarian story in the active promotion of fine dining **culture**, and its recognition as fine dining water, gives the brand a leader position in the high-end HoReCa channel, that is HOtels, REstaurants and Cafés.

In fact, the choice of water is essential to the perfect taste experience in fine dining, to complete food and other beverages. For having the best pleasure from the dining experience, the taste of water, wine and food must be balanced, without prevarications. Wine and food interact on each other and transmit different shades of taste, while water has the aim of clean the palate, to valorize food and wine[44].

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[41] https://www.sanpellegrino.com/ch/it/news/expo-invita-il-mondo-a-milano-s-pellegrino-lo-accoglie-con-gusto-836 , consulted on December 2018.
[42] https://www.sanpellegrino.com/ch/it/s-pellegrino-acqua-ufficiale-moda-italiana-2899, consulted on December 2018.
[43] "Fine Dining" refers to the best restaurant, the high-quality food, the most refined flavor and their combinations. Source: https://www.sanpellegrino.com/it/it/dining-experience, consulted on December 2018.
[44] https://www.sanpellegrino.com/it/it/tasting-and-pairing, consulted on December 2018.

Thanks to the balanced minerals acquired underground, the water is tasteful and pleasant to the palate, with its characteristic bitter note at the end of the sip[45]. Moreover, its long-lasting bubbles and soft *perlage* give freshness to the drinker[46]. S.Pellegrino can harmonize with food, wine, and other beverage and it is a superior water for the fine dining. S.Pellegrino, together with its still water equivalent Acqua Panna[47], become distinctive signs of the finest international dining tables, with a leadership position in the global excellence cuisine[48]. The waters are appreciated by the elite of chefs, sommeliers, and *connoisseurs*, as represented in a 2007 campaign. It showed the bottles of the two waters together with real high-end restaurants' business cards, with the claim: *"Who said that Great chefs don't agree on anything?"*[49].

S.Pellegrino dedicates efforts to educate consumers in the water service field and in the combination of water in fine dining. In reference to this, can be mentioned the **Water Codex** project launched by S.Pellegrino and directed by Giuseppe Vaccarini, Best World Sommelier in 1978. This is an ambitious and important project in the research and study of water in the fine cuisine, showing detailed guidelines in the combination of water with every kind of beverage (including wines, spirits, coffees, teas) and food.[50]

In collaboration with the most famous and recognized restaurant and hotel guides, and also with the most important food-related worldwide events, the brand works on a

[45] https://www.sanpellegrino.com/it/it/terroir-and-source, consulted on December 2018.
[46] https://www.sanpellegrino.com/it/it/s-pellegrino-taste, consulted on December 2018.
[47] Acqua Panna entered in the company in 1957 and follows S.Pellegrino as its still equivalent in the high-end sector. Source: Bevitalia, (2017), *Acque Minerali, Bibite e Succhi. Soft Drinks Directory 2017-2018,* Beverfood.com. Pdf report consulted on December 2018.
[48] https://www.sanpellegrino.com/it/it/philosophy, consulted on December 2018.
[49] https://www.sanpellegrino-corporate.it/it/advertising-194, consulted on December 2018.
[50] https://www.sanpellegrino.com/files/italy/taste/tasting-and-pairing/Water_Codex.pdf, consulted on December 2018.

continuous basis to reinforce its image and its values. Between the many activities in this field S.Pellegrino works on can be mentioned:

- S.Pellegrino, together with Acqua Panna, sponsor every year the famous list of "**The World's 50 Best Restaurants**". Started to be issued in 2002, it became as famous as the Michelin Guide. In addition to the global one, there are also two regional lists: the "Latin America's 50 Best Restaurants" and the "Asia's 50 Best Restaurants". The recognition and the popularity of the list, emphasizes and reinforces every year the prestigious position of S.Pellegrino water in the high-end cuisine.

- In addition to the list, S.Pellegrino in 2015 launched **S.Pellegrino Young Chef,** a chef competition to find the most talented young chefs, aged less than 30, from all over the world. The contest is one of the most professional and popular young chefs' competitions in the industry, promoting the brand influence of S.Pellegrino in the high-end cuisine field [51]. It has concluded its third edition, that went from January 2017 to June 2018, with 90 countries involved[52].

[51] http://m.5888.tv/news/111122.html, consulted on December 2018.
[52] https://www.sanpellegrino-corporate.it/files//valorecondiviso/ReportCSV.pdf, consulted on December 2018.

CHAPTER CONCLUSION

Values, **story,** and **culture** are three characteristics belonging to S.Pellegrino and, as reported by Vescovi[53], these are also the points of strength for a brand in the Chinese market.

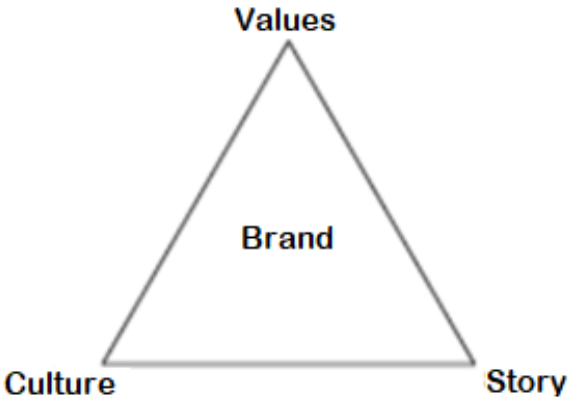

Fig.4.4. Key points for a brand in the Chinese Market. Personal Translation. Source: Vescovi, T., (2011), "Strategie di marca per i prodotti italiani in Cina", *Micro & Macro Marketing,* a. XX, n. 1, pp. 73-92

In fact, in the Chinese Market, the **values** that define the brand must be well defined and clear. In this way, they can create a clear and understandable place in the position for the objective consumer, who will identify these values as important criteria and alternatives in choice and consumption. The **story** of a brand, as the same of its long-standing reputation, is another strong point. In fact, Chinese people are very concerned about the story of a brand, giving to the story the role of build reputation, especially for products that do not belong to Chinese tradition. The third element is the **cultural** references connected to the brand. It must give solid cultural references connected to the origin of the brand and, at the same time, must be understandable and coherent with consumers' ones.

[53] Vescovi, T., (2011), "Strategie di marca per i prodotti italiani in Cina", *Micro & Macro Marketing*, a.XX, n.1, pp. 73-92

According to this, the possession by S.Pellegrino of these three characteristics gives the brand the keys to success in Chinese Market. The brand, in fact, has a centenary **story**, and strong **values** related to Italian and fine dining **culture**. These characteristics, moreover, are coherent with the cultural background of the targeted people of S.Pellegrino, that are Chinese consumers that want to pursue a Western lifestyle.

Starting from these assumptions, in the next chapter, it will be exposed the real perception of Chinese consumer about imported water and, in particular, about S.Pellegrino, through an online survey.

CHAPTER 5

RESULTS OF AN ONLINE SURVEY ABOUT CHINESE CONSUMERS' CONSUMPTION OF IMPORTED BOTTLED WATER AND S.PELLEGRINO

In this last chapter there will be presented and discussed the results of an online survey about the consumption of imported bottled water by Chinese consumers. The survey was created through an on-line website and was active online from December 2018 to the end of January 2019. Respondents were asked to participate to the survey posting in social medias both the link of the survey and a QR code that, if scanned, linked to the survey.

The results shown here in the chapter are referred only to the 235 respondents that completed the survey.

Regarding the questions, the survey can be subdivided in three parts. The first part is aimed to know the personal information of the respondents, the second part aimed to inquiry about their consumption of imported bottled water and the third part aimed to inquiry about their consumption of S.Pellegrino.

5.1 The First Part: the personal information of respondents

The first part consists in the three questions, reported below, aimed to know the characteristics of the respondents in terms of sex, age and occupation. This part in the survey was positioned at the end of the survey, however, in the explanations of the results it is useful to know it in advanced, for having a better understanding of the findings.

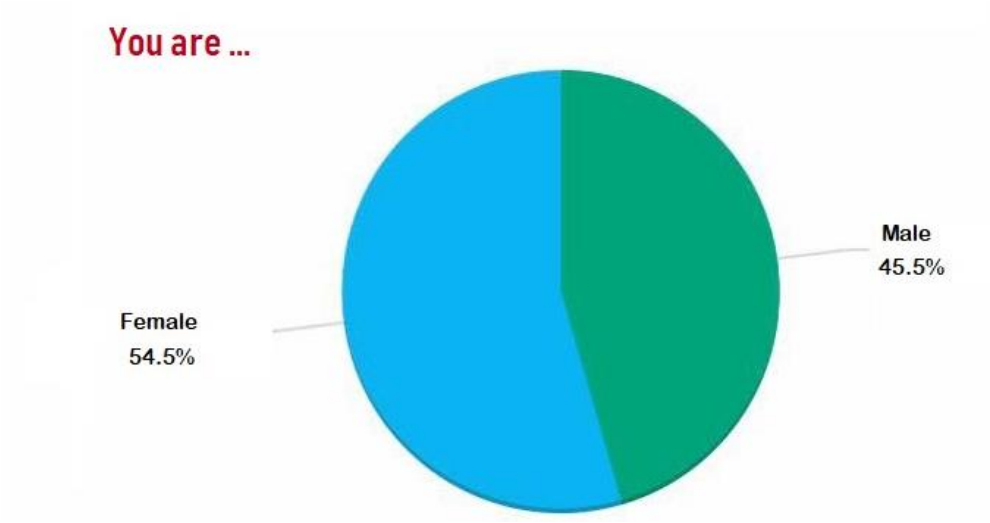

Fig.5.1. Answers to the 'You are…' question. Personal elaboration. Source: data from online survey.

According to the answers of the respondents, the respondents resulted to be for a slight majority constituted by women, with a percentage of 54.5%. The remaining 45.5% is constituted by men.

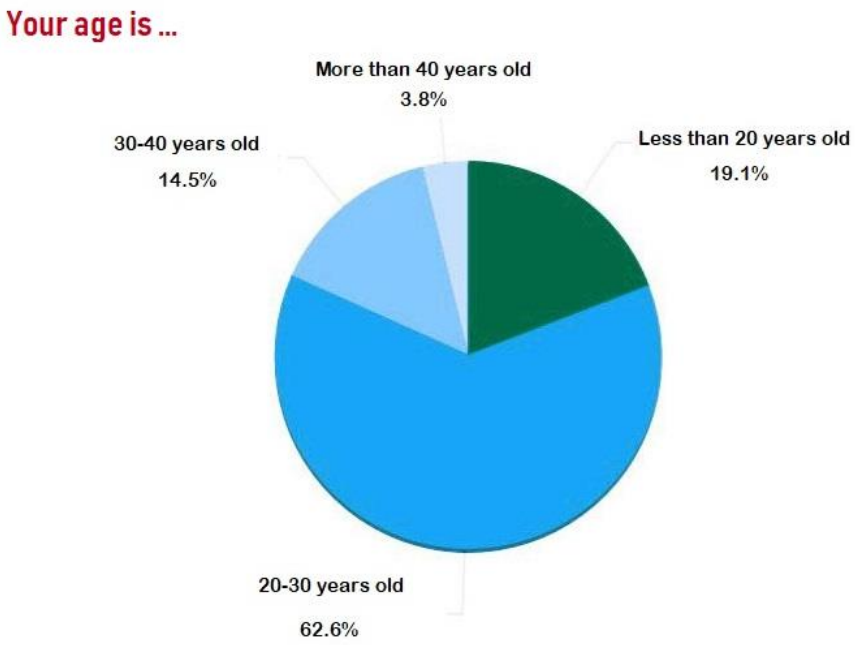

Fig.5.2. Answers to the 'Your age is…' question. Personal elaboration. Source: data from online survey.

After was asked the respondents their age and, according to the results, the majority of them, the 62.6%, are in the range of age between 20 and 30 years. The 19.1% of the respondents are less than 20 years old, the 14.5% is between 30 and 40 years old, and only the 3.8% is more than 40 years old. According to the answers, the majority of the respondents are **young** consumers, that is indicated to represent the main target of both high-end and sparkling water[1]. Young consumers are focused on niche products and are more conscious about health and safety issues. Moreover, they are willing to accept novelty and Western-style products and are more concerned about the quality rather than the price of products, paying attention to quality of life. They are willing to pay higher prices for their favorite goods, and this is also related to the consumption of high-end imported bottled water[2]. in fact, in reference to this, Planet Retail finds

[1] https://www.digitaling.com/articles/62726.html, consulted on January 2019.
[2] https://www.inabottle.it/it/news/mercato-acqua-imbottigliata-Cina, consulted on January 2019.

that young shoppers are willing to pay five to seven times more for imported bottled mineral water, contrary to older consumers[3].

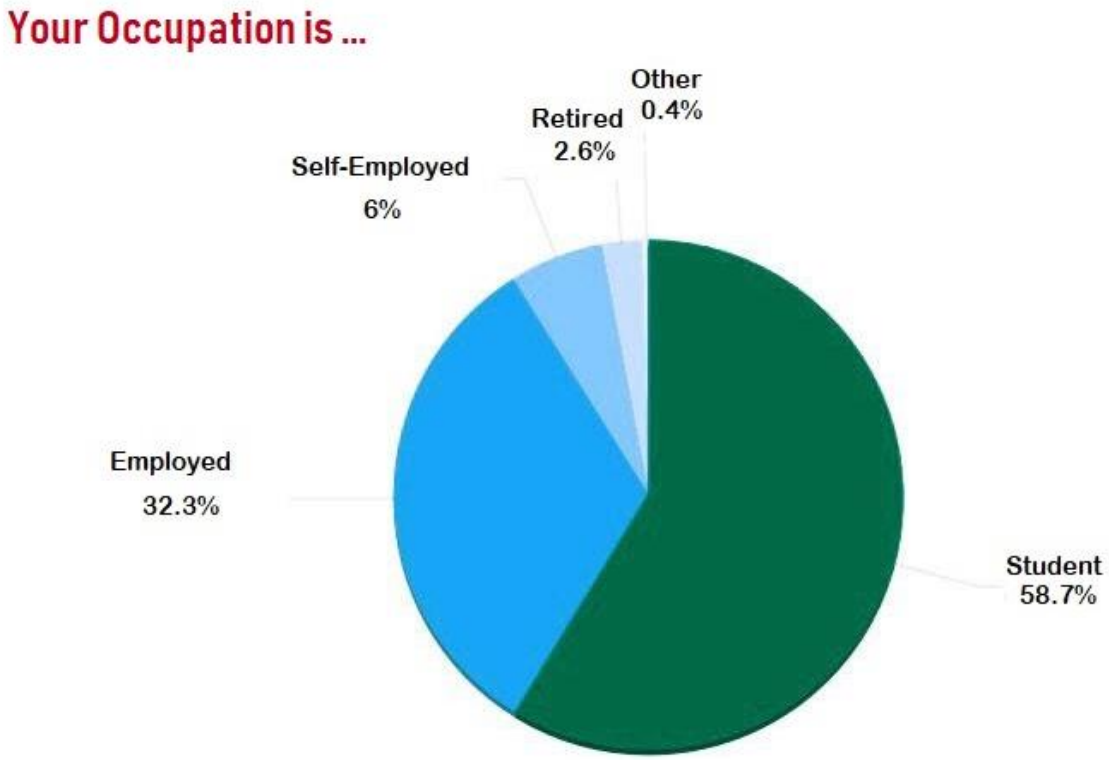

Fig.5.3. Answers to the 'Your occupation is…' question. Personal elaboration. Source: data from online survey.

The third and last question about personal information of the respondents was about their occupation. Almost the 59 percent of respondents are students. This is due to the fact that the survey was post mainly in WeChat groups of University students. In addition to them, 32.3% of the respondents are employed, 6% are self-employed, 2.6% are retired, and 0.4% (just one respondent) choose the option 'other' to indicate

[3] https://www.chinabusinessreview.com/understanding-chinese-consumers/, consulted on January 2019.

his/her occupation. No-one of the respondent answered saying that he/she is unable to work.

5.2. The Second Part: the consumption of imported bottled water

The second part of the survey was intended to understand the consumption behavior of Chinese consumers of Imported bottled water.

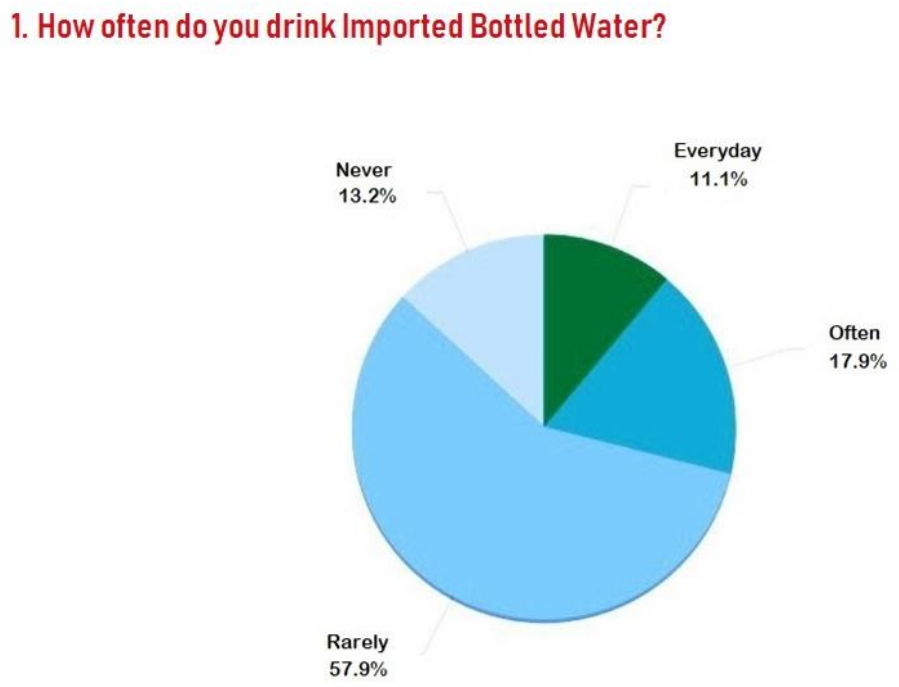

Fig.5.4. Answers to the 'How often do you drink imported bottled water?' question. Personal elaboration. Source: data from online survey.

The first question the respondents had to answer was the following: "How often do you drink Imported Bottled Water?". The majority of them, almost the 58%, answered with 'Rarely', 17.9% of them with 'Often' and 11% of them with 'Every day'. These answers show that 86.8% percent of respondents consumes imported bottled water

and that, although the majority of them consume it on a rare basis, imported bottled water has become a product a consistent majority of Chinese consumers is familiar with.

In the process of answering the questions, if respondent chose the 'Never' option, was mandatory for him/her to answer why, and then he/she was directly conducted to the questions related to the personal information.

Of the 13.2 % of the total respondents (31 people) that affirmed they never drink imported bottled water,

- 16 wrote that they don't drink imported bottled water because are expensive,
- 7 people wrote that they never drunk imported bottled water,
- 3 people wrote that they drink Chinese domestic bottled water,
- 1 person told that outside he/she always use a thermos capable to purify tap water,
- 1 person told that he/she doesn't drink imported bottled water for distribution problems, writing that in small cities imported bottled waters are not easy to find,
- 1 person wrote that in China the difference in prices of imported bottled water and domestic water are too big, and that the difference in their water quality don't justify this difference in prices,
- 1 wrote that there he/she thinks that there is no difference in Chinese domestic and imported bottled water,
- 1 wrote that other family members don't like imported bottled water.

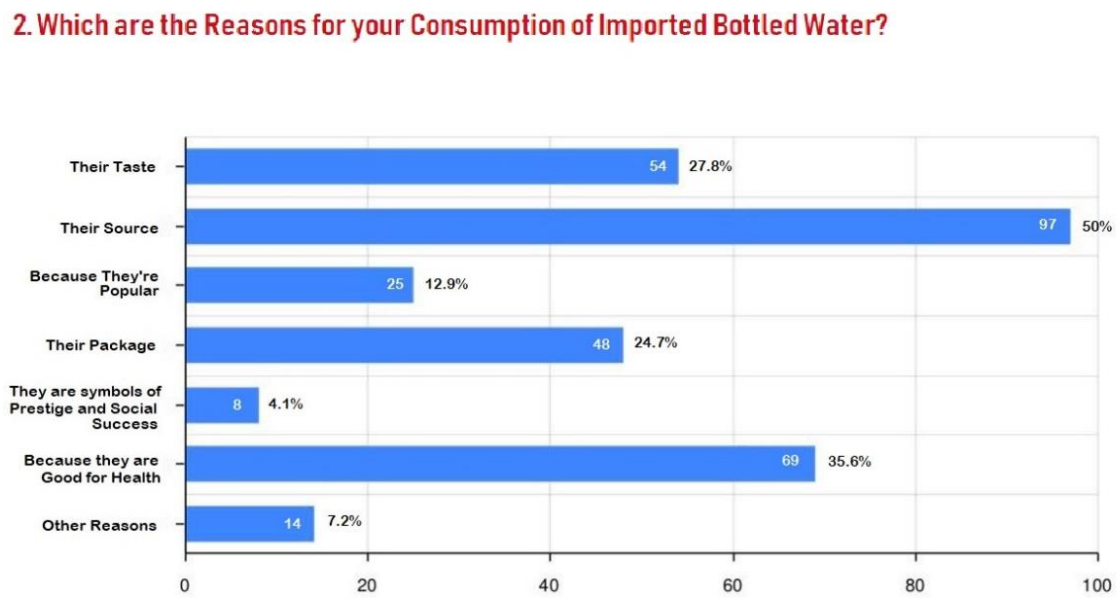

Fig.5.5. Answers to the 'Which are the reasons for your consumption of imported bottled water?' question. Personal elaboration. Source: data from online survey.

The 204 respondents that answer saying that they drink imported bottled water (86.8% of the total), continued the survey, and it was asked them to answer the second question, aimed to understand which are the reasons for the consumption of Imported Bottled Water of the respondents.

The reason that most influence their consumption is identified in the 'Source' of imported bottled water. Consumers are willing to pay a premium price recognized in high-quality water sources, and this result reaffirmed what found out to an H&T survey, in which was indicated the source of the water as the aspect related to the high-end waters which Chinese consumers give most attention to[4]. In fact, as reported in **chapter 1.5.**, the source of most of the high-end bottled water brands carry with them

[4] http://info.js.hc360.com/2016/02/291043121725-3.shtml, consulted on January 2019.

strong cultural meanings, especially brands with a long history, rooted in recognized mineral water sources. This result can be also reconnected to the findings of another survey conducted by Mintel, that found that up to 71% of surveyed consumers are concerned about water source of bottled waters[5].

The second reason for consumption of imported bottled water is identified in their healthy benefit. In fact, 35.6% of the respondents chose the option 'Because they are good for health'. This result is connected to the rising health awareness in Chinese consumers, exposed in **chapter 2.5.3.**, and to their upgrading to Natural Mineral Waters. Imported bottled water are also Natural Mineral Water and, as reported in **Chapter 2.8.**, Chinese consumers' bottled water demand is changing from thirst-quenching to healthy and quality, and Chinese consumers are willing to pay a higher premium for them. Natural mineral water is recognized and loved by Chinese consumers, as it is more in line with their healthy water demands. In fact, natural mineral water is much more than drinking water: with its original purity and qualitative consistency, contains natural minerals and trace elements which are beneficial to the human body.

The third reason, chosen by the 27.8% of the respondents, is identified in the taste of imported bottled water, while the fourth one (24.7%) is identified in their packages. Following, the 12.9% percent buy them because they are popular, the 4.1% because they are symbols of prestige and social success. In addition to these answers, the 7.2% of the respondents consumes imported bottled water for 'Other reasons'.

[5] http://asiafoodbeverages.com/admin/pubs/showpg.asp?pg=4475, consulted on January 2019.

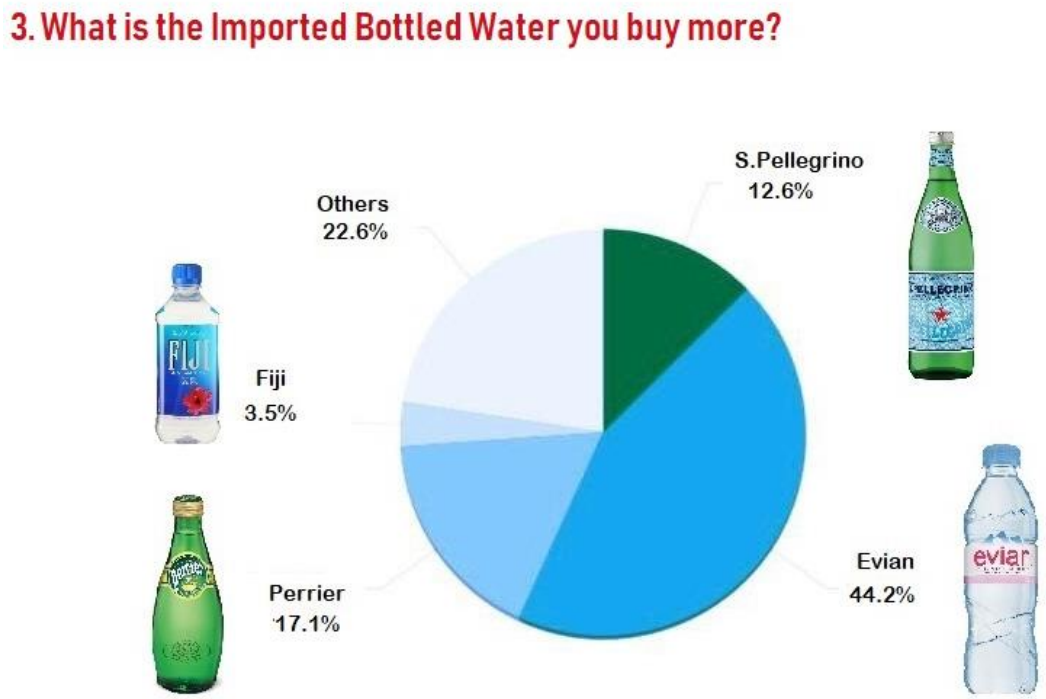

Fig.5.6. Answers to the 'What is the imported bottled water you buy more?' question. Personal elaboration. Source: data from online survey.

The third question asked respondents which is the imported bottled water they buy more between five options (Evian, Perrier, S.Pellegrino, Fiji, Voss), plus the option 'Others'. The 44.2% of the respondents chose Evian, French Still Natural Mineral Water. Evian entered in the Chinese Market in 1986[6], and has become a recognized *status symbol* between Chinese Consumers, and the water is charged with fashion and lifestyle meanings. This is also due to the fact that the brand, through a *diversified extension*, entered in the cosmetic market launching a series of skin care products.

The second imported bottled water that the respondents prefer is Perrier (17.1%), followed by S.Pellegrino (12.6%), both sparkling waters. Both the brands belong to

[6] http://www.ewenku.net/docs/d5b3ac25517128, online "Detailed Industry Report" of the Northeast Securities Co. Ltd, consulted on November 2018.

Nestlé S.A., and represent the leader brands in Chinese Sparkling Water Sector. However, while Perrier is positioned as a natural and healthy soft drink that can replace carbonated drinks, S.Pellegrino is mainly positioned as fine-dining water.

Only the 3.5% of the respondents chose Fiji as their most favorite imported bottled water and no-one chose Voss.

These results confirm what reported in **Chapter 2.9.**, in which there was reported the brands, both Chinese domestic and imported, with most market share in the high-end sector of Chinese bottled water market. In fact, referring to imported bottled waters, the chart showed Evian as the one having the biggest market share percentage (13.3%) Perrier, followed by Perrier (2.7%).

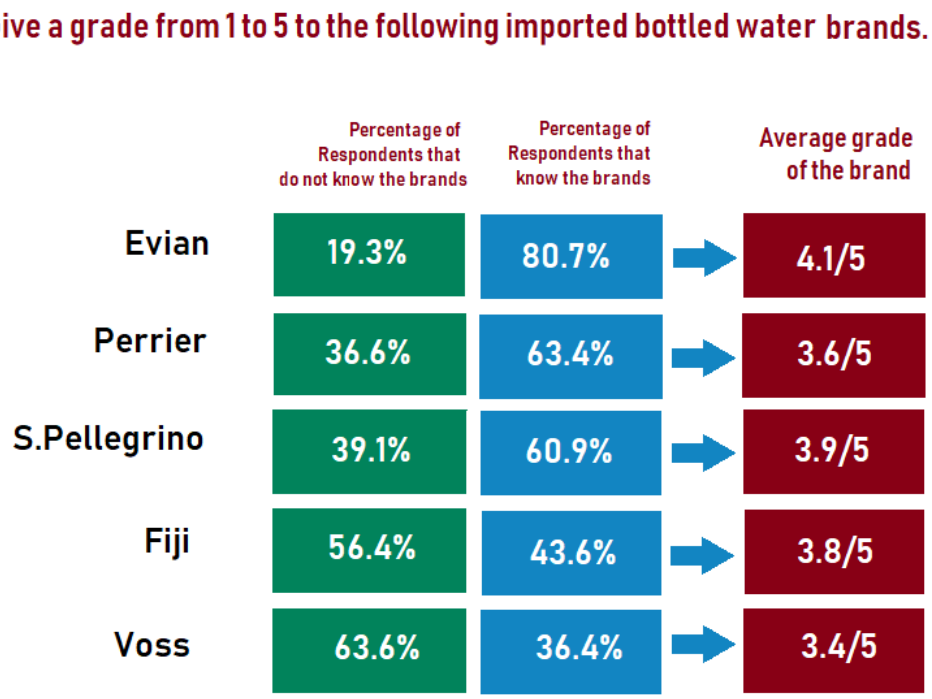

Fig.5.7. Answers to the 'Give a grade from 1 to 5 to the following imported bottled water brands' question. Personal elaboration. Source: data from online survey.

The fourth question asked the respondents to give a grade from 1 to 5 to five imported bottled waters (Evian, Perrier, S.Pellegrino, Fiji and Voss), or to choose the option 'I don't know this brand'.

According to the results, with only the 19.3% of the respondents that did not know it, Evian represents the most known brand. The others, in order from the more known to the most knows, are Perrier (36.6%), S.Pellegrino (39.1%), Fiji (56.4%), and Voss (63.6%).

Regarding the average grades of the bottled water brands, Evian, in addition to be the most known brands of the five, is also the one that has the higher grade, with a grade of 4.1, followed by S.Pellegrino (3.9), Fiji (3.8), Perrier (3.6) and Voss (3.4). Regarding these grades, it deserves to be noticed the grade of S.Pellegrino and Perrier. In fact, although Perrier is reported to be the most consumed and known imported sparkling water, results show that is S.Pellegrino the sparkling water with the highest grade by the respondents.

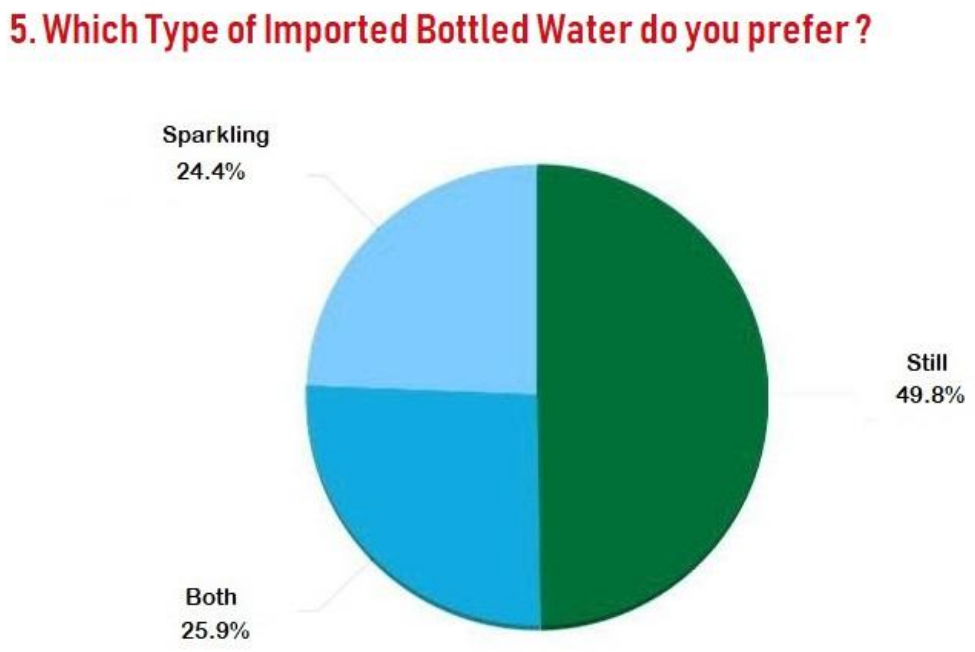

Fig.5.8. Answers to the 'Which type of imported bottled water do you prefer?' question. Personal elaboration. Source: data from online survey.

The fifth question asked respondents if they prefer Still, Sparkling, or both type of waters.

49.8% of respondents answered that they prefer Still water, 25.9% has not preferences, and 24.4% prefers Sparkling water.

The results show that, at the moment in China, half of the respondents drink sparkling water. However, this percentage is predicted to grow, as a consequence of the huge growth that sparkling will have in the Chinese consumers' consumption in the next years, as exposed in **Chapter 2.10.**.

5.3 The Third Part: the consumption of S.Pellegrino

The third part of the survey is dedicated to S.Pellegrino Sparkling Natural Mineral Water.

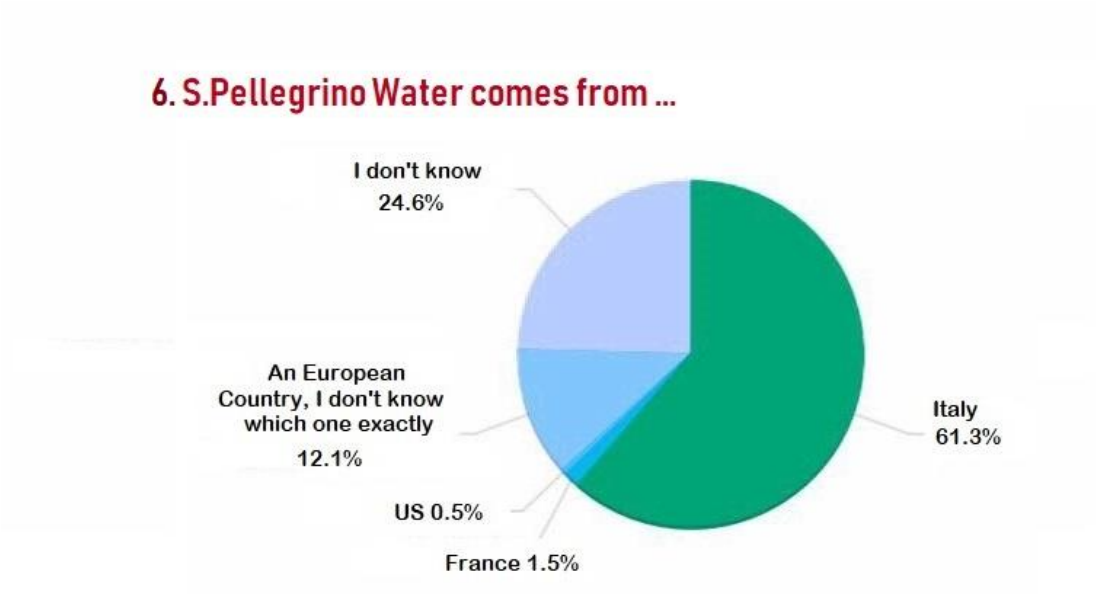

Fig.5.9. Answers to the 'S.Pellegrino water comes from…' question. Personal elaboration. Source: data from online survey.

In the sixth question was asked the respondents from which country S.Pellegrino comes from. The 61.3% of the respondents answered to the question with the right answer, that is Italy. The 24.6% answer with I don't know, and the 12.1% with 'A European Country, I don't know which one exactly'. The respondents that chose the latter two options presumably belong to the 39.1% of the people that in the *Question 4* answered affirming to don't know S.Pellegrino. Only the 1.5% (3 people), answered with France and the 0.5% (1 people) with US.

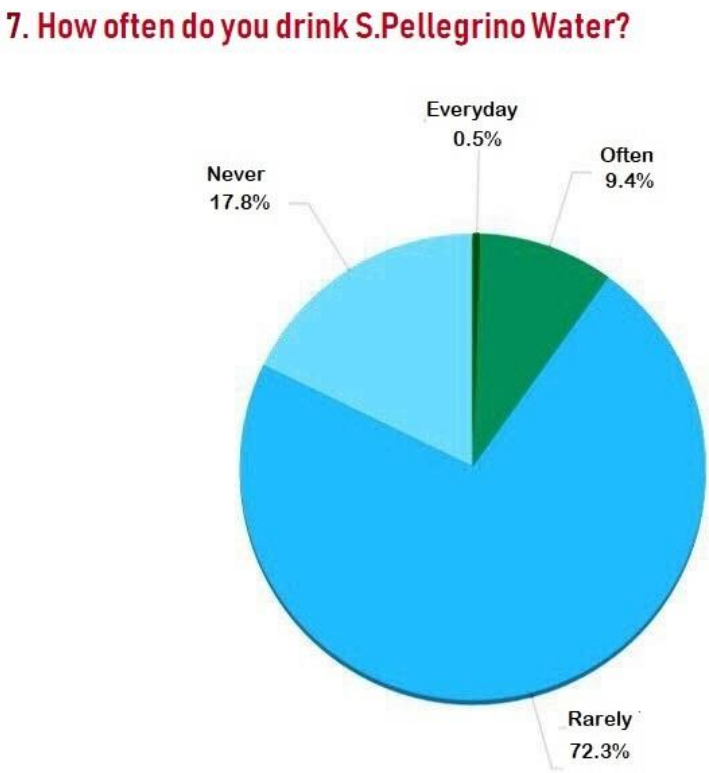

Fig.5.10. Answers to the 'How often do you drink S.Pellegrino?' question. Personal elaboration. Source: data from online survey.

Then, was asked to the respondents how often they drink S.Pellegrino water. Only the 0.5% of them (1 person) drinks S.Pellegrino on a daily basis, 9.4% drinks it often, and 72.3% drinks it rarely.

In addition to this, the 17.8% answered saying that they never drink S.Pellegrino water. If respondent choose the 'Never' option, was also mandatory for him/her to answer why, and then he/she was directly conducted to the questions related to the personal information.

Of the 17.8% of the total respondents (36 people) that affirmed they never drink S.Pellegrino,

- 16 people said they did not know, or they have never seen, the brand,
- 8 people said that is expensive,
- 6 people answered they had never drunk S.Pellegrino water,
- 3 people said they don't like sparkling water,
- 3 people said they don't' like S.Pellegrino taste.

Fig.5.11. Answers to the 'The average price of S.Pellegrino water is quite higher than other bottled water, for examples in cafés the price can be of 16-18 yuan for 250 ml. Do you think is it worth the price?' question. Source: data from online survey.

Then was asked them if they consider or not the high price of S.Pellegrino, compared to other bottled waters, or not. 50.9% of the respondents answered that S.Pellegrino does not worth its price, while 49.1% wrote that S.Pellegrino worth its price.

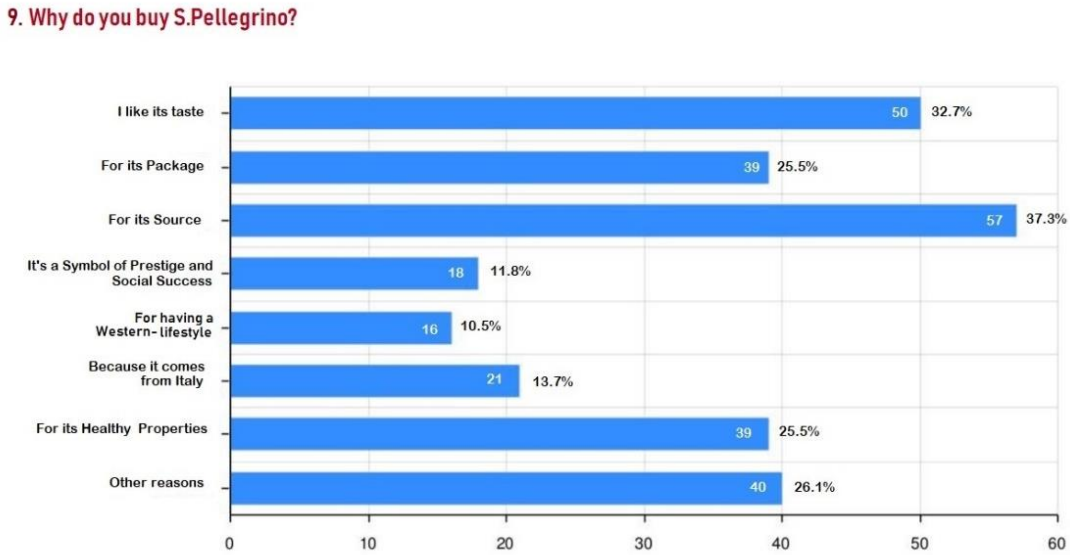

Fig.5.12. Answers to the 'Why do you buy S.Pellegrino?' question. Personal elaboration. Source: data from online survey.

In the tenth question of the survey, was asked to the respondents the reasons for their consumption of S.Pellegrino. The 37.3% identified the reason for their consumption of S.Pellegrino with its **source**. S.Pellegrino water, although it was started to be bottled in 1899, the city of San Pellegrino Terme, where it sources, has been known for its thermal waters since the 13th Century, and many doctors in northern Italy advised patients to convalesce there[7].

[7] https://www.jiemian.com/article/1399755.html, consulted on January 2019.

The 32.7% of the respondents choose S.Pellegrino for its **taste**. The reason for this can also be due to the fact that S.Pellegrino compared to other sparkling waters has a more delicate *perlage,* with more gentle bubbles.

Following, there are two options chosen by the same percentage of respondents (25.5%), that are **package** and **healthy properties.** The 13.7% choose it because it comes from Italy, the 11.8% because it is a symbol of prestige and social success, and the 26.1% for 'Other reasons'.

No-one of the respondent chose the options 'To imitate famous people' and 'Because its skin whitening'. The latter option may sound strange, however I decided to put it between the options after having read online that a consumer drinks S.Pellegrino because she thinks that it has a skin whitening effect, and that Kwon Yu-ri, a South Korean actress and singer, member of one of the most famous girl groups, the Girls' Generation, drink it for this reason[8].

Comparing the answers related to the reasons connected to imported bottled waters and S.Pellegrino can be noticed some differences. Expect for package, that has been chosen by the same percentage of respondents, around the 25%, there are some difference that deserve to me mentioned.

[8] https://www.xiaohongshu.com/brand/S.Pellegrino, consulted on January 2019.

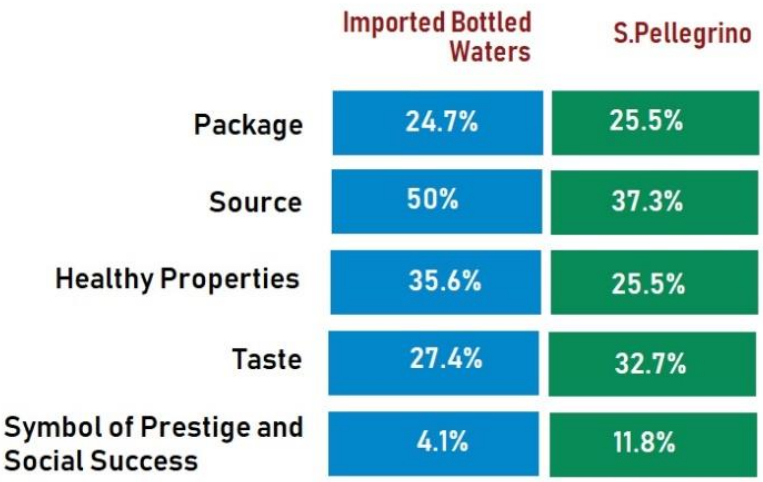

Fig.5.13. Comparison between reasons for consumption of imported bottled water in general and of S.Pellegrino. Personal elaboration. Source: data from online survey.

'Source' and 'Healthy properties', in S.Pellegrino has been chosen by a smaller percentage of respondents. In fact, for imported bottled water they have been chosen respectively by the 50% and 35.6% of the respondents, while for S.Pellegrino by 37.3% and 25.5%.

'Taste' represents a strong point of S.Pellegrino compared to other imported bottled water, option chosen by the 32.7% of the respondents, instead of the 27.8% as for the imported bottled water.

However, the factor that mainly differentiate S.Pellegrino from the general consumption of imported bottled water, is the 'Symbol of prestige and social success' option. This was chosen only by 4.1% of respondents about the consumption of imported bottled water in general, while, in the consumption of S.Pellegrino, this percentage almost triples, reaching the 11.8%

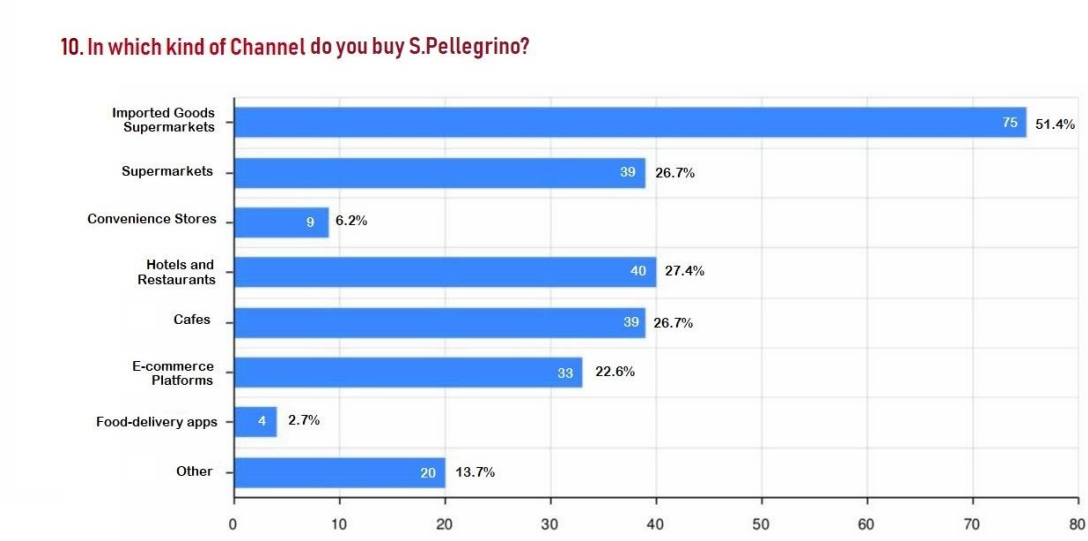

Fig.5.14. Answers to the 'In which kind of channel do you buy S.Pellegrino?' question. Personal elaboration. Source: data from online survey.

In the eleventh question was asked to the respondents in which kind of channels they buy S.Pellegrino. The most chosen option (51.4%) was 'Imported Goods Supermarket', followed by 'Hotel and Restaurants' (27.4 %), 'Supermarkets' and 'Cafes' with the same percentage of 26.7%, and then 'E-commerce platforms' (22.6%). 'Convenience Stores' (6.2%) and 'Food delivery apps' resulted the least chosen option.

However, in this latter channel, according to data, has been reported a huge increase in the order of imported bottled water. For example, in the period January-August 2018 on the famous delivery app eleme (饿了么, Èleme), S.Pellegrino has reported having a growth of 228% compared to the previous year, trend shared also by other imported bottled water, as Voss (+389%), Badoit (+158%), Evian (+143%), and Perrier (+139%)[9].

[9] http://www.nbd.com.cn/articles/2018-09-30/1259629.html, consulted on January 2019.

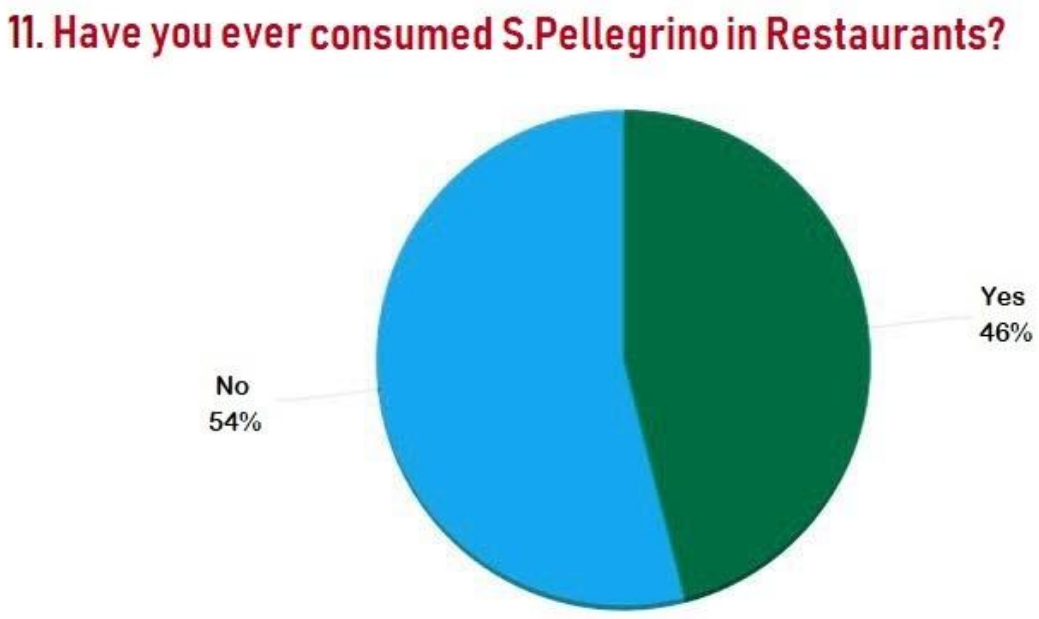

Fig.5.15. Answers to the 'Have you ever consumed S.Pellegrino in restaurants?' question. Personal elaboration. Source: data from online survey.

The following question was aimed to understand S.Pellegrino water consumption in Restaurants. In fact, as reported before, S.Pellegrino water is positioned mainly as fine dining water. 46% of the respondents answered with 'Yes', and 54% with 'No'.

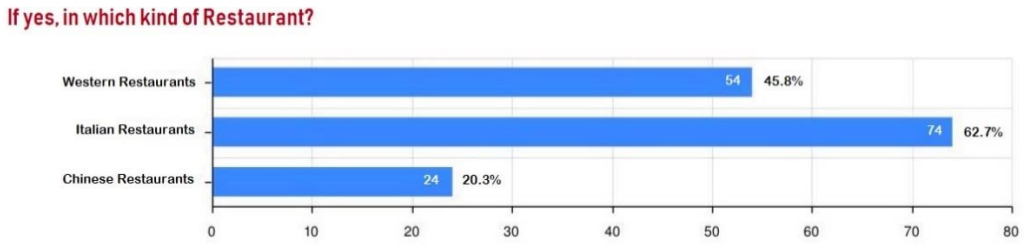

Fig.5.16. Answers to the 'In which kind of restaurant have you consumed S.Pellegrino?' question. Personal elaboration. Source: data from online survey.

Between respondents that consume S.Pellegrino in Restaurants, we can understand that 62.7% of them have drunk it in Italian Restaurant, and the 45.8% in Western Restaurant. Moreover, the 20.3% of the respondents shows that S.Pellegrino water is present also in Chinese Restaurants. In fact, as reported in the 'Water Codex' of Sanpellegrino, in recent years there has been an 'internationalization' in the world of fine dining. Both food, beverages and water choices on Menus, no longer depends on country of origin or current residence. Instead, they are created to ensure diners an instantly gratification of flavors[10].

[10] https://www.sanpellegrino.com/files/italy/taste/tasting-and-pairing/Water_Codex.pdf, consulted on January 2019.

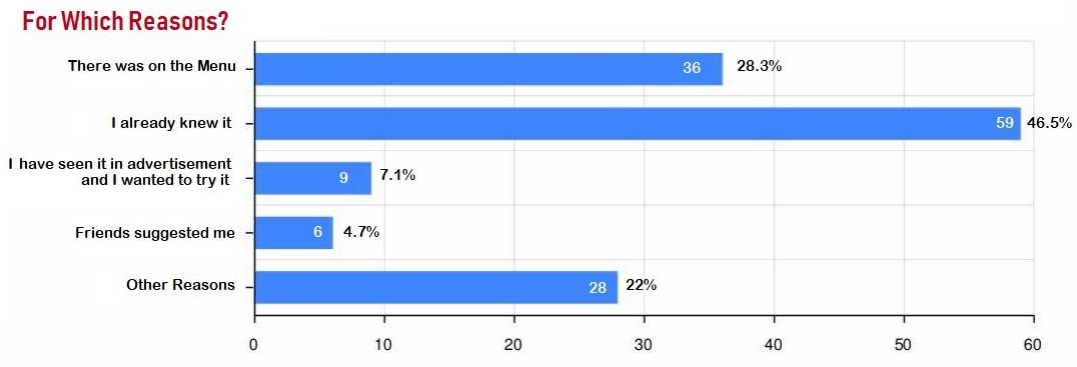

Fig.5.17. Answers to the 'For which reasons have you consumed S.Pellegrino in restaurants?' question. Personal elaboration. Source: data from online survey.

After, was asked respondents for which reasons they have consumed S.Pellegrino water in Restaurants. The majority of them, 46.5%, answered that they already knew the brand. Showing the position that the brand has in the Chinese consumer perception, recognized as fine dining water. Only the 7.1% answered that they ordered the water after having seen it in advertisement and wanted to try it, while the 4.7% because friends suggest it. No-one of the respondents answered that had bought it for posting pics on social medias.

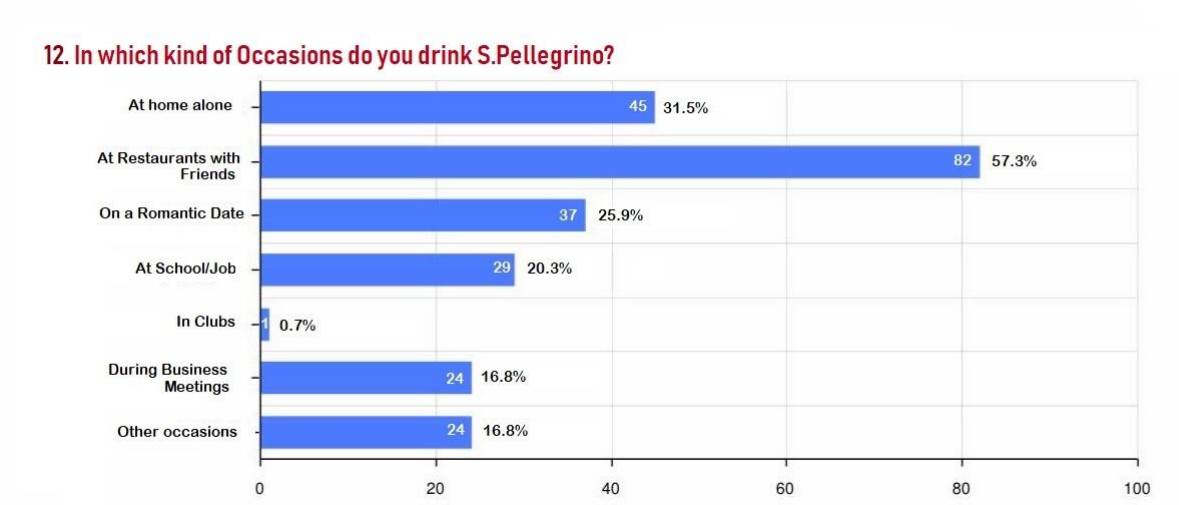

Fig.5.18. Answers to the 'In which kind of occasion do you drink S.Pellegrino?' question. Personal elaboration. Source: data from online survey.

The following question was 'In which kind of occasion do you drink S.Pellegrino?'. The most chosen option was 'At restaurant with friends' (57.3%), showing the recognition of S.Pellegrino as fine dining water and also of one the most important values that S.Pellegrino advocates, that is conviviality.

The second most chosen option was 'at home alone' (31.5%), followed by 'On a romantic date' (25.9%), 'At school/job' (20.3%) and 'During Business Meetings' (16.8%).

Just the 0.7% of the respondents, one person, chose that he/she consumes S.Pellegrino in clubs, where, as reported in **Chapter 2.9.**, there has been started to sell high-end bottled waters, to satisfy the demand for non-alcohol drinks.

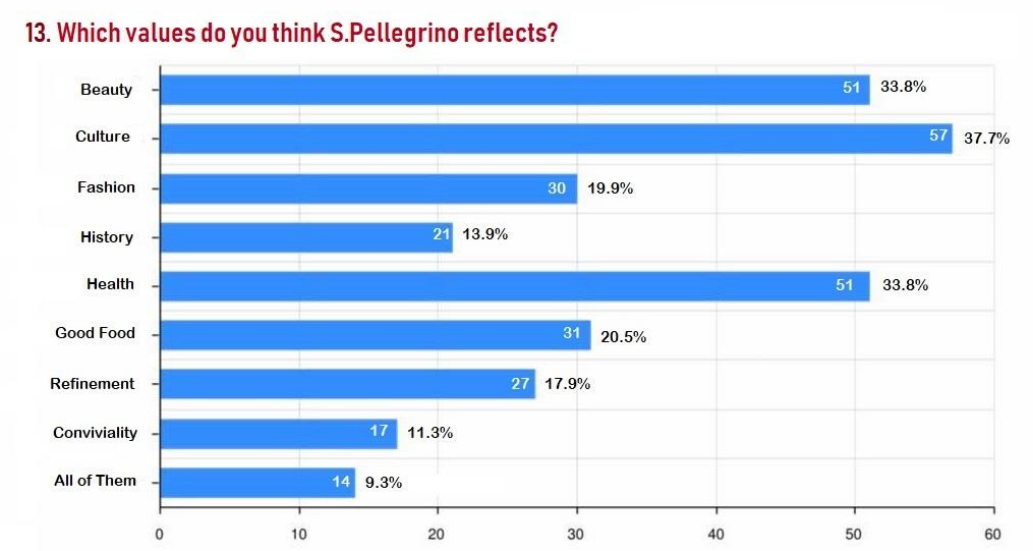

Fig.5.19. Answers to the 'Which values do you think S.Pellegrino reflects?' question. Personal elaboration. Source: data from online survey.

The last question was aimed to understand which value Chinese consumer associate to S.Pellegrino.

'Culture' (37.7%) is the value most connected to the brand. In **Chapter 4**, was identified cultural characteristics of S.Pellegrino as a point of strength of the brand in the Chinese market. Results of the survey reaffirm this, showing that the strong cultural values carried by S.Pellegrino are recognized by Chinese consumers.

'Culture' is followed by 'Beauty' and 'Health' (33.8%), 'Good Food' (20.5%), 'Fashion' (19.9%), 'Refinement' (17.9%), 'History' (13.9%), and 'Conviviality' (11.3%). Moreover, for the 9.3% of the respondents, S.Pellegrino reflects all the proposed values.

CONCLUSION

For millennials Chinese People drunk boiled water, however, in latest years more and more Chinese consumers shifted towards bottled water, mainly for safety concerns about environmental pollution of tap water. In addition to this, the rising of the middle and wealthy class and the more health-awareness of Chinese people, are making them not only buy *more*, but also buy *better*. It has been identified that in recent years Chinese consumers are in a consumption upgrading to *natural mineral water* and *high-end water*, both Chinese domestic and imported. In fact, like every market, also bottled water is segmented, and beside low-end bottled water, there are also high-end ones, filled of cultural meanings and symbols of social status. Some brands of high-end bottled waters, in fact, are able to transform water from a thirst-quenching product into a consumer commodity connected to a range of different cultural images and lifestyles. This situation can be observed also in China, where in the high-end bottled waters, sparkling waters has become in the Chinese society the symbol of the high-end lifestyle in the water market, mainly connected to a Western Lifestyle. Sparkling water are having a huge growth in consumption, and its value market is predicted to grow by five times in the next five years. In the past, imported sparkling water were only found in upscale hotels, restaurants, and a few premium supermarkets, and their consumers were also mainly foreigners. Today, the picture is quite different, it can be found in convenience stores all over the country.

As reported before, sparkling water are connected to the pursuing of a Western Lifestyle. In fact, more and more Chinese consumers are influenced by Western models, and this influence has effects on their spending behavior, with an increasing consumption of imported Food and Beverage products. According to data, Chinese consumers demand for imported food has been going in only one direction for several years: upwards. Only in 2017, food and beverages imported to China worth 58.3 USD, 25 percent more than the previous year.

Chinese consumers got used to typically Western products that did not belong to Chinese tradition (like cheese, chocolate, pasta, wine, and coffee), and in this background is framed the import of mineral water, that grow continuously in the latest years.

France is the country China imports the most mineral water from, followed by Italy. However, although its second position as exporting country, imported Italian mineral water had a strong a growth since 2012, and Italy became the country that lead the growth in the import of mineral water. Italian exported mineral waters, thanks to their history and prestige, have premium positions on the foreign market, especially in high-end catering, and are symbols of the "Italian Lifestyle", a way of life that somehow privileges human relationships, characterized by the attention to the person and to his needs, taking time for oneself and placing oneself in a comfortable way. Between the more and more Italian waters entering the Chinese market, S.Pellegrino Sparkling Natural Mineral water has an undisputed leader position.

S.Pellegrino, as natural mineral, high-end, sparkling, and Italian water epitomizes the trends in the Bottled water consumption analyzed in the thesis, that are the upgrading to natural mineral and high-end water, the huge growth in the consumption of sparkling water, and the growing import of Italian mineral waters. In the thesis, there has been exposed the possession by S.Pellegrino of the key points to have success in

the Chinese market (that are story, values and culture), helpful to understand its leader position.

To better understand Chinese consumers' frequency, preferences, habits and reasons regarding imported bottled water and especially S.Pellegrino, was created an online survey, directly aimed to Chinese consumers, which results are reported in the last chapter of the thesis. The majority of the respondents resulted to be under thirty years old, and the survey become this way helpful to understand the consumption of imported bottled water between its main target, that is young consumers. The survey shows how between respondents the consumption of imported bottled water is very widespread. In fact, the 86.8% drinks, even if with different frequency, imported bottled water.

Moreover, results indicated that the main reason why respondents do not consume imported bottled water is because of their price, showing this was that the main reason why they don't drink imported bottled water is a monetary factor, not an unwillingness to do it.

Results show that Evian represents both the most drunk, most known, and most rated imported water. However, it must be taken into account that Evian is a *Still* Water. Between *Sparkling* waters, according to the results of the survey, Perrier is the most preferred and also the most known, followed by S.Pellegrino. However, S.Pellegrino has a higher rating than Perrier, resulting the most rated imported sparkling water.

The survey shows that the majority of respondents that drink imported bottled water drinks S.Pellegrino, even if most of them drink it with a rare frequency. However, according to the results of the survey, the 36.6% of respondents that drink bottled water affirms to not know S.Pellegrino and, between who does not drink it, the most reported reason is because they did not know the brand. S.Pellegrino, aware of this, is

working to increase brand knowledge between Chinese consumers, as witnesses the choice of a very famous Chinese actor, Huang Xuan, as global ambassador for the brand. Regarding to this choice, Ms. Ronan, Nestle Water International Brand Business Manager, affirmed that: "Huang Xuan is an opportunity but not a coincidence to serve as global brand ambassador of S.Pellegrino. They are both models of high-end style and noble taste, and have many similarities, like elegant taste, exquisite life, enthusiastic and positive attitude towards life."

Comparing percentage of answers about reasons for consumption of imported bottled waters in general and S.Pellegrino, can be found also that the percentage of respondents that identify S.Pellegrino as 'Symbol of Prestige and Social Success' was three times compared to the percentage that chose this answer for imported bottled waters in general. According to this, between Chinese consumers this is the element that differentiate the most S.Pellegrino from other competitors. In fact, reasons as 'Source' and 'Health' were found to have less importance in the consumption of S.Pellegrino. The brand, working through sponsorship in the main events related to Fashion, Lifestyle and Cinema in China, underlines and this connection with being an elite brand. Just to mention the latest activities, S.Pellegrino in 2018 was the sponsor of the diner party for the launch of the 2019 Michelin Guide, in Shanghai, it was the sponsor for the 30th anniversary of the fashion magazine 'ELLE China'. Moreover, it was the official water for the 21st Shanghai international movie festival.

It is supposed that, these activities will consolidate the position that Chinese consumers have about S.Pellegrino, and that, this way, they will be more willing to pay a premium price for consume it, and also increase their frequency in drinking it. In fact, results of the survey show that almost of the respondents that drink S.Pellegrino don't

think it is worth its price, and this can be considered also as a factor by which the majority of respondents that drink S.Pellegrino do it rarely.

In conclusion, upgrading in Chinese consumers' consumption of bottled water created big **opportunities** in the high-end sector of bottled water market.

Opportunities for foreign companies are given also by the reduction on custom duties, that represents a positive signal for more market openings given by the Chinese government. In 2018 customs duties on 1,449 taxable consumer goods were reduced in order to boost imports. Customs duties were reduced from an average of 15.7% to 6.9%., and involved different kind of goods as household appliances, beverages, cosmetics, and pharmaceuticals. Regarding bottled water, only in 2018, import tariffs have been reduced in two phases. In January 2018 they fell from 20% to 15%, and from July 1 onwards they were reduced further to 5%.

Moreover, the increased presence and importance of high-end bottled on the market are also reflected by the several Expos held in China in recent years. Between them, the China International High-end Drinking Water Industry Expo (SWB Expo) represents the biggest platform for companies to reach a huge, thirsty market, it is an opportunity for companies to launch new products, gather sales leads, distribute samples or sell product. The event will be held from 17 to 19 April 2019 in Beijing, from 26 to 28 June in Guangzhou, and from 28 to 30 August 2019 in Shanghai, and includes more than 500 water exhibitors coming from 27 countries along with numerous visitors and water industry professionals.

Opportunities for foreign companies are also given by the big number of potential consumers in second and third-tier cities. Currently, the target customers of high-end

bottled water are concentrated in the first-tier cities, showing that consumers in economically developed areas have a higher awareness of healthy drinking water and higher consumption capacity. In these cities high-end bottled waters are now mainly represented by domestic brands, however, changing consumption behaviors in second and third-tier cities, along with increasing purchasing power of their residents, represent a new range of opportunities to foreign companies, with a big number of potential consumers to educate. This could made possible also by the new improved infrastructure in central and western China is another factor that easie foreign companies to reach even more remote regions.

However, as Thomas A. Edison said: “There is far more opportunity than there is ability”. For having success in the high-end sector, it is necessary to have a clear positioning in consumers’ minds. In fact, high-end sector of Chinese bottled water is more and more crowded, and the lack of a clear position in consumers’ minds can lead to the failure of a brand, as happened with the Evergrande Spring Water.

Contrary, S.Pellegrino is a successful example in the sector, an example for brands that wants to succeed in Chinese Market. The brand, with its strong characteristics of Culture, Values and Story, was capable to take advantage of the great opportunity given by the upgrading in the Chinese consumers’ consumption of bottled water. Thanks to its source and taste, and the values that S.Pellegrino reflects (identified in Culture, Beauty and Health), the brand, ambassador of Italian Lifestyle abroad, was able also to position as a *status symbol* product also in the Chinese market.

ATTACHED DOCUMENTS

ATTACHED DOCUMENT 1: QUESTIONNARIE IN CHINESE LANGAUGE

你好！我叫银裘力，来自意大利。我正在写硕士论文，题目是中国瓶装水市场和圣培露(S.Pellegrino)天然有气矿泉水。如果你能帮助我，我将非常感激。 你只需要几分钟的时间来回答这些问题。

1. 你多久喝进口瓶装水?

☐ 每天
☐ 经常
☐ 很少
☐ 永远不喝， 因为_____ ***(→第 15 问题)***

2. 你喝进口瓶装水的原因是什么?
(你可以选择不止一个答案)

☐ 口味
☐ 水源
☐ 是当红的
☐ 包装
☐ 是声望和社会成功的象征
☐ 有益健康
☐ 其它

3. 你多喝下列的哪一个进口瓶装水?

☐ 圣培露 (S.Pellegrino)

☐ 依云 (Evian)
☐ 芙丝 (Voss)
☐ 巴黎水 (Perrier)
☐ 斐济 (Fiji)
☐ 其它

4. 对下列的进口瓶装水给予 1 至 5 级的等级

(1=非常差，2=差，3=一般，4=好，5=非常好)

圣培露 (S.Pellegrino)	☐1	☐2	☐3	☐4	☐5	☐不认识这个品牌
依云 (Evian)	☐1	☐2	☐3	☐4	☐5	☐不认识这个品牌
芙丝 (Voss)	☐1	☐2	☐3	☐4	☐5	☐不认识这个品牌
巴黎水 (Perrier)	☐1	☐2	☐3	☐4	☐5	☐不认识这个品牌
斐济 (Fiji)	☐1	☐2	☐3	☐4	☐5	☐不认识这个品牌

5. 你更喜欢哪种进口瓶装水?

☐ 无气的
☐ 气泡的
☐ 两个都

6. 圣培露 (S.Pellegrino)来自...

☐ 意大利
☐ 法国
☐ 美国
☐ 一个欧洲国家，我不知道具体是哪个
☐ 不知道

7. 你多久喝圣培露?

☐ 每天
☐ 经常
☐ 很少
☐ 永远不喝， 因为_____ ***(→第 15 问题)***

8. 圣培露的平均价格比其它瓶装水高，以咖啡馆为例，250 毫升的价格可以是 16-18 元。你认为圣培露这个价格值得买吗？

☐ 值得
☐ 不值得

9. 你为什么买圣培露？
（你可以选择不止一个答案）

☐ 味道
☐ 包装
☐ 水源
☐ 是声望和社会成功的象征
☐ 模仿名人
☐ 过西方生活方式
☐ 它来自意大利
☐ 有健康特性
☐ 能美白皮肤
☐ 其它原因

10.你在哪个分销渠道买圣培露？
（你可以选择不止一个答案）

☐ 进口商品超市
☐ 超市
☐ 便利店
☐ 旅馆和餐馆
☐ 咖啡馆
☐ 夜店
☐ 网络零售
☐ 外卖 app
☐ 其它

11.你在饭店喝过圣培露吗？

☐ 喝过
☐ 没喝过

如果喝过的话，请问哪种餐馆?
(你可以选择不止一个答案)

☐ 西餐厅
☐ 意大利餐厅
☐ 中餐厅

为什么?
(你可以选择不止一个答案)

☐ 我在菜单上看到它
☐ 我已经知道了。
☐ 看到广告以后想我想尝试一下。
☐ 在社交媒体上发布图片
☐ 朋友们建议我
☐ 其它原因

12.你喝圣培露在下列的哪一个场合中?
(你可以选择不止一个答案)

☐ 独自在家
☐ 和朋友在餐馆吃饭
☐ 浪漫的约会
☐ 在学校、工作中
☐ 在夜店里
☐ 在商务会议中
☐ 其它场合

13.你认为圣培露反映什么价值?
(你可以选择不止一个答案)

☐ 美感
☐ 文化
☐ 时尚
☐ 历史
☐ 健康
☐ 美餐
☐ 大雅
☐ 在一起的快乐
☐ 所有这些

14.你是…

☐ 男性
☐ 女性

15.你的年龄是……

☐ 20 岁以下
☐ 20-30 岁
☐ 30-40 岁
☐ 40 岁以上

16. 你的职位是…

☐ 学生
☐ 工作者
☐ 个体经营
☐ 退休的
☐ 不能工作
☐ 其它的

ATTACHED DOCUMENT 2: QUESTIONNARIE IN ENGLISH LANGAUGE

Hi! My name is Giulio and I come from Italy. At the moment I am writing my master's Degree Thesis, which topic is Chinese bottled water market and S.Pellegrino water. I would be very grateful if you can help me, you just need some minutes of your time to answer these few questions.

1. HOW OFTEN DO YOU DRINK IMPORTED BOTTLED WATER?

☐ Everyday
☐ Often
☐ Rarely
☐ Never, because_____ ***(→ question 15)***

2. WHICH ARE THE REASONS FIOR YOUR CONSUMPTION OF IMPORTED BOTTLED WATER?

(you can choose more than one answer)

☐ Their taste
☐ Their source
☐ Because they're popular
☐ Their package
☐ They are symbols of Prestige and Social Success
☐ Because are good for Health
☐ Other reasons

3. WHAT IS THE IMPORTED BOTTLED WATER YOU BUY MORE?

☐ S.Pellegrino
☐ Evian
☐ Voss
☐ Perrier
☐ Fiji
☐ Others

4. GIVE A GRADE FROM 1 TO 5 TO THE FOLLOWING IMPORTED BOTTLE WATERS.
(1=VERY BAD, 2=BAD, 3=NORMAL, 4=GOOD, 5=VERY GOOD)

S.Pellegrino	☐1	☐2	☐3	☐4	☐5	☐I don't know this brand
Evian	☐1	☐2	☐3	☐4	☐5	☐I don't know this brand
Voss	☐1	☐2	☐3	☐4	☐5	☐I don't know this brand
Perrier	☐1	☐2	☐3	☐4	☐5	☐I don't know this brand
Fiji	☐1	☐2	☐3	☐4	☐5	☐I don't know this brand

5. WHICH TYPE OF IMPORTED BOTTLED WATER DO YOU PREFER?

☐ Still
☐ Sparkling
☐ Both

6. S.PELLEGRINO WATER COMES FROM…

☐ Italy
☐ France
☐ U.S.
☐ an European Country, I don't know which one exactly
☐ I don' know

7. HOW OFTEN DO YOU DRINK S.PELLEGRINO WATER?

☐ Everyday
☐ Often
☐ Rarely
☐ Never, because_____*(→ question 15)*

8. THE AVERAGE PRICE OF S.PELLEGRINO IS QUITE HIGHER THAN OTHER BOTTLED WATER, FOR EXAMPLE IN CAFÉS THE PRICE CAN BE OF 16-18-YUAN FOR 250 ML. DO YOU THINK IT WORTHS THIS PRICE?

☐ Yes
☐ No

9. WHY DO YOU BUY S.PELLEGRINO?
(you can choose more than one answer)

☐ I like its Taste
☐ For its Package

☐ For its Source
☐ It's a Symbol of Prestige and Social Success
☐ To imitate Famous People
☐ To have a Western Lifestyle
☐ because it comes from Italy
☐ For its Healthy Properties
☐ Because its skin whitening
☐ Other reasons

10.IN WHICH KIND OF CHANNEL HAVE YOU BOUGHT S.PELLEGRINO?
(you can choose more than one answer)
☐ Imported Goods Supermarkets
☐ Supermarkets
☐ Convenience Stores
☐ In Hotels and Restaurants
☐ In cafes
☐ In clubs
☐ E-commerce platforms
☐ Food-delivery apps
☐ Other

11.HAVE YOU EVER CPONSUMED S.PELLEGRINO IN RESTAURANTS?
☐ Yes
☐ No

If yes, IN WHICH KIND OF RESTAURANTS?
(you can choose more than one answer)
☐ Western Restaurant
☐ Italian Restaurant
☐ Chinese Restaurant

FOR WHICH REASONS?
(you can choose more than one answer)
☐ There was on Menu
☐ I already knew it
☐ I have seen it in advertisements and I wanted to try it
☐ To publish a pic of it on social media
☐ Friends suggested me
☐ Other reasons

12.IN WHICH KIND OF OCCASIONS DO YOU DRINK S.PELLEGRINO?
(you can choose more than one answer)

☐ At home alone
☐ At restaurant with friends
☐ On a romantic date
☐ At school/job
☐ In clubs
☐ During business meetings
☐ Other occasions

13.WHICH VALUES DO YOU THINK S.PELLEGRINO REFLECTS?
(you can choose more than one answer)

☐ Beauty
☐ Culture
☐ Fashion
☐ History
☐ Health
☐ Good food
☐ Refinement
☐ Conviviality
☐ All of them

14.YOU ARE …

☐ Male
☐ Female

15.YOUR AGE IS …

☐ less than 20 years old
☐ 20-30 years old
☐ 30-40 years old
☐ more than 40 years old

16.YOUR OCCUPATION IS…

☐ Student
☐ Employed
☐ Self-employed
☐ Retired
☐ Unable to work
☐ other

LIST OF TABLES AND FIGURE

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