

Geographic Branding At Nestlé Waters North America

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ABSTRACT

Founded in 1866 as the Anglo-Swiss Condensed Milk Company (Nestlé, 2016), the Nestlé Company has expanded through a number of mergers and acquisitions to become the largest multinational food service company in the world (Jurevicius, 2016) offering a diverse product mix distributed on every continent and in more than 130 countries. Nestlé is the largest bottled water company in the world and Nestlé Waters North America (NWNA) is the number one bottled water company in the U.S. (IBWA, 2013). Bottled water consumption increased 6.7% in 2012 as total annual U.S. bottled water consumption increased to 9.67 billion gallons (IBWA, 2013). Increase in demand for bottled water in the U.S. is attributed to several factors including a perceived decline in tap water quality in specific areas, generally poor public perception of tap water nationally, an increased emphasis on a healthy lifestyle, including the need for proper hydration before and after exercise, and effective marketing campaigns by bottled water companies. This case study explores how NWNA established its unique sustainable competitive advantage by leveraging a strategy of identifying and acquiring locally established bottled water companies with high-quality water sources, dedicated geographic regional markets with strong brand recognition and intense customer loyalty, and established, highly efficient distribution channels. Although Perrier is credited with igniting the bottled water market in the U.S. in the late 1970s, it was not until 1980 that NWNA realized that offering high-quality artesian waters with strong geographic regional brand recognition and loyalty would be more effective and more efficient than importing both the brand and the actual physical product. The regional offerings provide a familiar flavor with a name, slogan, logo, and over all "brand" that customers in the targeted region relate to and by using local water sources, NWNA distributes product within an average radius of 300 miles from their bottling facilities (IBWA, 2013). NWNA began acquiring small bottled water companies in strategic locations across the Country, paying particular attention to regional brand recognition and quality. Poland Springs (first bottled in Maine in 1845) was NWNA's first acquisition, followed by Arrowhead (California, Colorado, and Canada) in 1982, Ice Mountain (Midwest) in 1987, Zephyrhills (Florida) and Ozarka (Texas) in 1988, and Deer Park (Maryland) in 1993. In the U.S., Nestlé offers 12 brands of bottled water in six geographic regions, and is the number one brand (based on revenue) in all six geographic regions: Arrowhead on the Westcoast with 16% Share of Market (SOM), Deer Park in the Mid Atlantic with 22.3% SOM, Ice Mountain in the Midwest with 22.2% SOM, Ozarka in South Central U.S. with 20.9% SOM, Poland Springs in the Northeast with 53.6% SOM, and Zephyrhills in Florida with 40% SOM (Cernivec, 2013). To put into perspective, NWNA's SOM is on average, approximately double that of its closest competitor in each region. NWNA is also the leading U.S. bottled water importer (Perrier, San Pellegrino, and Acqua Panna) with 48.4% SOM (Cernivec, 2013). In 2012 NWNA bottled water sales exceeded \$4.0 billion while operating 29 bottling facilities with over 7,500 total U.S. employees.

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