

COVER STORY



A CENTURY OF PURITY

After a hundred years in business, Hong Kong's favourite water brand is fresher than ever.

By Charles Anderson



A lot of water has passed under the bridge since 1903 when A.S. Watson & Co, chemists and druggists of Hong Kong, introduced a drink of “guaranteed absolute purity” to slake the thirsts of its more discriminating customers.

In those days, distilled water was something of a sideline for the crown colony's premier apothecary. It was sold alongside toilet preparations, carbolic soap, gout tinctures, hair wash, dentifrice, whisky, ginger beer and wines from the company's granite-and-brick premises in Des Voeux Road, Hong Kong. The store was just a couple of streets away from the British Empire's most thriving harbourfront, perched on the south-east coast of Imperial China.

Today, in its centennial year, the distilled water sideline has moved centre stage. Watsons Water is a subsidiary in its own right of A.S. Watson & Co, now part of the Hutchison Whampoa Group, which acquired the business in 1981. Its water distillation plant at Taipo in Hong Kong's New Territories is the largest in the world, producing 430 million litres annually – enough to fill 140 Olympic-sized swimming pools.

Long the market leader in Hong Kong with “superbrand” status, Watsons Water is now becoming increasingly popular in Singapore, Taiwan, Macau and Mainland China.

The brand has just completed a major overhaul of its image and products to coincide with its 100th birthday.

MAKING HISTORY

The Watsons story, however, does not begin in 1903. It even predates the founding of colonial Hong Kong in 1841. The company which later took the Watson name first opened its doors way back in 1828 in Canton, where its dispensary provided free medical services to the poor people of the southern Chinese city now called Guangzhou.

In those days, Canton was the only legal access point to China for pushy European traders doing business for big com-



panies back home and in India. It was an uneasy relationship, peppered with mistrust on both sides. The “gweilos” were confined to premises on Shameen Island, where visiting sailing ships delivered daily necessities alongside their main cargoes.

By late 1831, if an advertisement in the *Canton Register* is any guide, it appears the company had become a commercial operation dealing largely in relieving the after-effects of over-indulgence for the heavy-drinking, meat-eating Westerners.

The next decade saw a period of unrest that culminated with the Treaty of Nanking in 1841 when Hong Kong was ceded to Britain. Along with many other Canton traders, A.S. Watson & Co moved 100 miles down-river to the new colony.

Those were tough days for the new inhabitants, European and Chinese alike. The vagaries of climate, disease and inadequate shelter made life a misery for many of the men encamped on a small strip of land beneath the inhospitable peaks of Hong Kong Island. The Hongkong Dispensary, as the company was renamed, was soon in business in a makeshift shed at Possession Point, selling medical necessities to soldiers and sailors – and distilling its own water to make the medicines they needed.



In 1858, one Alexander Selkirk Watson was employed as the company's first professional pharmacist. He stayed for 30 years, taking over the company and giving it the A.S. Watson & Co name.

By 1903, the company had grown significantly, keeping pace with the young colony's rapid development. Five hundred Chinese and 50 Europeans were on its payroll, with company branches in the Chinese cities of Shanghai, Guangzhou, Fuzhou, Hankou and Tianjin and an office in London. In Hong Kong, it

served an impressive colonial city boasting a port that nearly matched the size of London's and easily topped New York's. As a trading centre, Hong Kong was among the world's busiest. As a place to make money, it was virtually unbeatable.

With demand for “safe” water growing, A.S. Watson & Co added commercial distilled water to the aerated version it was already producing, promising that it was “the purest that can be obtained ... the best ingredients only are used.”

Seven decades of preparing 100% pure water for its medicines was beginning to pay off.

In 1906, 7,772 steamers arrived in Hong Kong, averaging 22 a day. For the colonial captains of ships and industry, the Hong Kong Club at the harbourfront offered a luxurious



In the early days, the very best containers were glass. Occasionally, Watsons changed the shape and design of its bottles but the basic material remained the same for more than 70 years.

In the 1950s Watsons Water introduced the office-sized bottle, leading to the widespread adoption of the office water cooler, which evolved to offer a hot water option as well.

retreat, replete with porcelain baths, electric fans, and furniture of the finest Javanese teak. In these luxurious surroundings, they enjoyed Amoy oysters, seasonal mango ice cream, curries “made opiate with powdered poppy seeds,” the noblest wines of Europe, and mutton brought by Australian steamer from Queensland. These privileged few also indulged in the refreshing pleasures of Watsons Water, distilled in Hong Kong.

But behind the solid facade of the colonial streets and the pretty homes that had sprouted on the lower slopes of the island, poverty lurked. Five thousand Westerners lived in comparative comfort while many of the 300,000 Chinese were packed into tiny houses in the western districts, where poor sanitation was a constant problem.

As the years rolled on, the problems intensified. The horrors of the Japanese occupation (1941–1945) emptied Hong Kong’s streets and crushed its economy.

In 1949, Hong Kong was engulfed by hundreds of thousands of refugees who crossed the border attracted by the laissez faire system, or simply looking for a better life. The urban areas became the most densely populated in the world, bringing the inevitable problems of housing, poor health and crime. Most serious, perhaps, was the critical water shortage. At one stage in the 1960s, standpipes on the

streets were turned on for only four hours every four days.

Naturally, the demand for fresh drinking water intensified. Bottles of Watsons Water now made their way from the Watsons factory into the homes and offices of all who could afford it. Although Watsons had purchased the colony’s first motor truck for deliveries, the bottles were transported mainly by barge and rickshaw, or were carried by men with poles.

In spite of its problems, the city’s businesses and commercial districts flourished again in the 1950s and Watsons’ office-sized containers started appearing. Made of glass and therefore needing careful handling, they nonetheless increased in popularity as the city moved into a more sophisticated mode. As well as providing refreshment for staff and visitors, a Watsons Water carboy in your office helped your image.

The Hong Kong authorities eventually responded to the growing water shortage by constructing a system of giant reservoirs. In 1960 it began piping in water from China. The new supplies were more than welcome and the government was acknowledged as doing its best to maintain quality, but still there were lingering doubts about the safety of water coming from a largely unknown source. The thirst for



By **1977**, as the pace of life quickened, the company introduced the 500ml plastic bottle, replacing glass versions and making it handier for people on the move.



In **1979**, plastic containers replaced glass in the commercial sector and a wider range of carboys was introduced. The water dispensers pioneered by Watsons Water had become, well, indispensable.



In **1993**, Watsons was the first to introduce a 5-litre bottle. Another innovation, the unique “Super Seal System” for water dispensers, was introduced in **1994**, putting an end to spills and splashes.



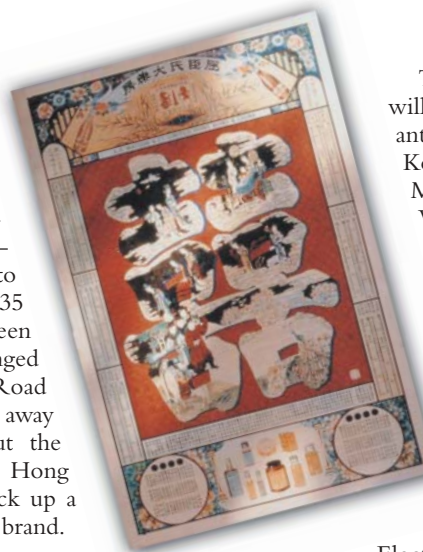
purity was accentuated, demand continued to rise, and Watsons Water was happy to oblige.

A.S. Watson and Co knew its market back in 1903, as it does today. Through the slow expansion of the pre-war period, into the economic restrictions of the 50s and early 60s and on to the rapid development of the past 35 years, clean tasting, purified water has been in constant demand. The city has changed its face countless times, and Des Voeux Road and the rest of the city centre are worlds away from their Edwardian precursors. But the seven million people who now call Hong Kong home are still more likely to pick up a bottle of Watsons Water than any other brand.

FAST FORWARD

At the ultra-modern plant he oversees in Taipo, Ricky Cheung, Managing Director of A.S. Watsons Industries, sees plenty more growth for the company, driven by the burgeoning demand for his products.

Although much has changed in 100 years, Ricky would be hard pressed to better the company's early description of its science and technology: "The water is skilfully filtered on the most scientific principles," Watsons said in 1903. "The machinery employed is of latest design and most approved type."



Take a tour of the Watsons plant today and you will come away in no doubt that its purity is guaranteed. The original water comes from Hong Kong's normal supply system, originating in the Mainland, but by the time it is decanted into Watsons' famous green- and blue-topped containers it has been through 28 automated production steps and 103 quality checkpoints.

The first filtration stage removes large-grained particles, the second takes away organic substances and odour while the third filters out small-grained particles. The water then goes through a softening process before it even gets to the distillation stage, where it is heated to 105°C before a final sterilisation process eliminates any minuscule bacteria that might be in the pipework.

Electronic scanners are also on hand to detect problem bottles.

The final product, in stylish plastic bottles and small containers for domestic use, or larger carboys for dispensers at commercial operations, is then sent on its way to shops, offices, homes, hotels and schools all over Hong Kong.

REFRESHING OPTIONS

Distilled water, as opposed to "mineral," remains Hong Kong's water of choice.

"Hong Kong did not have access to large quantities of

In **1996**, Watsons developed the smaller 1-litre water "Junior" to meet the needs of the home user and in **1998** it was first to launch the streamlined light-blue "Handy Bottle" with an integrated handle that made it simple and easy to replace.



In **2001** the company unveiled the stylish "Platinum Water Dispenser" along with the "Oxygenated Water Dispenser," targeting sports and health facilities. Another innovative offering, "Watsons Water Facial Spray," filled a gap in the beauty market.

In **2002** the company launched a distinctive new bottle design as well as a brand new product – "Watsons Water With Minerals." The design won the "Best Packaging Material Printing" category in the Hong Kong Print Awards.



mineral water, which comes from underground,” Cheung explains. “It’s something that people got used to. Distilled water has a sweeter taste than mineral water, which is slightly salty. That suits the local palette.”

But times change and recent market research showed that while Watsons distilled water has always been associated with a healthy lifestyle, there was also significant demand in Hong Kong for mineral water. So in 2001 Watsons Water began to market what it sees as the best of both worlds: distilled water with appropriate minerals added.

“We are still giving the purity of distilled water,” says Cheung, “but we add pure minerals rather than minerals which you may find in other types of mineralised water. In Europe, it comes out of the ground, there are a few checks to make sure there’s nothing harmful, then it’s straight into the bottle.”

Watsons Water With Minerals, was introduced during an initiative two years ago to rejuvenate the company image through honing its product range and revitalising its marketing.

“Like many established brands in mature markets, our brand was

perhaps getting a little tired,” Cheung recalls. “So we decided to refresh our approach to business and our consumer offerings.”

In came a smart new bullet-shaped plastic bottle, sleek and moulded to fit the hand, with a handy lid that can double as a cup. Watsons’ famous green labelling was enhanced, and a blue version introduced for the “With Minerals” drink.

A state-of-the-art “Platinum Water Dispenser” was also introduced to the market, complete with a triangular water container, an LED display that tells you when cup and water supplies are low, and the kind of design that fits into any modern office. A smaller version designed for household use has also been launched.

Another addition to the range was a new “Oxygenated Water Dispenser” providing five times the oxygen content than in normal water, targeting athletes and other health-conscious people who want fast replenishment of oxygen.

An award-winning advertising campaign called “It’s Your Body” heralded the arrival of the new products. The TV and print media slots spelled out the importance of water to health, and what happens if you don’t get enough of it. The successful strategy saw sales and



Also in **2002**, the company introduced “Watsons Water for Sport” in a convenient pouch pack, offering a thirst-quenching alternative for athletes and youngsters.



In **2003** Watsons launched the “Super Mini Water Dispenser” which, aside from being compact, comes in a variety of attractive designs to suit all tastes.

market share rise further in a highly competitive market.

“Most of the things we do tend to be in response to consumer demand,” says Cheung. “We do a lot of research all the time with consumers in many different aspects, whether it’s the water, the dispenser or the type of service they want. That research gives us good guidance as to where we should be developing in the future.”

The company also publishes guides to provide water information to the public.

RAISING A GLASS

The centennial year is of course something special to celebrate. Very few companies or brands can claim such a distinction and Watsons Water is the only water brand in Hong Kong to achieve “Superbrand” status. (It recently won “platinum” for the fifth consecutive year in the “Reader’s Digest SuperBrands Awards” based on reader surveys.)

Besides celebrations such as a high profile centennial luncheon and a parade in the shopping and tourist sector of Tsimshatsui, the occasion is being marked by the “Year of Hong Kong Creativity” during which a new limited edition label by avant-garde local artists is introduced every month. Each incorporates a letter of the alphabet; collect them all and you spell out the brand name.

As for the future, the potential is obvious. While it is easy to take the availability of pure water for granted, it is worth bearing in mind that, according to the United Nations, about 1.1 billion people around the world still lack

access to adequate drinking water.

As growing populations put more pressure on limited water resources, the need for clean, healthy and affordable drinking water will continue to rise.

“Whenever you want to look to the future, just look at history,” says Cheung.

With Watsons Water already a familiar and popular brand across Asia, the company is focusing attention on the vast Mainland market. Fast-rising incomes, a growing middle class and an increasing awareness of health matters in the major cities have led to the opening of water plants in Beijing, Shanghai and Guangzhou with sales offices in Shenzhen and Dongguan in the Pearl River Delta.

“We are in the process of completely relaunching Watsons Water in China this year,” says Cheung. “We are currently introducing the new consumer pack bottles. That’s going to help us stand out in the market.”

It is ironic, perhaps, that A. S. Watson & Co, the tiny company that moved out of Canton at the founding of Hong Kong and has become a retail giant in its own right, is returning in force to Mainland China where the story began all those years ago.

As far as its subsidiary, Watsons Water, is concerned, Ricky Cheung has no doubt the next 100 years will be as successful as the last. “Carbonated soft drinks are tending to be in decline. All the big soft drinks players are getting into hot water,” he says. “Bottled water is the fastest growing non-alcoholic beverage market virtually everywhere in the world.”

We’ll drink to that.



To celebrate its centenary, the work of well-known local artists is being featured on the Watsons Water bottle labels throughout 2003.

OVERFLOWING WITH FRESH IDEAS

There was a time when most consumers would have scoffed at the concept of buying water in bottles. Water, after all, is as basic as the air we breathe. It falls from the sky, flows down rivers and is widely available at the turn of a tap. The reality, however, is that regular and convenient access to clean drinking water is the exception rather than the rule.

In Hong Kong, Watsons was the first to see the commercial potential of bringing such a simple commodity to the consumer in a convenient way. While the core product was nothing new, the concept of bottling it for consumers' convenience was very novel indeed.

In that sense, the Watsons Water story is as much about packaging and marketing as about the product itself.

The company has played a leading role in the global cultural shift in water drinking habits, maintaining its pre-eminent market position by staying up to date with consumer needs and fulfilling them through new ideas that make it convenient, safe and pleasurable to drink pure water.

As the market leader, Watsons Water has an enviable reputation. The company remains committed to ongoing investment in research and development, in advanced technologies and in recruiting the best people to consolidate and expand its position.

TECHNOLOGY

In July 2001 Watsons Water revamped operations with the installation of robotic arm technology to coordinate the movement of bottles along the production line until they are crated.



of production space.

Additionally, all key quality measurements of the production process are monitored on a real-time basis from the quality assurance department and the production offices. The information can be accessed via the Internet at any location from around the world under the Watsons Supervisory Control and Data Acquisition System.

No wonder Watsons Water is the first water supplier in Asia to be awarded certification from both the ISO and NSF International. In fact, Watsons Water's own demand for purity is so high that its standards are more stringent than those of the two authorities.

EXCEPTIONAL SERVICE

For customers' convenience, Watsons Water first started delivering distilled water to offices in the 1950s.

Today, the company's delivery operations in Hong Kong include 90 vehicles and approximately 340 staff who provide

the city-wide equivalent of room service for thirsty consumers.

Watsons Water also offers home delivery in key cities in Mainland China, including Guangzhou, Shanghai and Beijing,

delivering orders as small as one carboy bottle for individual households. To get closer to its Mainland customers, Watsons Water has opened speciality shops providing a convenient contact point at street level for the general public.

The Customer Service Department offers a 24-hour hotline, a Protection-Plus programme and an all-round maintenance plan, providing dispenser cleaning, sanitising, maintenance and repairs.

For added convenience, customers can order online.



CREATING A SUPERBRAND

The Watsons Water brand was recently inducted into the Reader's Digest Hall of Fame in recognition of its having maintained "Platinum Superbrand" status in Hong Kong for five years running. The award was established five years ago to track brand awareness among consumers in Asia.



This position has been achieved through an aggressive and focused effort on the marketing front, with Watsons Water's message delivered variously through sponsorship of community events and award-winning advertisements across the media spectrum.

The Watsons Athletic Club was founded in 1989 and is now the training ground for many top local athletes participating in various international competitions. The company also sponsors a variety of sports events, including a professional women's tennis tournament and the Watsons Water Athletic King series.



It contributes towards sports development such as the "Searching for New Sport Stars" programme, organised by the Hong Kong Sports Institute, and has received the "Diamond Donors Award" in recognition of its fund-raising efforts for the Community Chest.

Watsons Water regularly inspires the public with its creative advertising campaigns. Most recently, it received three "4 A's Creative Awards" for editing and cinematography of its TV commercials.

But the best way of promoting the brand is through ensuring that customers always get the purest and most refreshing bottled water, reliably, safely, conveniently and affordably – and no one does that better than Watsons Water.