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Bottled water: A river of money

Clean water comes out of the tap for next to nothing, yet Americans spend more on bottled water than on movie tickets or iPods -- a stunning \$15 billion last year. Here's a look at a booming industry's economics and psychology.

By [Fast Company](#)

The largest bottled-water factory in North America is on the outskirts of Hollis, Maine. In the back of the plant stretches the staging area for finished product: 24 million bottles of Poland Spring water.

As far as the eye can see, there are double-stacked pallets of half-pint bottles, half-liters, liters, "aquapods" for school lunches and 2.5-gallon jugs for refrigerators.

We Americans pitch 38 billion water bottles a year into landfills -- in excess of \$1 billion worth of plastic. And 24% of the bottled water we buy is tap water repackaged by **Coca-Cola** ([KO](#), [news](#), [msgs](#)) and **PepsiCo** ([PEP](#), [news](#), [msgs](#)).

The Hollis factory holds a virtual lake of Poland Spring water, conveniently celled off in plastic and extending across 6 acres, 8 feet high. A week ago, the lake was still underground; within five days, it will all be gone, to supermarkets and convenience stores across the Northeast, replaced by another lake's worth of bottles.

Looking at the piles of water, you can have only one thought: We sure are thirsty.

Water, water everywhere

Bottled water has become the indispensable prop in our lives and our culture. It starts the day in lunchboxes; it goes to every meeting, lecture hall and soccer match; it's in our cubicles at work and the cup holder of the treadmill at the gym; and it's rattling around half-finished on the floor of nearly every minivan in America.

Fiji Water shows up on the ABC show "Brothers & Sisters"; Poland Spring cameos routinely on NBC's "The Office." Many hotel rooms offer bottled water for sale alongside the increasingly ignored ice bucket and drinking glasses. At **Whole Foods Market** ([WFMI](#), [news](#), [msgs](#)), the upscale emporium of the organic and exotic, bottled water is the No. 1 item by units sold.

Thirty years ago, bottled water barely existed as a business in the United States. Last year, Americans spent more on Poland Spring, Fiji Water, Evian, Aquafina and Dasani water than they spent on iPods or movie tickets -- \$15 billion. It's expected to be \$16 billion this year.

Bottled water is a drink phenomenon of the times. American generations raised on tap water and water fountains now go through a billion bottles of water a week, and they're raising a generation that views tap water with disdain and water fountains with suspicion. Americans have come to pay good money -- two or three or four times the cost of gasoline -- for a product they've always gotten, and can still get, virtually for free, from taps in their homes.

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[▶ Tap water versus bottled water](#)

Katie Couric talks with Ronni Sandroff of Consumer Reports

about whether water that you buy is better than what you can get free from the tap.

A story gets swallowed

When we buy a bottle of water, what we're often buying is the bottle itself, as much as the water. We're buying the convenience: A bottle at a 7-Eleven store isn't the same product as tap water, any more than a cup of coffee at Starbucks is the same as a cup of coffee from the Krups machine on your kitchen counter. And we're buying the artful story the water companies tell us about the water: where it comes from, how healthy it is, what it says about us. Surely, among the choices we can make, bottled water isn't just good -- it's positively virtuous.

Except for this: Bottled water is often simply an indulgence, and despite the stories we tell ourselves, it is not a benign indulgence. About 1 billion bottles of water a week are moved around in ships, trains and trucks in the United States alone. That's a weekly convoy equivalent to 37,800 18-wheelers delivering water. (Water weighs 8 1/3 pounds a gallon. It's so heavy you can't fill an 18-wheeler with bottled water -- you have to leave empty space.)

Continued: Billions lack safe water

Meanwhile, one out of six people in the world have no dependable, safe drinking water. The global economy denies the most fundamental element of life to 1 billion people while delivering to us an array of water "varieties" from around the globe, not one of which we actually need. That tension is complicated by the fact that if we suddenly decided not to purchase the "lake" of Poland Spring water in Maine, none of that water would find its way to people who really are thirsty.

A chilled plastic bottle of water in the convenience-store cooler is the perfect symbol of this moment in American commerce and culture. It acknowledges our demand for instant gratification, our vanity, our token concern for health. Its packaging and transport depend entirely on cheap fossil fuel.

Yes, it's just a bottle of water -- modest compared with the indulgence of driving a Hummer. But when a whole industry grows up around supplying us with something we don't need, when a whole industry is built on the packaging and the presentation, it's worth asking how that happened and what the impact is. And if you do ask, if you trace both the water and the business back to where they came from, you find a story more complicated, more bemusing and ultimately more sobering than the bottles we tote everywhere suggest.

In the town of San Pellegrino Terme, Italy, for example, is a spigot that runs all the time, providing water free to the local residents -- except the free Pellegrino has no bubbles. Pellegrino trucks in the bubbles for its bottling plant.

And in Fiji, a state-of-the-art factory spins out more than a million bottles a day of the hippest bottled water on the U.S. market today, while more than half the people in Fiji do not have safe, reliable drinking water. That means it is easier for the typical American in Beverly Hills or Baltimore to get a drink of safe, pure, refreshing Fiji water than it is for most people in Fiji.

At the Peninsula hotel in Beverly Hills, where the rooms start around \$500 a night and the guest next door might well be an Oscar winner, the minibar in each of the 196 rooms contains six bottles of Fiji Water. Before Fiji Water displaced Evian, Diet Coke was the top-selling minibar item. Now, says Christian Boyens, the Peninsula's director of food and beverage, "the 1 liter of Fiji Water is No. 1. Diet Coke is No. 2. And the 500-milliliter bottle of Fiji is No. 3."

Being the water in the Peninsula minibar is so desirable -- not just for the money to be made but for the exposure with the Peninsula's clientele -- that Boyens gets sales calls each week from companies trying to dislodge Fiji.

'I thought water was water'

Boyens, who has a master's degree in business administration from Cornell, used to be indifferent to water. Not anymore. His restaurants and bars carry 20 different waters.

"Sometimes a guest will ask for Poland Spring, and you can't get Poland Spring in California," he says.

So what does he do?

"We'll call the Peninsula in New York and have them FedEx out a case. I thought water was water."

But our customers know what they want."

The marketing of bottled water is subtle compared with the marketing of, say, soft drinks or beer. The point of Fiji Water in the minibar at the Peninsula, or at the center of the table in a white-tablecloth restaurant, is that guests will try it, love it and buy it at a store the next time they see it.

Seeing it isn't difficult because the water aisle in a suburban supermarket typically stocks a dozen brands of water, not including those enhanced with flavors or vitamins or, yes, oxygen. In 1976, the average American drank 1.6 gallons of bottled water a year, according to Beverage Marketing. Last year, we each drank an average of 28.3 gallons of bottled water -- 18 half-liter bottles a month. We drink more bottled water than milk, coffee or beer. Only carbonated soft drinks, at 52.9 gallons annually, are more popular than bottled water.

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No one has experienced this transformation more profoundly than Kim Jeffery. He began his career in the water business in the Midwest in 1978, selling Perrier.

"People didn't know whether to put it in their lawn mower or drink it," he says.

Now he's the CEO of Nestlé Waters North America, in charge of U.S. sales of Perrier, San Pellegrino, Poland Spring and a portfolio of other regional spring waters. Combined, his brands will sell about \$4.5 billion worth of water this year, generating roughly \$500 million in pretax profit. Jeffery insists that unlike the soda business, which is stoked by imaginative TV and marketing campaigns, the mainstream water business is, quite simply, "a force of nature."

"The entire bottled-water business today is half the size of the carbonated-beverage industry," says Jeffery, "but our marketing budget is 15% of what they spend. When you put a bottle of water in that cold box, it's the most thirst-quenching beverage there is. There's nothing in it that's not good for you. People just know that intuitively.

"A lot of people tell me, 'You guys have done some great marketing to get customers to pay for water,' " Jeffery says. "But we aren't that smart. We had to have a hell of a lot of help from the consumer."

[Continued: Blame France](#)

How an industry began

Still, we needed help learning to drink bottled water. For that, we can thank the French.

Gustave Leven was the chairman of Source Perrier when he approached an American named Bruce Nevins in 1976. Nevins was working for athletic-wear company Pony. Leven was a major Pony investor.

"He wanted me to consider the water business in the U.S.," Nevins says. "I was a bit reluctant."

Back then, the American water industry was small and fusty, built on home and office delivery of big bottles and grocery sales of gallon jugs.

Nevins looked out across 1970s America, though, and had an epiphany: Perrier wasn't just water. It was a beverage. The opportunity was in persuading people to drink Perrier when they would otherwise have had a cocktail or a Coke. Americans were already drinking 30 gallons of soft drinks each a year, and the three-martini lunch was increasingly viewed as a problem. Nevins saw a niche.

From the start, Nevins pioneered a three-part strategy. First, he connected bottled water to exclusivity: In 1977, just before Perrier's U.S. launch, he flew 60 journalists to France to visit "the

source," where Perrier bubbled out of the ground. He connected Perrier to health, sponsoring the New York City Marathon, just as long-distance running was exploding as a fad across America. And he associated Perrier with celebrity, launching it with \$4 million in TV commercials featuring actor-director Orson Welles.

Nevins' strategy worked. In 1978, its first full year in the United States, Perrier sold \$20 million of water. The next year, sales tripled to \$60 million.

What made Perrier distinctive was that it was a sparkling water, served in a signature glass bottle. But that's also what left the door open for Evian, which came to the United States in 1984. Evian's U.S. marketing was built around images of toned young men and women in tight clothes sweating at a gym. Madonna drank Evian -- often onstage at concerts.

"If you were cool, you were drinking bottled water," says Ed Slade, who became Evian's vice president of marketing in 1990. "It was a status symbol."

Evian was also a still water, which Americans prefer, and it was the first to offer a plastic bottle nationwide. The clear bottle allowed us to see the water -- how clean and refreshing it looked on the shelf.

Americans have never wanted water in cans, which suggest a tinny aftertaste before you even take a sip. The plastic bottle, in fact, did for water what the pop-top can had done for soda: It turned water into an anywhere, anytime beverage, at just the moment when we decided we wanted a beverage, everywhere, all the time.

An alignment of convenience and virtue

Perrier and Evian launched the bottled-water business just as it would prove irresistible. Two-career families, over-programmed children, prepared foods in place of home-cooked meals, the constant urging to eat more healthfully and drink less alcohol -- all reinforce the value of bottled water. But those trends also reinforce the mythology.

We buy bottled water because we think it's healthy. Which it is, of course: Every 12-year-old who buys a bottle of water from a vending machine instead of a 16-ounce Coke is inarguably making a healthier choice. But bottled water isn't healthier, or safer, than tap water in American homes.

Indeed, while the United States is the single biggest consumer in the world's \$50 billion bottled-water market, it is the only one of the top four -- the others are Brazil, China and Mexico -- with nearly universally reliable tap water.

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Tap water in the U.S., with rare exceptions, is impressively safe. It is monitored constantly, and the test results are made public. Mineral water has a long association with medicinal benefits -- and it can provide minerals that people need -- but there are no scientific studies establishing that routinely consuming mineral water improves your health. The U.S. Food and Drug Administration, in fact, forbids mineral waters in the United States from making any health claims.

For this healthful convenience, we're paying what amounts to an unbelievable premium. You can buy a half-liter Evian for \$1.35 -- 17 ounces of water imported from France for pocket change. That water seems cheap, but only because we aren't paying attention.

In San Francisco, the municipal water comes from Yosemite National Park. It's so good the Environmental Protection Agency doesn't require San Francisco to filter it. If you bought and drank a bottle of Evian, you could refill that bottle once a day for 10 years, five months and 21 days with San Francisco tap water before that water would cost \$1.35. Put another way, if the water we use

at home cost what even cheap bottled water costs, our monthly water bills would run \$9,000.

Continued: The taste test

Taste, of course, is highly personal. New Yorkers excepted, Americans love to belittle the quality of their tap water. But in blind taste tests, with waters at equal temperatures, presented in identical glasses, ordinary people can rarely distinguish between tap water, spring water and luxury waters. At the height of Perrier's popularity, Bruce Nevins was asked on a live network radio show one morning to pick Perrier from a lineup of seven carbonated waters served in paper cups. It took him five tries.

The industry's comeback

Americans are actually in the midst of a second love affair with bottled water. In the United States, many of the earliest, still-familiar brands of spring water -- Poland Spring, Saratoga Springs, Deer Park, Arrowhead -- were originally associated with resort and spa complexes. The water itself, pure at a time when cities struggled to provide safe water, was the source of the enterprise.

In the late 1800s, Poland Spring was already a renowned brand of healthful drinking water that you could get home-delivered in Boston, New York, Philadelphia or Chicago. It was also a sprawling summer resort complex, with thousands of guests and three Victorian hotels, some of which had bathtubs with spigots that allowed guests to bathe in Poland Spring water. The resort burned in 1976, but at the crest of a hill in Poland Spring, Maine, you can still visit a marble-and-granite temple built in 1906 to house the original spring.

The car, the Depression, World War II and, perhaps most important, clean, safe municipal water unwound the resorts and the first wave of water as business. We had to wait two generations for the second, which would turn out to be much different -- and much larger.

Today, for all the apparent variety on the shelf, bottled water is dominated in the United States and worldwide by four huge companies. PepsiCo has the nation's top-selling bottled water, Aquafina, with 13% of the market. Coca-Cola's Dasani is No. 2, with 11% of the market. Both are simply purified municipal water, so 24% of the bottled water we buy is tap water repackaged by Coke and Pepsi for our convenience. Evian is owned by Danone, a French food giant, and distributed in the United States by Coke.

The really big water company in the United States is Nestlé, which gradually bought up the nation's heritage brands and expanded them. The waters are slightly different -- spring water must come from actual springs, identified specifically on the label -- but together, they add up to 26% of the market, according to Beverage Marketing, surpassing Coke's and Pepsi's brands combined.

Because most water brands are owned by larger companies, it's hard to get directly at the economics. But according to those inside the business, half the price of a typical \$1.29 bottle goes to the retailer. As much as a third goes to the distributor and transport. An additional 12 to 15 cents is the cost of the water itself, the bottle and the cap. That leaves roughly a dime of profit. On multipacks, that profit is more like 2 cents a bottle.

Water sales to overtake soda

As the abundance in the supermarket water aisle shows, that business is now trying to help us find new waters to drink and new occasions for drinking them. Aquafina's marketing vice president, Ahad Afridi, says his team has done the research to understand what kind of water drinkers we are. It has found six types, including the "water pure-factionists," the "water explorers," the "image seekers" and the "strugglers" -- consumers who "don't really like water that much" and "will have a cheeseburger with a diet soda."

It's a startling level of thought and analysis, until you realize that within a decade, U.S. consumption of bottled water is expected to surpass soda. That kind of market can't be left to chance. Aquafina's fine segmentation is all about the newest explosion of waters that aren't really water -- flavored waters, enhanced waters, colored waters, water drinks branded after everything from Special K breakfast cereal to Tropicana juice.

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Afridi is a true believer. He talks about water as if it were more than a drink, more than a product - as if it were a character all its own, a superhero ready to take the pure-factionist, the water explorer and the struggler by the hand and carry them to new adventures.

"Water as a beverage has more right to extend and enter into more territories than any other beverage," Afridi says. "Water has a right to travel where others can't."

Uh, meaning what?

"Water that's got vitamins in it. Water that's got some immunity-type benefit to it. Water that helps keep skin younger. Water that gives you energy."

Water: It's pure, it's healthy, it's perfect -- and it's been made better. The future of water sounds distinctly unlike water.

Continued: Visiting the source

The label on a bottle of Fiji Water says "from the islands of Fiji." Journey to the source of that water, and you realize just how extraordinary that promise is. From New York, for instance, it is an 18-hour plane ride west and south (via Los Angeles), almost to Australia, and then a four-hour drive along Fiji's two-lane King's Highway.

Every bottle of Fiji Water goes on its own version of this trip, in reverse, although by truck and ship. In fact, because the plastic for the bottles is shipped to Fiji first, the bottles' journey is even longer. Half of the wholesale cost of Fiji Water is transportation -- which is to say, it costs as much to ship Fiji Water across the Pacific Ocean and truck it to warehouses in the United States than it does to extract the water and bottle it.

The pollution behind the purity

That is not the only environmental cost embedded in each bottle of Fiji Water. The Fiji Water plant is a state-of-the-art facility that runs 24 hours a day. That means it requires an uninterrupted supply of electricity, something the local utility structure cannot support. So the factory supplies its own electricity, with three big generators running on diesel fuel. The water may come from "one of the last pristine ecosystems on Earth," as some of the labels say, but out back of the bottling plant is a less pristine ecosystem veiled with a diesel haze.

Each water bottler has its own version of this oxymoron: that something as pure and clean as water leaves a contrail.

San Pellegrino's 1-liter glass bottles -- so much a part of the mystique of the water itself -- weigh five times what plastic bottles weigh, dramatically adding to freight costs and energy consumption. The bottles are washed and rinsed, with mineral water, before being filled with sparkling Pellegrino -- it takes up 2 liters of water to prepare the bottle for the liter that's sold.

The bubbles in San Pellegrino come naturally from the ground, as the label says, but not at the San Pellegrino source. Pellegrino chooses its carbon dioxide carefully -- it is extracted from supercarbonated volcanic spring waters in Tuscany, then trucked north and bubbled into Pellegrino.

Poland Spring may not have any oceans to traverse, but it still must be trucked hundreds of miles from Maine to markets and convenience stores across its territory in the northeast -- it is 312 miles from the Hollis plant to midtown Manhattan. Consumers' desire for Poland Spring has outgrown the springs at Poland Spring's two Maine plants; the company runs a fleet of 80 silver tanker trucks that crisscross Maine, delivering water from other springs to keep its bottling plants humming.

Clean water gets cleaned

In transportation terms, perhaps the waters with the least environmental impact are Pepsi's

Aquafina and Coca-Cola's Dasani. Both start with municipal water. That allows the companies to use dozens of bottling plants across the nation, reducing how far bottles must be shipped.

Yet Coca-Cola and Pepsi add a step. They put the local water through an energy-intensive reverse-osmosis filtration process more potent than that used to turn seawater into drinking water. The water they are purifying is ready to drink -- they are recleaning already-clean tap water. They do it so marketing can brag about the purity and to provide consistency -- so a bottle of Aquafina in Austin, Texas, and a bottle in Seattle taste the same, regardless of the municipal source.

There is one more item in bottled water's environmental ledger: the bottles themselves. The big spring-water companies tend to make their own bottles in their plants, just moments before they are filled with water -- 12, 19, 30 grams of molded plastic each.

Americans went through about 50 billion plastic water bottles last year, 167 for each person -- durable, lightweight containers manufactured just to be discarded. Water bottles are made of totally recyclable polyethylene terephthalate (PET) plastic, so we share responsibility for their impact: Americans' recycling rate for PET is only 23%, which means we pitch into landfills 38 billion water bottles a year -- more than \$1 billion worth of plastic.

Another view

John Mackey is the CEO and a co-founder of Whole Foods Market, the national organic-and-natural grocery chain. No one may think about the environmental and social impacts and the larger context of food more incisively than Mackey, so he's a good person to help frame the ethical questions around bottled water.

Mackey and his wife have a water filter at home and don't typically drink bottled water there.

"If I go to a movie," he says, "I'll smuggle in a bottle of filtered water from home. I don't want to buy a Coke there, and why buy another bottle of water -- \$3 for 16 ounces?" But he does drink bottled water at work: Whole Foods' house brand, 365 Water.

"You can compare bottled water to tap water and reach one set of conclusions," says Mackey, referring both to environmental and social ramifications. "But if you compare it with other packaged beverages, you reach another set of conclusions.

"It's unfair to say bottled water is causing extra plastic in landfills and it's using energy transporting it," Mackey says. "There's a substitution effect -- it's substituting for juices and Coke and Pepsi."

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Indeed, we still drink almost twice the amount of soda as water -- which is, in fact, 90% water and also in containers made to be discarded. If bottled water raises environmental and social issues, don't soft drinks raise all those issues, plus obesity concerns?

What's different about water, of course, is that it runs from taps in our homes and from fountains in public spaces. Soda does not.

'I don't think water should be picked on'

As for the energy used to transport water from overseas, Mackey says it is no more or less wasteful than the energy used to bring merlot from France or coffee from Ethiopia, raspberries from Chile or iPods from China.

"Have we now decided that the use of any fossil fuel is somehow unethical?" Mackey asks. "I don't think water should be picked on. Why is the iPod OK and the water is not?"

[Continued: The ethicist's approach](#)

Mackey's is a merchant's approach to the issue of bottled water: It's a choice for people to make in the marketplace. Princeton University philosopher Peter Singer takes an ethicist's approach. Singer has co-authored two books that grapple specifically with the question of what it means to eat ethically -- how responsible are we for the negative impact, even unknowing, of our food choices on the world?

"Where the drinking water is safe, bottled water is simply a superfluous luxury that we should do without," he says. "How is it different than French merlot? One difference is the value of the product in comparison to the value of transporting and packaging it. It's far lower in the bottled water than in the wine.

"And buying the merlot may help sustain a tradition in the French countryside that we value -- a community, a way of life, a set of values that would disappear if we stopped buying French wines. I doubt if you travel to Fiji you would find a tradition of cultivation of Fiji water.

"We're completely thoughtless about handing out \$1 for this bottle of water, when there are virtually identical alternatives for free. It's a level of affluence that we just take for granted. What could you do? Put that dollar in a jar on the counter instead, carry a water bottle, and at the end of the month, send all the money to Oxfam or CARE and help someone who has real needs. And you're no worse off."

Water goes out; money comes in

In Fiji, the irony of shipping a precious product from a country without reliable water service is hard to avoid. Last spring, typhoid from contaminated drinking water sickened dozens of villagers and killed at least one. Fiji Water often quietly supplies emergency drinking water in such cases.

The reality is, if Fiji Water weren't tapping its aquifer, the underground water would slide into the Pacific Ocean, somewhere just off the coast. But the corresponding reality is, someone else -- the Fijian government, a nongovernmental organization -- could be tapping that supply and sending it through a pipe to villagers who need it.

Fiji Water has, in fact, done just that, to some degree -- 20 water projects in five nearby villages. Indeed, Fiji Water's parent company, Roll International, has reinvested every dollar of profit since 2004 back into the business and the country.

Jim Siplon, an American who manages Fiji Water's 10-year-old bottling plant in Fiji, acknowledges the risk of slipping into capitalistic neocolonialism.

"Does the world need Fiji Water?" he asks. "I'm not sure I agree with the critics on that. This company has the potential of delivering great value -- or the results a cynic might have expected."

Water is, in fact, often the perfect beverage -- healthy, refreshing and satisfying in a way soda or juice aren't.

Worldwide, 1 billion people have no reliable source of drinking water; 3,000 children a day die from diseases caught from tainted water.

Nestlé Waters' Jeffery may be defending his industry when he calls bottled water "a force of nature," but he's also not wrong. Consumption of bottled water has outstripped any marketer's dreams or talent: If you break out the single-serve plastic bottle as its own category, Americans' consumption of bottled water grew a thousandfold between 1984 and 2005.

In the array of styles, choices, moods and messages available today, water has come to signify how we think of ourselves. We want to brand ourselves -- as Madonna did -- even with something as ordinary as a drink of water. We imagine there is a difference between showing up at the weekly staff meeting with Aquafina or Fiji or a small glass bottle of Pellegrino. Which is, of course, a little silly.

Bottled water is not a sin. But it is a choice.

Packing bottled water in lunchboxes, grabbing a half-liter from the fridge as we dash out the door, piling up half-finished bottles in the car cup holders -- that happens because of a fundamental thoughtlessness. It's only marginally more trouble to have reusable water bottles, cleaned and filled and tucked in the lunchbox or the fridge. We just can't be bothered. And in a world in which 1 billion people have no reliable source of drinking water and 3,000 children a day die from diseases caught from tainted water, that conspicuous consumption of bottled water that we don't need

seems wasteful and perhaps cavalier.

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That is the sense in which Mackey, the CEO of Whole Foods, and Singer, the Princeton philosopher, are both right. Mackey is right that buying bottled water is a choice, and Singer is right that given the impact it has, the easy substitutes and the thoughtless spending involved, it's fair to ask whether it's always a good choice.

Once you understand the resources mustered to deliver the bottle of water, it's reasonable to ask as you reach for the next bottle, not just "Does the value to me equal the 99 cents I'm about to spend?" but "Does the value equal the impact I'm about to leave behind?"

This article was reported and written by Charles Fishman for Fast Company.