

**EXAMPLE 7.1***All Water Is Not the Same*

Until recently, few people thought of water as a product that could be differentiated. But with clever marketing, firms have convinced consumers that water is indeed a differentiated product.

In 2000, 5.0 billion gallons of bottled water were consumed (only about one-third of the consumption of carbonated beverages) and sold for \$6 billion. By 2002, sales exceeded \$7.7 billion. The many brands of bottled water appeal to different segments of the market and sell for very different prices:

Brand	Price per Quart (bottle size)	Source	2002 U.S. Wholesale Sales
Aquafina	\$0.88 (1.5 liter)	Purified tap water	\$838.0 million
Dasani	\$1.58 (20 oz)	Purified tap water	\$765.0 million
Poland Spring	\$0.92 (24 oz)	Spring in Maine	\$621.5 million
Deer Park	\$1.32 (24 oz)	Springs in Florida, Maryland, & Pennsylvania	\$311.1 million
Crystal Geyser	\$0.77 (six pack of 1 liter bottles)	Springs in California & Tennessee	\$270.0 million
Evian	\$1.46 (1 liter)	Spring in the French Alps	\$191.1 million

As the table shows, the best-selling brand, Aquafina, is moderately priced, while the second-place top brand, Dasani, costs nearly twice as much. Coca-Cola, Pepsi, Nestlé, and the other companies that sell bottled water each typically offer an array of different-price brands. Recently, water bottlers have added flavors in order to differentiate their products further. These flavored waters have become increasingly important, and their sales rose tenfold between 1999 and 2002.

*Sources:* J. Jordan and S. He, "Size Counts: The Economic Value of Bottled Water," *Choices*, September 22, 2002; International Bottled Water Association, "Marketing Statistics Gallonage by Segment," [www.bottledwater.org/public/gallon\\_byseg.htm](http://www.bottledwater.org/public/gallon_byseg.htm); "U.S. Soft Drink Sales Slow in 2002," Beverage Marketing Corporation of New York news release (July 24, 2003); Phil Lempert, "Navigating the Sea of Bottled Water," *Today Show*, June 17, 2003; prices are from [peapod.com](http://peapod.com) for Washington, DC, on August 27, 2003; source information comes from brand Web sites and Betsy McKay and Robert Frank, "Coke, Danone to Announce Venture—Pact to Market, Distribute Bottled Spring Water Could Challenge PepsiCo, Nestlé," *Wall Street Journal*, June 17, 2002:B5; sales data come from "Bottled Water Moves Up in the Rankings, Says Beverage Marketing Corporation," Beverage Marketing Corporation of New York news release (May 19, 2003).