

The Dasani Debacle:

Coca Cola's failed attempt to crack the tap water (oops sorry!!!), *bottled* water market. Dasani (www.dasani.com), a 'pure' still water was launched in the United Kingdom in February 2004, with a huge promotional budget. The new brand was backed by £7 million pounds worth of a promotional campaign to support its launch. Coca Cola had initially developed the Dasani brand in the United States in an effort to capture the lucrative bottled water market. In little over twenty years, the bottled water market has undergone a remarkable transformation. Previously people only drank bottled water over fear of a contaminated tap water supply. Now people are consuming huge volumes of bottled water in a drive toward a healthier lifestyle continues. The marked success behind these bottled water brands is due to the links with absolute purity, and the association with an active and healthy lifestyle. Since its inception, the brand had achieved tremendous sales growth in its domestic US market, fully utilising Coca Cola's powerful distribution system. Based on this success, Coca Cola decided to launch the brand in continental Europe, firstly in Britain, and then rolling it out to other countries. Coca Cola executives thought that the brand's American success would be quickly emulated in Europe. But things went wrong – badly wrong. They could never have envisaged the level negative publicity that would ensue, turning the launch of Dasani into one of the worst marketing debacles ever witnessed in Europe.

Coca Cola throughout its history has had its fair share of crises and controversy. In the mid eighties, the company experienced the 'New Coke' fiasco. Then the company replaced their original Coke brand with a newer version, in an effort to defeat their archrival Pepsi. The Pepsi brand was gradually eroding Coke's market share with their famous 'Pepsi Taste Challenge'. Executives in the Atlanta based Coke thought that a new formulation of Coke was required. After extensive product and taste testing, New Coke was launched with much fanfare. However the executives could never have imagined the cult following of die hard Coke fans, who were outraged with the demise of their beloved brand. National boycotts and protests were organised, forcing Coke to rescind their new strategy. 'Coke Classic' was put back on the shelves. In the nineties, in Belgium, a carcinogenic scare erupted in 1998, when a number of people became sick from drinking contaminated Coke.

The contamination was later traced to a chemical used in the cleaning transportation pallets. The company was widely criticised for their slow reaction and handling of the crisis, severely damaging the company's reputation in Europe. Coca Cola is one of the world's most ubiquitous brands, with a massive global presence. The company's growth throughout the 70's, 80's and 90's was fuelled from double-digit growth achieved through expansion in international markets. Now that this spectacular growth had levelled out, the company is striving for new future growth opportunities for their drinks businesses. Bottled water was earmarked as the next big thing in the beverage industry, and the avenue for future growth.

The sector was achieving substantial growth rates in comparison to the carbonated soft drinks business. All of the large branding powerhouses such as Coca Cola, Pepsico, Danone and Nestle are now vying for a greater slice of the bottled water market. These companies are pouring millions into the promotion of their brands. Pepsico (*the makers of Pepsi*) began aggressively promoting their Aquafina brand since 1995, which is a non-carbonated purified drinking water. In response the Dasani brand was launched by Coca Cola in 1999 in the US, and it has grown to be the second most popular drink in the United States. Coca Cola had previously distributed other water brands through their distribution networks such as a brand called Naya.

This brand had enjoyed stellar success in the US in the 90's, with 30% year on year growth, however with the introduction of the Dasani brand into the Coca Cola brand portfolio, it led to the cessation of the Naya's lucrative distribution agreement. Coca Cola was now seeking a bigger share of the bottled market both in terms of manufacturing and distribution.

Figure 1 – The Water Market at a Glance

- In the US alone, bottled water brings in an estimated \$8.3 billion in revenue in 2003 alone, compared to only \$1.1 billion in 1984.
- The UK bottled water market is estimated to be worth \$1.1 billion.
- In 1998, the UK market was estimated to be worth only £360 million.
- It's the fastest growing sector of the drinks market.
- The volume and value of the bottled water marketing the UK is expected to double by 2011.
- Within the bottled water sector, there are a number of different types of product offering; still, sparkling, sport bottles, kid's packs, flavourings and even light sparkling.
- 80% of bottled water is sold as still water.
- Water with added flavours and minerals is a huge growth area. Some waters are classified as health waters, while others are aimed at the fitness sector (e.g. Reebok Fitness Water).
- Volvic is the UK market leader, followed by Evian, Highland Spring, and Vittel.

Dasani in the US has achieved enormous success for a relatively new brand. Coca Cola's huge marketing muscle and extensive distribution network ensured this success. Here this brand of purified 'tap' water with added minerals, sat beside natural spring waters from mountain peaks on shelves, and still won over customers. The American public it seemed were not concerned or were simply apathetic over the origin of their brand, as long their bottled water brand was safe. With Coca Cola's first foray into the bottled water market a barnstorming success; Europe was the next port of call for this 'next big brand' for the company. The company had long craved a successful new product launch in new product categories, rather than more similar line extensions such as Vanilla Coke, that would see them achieve their ambitious growth targets. In the US, Coca Cola even segmented the bottled water market by price, dividing it into three tiers.

Distributing Dannon as their low tier brand, with Dasani as their middle offering, and also distributing Evian as their high price offering, the company is using strategic alliances to boost their portfolio with Danone, the French group. The UK was chosen as the launch pad for Dasani in Europe. The big players in bottled water see the UK market as still ripe for exploitation. The bottled drinking water market is very small in comparison to its continental neighbours. The annual consumption of bottled water per capita in the UK is only 34 litres, which is paltry in comparison to Germany's 116 litres, France's 149 litres, Spain's 126 litres and Italy's 203 litres per capita. The market for bottled water is estimated to grow rapidly because of number of environmental factors such the drive towards a healthier lifestyle and consumers growing concern over the safety and quality of their local water supplies. Consumers are being bombarded by promotional messages for water filters, aggravating their concerns and fears over the quality of tap water.

Table 1 – Some of Dasani's Key Competitors

Aquafina	Evian	Perrier
Purified Still Water Source: Various Owned by Pepsico US market leader	Natural Mineral Water Source: France Owned by Danone	Sparkling Mineral Water Source: Vergeze, France. Owned by Nestle
Vittel	Volvic	Highland Spring
Natural Mineral Water Source: Vosges, France Available in over 80 countries.	Natural Mineral Water Source: Auvergne, France Owned by Danone Produces over 2 million bottles a day. In the UK it sells over £98 million, and is the market leader.	Natural Spring Water Source: Scotland Leading UK supplier.

The fact that Aquafina its key competitor in the US market had not launched yet in the UK because of contractual obligations with PepsiCo's European distributor, gave Coca Cola extra impetus to launch their rival Dasani brand. This would give the Dasani brand an important head start in their quest for establishing a sustainable market presence in the purified bottled water market. All of the other major players had a well-established market presence in the UK. The main players being European brand behemoths Danone and Nestle, both of whom own multiple different water brands. The traditional water brands now have two huge beverage companies with large marketing resources, aggressively trying to enter their market. In the US for example, Coca Cola and Pepsico outspend their rivals up to three times more on advertising than Danone's and Nestle's respective brands. Their arrival has really shaken up the bottled water market. Already the Dasani brand was in sale in up to 20 different countries. Now Europe was next in their sights. The company already has existing brand names for purified bottled water product in some European countries, such as in Ireland ('River Rock') and in Portugal ('Bonaqua'). They decided to use the brand name Dasani for their major European drive into the bottled water sector. Dasani was created by Coca Cola as their attempt to crack the lucrative water market. The brand name was an original concoction. The brand's core values were that of '*relaxation, pureness, and replenishment*'. The company ran a series of adverts with the catch line '*Prepare to get wet!*'. The company was going to dedicate an initial marketing budget of over £7 million in effort to promote their new brand. The main aim of the campaign was to position the new brand as '*urban water for the fast-living generation*'. The target market for Dasani was 20 to 35 year olds, positioning the brand as a lifestyle brand. Prior to its launch to the general public, Coca Cola placed a series of advertisements in retail trade journals, publicising the imminent arrival of the brand to interested retailers. Due to the company's dominance in retail shelves and fridges, the likelihood of a successful launch was greatly increased. In some cases, the company simply leveraged their power with retailers by allocating space within their Coca Cola refrigerators to the Dasani brand supplanting existing water brands, forcing retailers to stock the Dasani brand as their only water brand allowed. This strategy antagonised some small retailers who wanted to stock local bottled water brands, leading to the retailers removing Coca Cola refrigerators.

The brand was sold in distinctive blue bottles, with the product describer labelled as '*pure, still water*'. The same format that was used so successfully in the US was simply replicated for the UK context. Dasani was initially sold at 95p per 500ml bottle. The original source of the water was Thames Water, a water utility company in the Southeast of England, who charge 0.03p for the same amount of water. That represents a mark-up of over 3000%! Trade journalists had noted that the water was just purified tap water prior to its release, and published articles about the Dasani launch pertaining to the source of this new Coca Cola product. These stories were used by a national syndicated news organisation, and the story then spread like wildfire, in tabloid, broadsheet and other news sources. A media frenzy ensued surrounding Dasani and Coca Cola. This may have been due to three core factors – it was a slow news day, the topic was culturally sensitive, and the mark up was seen as truly extortionate. Coca Cola now had a major incident on their hands that threatened the very survival of their nascent brand.

The media had a field day comparing Dasani with the classic BBC comedy '*Only Fools and Horses*', where the two lead characters Dell Boy and Rodney, sell tap water as '*Peckham Spring*'. Numerous papers showed photos of the well-known episode, showing the characters fill up bottles with a hose in their council flat, commenting that the water is coming from a natural centuries old source – the Thames! The irony was not lost on the media and public in that the Dasani plant is only a few miles from Peckham. Commentators felt that Coca Cola had showed barefaced cheek in selling ridiculously overpriced tap water to the unwitting general public. The Dasani brand was hitting the headlines for all the wrong reasons. Consumers' confidence in the brand was decimated as a result, and more importantly retailers. Both small and large retailers were nervous about stocking this brand in the wake of such negative publicity, but they held firm continuing to stock the beleaguered brand. They hoped that the initial furore would die down and be forgotten about. Coca Cola's 'incident management' team swung into action, to assess and respond to the barrage of negative publicity that was affecting their brand. This crisis management team pressed ahead with the launch of the brand, reassuring retailers, continuing with press releases, and responding to media queries.

The company through their spokespeople tried to reiterate that the product was entirely safe, and that the water had undergone 'highly sophisticated filtration process', that had been developed by NASA engineers. This response didn't wash with journalists and their headline writers, who were of the opinion that the general public was being duped by a large multinational, and that they were being ripped off. Figure 2 illustrates the types of headlines the Dasani launch had garnered from the UK press. The brand was taking a pounding in the national media – press, radio and television.

In early March, the firm had to acknowledge to the media that their new branded bottled water was in fact processed tap water, taken from the regular mains of Thames Water, in Sidcup, Kent. A spokesperson for the brand commented, '*We would never say tap water isn't drinkable. It's just that Dasani is as pure as water can get – there are different levels of purity*'. Some press commentators openly criticised Coca Cola's spokespeople handling of the crisis, particularly during a radio interview on BBC Radio 4. The spokesperson's media skills were panned as the '*most embarrassing and excruciating*' interview they had ever heard. The journalist commented that the spokesperson failed to give a straight answer, fudging the issue, and even quoted Oscar Wilde, saying that any publicity is good publicity for a firm. In the wake of this media storm, it was reported that Pepsico had sought to launch their Aquafina brand in the UK, to capitalise on the failure of Dasani, but they were vetoed by the firm's UK Britvic Soft Drinks distributor, with whom they had a contractual agreement.

Figure 2 – Typical Newspaper Coverage of Dasani Launch

<p><i>'Real Thing or Rip Off'</i> – The Evening Standard</p> <p><i>'Eau de Sidcup'</i> – The Daily Mail</p> <p><i>'Eau Bother'</i> – The Financial Times</p> <p><i>'Eau Dear'</i> – The Guardian</p> <p><i>'Coke Puts Bottled Water Plant on Ice'</i> – The Independent</p> <p><i>'Should I Really Despise Coca-Cola?'</i> – The Independent</p> <p><i>'Junk Medicine'</i> – The Times</p> <p><i>'For Coke, It's Water down the Drain'</i> – The International Herald Tribune</p> <p><i>'Has Coca-Cola's Bubble Burst?'</i> -Sunday Telegraph</p> <p><i>'How Coca-Cola Conned the World?'</i> – Daily Mail</p> <p><i>'How Coca-Cola Is Selling Water From The Tap at 95p per Bottle'</i> – The Daily Mail</p> <p><i>'Coke's 95p Tap Water Versus The Real Thing'</i> – The Sun</p> <p><i>'Coke's Pure Water Claim Hard to Swallow'</i> – The Times</p> <p><i>'Water Waste; After 7M launch, Coke Drops 'Pure' Water Over Cancer Fears'</i> - The Mirror</p> <p><i>'Coke takes a bitter gulp of 'The Realty Thing' The drink icon's humbling over Dasani is not the first humiliation for a company that seems to be taking too many wrong turnings'</i> - Sunday Telegraph</p> <p><i>'Remember That Dodgy Coke Water They Won't Be Bringing It Back Now'</i> – The Express</p> <p><i>'Soft Drinks Giant Copies Del Boy's Crazy Scheme; Coke Sells Tap Waterfor 95p'</i> - The Express</p>
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Furthermore, Coca Cola had incurred the wrath of the Natural Mineral Water Association due to their use of words *'Pure, Still Water'* on Dasani's product label. They felt that this was misleading the customer and referred this to the Food Standards Agency, saying that the label was misleading customers into believing that it was a natural product. They believed that Dasani could not use the word 'pure', as it was in breach of the agency's code, in that Dasani could not qualify to use the term as additives such as calcium & magnesium were added during their filtration processes.

Coca Cola responded saying that company lawyers checked the labelling messages and that they were compliant with labelling regulations. The Food Standards Agency began an investigation into the claim. In aftermath, the Natural Mineral Water Association decided to create a generic packaging logo featuring a leaf and a drop of water, which will help consumers in future to identify that the particular water brand is in fact comes from an accredited natural mineral water supplier. In order for a water to be classified as a 'mineral water' it must naturally contain a certain specific quantities of minerals. The bottled water industry fervently tries to protect the usage of the words mineral and spring, as it is their key differentiating factor.

Figure 3 – Classification of the Different Types of Water

Natural Mineral Water	Spring Water	Table Water	Tap Water
<p>The water must be free from any pollution, have a stable composition, originate from a protected source, and have no treatments.</p> <p>The addition of carbon dioxide is allowed to make it sparkle.</p> <p>Must comply with strict EU guidelines.</p> <p>Examples include: Buxton, Badoit, Perrier, Vittel & Volvic</p>	<p>Spring water must originate from an underground source, and must be bottled at source.</p> <p>Companies are allowed to treat the water to improve the taste, or remove undesirable elements, under EU guidelines.</p>	<p>Typically bottled filtered water, used in the restaurant trade. It can be filtered and treated.</p>	<p>Water companies treat this water, making it safe for domestic use</p>

During this problem laden product launch, a hammer blow shock came to the new brand. A massive product recall was triggered when samples revealed excess levels of bromate were present in the water. A bromate is a known carcinogen, which could increase the risk of cancer. The company had to withdraw close on 500,000 bottles of Dasani from the market, when samples shown that traces of bromate, the carcinogen, was double the EU limit. The traces of bromate in the water, was generated as a result of the company adding calcium chloride, which contains bromide. This mineral is added to change the taste of the water. Consumers prefer the taste of water with a combination of minerals and salts – ‘designer water. The bromide had oxidised into bromate. Long-term exposure to this chemical can increase the risk of cancer. The company immediately decided to pull the product off the shelves, after it barely being on the shelves for a few weeks. The immediate voluntary recall of all Dasani products signalled the death knell of this infamous brand in the UK. All of the Dasani products were destroyed by Coca Cola. Within 24 hours, 85% of the recall was complete.

In the wake of the decision to axe Dasani, on the 24th of March, Coca Cola formally stated that it was delaying the proposed rollout of the Dasani brand in France and Germany, stating the *‘timing is no longer considered optimal’*. The brand was scheduled to launch in France a month behind Dasani’s launch in the UK. In France, Coca Cola released a press statement in the wake of the Dasani brand recall in the UK; *‘Although the incident was isolated, specific to Great Britain and rectified, Coca Cola has decided to suspend the launching of the Dasani brand in France and Germany. Indeed, the timing for launching the brand in these two countries is not regarded any more as optimal In France, we did have not yet created customer interest, the production of Dasani in France had not started and we wished to limit as much as possible the impact for our distributors. This is why it was essential to make a fast decision. Our determination and the motivation of our teams to develop the company in bottled water category in Europe and France remains intact.’* Ironically the company was going to launch Dasani using a bona fide spring water source from Belgium. The failure of Dasani in Britain wrecked the company’s plans for a pan European water brand.

Figure 4 – Coca Cola’s statement issuing a recall of Dasani

Voluntary withdrawal of Sasani in UK – 03/19/04

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To ensure that only products of the highest quality are provided to our consumers, the C oca-Cola system in Great Britain is voluntarily withdrawing all Dasani products currently in the marketplace in UK. The withdrawal began on Friday, March 19, 2004 and will be 80-85% completed within 24 hours.

Calcium is a legal requirement in all bottled water products in the UK, including Dasani. To deliver the required calcium, the company adds back Calcium Chloride into the product. Through detailed analysis, the company discovered that its product did not meet its quality standards. Because of the high level of bromide contained in the Calcium Chloride, a derivate of bromide, bromate, was formed at a level that exceeded UK legal standards. This occurred during the ozonisation process the company employs in manufacturing.

Immediately after the company identified this issue, it consulted with the Food Standards Agency. The FSA has confirmed that there is no immediate health or safety issue. The withdrawal is a precautionary measure. The company welcome consumers to return purchased product by contacting the free phone consumer care line 0800 or to call if they have other concerns. The care line number appears on all Dasani packs.

The company is working closely with all its stockists to remove the product from the market place. This withdrawal only affects Dasani in the UK market. Consumers rightly expect that products of the Coca-Cola Company meet only the highest possible standards for quality as well as all UK regulations.

The Dasani brand still thrives in the US where the brand remained untouched by the furore in Europe. However the Dasani brand name in Europe will probably remain in the graveyard of failed brands that will never see the light of day.

The Dasani debacle will be placed in the annals as one of the biggest faux pas in marketing history, and the ignominy continued for Coca Cola when the Dasani launch was voted the biggest case of marketing mismanagement by industry professionals. The case of Dasani will rest alongside infamous UK marketing gaffes such as 'The Hoover Free Flight Promotion', 'Ratners and the crap comment' and 'The Post Office's confusing Consignia Brand'.

Yet this is not the end of the affair: Coca Cola are apparently looking for potential sites for a bottled water brand, and a Dasani Version 2.0 could well be hitting supermarket shelves in the not too distant future. The company is looking at establishing a plant in Derbyshire, with a name has yet to be decided. It is estimated that Coca Cola lost approximately £40 million pounds on the failed launch of Dasani.

This case was written by Conor Carroll, Lecturer in Marketing, University of Limerick. Copyright © Conor Carroll (2004). The material in the case has been drawn from a variety of published sources.