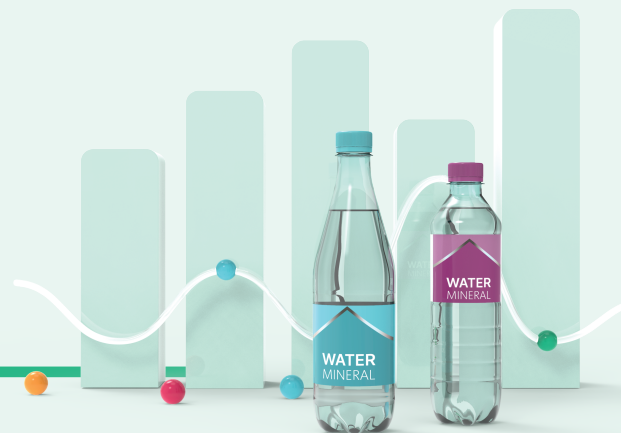


Convenience Retail and Price Elasticity: Bottled Water



Optimizing prices to boost product performance can be difficult, however, with a price elasticity analysis we can determine how sensitive consumers are to changes in price.

We've analyzed the performance of three top bottled water brands in convenience retail over an 18-month period between January 2019 and June 2020 to understand how slight pricing adjustments can boost product velocity and generate significant revenue gains. This analysis shows the effect of COVID-19, where prices have trended up since March 2020, which negatively impacted velocity.

Dasani 20oz Bottled Water Price Elasticity



1% decrease in price

translates to



4.2% increase in velocity

For Dasani 20 oz bottled water, a 1% decrease in average selling price (ASP) corresponds with a 4.2% increase in product velocity. This suggests that **Dasani may have a significant opportunity to drive product velocity, and gain market share as the economy reopens.**

They can leverage promotions to temporarily lower prices to drive share and velocity and validate revenue growth opportunities.

Aquafina 20oz Bottled Water Price Elasticity



↓ 1% decrease in price translates to ↑ 4.6% increase in velocity

For Aquafina, if they were to decrease the price of their 20oz bottled water by 1%, the data suggests that there would be a corresponding 4.6% increase in velocity. Similar to Dasani, **Aquafina is considered an elastic product and could see real benefit from a small decrease in price.**

Nestle Water 20oz Bottled Water Price Elasticity



↓ 1% decrease in price translates to ↑ 0.9% increase in velocity

For Nestle Water's 20oz bottle, the picture is slightly different. According to our price elasticity model, a 1% decrease in price would only result in a 0.9% increase in velocity. This is close to what's known as "unit elastic" where velocities move almost exactly equivalent to prices, in the opposite direction. Nestle Waters shows to be less elastic than Dasani or Aquafina, and may be able to take advantage of slight price increases to drive revenue despite a slight impact to volume. Additionally, **Nestle Waters shows a lot of variability in pricing and velocity and may benefit from further store segmentation to target certain segments that are more elastic.**

Conclusion

To understand how to optimize your own business, there are many factors, including price elasticity, to take into account. A brand should consider regional and seasonal effects, as well as the proper promotional strategy in order to make the biggest impact. In fact, a promotion might be the best way to test the impact of different pricing strategies. Most importantly, brands could use cross-elasticity to understand how a small change in price can impact brands differently.