

In the case of carbonated water, the prices are generally much higher, packaging formats are smaller and the product is used as a direct replacement of other "social drinks", alcoholic or soft. Gross margins are considerably higher than for still water but the markets are jealously guarded by present suppliers and their penetration requires substantial promotion and advertising investments, skill, and, in some cases, good fortune. The markets for these products are highly dependent on "image perceptions". Since carbonated water is usually bought in small quantities and the price of an individual purchase is relatively low, brand selection is very much an impulse decision; as such, it can be influenced by skilful and subtle advertising.

Carbonated water, particularly imports, is also sold on the institutional market. Restaurants, cafeterias and other eating establishments may well be the largest consumers of carbonated water. A considerable percentage of this consumption would also be in the presence of guests or friends. Consumption of any product in public can be affected by "image" related considerations. Perrier has "owned" this market almost world wide for a number of decades and jealously guards its "territories". Attempts at breaking in on this turf have been successful but only with the right mixture of quality product, image and marketing bravado.

### 3. CANADA'S COMPETITIVE EDGE

Canada is seen by most of the world's population as a huge country endowed with a pristine environment. For large sectors of the American public, certainly in the North East, Canada is the country that is pushing the Washington establishment for cleaner air and better water pollution control in the Great Lakes. Whether this reputation is deserved or not, this perception in the public at large in target markets for Canadian bottled water could give Canadian producers a not insignificant edge in the world marketplace. Our conclusions concerning the factors underlying demand for bottled water certainly tend to support this premise. And this view of Canada has already been and continues to be promoted in tourism advertising as well as Canadian beer commercials in the United States. This could be a reinforcement in the subconscious of the public that their choice of a Canadian bottled water brand is the right one: things Canadian are clean, pure and fresh.

In addition, Canada has not only the technology to bottle water in the right kind of container and with the proper quality control procedures, it is seen that way by most of the outside world, including the U.S. As a technologically advanced country, Canada can have its products accepted in foreign markets with less doubt about purity, adequacy of testing procedures, etc. than other sources of supply located in less well endowed or less well known countries.

According to Industry, Science and Technology Canada, the Canadian bottled water industry has significant overcapacity. In the last decade, a number of new bottling facilities have been built and the domestic market, while growing rapidly, does not seem able to absorb the increased production as fast as it is coming on