Fewer Food Products Introduced in Last 3 Years

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New food product introductions declined for the third consecutive year in 1998—a sharp reversal of the escalating increases prevalent during the previous three decades.

In 1998, food introductions declined by 11 percent, dropping to 11,037, compared with 12,398 in 1997 (table 1). This drop followed a 7-percent drop in 1997 and a 21-percent drop in 1996. In 1998, new product introductions were 35 percent below 1995's all-time high of nearly 17,000 food product introductions.

New product introductions include different sizes, colors, and flavors; seasonal and regional items; and products sold specially in gourmet, health food, and drug stores. Many introductions are only changes in size or color, and not new in the sense of being truly innovative. Moreover, despite the introduction of 116,000 products since 1990, the number of total products stocked in the Nation's grocery stores has grown just slightly. This suggests that new products replace existing products or are removed from grocery store shelves soon after their introductions.

Declines in Almost Every Category

With the exception of soups, all food product categories showed declines in introductions when comparing 1998's introductions with 1995's. The number of bakery products dropped from 1,855 in 1995 to 1,178 in 1998, while new beverage introductions fell from 2,854 to 1,547. New condiment introductions dropped from 3,698 in 1995 to 1,994 in 1998.

Introductions of desserts, entrees, and processed meats increased over the last 3 years, but 1998 introductions were still lower than in 1995.

Introductions for nonfood products sold in grocery stores continued to rise during the 1995-98 period. Introductions of new health and beauty aids offset declines in other categories, such as household supplies and paper products. Pet and tobacco introductions, which rose in 1997, dropped in 1998.

Credit: USDA

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Table 1

Food Product Introductions 35 Percent Lower in 1998 Than in 1995

Item	1990	1993	1995	1996	1997	1998
			Number			
Food products	10,301	12,893	16,863	13,266	12,398	11,037
Baby food	31	7	61	25	53	35
Bakery foods	1,239	1,420	1,855	1,340	1,200	1,178
Baking ingredients	307	383	577	419	422	295
Beverages	1,143	1,842	2,854	2,003	1,606	1,547
Breakfast cereals	123	99	128	121	83	84
Candy/gum/snacks	1,486	2,043	2,462	2,310	2,505	2,065
Condiments	2,028	3,147	3,698	2,815	2,631	1,994
Dairy	1,327	1,099	1,614	1,345	862	940
Desserts	49	158	125	100	109	117
Entrees	753	631	748	597	629	678
Fruits and vegetables	325	407	545	552	405	375
Pet food	130	276	174	121	251	105
Processed meat	663	453	790	637	672	728
Side dishes	538	680	940	611	678	597
Soups	159	248	292	270	292	299
Nonfood products	2,942	4,673	5,709	6,306	6,926	6,940
Health and beauty care	2,379	3,863	4,897	5,702	6,226	6,477
Household supplies	317	467	472	290	311	223
Paper products	174	145	99	91	60	69
Tobacco products	31	38	102	54	127	51
Pet products	42	160	139	169	202	120
Total product introductions	13,244	17,566	22,572	19,572	19,324	17,977

Source: *New Product News.*

Table 2

Products Bearing Low-Fat and Low-Calorie Claims Dropped Sharply Between 1995 and 1998

Health claim	1990	1993	1995	1996	1997	1998
			Number			
Reduced/low calorie	1,165	609	1,161	776	742	456
Reduced/low fat	1,024	847	1,914	2,076	1,405	1,180
All natural	754	449	407	645	587	743
Reduced/low salt	517	242	205	171	87	80
No additives/preservatives	371	543	167	143	142	149
Low/no cholesterol	694	287	163	223	106	124
Added/high fiber	84	51	40	12	33	43
Reduced/low sugar	331	473	422	373	78	164
Added/high calcium	20	14	21	35	28	45
Organic	324	385	538	645	505	842

Note: Numbers in health claims categories add to more than the total number of new products in a given year, as new products may carry more than one claim.
Source: *New Product News.*

Table 3
Largest 20 Food Companies Account for 10 Percent of Introductions in 1998

Food product introductions	1994	1995	1996	1997	1998
			Number		
Total	15,006	16,863	13,266	12,398	11,037
Largest 20 companies	1,756	1,847	1,528	1,430	1,150
			Percent		
Largest 20 companies	11.7	10.9	11.5	11.5	10.4
Other companies	88.3	89.1	88.5	88.5	89.6

Note: Largest 20 for each year represents that year, and does not take into account subsequent changes in ranking.
Source: *New Product News*.

Why the Declines?

Several factors appear to have contributed to the declines in new product introductions. Introductions of new low-fat and low-calorie foods dropped sharply. Waning interest in low-fat and low-calorie foods may be part of the answer. Or perhaps, food processors have already mined the low-fat versions of popular foods. Introductions of new reduced- and low-fat products fell from 1,914 in 1995 to 1,180 in 1998, while reduced- and low-calorie introductions dropped from 1,161 to 456 (table 2). Introductions of lower salt foods, foods with no additives, and reduced-sugar foods were all lower in 1998 than in 1995.

Instead, food companies seem to have turned their attention to foods where positive nutrients have been enhanced. New foods claiming to have higher levels of calcium increased from 21 in 1995 to 45 in 1998, while high-fiber food introductions increased from 40 to 43. Introductions of organic and all-natural foods continue to rise.

Mergers and acquisitions and other structural realignments may also have contributed to the declining number of introductions. Since the beginning of the 1990's, there have been nearly 1,000 mergers and acquisitions in the food processing sector. The aftershocks of these mergers may well be reflected in the declining number of introductions as fewer companies are responsible for a larger share of the food products on U.S. supermarket shelves. New products are a way of competing for consumers' food dollars. Also, these newly expanded food manufacturing firms may wish to concentrate their development and marketing resources on their core brand products.

Retailers' tight controls over inventories may also contribute to the decline in new products. In today's highly competitive food sector, retailers are trying to efficiently meet consumer demand by stocking proven products and not risking inventory surpluses of products that will not sell well. Thus, retailers may be less willing to gamble on new products, leading to fewer product introductions.

Limited Shelf Space Comes at a Price

The introduction of a new product poses a problem for U.S. retailers because of insufficient shelf space to accommodate all the new sizes, shapes, tastes, and other attributes that result in new products. USDA's Economic Research Service estimates the number of packaged food products available to American consumers to be about 320,000. However, a typical supermarket can accommodate only 50,000 products, including nonfood items. Retailers sometimes charge manufacturers fees, or slotting allowances, to stock new products. Retailers justify slotting allowances as a way to protect their profits if a new product that takes up scarce shelf space does not sell well.

Smaller companies may find paying slotting allowances a barrier to getting their new products on supermarket shelves. However, small- and medium-sized companies created the bulk of the new product introductions in 1998 (table 3). The largest 20 food companies were responsible for just one-tenth of new product introductions in 1998.

References

Dornblazer, Lynn. *New Product News*. Selected issues.

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