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Record Number of New Products in 1991

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Last year, manufacturers introduced more products than ever before in our Nation's retail food stores. Of the over 16,000 products introduced, 77 percent were food (table 1).

The majority of the new products, 59 percent, headed to supermarkets. Gourmet food stores received 30 percent of the new products, while the remainder went to health-food stores.

Eighty percent of new products were shelf stable and the rest were evenly divided between refrigerated and frozen.

The 1991 total reflected a 22-percent increase over the 13,244 products introduced in 1990, and more than doubled the introductions in 1985. This growth occurred despite 1990 and 1991 being recession years, with food sales rising less than food prices.

Between 1982 and 1991, manufacturers brought to market over 90,000 new food products. However, breakthrough concepts are rare. Most new products—up to 90 percent—are extensions of existing lines, with the addition of new flavors, sizes, packages, or cooking alternatives.

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Condiments Lead the Way

Nearly 2,800 condiments were introduced in 1991, amounting to over a fifth of new food items (table 1). Many new sauces were introduced, as ethnic style foods gained in pop-

ularity. For example, Americans now use more salsa than catsup.

Candy, gum, and snacks—usually the leading category—followed, with 15 percent of the products introduced. Bakery products, beverages (mostly soft drinks), and dairy products (mostly cheese and

Table 1
Number of New Items Offered in Retail Food Stores Doubled in the Past 6 Years

Selected category	1985	1990	1991
<i>Number of introductions</i>			
Food:			
Baby food	14	31	95
Bakery foods	553	1,239	1,631
Baking ingredients	142	307	335
Beverages	625	1,143	1,367
Breakfast cereals	56	123	108
Condiments	904	1,486	2,787
Candy, gum, and snacks	1,146	2,028	1,885
Dairy	671	1,327	1,111
Desserts	62	49	124
Entrees	409	753	808
Fruit and vegetables	195	325	356
Pet food	103	130	202
Processed meat	383	663	798
Side dishes	187	538	530
Soups	167	159	265
Total	5,617	10,301	12,398
Nonfood:			
Health and beauty aids	1,446	2,379	3,064
Household supplies	184	317	423
Paper products	42	174	165
Tobacco products	27	31	19
Pet products	14	42	74
Total	1,713	2,943	3,745
Total	7,330	13,244	16,143

Source: *New Product News*, various issues.

Profile on the Food Marketing System in 1991-92

- Sales in the food marketing system slowed for the third consecutive year in 1992.
- But, profitability from operations remained the same and after-tax profits increased because of lower interest rates and a weak dollar.
- The industry was characterized by declining debt levels, modestly higher wages, and a slight pickup in merger activity.

For more details, get your copy of *The Food Marketing System in 1991-92* (stock #AIB-659) for \$5 by calling toll-free 1-800-999-6779 (outside the United States and Canada, please dial 703-834-0125).

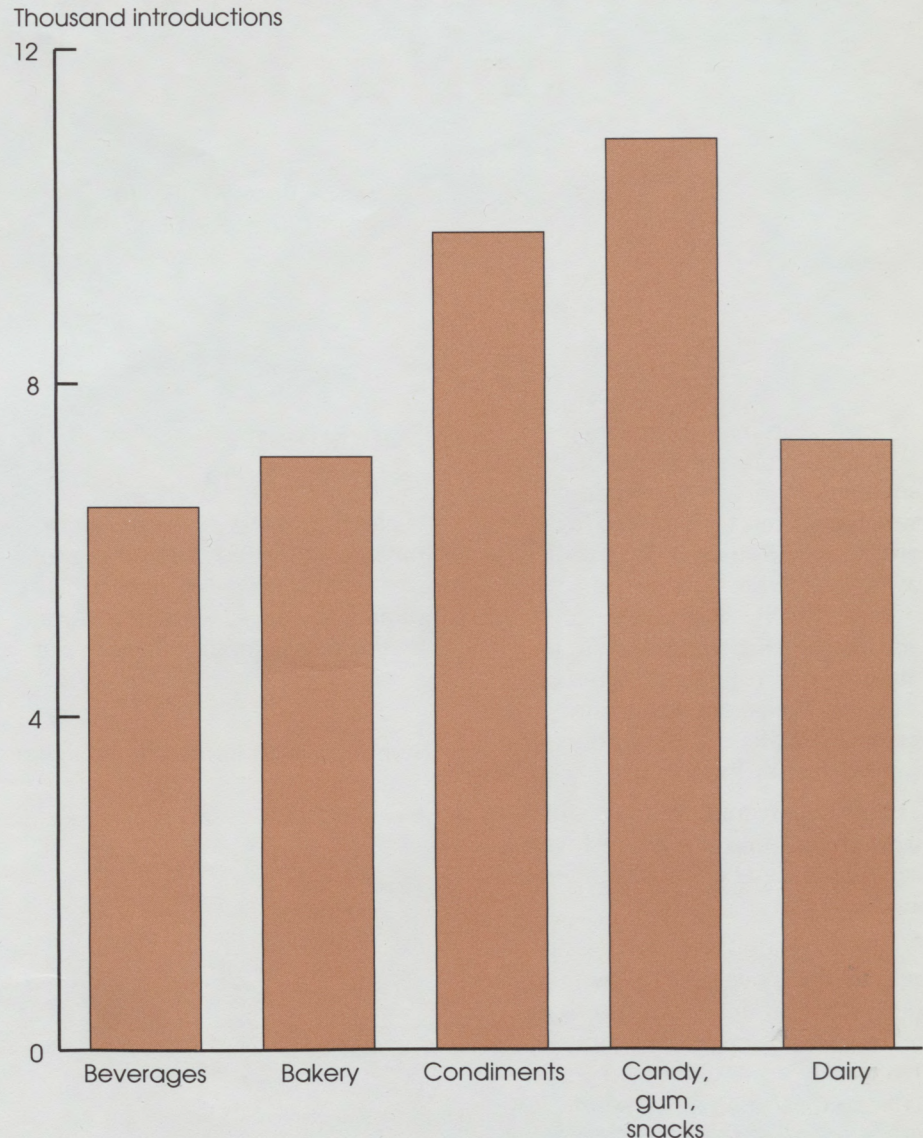
ice cream) were the other leading categories with new products.

Together, these five categories accounted for nearly 70 percent of all new products in 1991. During the past 6 years, manufacturers introduced over 41,000 products in these categories, ranging from nearly 11,000 candy products to 6,500 beverages (fig. 1).

Food Processors Respond to Health Concerns

In recent years, food processors have introduced food products in response to health concerns. In 1991, nearly 5,800 new food products advertised health claims, more than three times the number in

Figure 1
Candy and Snacks Were the Most Popular Product Introduction for Food Manufacturers in 1985-91



1988 (table 2). Over three-fifths of all new foods with health claims were foods labeled as reduced calorie, fat, cholesterol, or salt.

Also rapidly growing was the number of new "organic" products—foods produced without any synthetic fertilizers or chemicals. In 1991, over 6 percent of the new foods making health claims were labeled organic. Besides fruit and vegetables, consumers can buy or-

ganic-labeled breads, cereals, crackers, and cookies.

New Products Are a Form of Competition

New products, along with advertising, are an important means of nonprice competition. With food being a stable but slow-growth industry, sales growth for food manufacturers must come through gains in market share. To get more con-

Table 2
Many New Food Products Claim They're More Healthful

Product claim	1988	1989	1990	1991
	Number			
Reduced or low calorie	475	962	1,165	1,214
Reduced or low fat	275	626	1,024	1,198
Low or no cholesterol	126	390	694	711
Reduced or low salt	202	378	517	572
All natural	215	274	754	561
No additives or preservatives	153	186	371	526
Reduced or low sugar	52	188	331	458
Organic	98	140	324	370
Added or high fiber	56	73	84	146
Added or high calcium	4	27	20	15

Note: Data contain some double counting because new products may carry more than one health claim.

Source: Prepared Foods, various issues.

sumers to buy their foods, firms develop new products that are different from those of their competitors. And, new firms must introduce new products to gain market entry. Therefore, the rate of product introductions provides a measure of competition among firms and indicates the result of research and development activities.

Failure Rate High

The proliferation of new products, even line extensions, poses a problem for shelf space. Manufacturers introduced over 16,000 products in 1991, but most supermarkets stock from 25,000 to 35,000 items. If the average size of new stores continues to decline as it has in recent years, future supermarkets (excluding hypermarkets and super stores) may handle fewer products.

But, most new products fail to push aside established products and gain permanent shelf space. While there are no precise figures, some trade analysts estimate that between 80 and 95 percent of all new products fail.

However, manufacturers do not intend for every new product to be sold by all retail food stores. Instead, they develop products to reach specific customers in local and regional markets. Products de-

veloped for national distribution are less than half of all introductions. Also, other new products are meant to have a limited life cycle, such as Halloween candies.

Product Introductions Are Costly

Manufacturers, wholesalers, and retailers bear the costs and risks associated with each new product, which can reach over \$100 million per item. If the new product is successful, they all benefit. If unsuccessful, they all lose.

Food manufacturers pick up the largest portion of this cost, which includes research and development, test marketing, advertising and promotion, inventory, and various other production, marketing, and finance expenses.

Food retailers risk handling and warehousing costs and lost sales when removing an existing product for a new product. With profits based on sales per square foot of shelf space, food retailers cannot afford to stock a product that does not sell. To minimize the risks, retailers sometimes charge manufacturers "slotting fees," or rent, for shelf space. Some retailers also charge "failure fees" to cover the costs of removing the failed products from inventory and shipping them back to the manufacturers.

How to, and who should, pay the costs associated with the vast number of failed new products is generating much debate within the food marketing system. But no matter how the issue is resolved, manufacturers will continue to introduce thousands of new products. And, they will continue to be challenged to develop new products that successfully compete to meet consumers' needs. ■



Most new products are extensions of existing lines, with the addition of new flavors, styles, packages, or cooking alternatives.