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Food Product Introductions Continue To Decline in 2000

J. Michael Harris

New food product introductions in the United States declined for the fifth consecutive year in 2000. The decline marks a significant reversal of increasing numbers of new products introduced during the first half of the 1990s. New product introductions rose dramatically from over 10,000 in 1990 to a peak of nearly 17,000 in 1995; however, that number fell to slightly more than 9,000 in 2000. The decline represents a 46-percent decrease between 1995 and 2000.

New food product introductions in 2000 were down in all food categories, compared with product introductions in 1995 (table 1). The top five categories (in terms of number of new products) in 2000 declined significantly over the 1995-2000 period: candy, gum, and snacks (down 22 percent); condiments (down 51 percent); beverages (down 55 percent); bakery products (down 55 percent); and dairy (down 47 percent).

Introductions of new nonfood products, however, were up in 2000. Growing numbers of new health and beauty aids, pet foods, and tobacco products offset a decline in household supplies and paper products.

New food product introductions include new national and regional brands, seasonal products, and private label products. According to A.C. Nielsen, a market research company, 77 percent of new products are "me-too" products—different

versions of the same product offered by different manufacturers. Only about 1.5 percent of new products are "classically innovative" products, and 6 percent are line extensions, such as different sizes of the same brand. Seasonal products make up 13 percent of new products introduced each year.

Many new products have a short lifespan. Only between one-fifth to one-third of all new products are successful. Most new products reach distribution in 75 percent of sales outlets within the first 9 months of year one in the product's life. Sales of successful products continue to grow in years two and three; sales of failed products decline in years two and three. The success of a new product may spell the failure of an existing product, however, as new products succeed

mainly by capturing sales from other products.

Although new product introductions have declined, the variety of products in U.S. grocery stores has grown considerably as manufacturers continue to introduce successful new products. These successful products address continually changing consumer demands for food products providing more convenience, ethnic variety, and diet and health benefits. The total number of food products available in today's marketplace now exceeds 300,000 (although not all at once and not in every store), and the median number of items carried by supermarkets is about 40,000, compared with about 26,000 10 years ago.

Small- and medium-sized food manufacturers introduced 86 per-



Rising ethnic diversity in the United States, especially the growing Hispanic population, increasingly influences food product developers.

Credit: Ken Hammond, USDA.

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cent of new products in 2000 (fig. 1). This share represents not only smaller national manufacturers with national brands but also regional manufacturers with regional brands. The 20 largest U.S. food companies introduced only 14 percent of new products in 2000.

New product introductions are critical to both manufacturers and retailers. By meeting constantly changing consumer demands for new food products, manufacturers and retailers attract new customers and increase sales, profits, and market share. Manufacturers that have a record of introducing successful new products are likely to have success negotiating with retailers for additional shelf space for their products.

Reasons for Declines

Any of several factors may have led to the decline in new food product introductions. First, consolidation in food manufacturing has reduced the number of companies offering new products. Firms in-

involved in new acquisitions or consolidations may be more concerned with reorganizing profitably than with developing new products. Consolidation also may reduce the number of product lines when newly formed firms eliminate redundant lines.

Second, efficient consumer response (ECR) technology has enabled manufacturers to more effectively conduct market research prior to and after new product introduction. Computer-aided analyses of checkout scanner data and focus groups help product developers better determine what types of products consumers are purchasing and enable manufacturers to closely monitor the sales rates of new products (see "Innovation by Food Companies Key to Growth and Profitability" elsewhere in this issue). Thus, manufacturers can use ECR as a market research tool to identify growth areas and to weed out product failures quicker, putting downward pressure on the number of products introduced.

Third, new branded products face more competition from private label products for grocery store shelf space. As retailers devote more shelf space to their own private label products, the amount of available space for new products decreases. Increased competition



In the competition for grocery store shelf space, new branded products must continually go up against retailers' private label products.

Credit: Ken Hammond, USDA.



Table 1—New Product Introductions of Beverages and Bakery Products Dropped by More Than Half, 1995-2000

Category	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000
<i>Number of new products</i>											
Food categories:											
Baby food	31	95	53	7	45	61	25	53	35	21	16
Bakery products	1,546	1,966	1,854	1,803	2,180	2,432	1,759	1,622	1,471	1,126	1,087
Beverages	1,143	1,367	1,538	1,845	2,250	2,854	2,003	1,606	1,547	1,576	1,271
Breakfast cereals	123	104	122	99	110	128	121	83	84	114	88
Condiments	2,028	2,787	2,555	3,147	3,271	3,698	2,815	2,631	1,994	1,676	1,808
Candy, gum, and snacks	1,486	1,885	2,068	2,043	2,450	2,462	2,310	2,505	2,065	1,983	1,924
Dairy	1,327	1,111	1,320	1,099	1,323	1,614	1,345	862	940	921	858
Desserts	49	124	93	158	215	125	100	109	117	73	78
Entrees	753	808	698	631	694	748	597	629	678	543	550
Fruit and vegetables	325	356	276	407	487	545	552	405	375	254	192
Pet food	130	202	179	276	161	174	121	251	105	158	157
Processed meat	663	798	785	454	565	790	637	672	728	646	583
Side dishes	538	530	560	680	980	940	611	678	597	421	317
Soups	159	265	211	248	264	292	270	292	299	254	216
Total, food	10,301	12,398	12,312	12,893	15,006	16,863	13,266	12,398	11,035	9,766	9,145
Nonfood categories:											
Health and beauty aids	2,379	3,064	3,690	3,864	4,368	4,897	5,702	6,226	6,467	6,257	6,573
Household supplies and paper products	491	588	627	612	609	571	381	371	265	453	384
Tobacco products	31	19	45	38	38	102	54	127	51	32	42
Pet products	42	74	116	160	55	139	169	202	120	138	143
Total, nonfood	2,943	3,745	4,478	4,674	5,070	5,709	6,306	6,926	6,903	6,880	7,142
Total, food and nonfood	13,244	16,143	16,790	17,571	20,076	22,572	19,572	19,324	17,938	16,646	16,390

Source: *New Product News*, selected issues.

Table 2—All-Natural Products Introduced to Marketplace Nearly Tripled, 1995-2000

Category ¹	1995	1996	1997	1998	1999	2000
<i>Number of new products</i>						
Added/high calcium	21	35	28	45	119	158
No additives/preservatives	167	143	142	149	346	269
Low/no cholesterol	163	223	106	124	244	189
Added/high fiber	40	12	33	43	67	81
Reduced/low salt	205	171	87	80	97	131
Organic	538	645	505	842	783	844
All natural	407	645	587	743	522	1,130
Reduced/low calorie	1,161	776	742	456	302	261
Reduced/low sugar	422	373	78	164	74	61
Reduced/low fat	1,914	2,076	1,405	1,180	481	1,057

¹Nutritional claims categories are not additive since new products may carry more than one claim.
Source: *New Product News*.

for shelf space, plus slotting fees and promotion allowances, may combine to put downward pressure on the number of new branded products. Slotting fees are monies paid to retailers by manufacturers to secure shelf space. Promotion allowances are concessions offered by manufacturers to entice retailers to stock specific branded products.

Lastly, some food categories may be nearing product saturation. Too many products, especially line extensions, can confuse consumers. Instead of providing shoppers with more variety, larger and larger numbers of products may result in a confusing proliferation of essentially identical products.

Natural and Organic Increase; Reduced-Fat and Low-Fat Rebound

New "all-natural" food products increased 178 percent from 1995 to 2000, while new organic products increased 57 percent (table 2). In 2000, 1,130 all-natural food products were introduced to the marketplace, compared with 1,057 reduced- or low-fat new products. New organic food products totaled 844 in 2000. The growing number of natural or organic products reflects the desire of consumers to eat more "naturally." The adoption of new USDA organic standards by the food industry also increased consumer confidence in organic

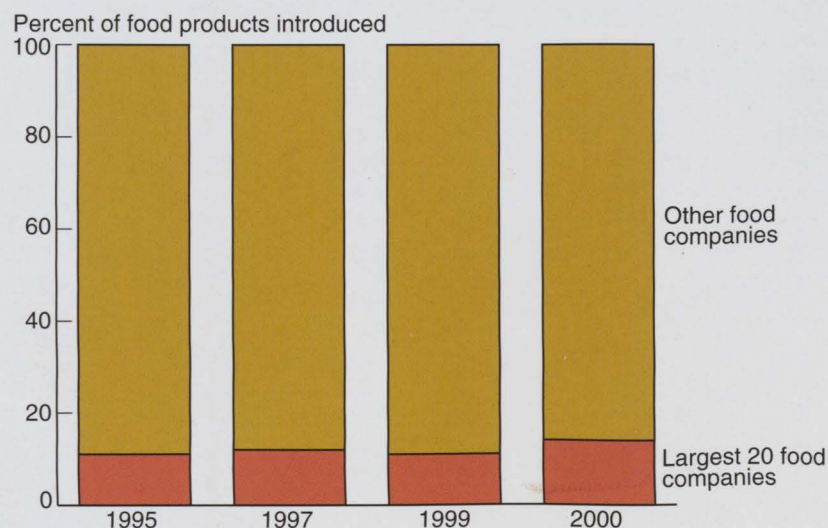
claims and consumer demand for these products as well.

The number of new food products labeled "reduced-fat" and "low-fat" in 2000 was 49 percent lower than in 1996. However, despite dropping 59 percent from 1998 to 1999, the number of these new products more than doubled between 1999 and 2000. The increase in reduced- and low-fat product introductions may reflect the food industry's use of fat replacement ingredients that consumers find more acceptable.

Developers of new products have not overlooked the area of new "functional foods." These products are enriched with calcium and other nutrients specifically targeted toward health-conscious consumers. Calcium-fortified and soy products are new functional foods that are popular with consumers. In 2000, food manufacturers introduced 158 new food products with added calcium or claiming to be high in calcium. Consumers are also demanding more foods enriched with vitamin A, vitamin C, and fiber.

New Convenience Products Growing

New convenience foods continue to contribute significantly to the number of new product introductions, particularly handheld or prepackaged entrees and other products that offer convenience and require little preparation. New

Figure 1—Largest 20 Food Companies Accounted for 14 Percent of New Product Introductions in 2000

Source: *New Product News*.

Table 3—Sauces and Seasonings Weigh Heavy in Number of New Convenience Foods in 1999

Category	Number of products introduced
Sauces	610
Pizza and entrees	432
Soups	254
Seasonings	238
Pasta	231
Vegetables	158
Meal kits	76
Other side dishes	71
Potato products	60
Rice	59
Prepared meals	35
Total	2,224

Source: *New Product News/Global New Product Database* and *Prepared Foods*.

products that require some amount of preparation by the consumer, such as meal kits or packaged sauces, are also important new convenience products. New convenience foods reflect the response of manufacturers and retailers to the loss of sales due to the rising popularity of dining out.

According to *Prepared Foods*, a food trade publication, the number of new convenience meals and meal components remained strong in 1999 (table 3). The top new product introductions in this category were sauces (610), pizzas and entrees (432), soups (254), seasonings (238), pasta (231), and vegetables (158). Quick, convenient sauces and seasonings enable consumers to add increasingly popular ethnic flavorings to their foods. Heat-and-serve entrees and meal kits provide further convenient alternatives. Salad kits containing new ingredients, such as sliced carrots and snow peas, were also introduced.

According to the Institute of Food Technologists, convenience, freshness, and sophistication are the principal trends in consumer food demand shaping the look of new food products. The primary form of at-home convenience foods are new products that require little preparation, save time, and come prepackaged for cooking. Another popular type of convenience food is "home-spun" meals, which include

prepackaged ingredients, require little knowledge of food preparation, and require little after-meal cleanup.

Consumers are also demanding super-savory and sophisticated new foods—especially foods with an ethnic flair. Food product developers are increasingly influenced by the rising diversity in the United States, especially the growing Hispanic population.

Consumers also favor new foods that are "clean, pure, natural, and safe." These foods primarily include foods labeled as "natural,"

"containing no preservatives or additives," or "organic." Food manufacturers are expected to continue responding to consumer demands by developing and introducing more natural foods and functional foods that may promote better health.

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Despite decreasing for 5 consecutive years, successful product introductions have enabled U.S. grocery stores to meet consumer demand for product variety. In the last 10 years, the median number of items carried by supermarkets grew from 26,000 to 40,000.

Credit: Ken Hammond, USDA.

