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New Products Need to be Cultivated - Not Catapulted into the Marketplace

(Or, why big companies fail miserably at launching them)

Compiled By Sandy Cahill

When's the last time you took a sip of AllSport? How about Mello Yello or Surge? Did that KMX you had with lunch yesterday give you a jolt? Care for your last Mr. Pibb? I had a Fruitopia once, I think... These are all products that were launched by big companies to compete with the #1 competitive brand – but if you and I didn't buy them, they most definitely failed.

AllSport was PepsiCo's answer to Gatorade. When it failed, they just went ahead and bought the real thing – along wtih Gatorade's parent company, Quaker Oats.

Coke tried to get into Mountain Dew's caffeinated citrus category by launching Mello Yello, then tried again and failed a little less miserably with Surge. Mr. Pibb was their spicy cola attempt (Dr. Pepper leads that category) and they created Fruitopia to compete in the all-natural category led by Snapple. No go for either one. KMX was Coke's version of Red Bull. A big flop.

Why? Why do hugely successful, market-driven companies (who do so many other things right), such as Procter & Gamble and Coca Cola miss the boat with new products?

Most large companies try to catapult a new product into the marketplace by throwing millions of ad dollars at it. They don't give it much time to gain market acceptance. But successful new brands are cultivated, many using primarily PR to get buzz, such as Starbucks, Krispy Kreme, Google, and Red Bull, to name a few. Those brands were introduced by entrepreneurs who had the patience to hang in there while the market developed.

Red Bull took four years to reach $10 million in annual sales and another five years to reach $100 million. Any big company that analyzed Red Bull in its early days would have declined the opportunity to enter the market, sensing a lack of one for high energy drinks.

And, big companies name new products based on market research resulting in a variation of their existing brand name. But it's difficult to create a new category with a line-extension name. Invariably, new categories are dominated by new product names created especially for the category. Red Bull, not AriZona Extreme Energy. PowerBar, not Gatorade Energy Bar. Amazon.com, not BarnesandNoble.com. Dell, not IBM personal computers. Nickelodeon, not the Disney Channel.

With a substantial advertising launch, a new product needs broad distribution to make the economics work. The odds are stacked against such a plan. A recent Nielsen BASES and Ernst & Young study put the failure rate of new U.S. consumer products at 95% and new European consumer products at 90%.

A better distribution plan is to start "narrow," often with a single chain. Charles Shaw started only with Trader Joe's, only in California and became the fastest-growing table wine ever. Newman's Own salad dressing was launched in Stew Leonard's in Norwalk, Conn. The store sold 10,000 bottles in the first two weeks.

With narrow distribution, you can often arrange special displays and promotions, which increase your brand's chance for success.

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