First Major Drop in Food Product Introductions in Over 20 Years

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About 320,000 packaged foods are available in the U.S. marketplace (although not all at once and not in every retail store). And about 15,000 new food products were introduced on average each year during 1993-95. Included are different sizes, colors, and flavors; seasonal and regional items; and products sold specially in gourmet, health food, and drug stores.

Many new product introductions are only changes in size or color, and not new in the sense of being truly innovative. And, despite the introduction of 93,000 products since 1990, the number of total products stocked in the Nation's grocery stores has shown little upward movement, suggesting that new products replace existing products or are removed from grocery store shelves soon after their introduction.

In 1996, manufacturers introduced 19,572 new products (13,266 foods and 6,306 nonfood items) in U.S. retail stores. The majority of food product introductions are new bakery foods, beverages, candies, condiments, and dairy products, accounting for about 75 percent of all food product introductions.

While the number of nonfood grocery items increased 10 percent from 5,709 to 6,306, the number of new food products introduced fell 21 percent from 16,863 in 1995 to 13,266 in 1996—the sharpest yearly decline since the early 1970's. This is in sharp contrast to an average 8-percent growth per year between 1992 and 1995. Manufacturers may have pulled back on the number of products they offer to save costs or they may have just concentrated their marketing efforts on their core products.

While we do not know why introductions fell off, let alone so sharply, we do know that the decline in 1996 took place among all food product categories except packaged fruit and vegetables, which rose slightly (table 1). The number of new bakery products and beverages dropped by a little over 500 each (to 1,340 and 2,310, respectively), while about 900 fewer condiments were introduced (to 2,815).

New products addressing health concerns—such as those advertising lower salt, fat, and cholesterol levels, or higher fiber and calcium levels—continue to be at the forefront of introductions, but there were notable drops in some categories. Introductions of foods claiming lower levels of fat rose from 1,914 in 1995 to 2,076 in 1996, but new low-calorie items dropped from 1,161 to 776. The number of new products with low salt, reduced / low sugar, and high fiber all showed a decline. The number of new food products with organic or low cholesterol claims was higher, however (table 2).

Small and medium-sized companies introduce the bulk of new products—11,738 in 1996. The 20 largest food companies introduced 1,528 new food products in the United States in 1996 (table 3).

Introducing new products helps U.S. farmers find more outlets / markets for their commodities. For example, the introduction of frozen concentrated orange juice in the 1950's contributed to sharp increases in consumption of oranges. Per capita consumption of oranges (fresh and processed) grew from 45 pounds in 1946 to 90 pounds in 1996. Today, frozen concentrated orange juice accounts for about 85 percent of U.S. orange consumption.

Product introductions are also of vital interest to the Nation's food retailers and manufacturers, helping

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Table 1

Despite the Drop in 1996, Food Product Introductions Rose an Average of 10 Percent a Year Since 1970

Category	1970	1981[1]	1990	1994	1995	1996
			Number of product introductions			
Food products:	1,041	1,796	10,301	15,006	16,863	13,266
Baby food	6	4	31	45	61	25
Bakery foods	93	229	1,239	1,636	1,855	1,340
Baking ingredients	55	58	307	544	577	419
Beverages	123	194	1,143	2,250	2,854	2,310
Breakfast cereals	8	18	123	110	128	121
Condiments	138	188	1,486	3,271	3,698	2,815
Candy, gum, and snacks	195	313	2,028	2,461	2,462	2,003
Dairy	64	246	1,327	1,323	1,614	1,345
Desserts	63	12	49	215	125	100
Entrees	116	188	753	694	748	597
Fruits and vegetables	31	72	325	487	545	552
Pet food	36	33	130	161	174	121
Processed meat	73	155	663	565	790	637
Side dishes	28	61	538	980	940	611
Soups	12	25	159	264	292	270
Nonfood products:	324	986	2,943	5,070	5,709	6,306
Health and beauty aids	201	838	2,379	4,368	4,897	5,702
Household supplies	62	71	317	426	472	290
Paper products	31	30	174	183	99	91
Tobacco products	28	41	31	38	102	54
Pet products	2	6	42	55	139	169
Total product introductions	1,365	2,782	13,244	20,076	22,572	19,572

Notes: [1]Data for 1980 is not available. Source: *New Product News*.

Table 2

The Number of New Low-Fat Food Products Continues To Grow

Food products	1990	1994	1995	1996
		Number of product introductions		
Reduced/low calorie	1,165	575	1,161	776
Reduced/lowfat	1,024	1,439	1,914	2,076
All natural	754	575	407	645
Reduced/low salt	517	274	205	171
No additives/preservatives	371	251	167	143
Low/no cholesterol	694	372	163	223
Added/high fiber	84	26	40	12
Reduced/low sugar	331	301	422	373
Added/high calcium	20	23	21	35
Organic	324	446	538	645

Source: *New Product News*.

Table 3
Twenty Largest Food Companies Account for Only 11.5 Percent of Introductions

Company	1995	1996	Change
	Number of product introductions		*Percent*
Phillip Morris	169	191	+13
Unilever	117	128	+9
Nestle	163	125	-23
Grand Metropolitan	95	115	+21
Sara Lee	176	115	-35
CPC International	60	111	+85
Campbell Soup	135	83	-39
Wessanen USA	100	83	-17
ConAgra	157	78	-50
Hormel Foods	89	74	-17
Nabisco Brands	109	68	-38
Quaker Oats	59	55	-7
General Mills	88	52	-41
PepsiCo	32	47	+47
H.J. Heinz	73	42	-42
Borden	73	38	-48
Dean Foods	44	38	-14
M&M/Mars	67	32	-52
Hershey Foods	19	28	+47
Health Valley Foods	54	25	-54
Total	1,879	1,528	-19

Source: *New Product News.*

them to entice new customers and increase their sales, profits, and market shares. New product introductions are an important form of competition to which manufacturers may respond by holding down consumer prices. Successful new products also help manufacturers negotiate with retailers to acquire and retain scarce shelf space in stores.

New Products Compete for Scarce Shelf Space

New product introductions are one way food manufacturers compete for U.S. consumers. Yet there is limited shelf space in retail stores to accommodate all the new sizes, shapes, tastes, colors, and other attributes that result in a new product. If there are already 320,000 products available to retailers, and a typical supermarket can accommodate only 50,000 products (including nonfood items), retailers must decide what products go on shelves. Some of the decision is based on turnover, which affects profitability and returns.

Widespread use of slotting allowances is helping retailers assure adequate returns when new products absorb scarce shelf space but do not sell well. Slotting allowances are fees charged to manufacturers by retailers for shelf space for new products. Some retailers feel they need this fee to protect their profitability. Manufacturers contend that the risk of a new product not selling well should be assumed by the entire food distribution system. Until recently, only small regional food manufacturers were charged slotting fees to stock a new product. However, even large companies with brand names have been paying these fees in recent years.

References

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