

CSNews New Product Study

By Debra Chanil

Is there any doubt that new products are key to any retail operation? In the recent Category Management Benchmarking Study conducted by Cannondale Associates across a variety of retail channels, retailers were asked to rate the importance of a selection of industry issues. Ninety-one percent of respondents rated new products as extremely or very important, ranking this area second only to execution in retail. New product innovation is seen as the key to attracting and retaining shoppers.

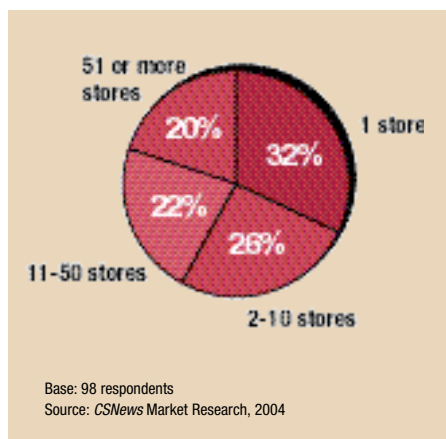
For the first *CSNews* New Products Study, we delved deeper into the issue of new products, an area that will continue to be a focus for c-store retailers. "Having new products that meet the specific needs of the c-store customer is becoming more important," said Ginny Valkenburgh, vice president of research at Cannondale. "Other competing channels are selling gasoline and margins are declining, so there will be greater dependence on new products inside the store to drive business."

Many new product trends are proving advantageous to c-store operators. For example, new packaging that provides items like salty snacks, cereals and cookies in smaller, easily portable cup and bag sizes is perfect for convenience outlets. Likewise, a move toward occasion management, for example, providing the right configuration of beer to promote for a specific event, is also finding success at c-stores.

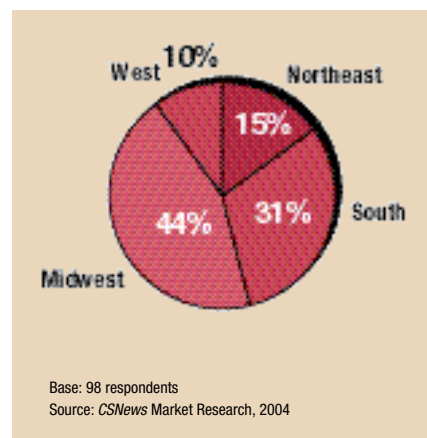
One advantage c-stores have over other retail channels is more instantaneous feedback, thanks to the "immediate consumable" nature of so many c-store products. "You will get reaction much faster at a c-store than a supermarket," explained Don Stuart, founding partner at Cannondale. For that reason, he said, "c-stores have become a leading-edge indicator of how a product will do in terms of trial and repeat."

Respondent Profile

COMPANY SIZE



REGION



A total of 98 c-store executives were included in the *CSNews* New Products Study. One third of these retailers represent single c-store operators, while two-thirds are from chains with two or more units. The average respondent operates 71 c-stores.

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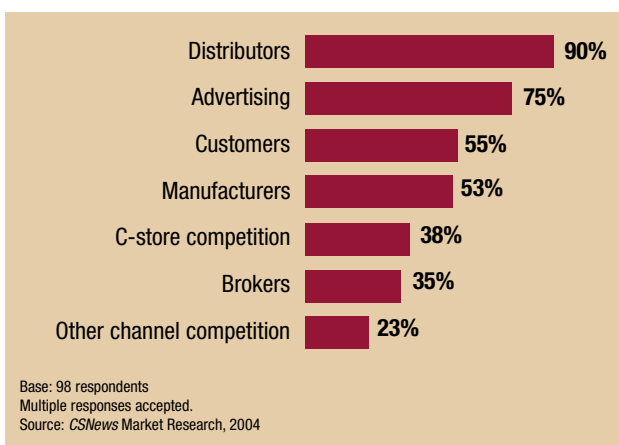
C-stores hear about new products from a variety of sources. Distributors are cited by an overwhelming majority of respondents — nine out of 10 use them as a resource for new products. Advertising, both trade and consumer, is cited by three-quarters of respondents, while customers and manufacturers are each cited by more than half of respondents.

And it's no wonder that multiple sources are needed, considering how many new products are out there. Defining a new product as one having a unique UPC code, some industry experts say there are as many as 20,000 to 30,000 new products a year across the retail landscape. How many cross the desks of c-store operators? While the survey shows that the average c-store retailer heard about 450 new products in the past year, some respondents went as high as 5,000. Packaged beverages is cited as the category with the most new product introductions, followed closely by candy/gum.

Following the trail of new products, c-store operators review an average of 69 percent of the products they hear about. Forty-six percent of the products they hear about are subjected to in-store tests, and 25 percent make it to the planogram. If success can be defined by whether a new product is still included in a store's product mix six months later, then the average success rate at c-stores is 21 percent. This rate is highest for candy and gum at 31 percent, and lowest for beer/malt beverages at 20 percent.

More than half of new candy/gum products make it to the test phase, compared to about one-quarter of packaged beverages. It figures: Would you rather add a small item to an adaptable shelf or reset a cooler?

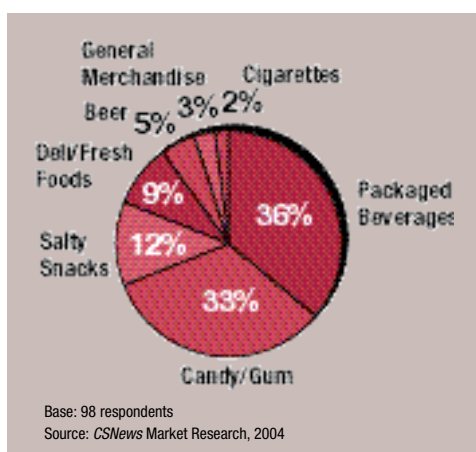
HOW DO YOU INITIALLY HEAR ABOUT NEW PRODUCTS?



HOW MANY NEW PRODUCTS...

	All Categories	Top Categories			
		Packaged Beverages	Candy/Gum	Salty Snacks	Beer/Malt Beverages
... did you hear about?	450	125	96	68	40
... did you review?	311	72	56	51	18
... did you test in-store?	207	34	51	32	16
... did you add to planogram?	113	28	39	22	13
... did you still offer six months later?	95	22	30	16	8
Success rate	21%	18%	31%	24%	20%

WHICH ONE CATEGORY HAS THE MOST NEW PRODUCT INTRODUCTIONS?



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Once a new product is introduced into a c-store, operators say that signage is the most effective form of promoting these items. Both signage and shippers, or in-and-out displays, are cited as effective forms of promotion by at least five out of 10 respondents. Price promotions have been effective for about four in 10, while on-shelf promotions were cited by two out of 10.

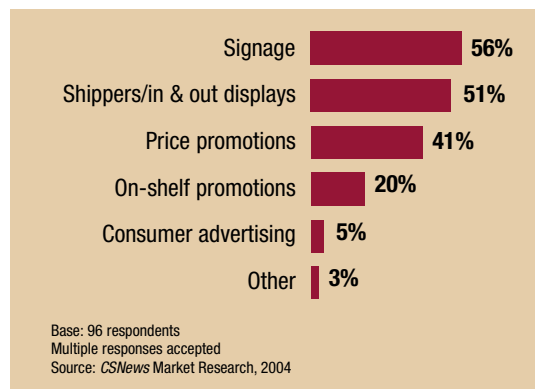
Some respondents have found success with techniques more often associated with higher-end retailing, such as offering samples and suggestive selling. However, concerns about available floor space and diverting a limited labor force from other tasks may keep these methods out of reach for many c-store operators.

New products at c-stores are given an average of 3.3 months to sink or swim. Half of all respondents give new products between three and six months in the store, while only a ruthless 3 percent say they give new products less than a month to prove their worth. Many retailers say they have no set period of time, but determine how long to give a new product on an individual basis. Additionally, the increasing availability of sales data via scanning has made tracking new product performance both easier and faster. No matter how flexible these operators are, however, the bottom line remains the same: In the words of one respondent, "Each product must earn its position."

When it comes to measuring the success of a new product, money talks. Sales volume is the yardstick used by almost three-quarters of respondents, while another quarter measure by gross profit dollars. A small group say that "buzz" or the excitement a new product creates at store level is also taken into account.

In order to increase their chance of success, "c-store operators need to demand products that are designed and tested with their target consumer," according to Don Stuart at Cannondale Associates.

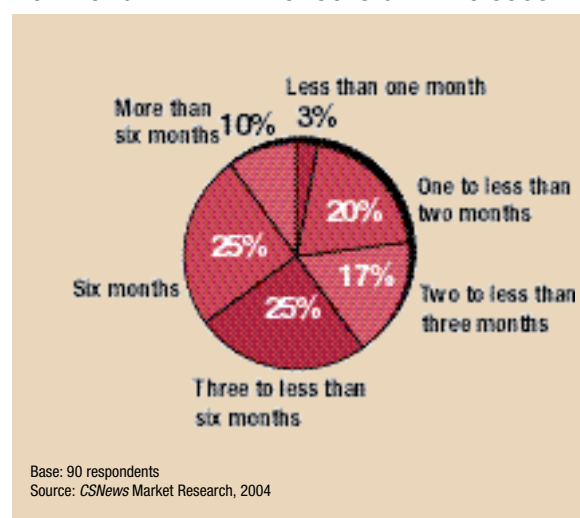
MOST EFFECTIVE IN-STORE PROMOTIONS FOR NEW PRODUCTS



HOW DO YOU JUDGE SUCCESS?



HOW LONG ARE NEW PRODUCTS GIVEN TO SUCCEED?



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Space, or lack of it, is the biggest challenge to launching new products at c-stores, according to three-quarters of respondents. Creating consumer awareness ranked second as a challenge, cited by about one-third of respondents.

The fact that in-store execution and distribution issues were cited by fewer than one-fifth of respondents is good news, says Don Stuart of Cannondale. Looking at the list of most successful new product introductions, he notes the presence of items from companies with “strong systems of distribution and execution in place, which is particularly important at c-stores, where employee turnover is high.”

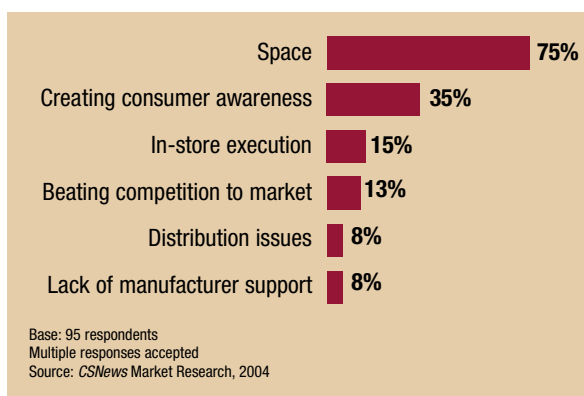
What else do the successful products have in common? Portability, appeal for the immediate consumer and familiar brand names from large companies with the budget to support them. They also cover two of the biggest trends to hit retail in recent years: low-carb products and dollar-store lines.

As for the disappointments among new products, operators cite sales that fail to match the hype and lower-than-expected margins as some reasons for product failure. Some retailers are simply at a loss to explain why some products just don't make it. One respondent said that “despite good positioning, excellent packaging and a known brand name, sometimes something new just won't fly with the customer.”

While the low-carb trend has been the most significant catalyst for the launch of new products of late, some respondents wonder how long it will last. Ginny Valkenburgh at Cannondale agrees. “We all know how big a trend that is now, but it will eventually implode. We are seeing manufacturers now coming out with products that are more balanced.”

And so the march of the new products continues...

BIGGEST CHALLENGE TO LAUNCHING NEW PRODUCTS



MOST SUCCESSFUL NEW PRODUCT INTRODUCTIONS

Anything Atkins/low-carb
Dollar-store lines
Hershey's Swoops
Krispy Kreme
Michelob Ultra
Reese's White Chocolate Peanut
Butter Cups

MOST DISAPPOINTING NEW PRODUCT INTRODUCTIONS

Camel Exotic
Coke and Pepsi vanilla products
Krispy Kreme
Michelob Ultra
Mountain Dew Live Wire
SoBe Energy Drinks

No, you're not seeing double —Krispy Kreme and Michelob Ultra made both the “Most Successful” and “Most Disappointing” new products lists!