

**BEYOND THE SHARE BATTLE:**

**Reinventing categories for  
topline performance and profits**

**Management Summary**

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**MANAGEMENT SUMMARY**

**1. Where we are and how we got here**

Changes on the supply side of the food and beverage industry have been more profound than perhaps most industry executives realize. The advent of scanners over the past twenty-five years has allowed supermarkets to operate more efficiently and to grow in scale and power, integrating operations across broader and broader geographies. Manufacturers have grown in scale as well, with some of the oldest and most mature industry giants now coupling in a frenzied mating ritual. Part of the urge to merge has been to offset the balance of power that has shifted dramatically towards retailers. Slow volume growth and limited pricing leverage have also driven consolidation as companies seek to increase profits by squeezing costs from combined operations.

Meanwhile, on the demand side consumers have become more sophisticated and more demanding. Taste, quality, value and convenience are expected as consumers seek additional benefits (ranging from health, fun and status to social responsibility) from their food and beverages. Constraints on time and cooking skills have also reshaped what consumers mean by convenience. What we eat, when and where have changed dramatically as fast-paced lifestyles have made the hallowed tradition of three-meals a day at home a dusty relic.

**Changing what we eat, when and where**

	Where		What	
	Yesterday	Today	Yesterday	Today
<b>Breakfast</b>	At home	At home At school In the car At work Not at all	Bacon & eggs Cereal Frozen o.j. Drip coffee	Breakfast bar Toaster pastry Bagel Designer beverages
<b>Lunch</b>	At home At work	At home At school At work In the car In a restaurant Not at all	Bag lunch Soup & sandwich	Fast food Frozen entrée Deli takeout School meal Cup o'soup Bag lunch Energy bars
<b>Dinner</b>	At home	At home In a restaurant En route to soccer practice	Meat, potatoes, and 2 vegetables	One dish microwave meal
<b>Snack</b>	At home At work	Anytime Anywhere	Chips Cookies Candy	Anything and everything

Life in the major food and beverage companies has changed as well. A static or shrinking pie is accepted as the norm in most categories, and growth is a zero sum game where expensive share battles are waged to sway volume at the margins. Relentless profit pressures turn marketing budgets into holding places for later raiding by senior management. Meanwhile, exhortations to innovate through exciting new products result in lots of new products, but little excitement. Ambitious young marketers anxious to make their mark and move on focus on what's doable, not what's worth doing. And bad ideas, which often spring from internal origins that have nothing to do with real consumer needs, take on a life of their own and are rarely killed before they've wasted considerable time and treasure.

## 2. Setting the stage

### Challenging comfortable assumptions

To understand how things need to change, we need to examine some of the cherished assumptions most companies and industry executives hold, because many of them (if left unchallenged) can unwittingly obstruct necessary change.

**The product lifecycle theory:** Drilled into every executive's head over the past thirty years, this theory describes the complex relationships between the product and its market from infancy to senility, and maintains that products (and entire industries) move through predictable and inevitable stages over time. Overall, the product lifecycle theory has help up well over time—largely because it fit the facts at hand.

However, the present climate raises legitimate questions about whether many of its key assumptions are still valid. The deterioration of the mass market, for example, *should* cause companies to question assumptions about consumer targets and brand objectives, as well as manufacturing and distribution—but has it? Do the largest food and beverage players truly recognize that the mass market no longer exists, at least in mature markets like the United States? Similarly, companies should explore honestly whether they have the capacity to generate innovative products after years of cautious tweaking and downsizing. And do they truly have the ability to hire, groom and retain the kind of talent they need to stay competitive?

**A manufacturing mentality:** Consumer packaged goods companies routinely (and piously) proclaim that the consumer is king, yet this platitude is truer than they realize. Like modern monarchs, consumers are closely observed but rarely understood, their power more ceremonial than real. Companies unconsciously place their existing production facilities and methods at the real center of their assumptions, and the question becomes “what can we make that consumers might buy?” instead of “what do consumers really want?”

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**Competitive barriers:** As the old rules collapse, companies must reexamine what competitive barriers they have at their disposal. What they relied on yesterday may not help them today and tomorrow—and in some instances may actually harm them.

**Yesterday's weapons: Do they still work today?**

Yesterday	Today
Product superiority	Consumers may not perceive minor performance differences among products. Other benefits, such as convenience, may trump functional superiority.
Patented technology	Few technical barriers offer lasting comfort. The lengthy FDA approval process shortens useful patent life, and wonder ingredients may not necessarily provide the basis for enduring product platforms.
Production efficiency	High-volume manufacturing requirements may promote inflexibility and cause companies to overlook profitable niche opportunities.
Marketing muscle	Skill at mass-marketing may be obsolete and irrelevant in a world of niches. Moreover, having limited marketing resources can trigger greater creativity—with potential for greater impact.

But as doors close, windows open. New weapons can be deployed to create and protect market space. Many of these new tools don't require massive investments in R & D and capacity. As the saying goes, they can be made with simple tools you may find lying around the house.

In the case studies ahead we will explore a variety of barriers that companies have successfully overcome on the way to reinventing categories. In some cases they simply outsmarted the competition, in others they looked beyond their traditional consumer and envisioned products for new markets. Consider the following paths that can lead to successful reinvention:

***Speed & flexibility*** As the potential for mass market products shrinks and the opportunity within niche markets rises, nimbleness will be a competitive advantage. Getting there first can be important, especially when the market is small.

***Trading relationships*** Strong relationships with trading partners can be leveraged as a win/win for both parties, particularly with unique products.

***Personality*** Consumers increasingly crave something different, including products and companies they can identify with. Values embraced as part of a company personality can triumph over blandness.

***Letting go*** Sacrificing something, such as mainstream appeal, past glory, or production methods, can be the first step toward future growth.

**Heritage** Your brand’s past can help, as well as hinder. No one can muscle in on what you stand for in consumers’ memories.

**Consumer indifference** You may not always want consumers to think much or care much about your product category.

### 3. Corporate Jujitsu: Turning weaknesses into strengths

Even great companies stumble. Market leaders can become particularly vulnerable when their weaknesses provide the basis for entry by competitors unencumbered by the baggage of heritage and scale.

#### The perils of market leadership

	<b>Strength</b>	<b>Weakness</b>
<b>Market position</b>	Dominant player	Ignores upstart competitors with new ideas
<b>Market knowledge</b>	Deep knowledge	Knowledge of yesterday may be obsolete for today and tomorrow.
<b>Customer knowledge</b>	Extensive historical knowledge and research base	May not recognize that consumers’ wants and needs are changing
<b>Systems and processes</b>	Efficiency and scale	Inflexibility and caution Scale becomes a debility
<b>Stance toward the future</b>	Defend and protect	Not a recipe for growth
<b>Intangible assets</b>	Well-defined culture and values	Values can become dogmas. Culture may be out of sync with current needs of customers, employees and other stakeholders.

General Motors and Hallmark were leaders in their respective industries. Both saw their markets decline as consumers migrated to new segments antithetical to what each company stood for. Both had moments of internal epiphany and resolved to change. Ultimately, **both were able to create new business based on very different principles than what made them successful in the first place.**

General Motors, parent company of Saturn, was reeling in the early 1980s as consumers sought out small, reliable, fuel-efficient imports from Japan. Many consumers refused to buy American cars, because of shoddy quality, hassles with dealers and few meaningful differences among makes and models. Labor difficulties darkened the picture as well, particularly for General Motors. At roughly the same time, Hallmark (the dominant force in the greeting card market), saw its share erode as consumers embraced the “alternative card market”—which was really an alternative to Hallmark. While focusing on fancy, verse-heavy cards for traditional occasions, Hallmark had

missed the entry of competitors who offered lighter, more irreverent cards for both traditional and new occasions.

Both General Motors and Hallmark decided to change. Through a wrenching, expensive soul-searching process, General Motors gave birth to Saturn in eight years. Saturn was everything GM wasn't: collaborative, flexible, transparent and brimming with friendliness and community. By contrast, Hallmark's transformation was swift and virtually painless, because the company had advantages it could draw on from its heritage: a tradition of innovation, flexibility and fair dealing with employees and card shop owners. Shoebox Greetings, "a tiny little division of Hallmark," took shape in eight months.

These small, new anti-companies were successful from the start. Within a few years, they had established sizable businesses and a loyal user base, and **both generated significant incremental volume**. Seven years after the first Saturn was produced, 72 percent of Saturn sales were considered incremental business to General Motors. By creating new types of cards (such as friendship cards) and offering them at a lower price, Shoebox Greetings gave people a reason to send cards more often—increasing real unit volume for the first time in ages.

How did they do it? While each reinvention offers unique features, commonalities include:

- **The will to change:** Both companies acknowledged the world had changed. To continue to succeed, they needed to change, too.
- **Outward focus:** Instead of lamenting their losses and dwelling on the past, they focused on what their competitors were doing right and learned from it.
- **Framing the competitive set properly:** They defined their competitive set broadly, from a consumer (not manufacturer) standpoint.
- **Lightening up:** They found new ways to work with employees and customers and didn't take themselves too seriously.

### Applying the lessons: Kellogg's

Like the US auto industry, Kellogg's faces a shrinking, highly fragmented market with a concentrated set of large-scale competitors and little product differentiation. But like the greeting card industry, trial is easy to stimulate, risks are manageable, and creativity is the key to future success. Kellogg's currently appears to be unready to change its approach to making and marketing cereals, however, as it still focuses very narrowly on its "Big Three" competition, instead of looking to the broader range of competitors and substitute products. Moreover, it

still seems to try to launch mass-market products, although the fragmented cereal category lends itself to niche marketing.

In order to revive its core cereal business, Kellogg's should:

- **Create a skunkworks:** A small, new anti-company composed of existing Kellogg's staff and staff from small, newly acquired companies familiar with niche markets.
- **Think small:** Aim for small brands with loyal users and not shackle the new business unit with unrealistic, outsized expectations.
- **Think benefit and lifestyle:** Well-targeted products with aura, not more copycat products and tired variations on the same "usual suspect" ingredients.
- **Start from scratch:** From packaging (why a box?) to advertising (why TV?), every preexisting assumption should be challenged.

#### 4. Beyond brand benefits: Harnessing the quest for meaning

Today many consumers are looking for more from what they buy than ever before. Beyond the essentials of taste, value and convenience, or even fun and status, people are looking for products and companies in sync with their ethical standards and outlook on the world. They expect companies to do more than make a profit: they want companies to help improve society and protect the environment. And they are ready to vote with their wallets.

The typical socially responsible company is often seen as small, green and liberal. While many are (Ben & Jerry's, Newman's Own), others are industry giants (Target, Home Depot, McDonalds). In this case study we explore one of each.

Stonyfield Farm fits the first profile: a small company (150 employees) based in New Hampshire, it has championed environmental protection since it was founded, not hesitating to step into activism on occasion. Despite its size, it has achieved national distribution and high brand recognition for its natural and organic yogurt and other dairy products. Avon fits the larger-company model: a \$5.3 billion powerhouse in the cosmetics industry, it has carved a high profile for service as well as image. An early and generous donor to the breast cancer cause, with which the company is strongly identified, it also champions economic opportunity and entrepreneurship for women.

Despite obvious differences, the companies share much common ground with regard to their active embrace of corporate social responsibility. Both have demonstrated **long-term commitment**, which is essential for brand building and credibility. Both have also adopted **issues**

*that fit strategically* with the company, their products, and their customers. Moreover, both make sure their programs have *specific, tangible impact*.

Before considering a program of good works, companies should do a careful soul-searching. Consumers have memories and will discount efforts by companies they feel are offering only window dressing. Cause-marketing programs are more likely to generate incremental sales than efforts aimed at reorganizing internal business practices for ethical reasons. Before allying themselves with a cause, however, companies should think twice before aiming for big, bland and “safe” programs that will fail to generate real consumer excitement. Smaller organizations are generally more effective and have more local resonance but can more difficult to work with. But in a world where it is difficult to find a lasting competitive edge, more companies will find they do well by doing good.

**Applying the lessons: Celestial Seasonings tea and Hershey’s candy**

Celestial Seasonings, market leader in herb tea, enjoys a reputation as a good-guy company from its early days as a friendly employer, environmental enthusiast and visible donor to charity. Its few ventures outside the tea arena have met with mixed results, but it now faces increasing competition from hipper, more upscale teas. By creating a new line of teas linked with causes edgier than the neutral middle, Celestial Seasonings could solidify its leadership, raise its profile and gain incremental business in a very credible way, given company heritage.

Potential Name/Theme	Product type	Cause
Hope	Calming herb tea	Humanitarian group such as Doctors without Borders
Freedom	Energizing tea	Human rights
Kids’ Comfort	Children’s herb tea	Children’s health or prevention of child abuse
Safety	Calming herb tea	Domestic violence

Hershey’s, number one in the US candy market, is a conservative company with virtually no persona. Its sponsorship of super-mainstream sports organizations (NFL, NCAA, US Figure Skating) suggest it would naturally turn to a wholesome middle-of-the-road cause like Special Olympics if it entered the cause arena. Such an affiliation, though, however worthy, would not break through the clutter or be especially distinctive or motivating to most consumers. Instead, Hershey’s should try something unique and ownable and in keeping with company heritage.

To fit strategically, the key elements of a cause-marketing program would be a child-focused, long-term, distinctive program with concrete results. Our hypothetical example is to introduce a new candy (possibly to compete with M&Ms) whose primary reason for being is to raise money to help children. Why buy a copycat M&M (or other top candy) product? There would have to be a very good reason—and a compelling cause tie-in could provide that good reason.

Cause possibilities include play (e.g. playgrounds in underserved communities or near hospitals treating chronically ill children) or education (e.g. bookmobiles in areas with limited public libraries). Efforts should be highly localized, with frequent geographic expansion to build momentum and public interest. With a well-publicized, interactive campaign, kids and parents could track progress and feel good that their purchases were supporting real things they can relate to and measure. Such a program could sway volume especially among moms and begin to develop overall preference for Hershey products, while also energizing employees and the trade.

## **5. New products for new occasions: Redefining category offerings**

Every so often, a company comes along with a unique way to redefine the market in which it competes: it finds a new and compelling occasion for which a new product is needed. As a result, the company reshapes the entire category, providing opportunities for new products that can address a whole series of new “needs” no one had previously thought of.

### **Huggies**

Procter & Gamble, inventor of the disposable diaper, focused its development efforts on technical superiority. As a good mass marketer, P&G segmented its products on the broadest possible criteria: age and (later) gender. By contrast, Huggies (Kimberly-Clark) took a different, and more successful path based on consumer needs.

Huggies created new, tightly focused products based on usage occasions. With Pull-Ups training pants, it went beyond the functional benefit to link with issues of lifestage and self-esteem, helping parents and children alike move out of diapers toward independence. It followed this with GoodNites, discreet protection for nighttime accidents in older children, and finally Little Swimmers, diapers designed for use in swimming pools. By pursuing these niches, Huggies gained leadership of the category. Its Pull-Ups line alone is worth well over \$400 million—although P&G had explicitly rejected the training pants segment as “too small.”

### **Power Bar**

Developed as a low-fat energy food that could be eaten by athletes before, during and after exercise, the vision for the product came out of the founder’s own search for food compatible with his training needs as a marathon runner. The product was launched on a shoestring budget and followed a non-traditional distribution path: first distributed at running events, later sports stores/fitness clubs, it moved to warehouse clubs and convenience stores before finally reaching mainstream supermarkets and drug stores. By then, two other successful brands (Balance Bar and ClifBar, each with distinctly different positionings) had been established.

Today athletes are not the only ones who reach for an energy bar instead of a traditional snack. Wannabes and mainstream consumers have embraced the concept and have made it a \$300 million category that resonates with those who lead high-energy lifestyles. The two main brands (Power Bar and Balance Bar) were acquired by two of the largest food players (Nestlé and Kraft, respectively) in early 2000.

## **Nike**

Once there were sneakers. Now there are myriad choices for every sport and activity, for every age and gender, in every price range. Much of the credit goes to Nike, whose origins—like Power Bar's—trace back to a quest for products appropriate for serious athletes. Born of marketing savvy and innovative technology, the company expanded beyond running shoes to touch (if not dominate) every popular sport. Other companies, like Reebok, helped to fuel the segmentation boom as well, but Nike has become the dominant brand, now a nearly \$9 billion global powerhouse.

## **Distilling the commonalities**

While Power Bar and Nike share a history of side-door distribution through non-traditional channels, all three products have the following elements in common:

***Situational products:*** All three initial products rose from very specific needs. Their specificity made their initial market look narrow, but all were highly relevant to well-defined target audiences and developed appeal beyond this narrow market.

***Extendable:*** Since the original products defined new usage occasions, other occasions could be envisioned for which these highly credible companies could offer new solutions.

***Lifestyle resonance:*** All three brands addressed consumer aspirations. In addition to providing products that met functional criteria, they told their consumers: we understand you, and we understand your dreams.

## **Applying the lessons**

### ***Solving the pre-dinner problem***

Virtually every working parent has experienced the problem of hungry kids melting down before dinner's ready: cranky, hungry and unwilling to wait another minute before eating, they fill up on junky snacks so they're no longer hungry by dinnertime. Most snacks are positioned as anytime,

anywhere, for just about anyone. But a company that could help solve this very real—and very common—problem would find a ready audience. Such a product should be family friendly (kid-pleasing, with acceptable nutrition), immediate, unitized in modest individual portions, and time-consuming (with some entertainment and interactivity).

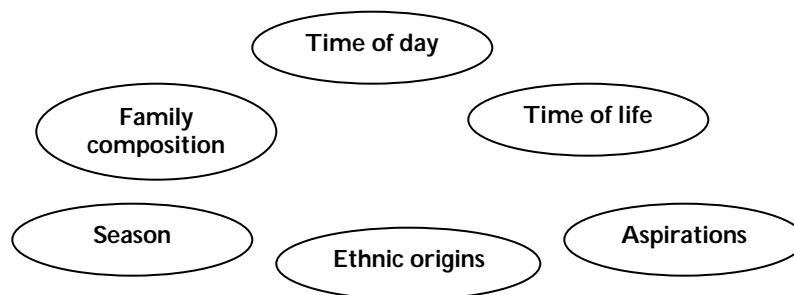
Kraft Foods would be ideally suited to produce savory snack packs that would fit the bill. Three specific options (cheesy breadsticks with pizza dipping sauce, Cheese-by-the-Foot with crackers, and a light “interactive” soup) are described in detail.

### ***The after-dinner adult beverage***

New beverages are commonly geared toward teenagers and young adults. Yet adults, particularly sophisticated Baby Boomers who have time and money to spend, are on a quest to find products “just right for me.” This audience is underserved and would be receptive to an after-dinner beverage that is neither alcoholic nor based on coffee or tea. The underlying promise: to promote relaxation and healthy sleep for good energy the next day.

### **New ways to segment food and beverage occasions**

Many of the following areas of exploration are familiar terrain to food and beverage marketers seeking to develop new products. Yet they are almost always explored in isolation, rather than combination. Combining different aspects of multiple areas could provide fruitful ideas for generating new and specific usage occasions that can revitalize entire categories.



## **6. When loneliness is a plus: Becoming a category of one**

While marketers dream of discovering unmet consumer needs and creating new categories with big potential, sometimes highly profitable opportunities lie in categories too small to attract significant competition.

**Clean Shower** became a major success in the cluttered category of household cleaners by offering prevention instead of cure. It delivered on its convenience-oriented promise: spray after a shower instead of scrubbing scum and mildew once the problem has developed. In the

process, an upstart entrepreneurial company created a new, profitable category and maintained leadership despite competition from deep-pocketed industry giants.

**Beano** focuses with laser-like precision on one benefit: eliminating stomach gas produced by foods like beans, broccoli and cabbage. Instead of being all things to all people it's something that matters (a lot) to a small group of consumers. It has absolutely no competition, because its focus is too small to interest other companies, yet it generates sizable profits from a loyal user base that is set to grow as consumption of these healthy problematic foods increases in the future.

**Cold-Eez** can't cure the common cold, but it makes colds shorter, milder and more manageable. Being the first to offer zinc gluconate as a preventive weapon in the cold remedy category has enabled the Quigley Corporation to build a commanding share in a new category, one in which it is able to sustain a strong price premium.

These three successful niche products share the following essential characteristics:

- Speed to market:** When market potential is limited, you need to be first.
- Low consumer interest:** They compete in areas where consumers aren't especially interested in shopping around.
- Low purchase frequency:** Infrequent purchase leads to low price sensitivity.
- Narrow functional benefit:** They do one thing, and they do it very well.
- High risks for substitution:** Why mess around with anything else?

Companies interested in exploring a similar strategy of tightly focused niche products should identify the potential problems to solve and assess market viability, including current competition, potential market size, the problem's importance to consumers, and the company's ability to make claims and deliver on them.

### Potential new products

*New product:* A soft drink containing Midol (to relieve menstrual discomfort) could be positioned as a functional beverage that mothers could offer their teenage daughters. While clearly not a product that girls would consume in public, it would offer a known benefit in a new, convenient form.

*Reviving a mature product:* "Batter safe" baking mixes, which offer powdered eggs in the mix instead of requiring the addition of raw eggs, could be a way to reposition and revive a category where moms may be wary of offering their children beaters and spoons to lick. Treating the preparation process as a family-friendly event instead of a means to an end (dessert) could give

new life to mixes which are otherwise at a disadvantage versus more convenient desserts that are ready to bake or ready to eat.

## 7. From object to aura: The profitable premium experience

Starbucks has successfully transformed coffee from a low-quality delivery system for morning caffeine into a high-margin aspirational experience. In the process, Starbucks has become a lifestyle merchant, offering an array of products that allow you to take the Starbucks experience home. But Starbucks is not alone. Other companies have also transformed a category that was once defined by off-the-shelf, mass-produced products into experiences that provide a powerful engagement between the consumer and the product.

Barbie is to the US doll market what Frito-Lay is to chips: the dominant, ubiquitous mass-market force. Yet Pleasant Company succeeded in cracking the doll market with a tightly defined, high quality offering that combined American history with strong, plucky heroines. In the process its American Girls brand became a \$700 million business (purchased by Mattel, which markets Barbie), a lifestyle merchant for upscale merchandise, and a perceived champion of positive values for girls today.

### Common elements

Both Starbucks and American Girls shared similar marketing approaches: they initially focused on a niche audience, controlled the consumer experience by going direct to consumers, and offered ultra-premium products at prices to match.

In addition, the core products/experiences they offered had much in common, too:

<b>Authenticity:</b>	Both are intimately connected to rich traditions that live outside the brand.
<b>Learning:</b>	Their experiences offer a window on the world and a chance to learn.
<b>Lifestyle:</b>	The brands embody a strong aura that offers elements of escapism.
<b>High-touch:</b>	High-quality materials, lots of labor and thoughtful details.
<b>Personalization:</b>	Choices allow you to make the product your own.
<b>Possibilities:</b>	Abundant options provide a sense of expansiveness to delight the imagination.

### Applying the lessons: Ideas for the food manufacturer

As manufacturers watch the share of food dollars tilt away from retail to foodservice, they should be particularly concerned with staying relevant to upscale consumers (who can afford to

let others prepare food) and young consumers (who aren't acquiring cooking skills). Food manufacturers have affiliated with foodservice before (think Grand Met/Burger King, PepsiCo/Tricon), but these alliances have offered mass-market, middle class food—the foodservice equivalent of the manufacturer.

Food marketers should continue to think about what new role they could play in foodservice, and the object-to-aura lessons offer many possibilities, especially for appealing to young and upscale audiences less attracted by a mass/middle approach. Authenticity and learning suggest ethnic food options should be considered (among others), though marketing and adaptation will be required to give lifestyle resonance. Fresh on-site preparation should satisfy the high-touch requirement and offering plentiful options based on a manageable range of components should provide customization and a sense of exciting possibilities.

We outline three specific scenarios for food marketers: 1) Campbell's as a silent partner in a chain of Asian noodle shops targeting young professionals, college students and well-educated families. 2) Sara Lee as a silent partner in a chain of *piroshki* kiosks selling savory turnovers (comfort food with an adventurous twist) in airports, shopping malls, and other high-traffic areas. 3) Del Monte as a branded sponsor of stands offering fresh-cut fruits, salads and custom smoothies in supermarkets.

Foodservice presents many more opportunities to create an experience than packaged goods, but “experiential” products sold through traditional channels are also possible. We outline a refrigerated or frozen dessert concept for General Mills/Pillsbury targeted toward women that couples a high quality indulgent dessert with an in-pack sophisticated adult “prize.” Overall, the product provides food and entertainment: an after-dinner experience.

## **8. When nobody cooks: Reviving usage for ingredient products**

Time-constraints and dwindling cooking skills are fueling a relentless push for convenience. From restaurant takeout and supermarket foodservice to part- or fully-prepared foods from traditional manufacturers, players across the industry are responding.

But what happens to the “inconvenient” products left behind? Ingredient products and those requiring preparation can be very profitable, yet usage is dwindling—often because the products are given up for dead and milked for profits instead of being given modest marketing support.

Two examples should give food companies heart about the possibility of reviving usage—and pause about pulling the plug. Arm & Hammer Baking Soda is still used for baking, but not much, since home baking started declining before World War II. Church & Dwight had promoted

alternative usages throughout the product's 150-year history. In 1972, however, a focused TV campaign repositioned the product as a refrigerator deodorizer and gave the brand contemporary relevance; this usage campaign was the catalyst for brand revival and sparked a host of value-added products.

Jell-O has been a household name for inexpensive, family-friendly desserts for a century. The company has promoted convenient high-value RTE forms for several decades, but gelatin from scratch has also been revived in recent years. Jell-O Jigglers, a low-liquid recipe that transforms the product into colorful, tasty sculpting material for kids allows new generations of moms and kids to enjoy a traditional product that has been made relevant for their lives through creative marketing support.

### Common elements

The successful revitalization of Arm & Hammer Baking Soda and Jell-O share the following features:

**Category leadership:** They own the category in consumers' minds.

**Strong image:** Both invested heavily in sound marketing over time to build their brands.

**Usage focus:** The brands listened to how real consumers used their products and promoted sensible ideas instead of squandering resources on more glamorous image advertising.

**Tapping imagination:** They created a sense of possibilities by tapping consumer resourcefulness.

### Applying the lessons: Hellmann's/Best Foods Mayonnaise

As a mature ingredient brand living off a strong advertising heritage, Hellmann's (Best Foods in the western US) is the leading mayonnaise brand in a category going nowhere. Traditional high-volume usages (e.g. potato salads) are infrequently prepared by most consumers and virtually never prepared by younger users accustomed to RTE deli options. Hellmann's could create new usage and excitement by promoting creative sandwich ideas, since sandwiches (a low-volume usage) are on-trend and growing.

Instead of recipes, the brand should promote a Hellmann's- plus-one idea, challenging consumers to release their inner chef by experimenting with the contents of their refrigerator door. Mayonnaise plus a dash or splash of something (e.g. salsa, horseradish, chutney, teriyaki sauce) would tap consumer resourcefulness and create variety, customization, and adventure, while still offering convenience and self-indulgent moderation.

## 9. Putting it all together

### Themes

The case studies we have explored suggest several overarching themes that can be powerful forces for triggering category reinvention and growth. While some will require high-level intervention and commitment, everyone in an organization has things they can do to advance fresh thinking and change.

#### *Company values, culture, and personality*

The values a company projects within the enterprise, as well as externally, can have a huge impact on its performance. Unstated values (don't rock the boat) often clash with stated values (employees are our greatest strength), resulting in dysfunction, but strongly articulated company values that are truly lived can offer a real edge. Company culture can play a major role as well, but "hipness" is not required for success. Hallmark is a traditional company with a strong culture that allows the company to adapt and grow. Large companies often cultivate a bland facelessness, but personality (in brands and companies) can attract consumers, especially when there are few meaningful differences among products.

#### *Creative license/Creative permission*

In a world of perpetual obsolescence, the real assets of a consumer goods company are those that can change with the marketplace. Essentially, this means that people are the chief assets. Companies that treat employees as assets and invest in them accordingly can draw on their resourcefulness, energy and initiative to solve business problems in an ever more complex and dynamic operating environment. Large companies acquiring small, successful niche companies should realize that the new company has things to teach—and the old company may well have things to unlearn. As companies seek to reinvent categories, their employees are their best resource for creating new, winning approaches.

#### *Letting go*

Heritage and scale are the greatest burdens most food and beverage companies carry. While companies are understandably proud of where they've come from, if the past blinds you to the future, heritage (who we say we are, what business we are in, and how we do things) can be a hindrance. Scale, a legacy of the mass market, can also be a liability disguised as an asset. In the future, volumes will shrink and companies will have to get more nimble. To create future growth, companies must have entrepreneurial leaders willing to walk away from obsolete products, infrastructure, work styles, objectives, and metrics.

### ***Relationships of trust***

In the past, relationships with employees, trading partners, and consumers were based on power, and companies (and their managerial elite) held most of the power. Today, successful companies base relationships on trust. Companies that treat employees as adults, instead of animals or children, will attract and retain the best talent. Companies that treat trading partners as allies, instead of enemies or competitors, will forge productive long-term relationships that will make them more efficient and competitive. And companies that treat consumers as partners, instead of wallets or children, will earn consumer loyalty and enthusiasm.

### ***Mass customization through niches***

Food and beverage companies struggling with anemic growth are often looking for new product blockbusters to pull them out of their slump, but most of the new opportunities will be smaller than in the past. Large companies tend to ignore these smaller opportunities at first, acquiring a niche company later once it's made a successful run, but the big players should consider developing in-house expertise as well, since the mass market is not returning. Companies can find new opportunities by capitalizing on multiple product dimensions in areas such as:

<b><i>Health:</i></b>	Nutri-charged, personalized, safety/GM-free, vegetarian, organic, natural
<b><i>Ethnic:</i></b>	Flavor-charged, authentic, adventurous
<b><i>Convenience:</i></b>	Available everywhere, durable, small, portable, storable, fast/easy prep
<b><i>Comfort:</i></b>	Small company, ethical, indulgent, regional/our own, simple, old-fashioned

To operate efficiently in a world of niche products, companies have several tools to work with including technology (flexibility and supply chain integration, in addition to internal process control), staffing (what kind of employees, not just how many), and funding (expanding capacity may not be the best use of capital).

### ***Speed and accuracy***

Speed to market will be more important when markets are smaller. Turnover and caution are often major culprits in slowing down development and launch cycles—but a company that rewards initiative and trusts its employees can be more efficient. Accuracy is also vital, since ready, fire, aim is not a winning sequence. But new product teams will be more accurate when the pressure to deliver blockbusters is lifted: they can understand their audience better and develop focused products that genuinely matter to a smaller universe of buyers.

### ***Lifestyle coherence***

Consumers will increasingly look to the products they buy for validation of their lifestyle choices. Companies can unleash growth by developing stronger connections with consumers that allow

them to develop compelling lifestyle messages and products. Three paths to greater consumer intimacy include:

- Narrow-casting:*** Identifying your most important customers instead of appealing to larger, less committed groups will allow you to mean something to someone instead of nothing to everyone.
- Direct dialogue:*** Staying in touch with what motivates consumers and creating relationships with them will generate preference and loyalty. The Internet provides new tools unheard of a few years ago.
- Resonating ethos:*** Delivering a personality and an experience, not just a product, can provide a competitive edge. Moreover, companies that treat consumers as whole people with complex and interesting lives will prevail over those that view them simply as “buyers.”

### **Making sense of the pieces**

The themes we have outlined as essential to category reinvention form patterns based upon whether their main focus is internal, external, or both. Values/culture/personality, letting go, and creative permission all primarily affect internal publics, whereas issues of speed and accuracy, lifestyle coherence, and mass customization/niches largely involve external publics. Relationships of trust affect everyone.

Interestingly, each internal issue fits together naturally with a corresponding external issue. Companies willing to let go of scale and heritage will be more successful at adapting to a world of clusters and niches, for example. Similarly, companies that have a strong culture and values in tune with the times are likely to shine at creating and marketing products with lifestyle coherence. Finally, companies that accord their employees creative permission will excel at speed and accuracy.