

# Dealing With Lackluster Products

## A Marketing White Paper by Alex Hiam

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**T**ake a hard look at your product offerings. Any that are not selling steadily are candidates for upgrading or replacement. Every product you sell ought to pull its own weight, but if your business is like most, the 80/20 rule probably applies: Most of your sales come from a small minority of your products. By spreading resources over poor-selling products, you are starving the marketing programs for your current stars and cash cows. Here are some ideas for what to do about this common problem.

### ***Reviving a product***

See if there is something obviously wrong, like poor packaging, the wrong list price, or a design problem that is easy to fix. If you can form a reasonable hypothesis about how to revive the product, give it a try—but be tough. One try is enough. Don't keep pouring money into a lost cause!

Sometimes the problem is simply bad branding. If your underperforming product is technically equivalent to best sellers, but doesn't get any attention, then consider relaunching it with improved branding. Give it a new name and logo, improve its packaging, and generally see what you can do to make it uniquely appealing. Rebranding an underperforming product is one of my favorite assignments, because it so often produces breakthrough results. However, as I warned above, avoid lost causes! If the product simply is inferior, unappealing, or out of date, then you ought to put your marketing dollars elsewhere. Save your energy for branding its replacement.

### ***Retiring a product***

You need to face facts: Many products would be better put out of their misery and replaced with something fresh and innovative. "But," you rightly object, "how do we know when our particular product reaches that point of no return?"

In the following sections, I discuss the warning signs that you're due to replace a product.

***Is the market is saturated and do you have a low share?***

*Saturation* means that you and your competitors are selling replacement products. You don't have many new customers around to convert. Growth slows, limited by the replacement rate for the product, plus whatever basic growth occurs in the size of the target market.

Saturation alone is no reason to give up on a product — many markets are saturated. An obvious one is the U.S. automobile market. You find very few adults who don't already own a car if they have the means to buy one and the need for one. So manufacturers and dealerships fight for replacement sales and first-time sales to young drivers, which can still be profitable for some of the competitors — but not all of them. If you have a product that has a share of less than, say, 75 percent of the leading product's market share, and if your share is falling relative to the leader, then you're on a long, slow, downward slide. (Market share means the percentage of all product sales, in units such as dollars or pounds, that one company captures for itself.) Retiring brands is an obvious move for GM—although they waited far too long to face the reality that they were funding underperforming, outmoded brands like Pontiac.

Better to introduce a replacement and kill the old product than to wait it out. You have to replace the product eventually, and the sooner you do, the less your share and reputation suffer. Whatever else happens, you can't afford for customers to see you as a has-been in a saturated market!

I use the term *product* in the marketing sense, to include whatever you're offering, whether a good, service, idea, or person. Remember, too, that services, ideas, and even people sometimes need to be withdrawn from the market, just as goods do. The Republican National Party ought to have put a leash on Dick Cheney long before the end of Bush's second term, since his brand value had gone negative by then. Politicians have life cycles very much like any other brands, and need to be managed more wisely than they usually are. (As I write this White Paper, news stories are flooding the Web, newspapers and airwaves on the topic of Why Dick Cheney Won't Shut Up, and how his continued public speaking is hurting his own party and helping the Democrats.)

***Did a series of improvements fails to create momentum?***

Often, companies try a series of "new and improved" versions, new packages, fancy coupon schemes, contests, and point-of-purchase promotions to breathe life into products after they stop generating year-to-year sales growth. Sometimes these ploys work and help to renew growth. Sometimes they don't. I borrow my own personal rule from baseball, but it seems to work: Three strikes and you're out. Don't bother trying for a fourth time. Time for a new player to approach the plate.

### ***Is something wrong with your product?***

All too often, marketers discover some flaw in a product that threatens to hurt their company's reputation or puts customers at risk. If your engineers think that the gas tank in one of your pickup trucks can explode during accidents, should you pull the model immediately and introduce a safer version, or keep selling it and put the technical report in your paper shredder? A major auto company chose the second option. In the long run, the faulty gas tank killed some of its customers, and the company had to stage an extremely unprofitable recall, along with a repair-the-damage publicity campaign, topped by several lawsuits.

Brand equity and profits take a licking whenever your customers do. But many marketers lack the stomach or the internal political clout to kill a bad product, even when the product may kill customers.

I don't know exactly why some marketers keep making these mistakes, but I hope that you don't. Pull the product if you find out it may cause cancer, give people electrical shocks, choke a baby, or even just not work as well as you say it does. Pull the product immediately. Distribute a press release announcing that you're acting on behalf of your customers, just in case the rumors are true. By taking this decisive step immediately, you let the market know that you have a great deal more integrity than most. And that can only make your brand equity stronger, not weaker. Pulling a product takes courage, but it's the best option when the dust settles. And if you remembered to invest creative energy and funds in your product development efforts on a regular basis you should have something better to offer as a replacement.

### ***How to kill or replace a product***

Actually, getting rid of old products is the least of your troubles, because *liquidators* are happy to sell your inventory below cost to various vendors. Contact some of your distributors or your trade association for referrals. (Unless the product is unsafe, in which case a complete recall and destruction of all inventory is necessary.)

You may want to use a more elegant strategy than giving old products to liquidators — one that avoids the negativity of customers seeing your old products offered for a tenth of their normal price. Here's a thought. You can stage some kind of sales promotion to move the old inventory to customers through your normal distribution channels. If the product still has some life in it, I much prefer this option, especially if it is woven into a deal introduces consumers to a trial of the new product too. But this method only works if you get started before the old product loses its appeal, so you have to aggressively replace your products. Don't wait for the market to kill your product; do the deed yourself.

The final two sections discuss strategies that help you bow out gracefully.

### ***The coattails strategy***

The *coattails strategy* uses the old product to introduce the new. The variety of ways to put this strategy to use are limited only by your imagination. You can offer a free sample coupon for the new product to buyers of the old product. You can package the two together in a special two-for-one promotion. You can do special mailings or make personal or telephone sales calls to the old customers. If the two products are reasonably similar from a functional perspective, you can call the new product by the old product's name and try to merge it into the old identity as if you wanted to introduce an upgrade rather than something brand new.

In other words, you can dress the new product in the old product's coat instead of just attaching it to the coattails. You need to be able to defend this stealth strategy from a common-sense perspective, or your customers get angry. If you can make the argument that customers are getting a "more and better" version of the same product, then the strategy should work.

The coattails strategy is a great promotional device for replacing an old product with a new one. Use it whenever you want to kill an old product in order to make room for a new one. *Room* can mean room in the customer's mind, room on the store shelf, room in the distributor's catalog, or room in your own product line. Products take up space, and physical or mental space can give you an important resource. But you do take a risk — and it's a big one. When you make room for your new product, competing products can try to take that space, instead. Why? Any customers still faithful to the old product have to reconsider their purchase patterns, and they may choose a competitor over your new option. Similarly, retailers, distributors, or other channel members may give your space to another product. So you need to hold on to your space, even as you eliminate your product. Avoid any gaps in the availability of your products.

### ***The product line placeholding strategy***

You can use *product lines* to create clear product niches and hold them for replacement products. You should keep pricing consistent with product positions in your product line, as well — a practice called *price lining*.

For example, a bank may offer a selection of different savings options to its retail customers — a mix of straight savings accounts, savings with checking, mutual fund accounts, and certificates of deposit of varying lengths. If the bank organizes these options into a coherent range of named products and lists them in a single brochure in order from lowest-risk/lowest-return to highest-risk/highest-return, then it creates a clear product line with well-defined places for these products. (The bank must be sure that each product sits in a unique place on that spectrum — no overlaps, please!)

Now, when the bank wants to introduce a new product, it can substitute the new one for an old one, and consumers accept that this new product fills the same spot in the product line. The bank can also extend the product line in

either direction or fill gaps in it with new products. Whatever the bank does, the product line can act as a placeholder to ease the entry of new products. (See the “Branding and Naming Your Product” section, earlier in this chapter, for more information on product lines.)

But I bet that your bank doesn't use this strategy — few do. As a result, you're always confused when you try to get your mind around their offerings, and they therefore lose some business that they should have won. Make sure your offerings fall into a clear product line with an obvious logic to it and clear points of difference anyone can understand at a glance. Product lines are a very important part of any marketing strategy, yet marketers often neglect them. What can you do, right now, to clarify the options you give your customers and make sure your branding and product offerings make good sense to everyone?

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If you found this information useful, you can find additional ideas and tips in *Marketing For Dummies, 3<sup>rd</sup> Edition*, and *Marketing Kit For Dummies, 3<sup>rd</sup> Edition*, both recently updated.

Good marketing,

Best,

*Alex Hiam*