



**Can You
Save a Product
from Being
Delisted?**

Jekyll+Hyde
LABS

Most Products Can't Survive a Failure

There are several problems associated with being delisted:

1) One Shot at a First Impression. Once a retailer cuts your product, it will take years before you can get back in that store...if you can get back in at all.

If you **are** able to get back in, it's usually only because you have had some success elsewhere. If you are lucky, the buyer will have changed as well, giving you the chance to make a first impression with someone new, now that you've had a degree of success.

2) Nielsen and IRI Data Makes Failure Public. If you have failed at any major retailers, it is now common knowledge for anyone with access to Nielsen and IRI data, and that includes every retail buyer. This will make securing any future accounts infinitely more difficult. You will need to sell a believable story as to why your product failed, and crucially, why it **won't** fail next time.

3) Operating at a Loss... Before You Even Get Started. Once you are delisted, you will either take a hit from the retailer for deep discounting the product to close it out, or you will get all of your product back. In many cases, the returned product will show signs of significant wear and tear, and much of it will not be salable. What's more, by the time you receive the salable product, it will likely be very near its expiration date.



Which Products Can Survive and Which Ones Can't?

When you find yourself stuck with unsold product, you will have to undergo an exercise in brutal honesty. You must ask yourself: “Is this product really viable?”

There is a human bias called Sunk Cost Fallacy that affects every business, from time to time. Sunk Cost Fallacy occurs when we have invested in something so deeply that we can't see ourselves walking away from the investment.

This is seen in marriages that go on for too long and with gamblers that keep doubling down to win their money back. But it also often happens in business.

Before you can save your product, you have to be ready to kill it, when necessary.



Now let's analyze the item itself:

- Is it really viable?
- Does your product really solve a problem?
- How does it solve this problem better than anything else currently on the market?
- What is the size of the market you will be entering into with your product?

Often, we see products that meet the standard of solving a problem and have a unique story, but the issue is that not enough people in the country identify with the problem, making the product a bad choice for brick and mortar.

Which Products Can Survive and Which Ones Can't?

The next thing to evaluate is the chain you are in.



Is the retailer right for the product and demographic? For example, take a unique product that is for a relatively rare health condition. This product will not do well if launched in a grocery store, since OTC products purchased there are based more on convenience.

Assuming you have cleared all of these hurdles, we now get to the next question: How are you telling people about your product? You need to communicate to prospective customers what your product is, and where to buy it.

Ask yourself: What is your advertising program? What percentage of sales are you investing in saving the brand? And what are the long term implications?

As the marketer, the first thing you need to know is that saving a product from delisting is not about maintaining a long-term advertising budget, nor is it about short-term profitability. You will need to overspend to move the needle in the time frame that the retailer has given you to work with.

On average, a consumer needs to see an advertisement 4 times before they buy or try a product. For a normal campaign, this can be spread over a 13 to 26 week time frame, but for a troubled SKU, this time frame must be greatly condensed.

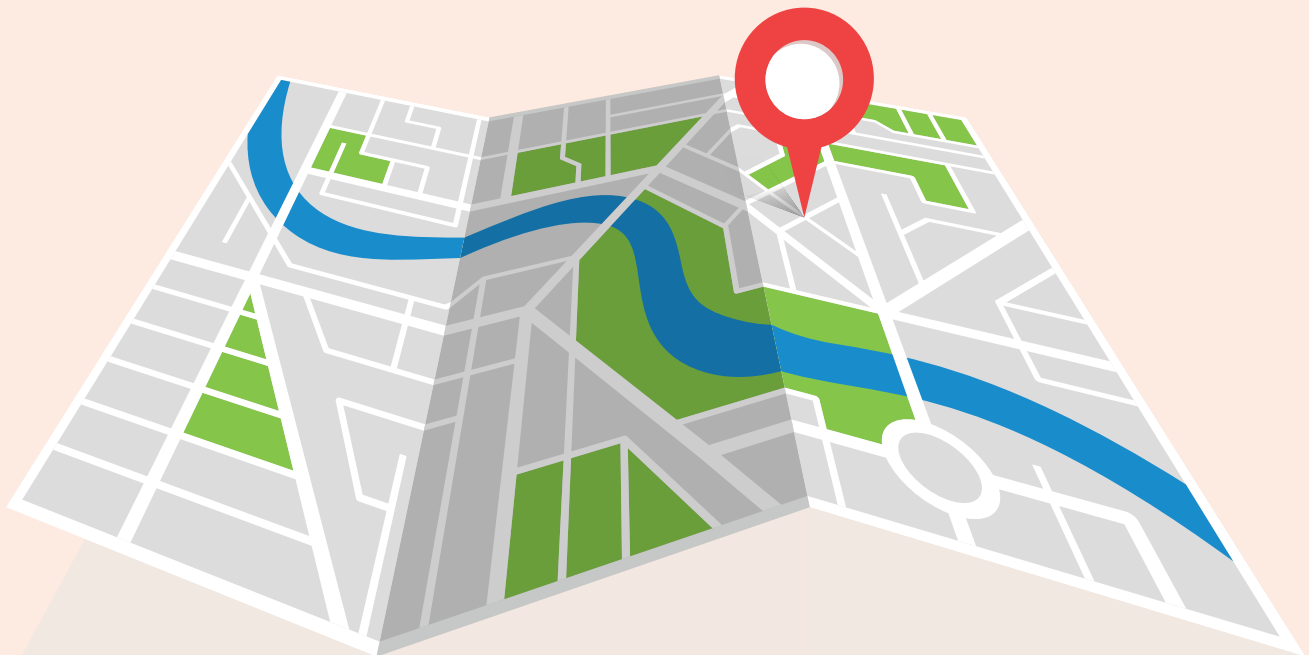
This is No Time for Brand Building

Although most any form of advertising will help build a brand to some extent, brand building is not the goal.

The goal is to drive immediate trial.

That means we need to motivate people to go out and buy the item right now. All of your messaging needs to focus on the immediate benefit of the product. Your messaging must maintain a complete focus on “what’s in it” for the consumer.

If your retailer is national in scale, your focus will likely be on a national mass media advertising program. If you are regional, the most efficient media is likely to be digital. With digital media, we can geotarget closely around the locations where your product is found, but the cost to reach people can be much higher than it is in mass media.

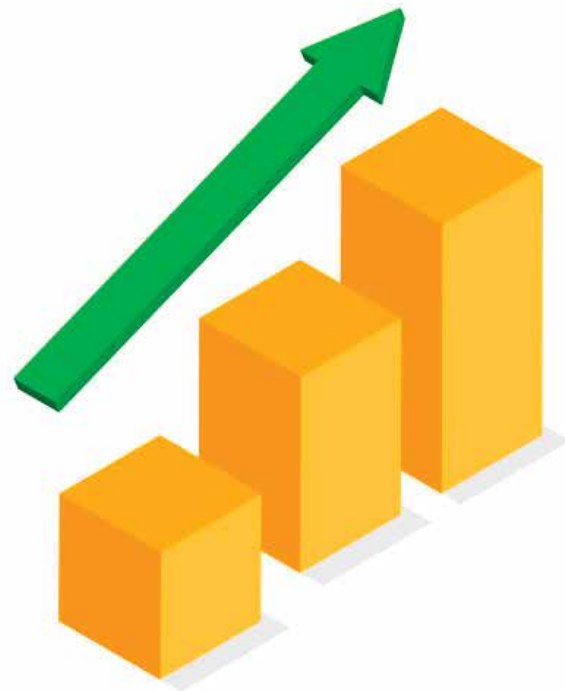


How to Reach the “Mendoza Line”

Every category and retailer has their own “Mendoza Line”, or goal number. It represents a certain number of pieces-per-week, per store, and it is the minimum number we need to reach.

For example, let’s say you are in a chain with 4,000 stores, and you need to move one piece per week, per store. That’s 4,000 units per week.

For the sake of this example, let’s say you are currently selling 1,500 pieces per week. So you need an immediate lift of 2,500 units per week. Now, let’s assume your retail price is \$15.00, with a wholesale of \$8.50.



Your media budget will be at least 50% of wholesale, which is $\$4.25 \times 2,500 = \$10,625$ per week, or approximately \$46,000 per month ($\$10,625 \times 4.33$ weeks per month).

Note that this does not count any cost for developing the assets needed for the campaign.

What Retail Survival Requires

Keep in mind this is a very average formula. It can be altered up or down depending on your share of voice: the amount of advertising you're doing compared to your competitors. The more your competitors spend, the more it will take for you to be heard. The less they spend, the less you need to spend to be heard.

The bottom line is, assuming you have a product that people need, a unique reason they should buy, and enough time to create assets and get a campaign to market, there is a very real chance your SKU can survive.

Delaying can lead to irreversible delisting.

But be warned, all too often, companies come to us in this position, and they drag their feet, hoping for a miracle or waiting to see if the retail buyer doesn't notice. Trust us, the buyer has noticed. Your best hope is to act swiftly and decisively, and to do it today.





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