Finding and Solving Customers Problems

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Case: Campbell IQ Meals

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In 1990, Campbell Soup was the undisputed leader among U.S. soup manufactur-ers, with a market share of over 75 percent. Soup consumption, however, was lev-eling off, and top management was looking for opportunities for growth in related markets. Competitors such as ConAgra (Healthy Choice brand) and H. J. Heinz (Weight Watchers brand) were making sizeable sales and pro?t gains in their fro-zen foods lines, stressing their dietary bene?ts, and this seemed like a good place for Campbell to begin generating new product ideas. At the time, the U.S. public was becoming more interested in the relationship between diet and disease prevention. It seemed that, every day, health bene?ts were turning up in one food or another, causing fads such as oat bran to sweep the country. Campbell R&D department soon turned to investigating the diet-disease relationship, focusing on foods that could be used to prevent illnesses such as diabetes or cardiovascular disease (including high blood pressure). Given that 58 million Americans have some form of cardiovascular disease and another 16 million have diabetes, this focus seemed very reasonable. Soon enough, the rough idea had been generated: a line of foods with medical bene?ts. The rough idea now needed to be further developed. The challenge was to develop a food line that not only played a role in the prevention of these diseases, but also would be accepted and adopted by the U.S. population. Dr. R. David C. Macnair, Campbell chief technical of?cer, built an advisory board consisting of leading nutrition, heart disease, and diabetes special-ists, who would scienti?cally analyze the new products. Campbell CEO at the time, David W. Johnson, was 100 percent behind the food-with-medical-bene?ts idea, saying that it had explosive potential. Soon, he was attending the advisory board meetings as well. Mr. Johnson said, Wouldn you be dumbfounded by the opportunity to take a quantum leap and develop a product that could help improve the health and nutrition of the world? With the backing of the Campbell CEO, the project was underway, with a clear goal: to make the concept of healthy, vitamin-and-mineral-rich meals a reality. The Campbell food technologists found this a challenging task one of the early proto-type ?ber-enriched rolls could have been marketed as a hockey puck, accord-ing to Macnair. By fall 1994, however, about 24 meals that passed early taste tests were ready for clinical trials to determine health bene?ts. Over 500 subjects ate the meals for 10 weeks, and most reported improvements in cholesterol, blood pres-sure, and blood sugar levels. None experienced side effects, and many reported they liked the taste. Meanwhile, Mr. Johnson created Campbell Center for Nutri-tion and Wellness, based in the Camden, New Jersey, head of?ce and employing 30 nutrition scientists and dietitians. Next came the market test. Campbell marketing staff selected the name Intel-ligent Quisine (or IQ Meals), and a blue box or can for packaging. The plan was

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for UPS drivers to deliver 21 meals (mostly frozen, a few in cans) each week to test subjects doors. By January 1997, the product was being test marketed in Ohio, backed up with a print ad campaign and a 10-minute infomercial designed to stimulate toll-free calls to Campbell's information line. Campbell also hired part-time pharmaceutical sales reps to pitch IQ Meals to doctors, and contacted lead-ing hospitals such as the Cleveland Clinic to distribute IQ Meals and promotional material. Things were looking up! The ?rst sign of trouble was at the phone bank. Callers found out that the one-week sample pack cost $80, and the recommended plan (10 weeks) cost $700, and promptly hung up. Fixed-income households found the price especially steep. At the American Heart Association's Columbus of?ce, Campbell sponsored a lunch to promote IQ Meals bene?ts, but failed to impress many of the dietitians present. Further, Wall Street analysts had their doubts as well: One of them wrote a report titled, "UPS T.V. Dinners Drive Top Line?" Soon, Campbell executives were doubting the IQ Meals as well. Consultants were called in to assess the project's viability, and Dale Morrison, head of inter-national and specialty foods, cut IQ's budget drastically. By May 1997, sales in the Ohio market test were dismal, and another problem was arising. Those that had stuck with the program since January were showing health bene?ts, but now many of them were reporting that they were getting tired of the same nine meals over and over again. The fate of IQ Meals was sealed in a corporate shakeup at Campbell in July 1997. Mr. Johnson, its biggest supporter, gave up his CEO position (and became Campbell's chairman). Mr. Morrison rose to president and CEO, with a plan to expand international sales and to focus on key brands. Swanson, Vlasic, and other Campbell brands were spun off and the marketing and promotion for IQ was terminated (though clinical trials were continued). The Center for Nutrition and Wellness researchers were reassigned. By fall 1997, Campbell announced plans to sell IQ Meals.

Question: IQ Meals seemed to be a classic case history. The idea that was gener-ated seemed foolproof with respect to the marketplace opportunity and the associ-ated demographic trends. Campbell would appear to be the perfect company to pull it off, given its core competencies and its willingness to expand into growth areas. The line even did well in both clinical trials and early consumer tests. But, somehow, something got lost in the translation. And clearly, this is not an isolated incident. What went wrong? And what might Campbell product developers or executives have done differently? Or was this one just doomed from the start?

Clearly, the IQ introduction was a risky business proposition. "When you look at the danger signals, thiswas a very dangerous enterprise in many ways," says consultant Greg Kitzmiller, a faculty member at theIndiana University Kelley School of Business, Bloomington, Ind. Not only was the product category a newone for Campbell, but the decision to try to reach consumers through their doctors' offices was adeparture for a food company. In addition, Campbell's use of United

Parcel Service to ship meals toconsumers' homes was an unconventional approach to distribution.Kitzmiller stresses that it's impossible to fully assess Campbell's business strategy as an outsider lookingin. But he suggests that the company could have limited its risk a bit by considering a joint-venturearrangement. "It might have been smarter for them to partner with a pharmaceutical company or amedical foods company - someone who had more familiarity with medical foods," he observes.Consultant Linda Gilbert, president of Des Moines, Iowa-based HealthFocus, says Campbell could haveimproved its odds of success with IQ by expanding the target market beyond a core group of individualswith diagnosed health problems. "For products to succeed within most corporate environments, there hasto be a secondary, expanded target," says Gilbert. "That's where most of the volume comes from." An appropriate secondary target for IQ might include consumers who have not received a diagnosis of amedical problem but who are concerned about developing one, perhaps because they are overweight or have a family member who has suffered from heart disease or diabetes."When you think about a lot of the functional products, that's how a lot of them have come to market,"says Gilbert. "[For example], Gatorade proved it to the core audience, then moved on to the recreationalathlete. Now they're moving to the guy who gets hot and sweaty mowing his lawn."One place where the IQ initiative may have broken down, both Kitzmiller and Gilbert agree, was inCampbell's choice of UPS distribution.INSTITUTE OF BUSINESS MANAGEMENT Page 4

"I'm not convinced that getting your food by UPS would be considered convenience by the average babyboomer," notes Kitzmiller.Gilbert says her firm's research has shown that a growing body of consumers is open to therapeuticfoods, provided they don't require the consumer to stretch too far beyond his comfort zone. "They arevery receptive," says Gilbert, "but it's got to fit with what they are already doing. And getting food throughUPS is not something that they're already doing."The expanded array of home meal replacement options is another factor that may have affectedconsumers' comfort level with UPS-shipped frozen foods, says Marv Rudolph, a principal with Cambridge,Mass.-based Arthur D. Little, a consulting firm. "Look at the number of gourmet grocery stores," saysRudolph. "You can go there and pick up a meal that is nutritious and really good-tasting."In a somewhat similar vein, consumers tend to be less and less enamored with the concept of "dietprograms." HealthFocus poses the question, "Do you like dietary programs?" in its trends surveyconducted at two-year intervals. "The numbers go down every time we ask that question," says Gilbert.The American Heart Association - which introduced a certification program for therapeutic dietaryprograms such as the one Campbell rolled out under the IQ banner - has found that there's little interestin such initiatives, from either manufacturers or consumers, reports Antigoni Pappas, manager of consumer nutrition for AHA.Nutraceuticals expert John Cassens, president of Cassens Consulting Co., Norwood, N.J., agrees thatvariety-loving Americans are loath to embrace dietary regimens - even one with the 40 menu items IQoffered. "You may be able to control one or two meals, but everybody wants to make their own choices,"says Cassens