Knowledge@Wharton

Spreading Yourself Too Thin: The Atkins Diet and Other Fads

Published : October 19, 2005 in Knowledge@Wharton

The July bankruptcy of Atkins Nutritionals, the company founded by diet guru Robert Atkins, signalled the end of a low-carbohydrate craze some observers say is unrivalled in food marketing. At its peak, during 2003-2004, some 30 million Americans were following the Atkins diet; 20% of shoppers polled by the Food Marketing Institute said they had started buying certain products specifically because they were low-carbohydrate; and food manufacturers introduced more than 3,000 new low-carb products in 2003 alone.

Like any product fad -- from Pet Rocks to Beanie Babies -- the Atkins craze was marked by a rapid rise in popularity and an equally rapid decline, both of which were predictable. "Over the last century, fads in this country have displayed traceable life cycles," says Ira Meyer, head of Manhattan-based EPM Communications and publisher of an EPM study on fads that analyzed 100 products from as early as 1880 (Gibson girls) to as late as 1998 (virtual pets). The study identified four different patterns:

- A typical or "true" fad which skyrockets in popularity but fades in less than 18 months, such as the Macarena
- A cyclical fad which reappears every six or seven years, although with diminished popularity; for example, hula hoops or yoyos
- A generational fad that surfaces approximately every 15 years, such as bellbottom pants
- A fad-to-franchise product which exhibits a continued, wave-like pattern after its initial surge; for example, the Slinky toy or Mickey Mouse products.

Diets are generally fad-to-franchise products, according to Meyer. They initially behave like a true fad, with radical ups and downs, but then they come and go for years afterwards rather than disappear altogether. That description fits the approach to eating advocated by Robert Atkins, a cardiologist who hit on his low-carbohydrate diet after struggling with weight problems of his own. Over a 20-year period, from 1972 to 1992, he authored 15 books that fed Americans' unending appetite for 'magic' diet formulas. Although his diet went in and out of favor during those two decades, his last book, *Dr. Atkins' New Diet Revolution,* fuelled what some believe will be a lasting shift in the way people eat. In 1989, he founded Atkins Nutritionals to supply the low-carbohydrate foods that he advocated for his followers.

As with many fads, Atkins' extravagant success was rapidly followed by extravagant failure. "The history of food marketing tells us that you can bet on a food fad coming in like a lion and going out like a lamb in a relatively short time," says Dan Nagle, who cites the oat bran craze during the 1980s – with its promise of lowering cholesterol – as one example. Nagle is a partner in Nagle-Kyle Associates, a Philadelphia consultant to consumer packaged goods companies.

Atkins, however, was slightly different, suggests Meyer, because the typical food product doesn't have a book tie-in. And it's such tie-in activities, covered by a broad range of media, that make fad products spread more quickly. Meyer calls these tie-ins "extracurricular activities" and credits them with being the most significant factor in igniting and extending a fad. Another factor, he says, is geographic: where a fad

Knowledge@Wharton

begins. "A fad moves faster if it begins on either coast, where it is apt to get more media coverage. When a fad begins in the middle of the country, it tends to spread more by word-of-mouth, which is a slower process."

Given the reach of the Atkins formula for eating, why did its namesake company take a dive into bankruptcy? "With any fad, there's no one factor that contributes to either its rise or fall," says Meyer. "It's a confluence of factors at any given time and that's what makes a fad so difficult to predict." Those reasons may include market saturation, controversy, competition, and changing times and tastes.

Looking at Sales Drivers

What makes a product a fad, as opposed to a product that has a short life span, such as a particular style of blue jeans or a new shoe style? Marshall Fisher, Wharton professor of operations and information management and an expert on supply chain management, suggests that not only are fads usually "very popular for a very short length of time," but there "is also no rational reason for them to fade out, or to have been popular to begin with. People's needs don't change that fast, logically."

Fisher segments short life cycle products into three groups, based in part on the life of the product relative to its "replenishment lead time" -- i.e. how long it takes a company to get more of a particular product into the store. First, there are products "sourced in Asia where you can only buy them once," he says. "The traditional strategy there is to buy on the high side and then use price to match demand with supply. Most apparel products -- from places like Gap and The Limited -- are sourced that way." If a company wanted to improve its performance in this area, Fisher adds, "the best it could do is the test buy: Bring in some product early in a small sample of stores and see how well they sell." It's challenging, especially if you are dealing with a fad, "because if you test something three months in advance, by the time you introduce the product, tastes might have changed."

The second category, at the other end of the spectrum, includes products that have a life of six months to about two years. This is where replenishment comes into play.
"It's an easier mode to operate in because there is a lot of sales history to guide you," says Fisher. The third category includes products with a life of three to six months, "where you have time to replenish stock once or twice."

The hardest time for retailers is typically right after the launch of a product, Fisher says. "You have some sales to guide you, but not a lot. It's not enough just to look at how much you have sold. You also need to look at the conditions under which those sales occurred. For example, how many stores was the product in; were you heading into a season where sales were going to be growing or falling; how was the product priced relative to how you would price it later; what was the product's availability; what was the competition doing? There are a number of sales drivers which you need to control" during the early part of the selling cycle. "A lot of companies misread early sales. They think a product is selling well only to discover that what appeared to be rising sales was due to the beginning of a peak selling period or the product being rolled out in more and more stores."

While Fisher says he is not an expert on the distinction between fads and trends, he suggests that one characteristic of a non-fad item is that it belongs to a category the store sells every year, like apparel or shoes. "A store will have this year's version of apparel or shoes ... and there will be predictable patterns. You know, for example, that there will be a best seller and that it will sell 'x' times better than average. You know there will be a most popular color this year; you just don't know what that color will be." Fads, on the contrary, are often radically different product concepts. "They deviate so markedly from history that you don't have much guidance."

In terms of Atkins Nutritionals, Fisher adds, the company probably would have benefited from looking at the life cycles of other fads: How quickly did sales rise, how long did they last and when did they fall, who were its competitors? "Maybe it could have seen the end coming."

Recipe Revision

The plummeting popularity of the Atkins way of eating and the company's specialty products was, in some ways, predictable. For example, a major problem for Atkins (the company) was competition, says Nagle. "There was a stampede of major food manufacturers who produced thousands of low-carb products. For them, the cost of entry wasn't that high: If, for example, you are already making bread, it's not that difficult to alter your recipe to appeal to a particular fad."

In analyzing the Atkins phenomenon, Wharton marketing professor Barbara Kahn is careful to distinguish between the Atkins diet, which did not initially focus on specific products, and the fad products developed to capitalize on the diet. The major, and most predictable reason, for the diet's demise, says Kahn, was disappointment with results. "Optimistically, we always hope this is the diet that will work. The bad news with the Atkins diet concept is you could be delighted with rapid weight loss and then terribly disillusioned, because if you slipped up you immediately regained weight."

At the same time, the Atkins products didn't offer great enough value to sustain them. "The differential advantage was simply not there," Kahn says, "particularly as mainstream brands began to offer lower carb versions of their own products -- often at much lower prices."

Atkins, however, was seminal in terms of introducing the low-carb trend, says Don Montuori, editor of *Pack* *Packaged Facts*, a New York publisher of market studies on consumer products. According to A.C. Nielsen data, for example, more than 80% of shoppers say they check nutrition labels, with 40% watching specifically for low carbohydrate content.

Some food fads do, in fact, "have legs of their own, get adapted and become widespread," agrees Kahn, citing light beers and low-fat milk as examples. "Consumers are really attracted to variety and they will sacrifice favorites for variety. But, over time, if that new item doesn't deliver what they perceive as value, these consumers are no longer willing to sacrifice their preferences."

As Montuori puts it: "No diet trend lasts; it's the nature of the American consumer who is so accustomed to having access to whatever he or she wants. We are not a country willing to sacrifice when it comes to food." But the Atkins approach, he adds, may end up having a lingering effect. "I think it is and will continue to be an influencer with consumers believing that high carb offerings carry a bit of stigma and rethinking the amount of carbs in their normal diet."

We're Still Fat

Nor are consumers, at least American consumers, willing to make the hard choices associated with a healthier diet, says Wharton marketing professor Stephen Hoch. "There is a great deal of media hype about food trends, but if you look at U.S. Department of Agriculture data, it's amazing how slowly food preferences actually change."

For example, says Hoch, despite all that's written about eating more fish, the average consumer in the year 2000 had increased his or her annual intake by only two pounds, as compared to 1970 -- that is, 15 pounds vs. 13 pounds -- while decreasing red meat only from 130 pounds to 118 pounds. Poultry and potato consumption shows major increases -- and much of that is attributed to the French fries and chicken sandwiches at fast food restaurants. "The media needs novelty, so they tend to report on changes as if they are major trends, when, in fact, these are quite modest changes in eating habits," says Hoch. "There's lots of talk now about healthier lifestyles, people reading product labels and the like. But, if that's true, why do we have an epidemic of obesity?"

Meyer agrees: "People say they want to eat better, that they are reading labels more, but their actions don't necessarily match their words. The American public simply won't trade taste for health -- at least, not for long." Adds Nagle: "What we know in the food business is that it's a big mistake to take away fundamental ingredients from the foods we love, to tamper with the taste that got a product to the finish line."

Given that fact, why do businesses themselves succumb to fads? Of course, every company is inclined to hope that this year's fad will morph into next year's long-lasting trend. "When you're standing on the shore, it can be hard to tell whether what's happening is a wave or a tsunami," says Nagle.

According to Hoch, a business almost has no choice if it is to keep pace with competitors. "There is potential for gain as a fad product goes up and you just hope you can ride it out, take advantage of the rise, and sock away some money when you can." Of course, it helps to be a large company with a broad portfolio of products. "Kraft or Procter & Gamble, for example, are able to follow one new product with another; they have a very diversified portfolio so a loss in one area isn't a big deal."

The only recourse for companies who want to participate in fad products, says Meyer, is close monitoring of the product and nimbleness in abandoning it quickly as the fad wanes. "Even if you have an inkling that a fad is about to decline, it can be tough to move quickly enough to avoid losses."

Hoch suggests that getting out of a fad product in time is "really more art than science." For a company like Atkins, the problem is magnified by being "a one-trick pony." And as Atkins pulls back from its broader line of low-carb products to focus on diet shakes and bars, "it's hard to see how the company can succeed as it becomes even more of a one-trick pony than it was," Hoch says.