

TASTE

# Chip Shot

By Cameron Stracher

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Is there any food more perfect than the potato chip? A single thin slice contains the three primary food groups: salt, fat and crunchiness. Its very simplicity makes it irresistible. Since its humble origins in 1853, the potato chip has exploded in popularity, becoming America's favorite salty snack, with more than \$6 billion in annual sales and 40% of the market. But not content to leave well-enough alone, America's snack mavens have broken out their spice racks, unsheathed their vegetable peelers, and fired up their deep-fryers in a desperate race to increase sales and be the last chip standing. Consumers might be forgiven, however, if they're not yet ready for strawberry-cream-flavored chips.



The basic potato chip was invented by George Crum, a cook at Moon's Lake House in Saratoga Springs, N.Y. Crum, the story goes, was upset when a patron complained that his fried potatoes were too thick. Irritated by the guest, Crum decided to teach him a lesson. The cook sliced a new batch of potatoes razor-thin and fried them to a crisp in boiling oil. To his chagrin, but the good fortune of Super Bowl fans everywhere, the guest loved the chips. The advent of the mechanical potato peeler

in the 1920s soon led the way to mass production. The rest, as they say, is snack-food history.

For years, however, potato-chip manufacturers like Lay's, Wise, Utz and others were content to churn out POPC -- plain old potato chips -- leaving the "gourmet" market to niche manufacturers. (It wasn't until the 1950s that salt was added as a seasoning to chips.) But then diversification hit the potato chip industry like a virus. Following the lead of the soft-drink manufacturers, chip makers expanded their product lines, offering potato chips in seemingly endless (and sometimes gross) varieties. As if kosher dill pickle chips were not enough, potato chip makers have whipped up asparagus, anchovy and even bubble-gum-flavored chips. If you fry it, they will come -- or so snack makers hope.

But is variety truly the spice of life? To look at the average supermarket, one would think so. Product proliferation is the rule in the grocery aisle. As John Quelch and David Kenny have noted in their seminal paper on the subject, published in the Harvard Business Review, there are a number of reasons why companies prefer to expand existing product lines rather than develop new products. For one thing, manufacturers can expand their market share more easily -- at least in the short run -- through product-line extensions. Thus Coca-Cola adds Vanilla Coke, Diet Coke, Caffeine Free Coke and Diet Caffeine Free Coke. In part, product-line extensions serve to meet the needs of different consumer segments ("I love Coke, but I can't drink caffeinated beverages") as well as appeal to consumers' different desires ("I will be a hipper,

younger person if I drink Mountain Dew"). Seen this way, product proliferation is a benefit to consumers, who end up with more variety and greater satisfaction.

But product proliferation also serves a company's needs and desires. By selling different variations on the same product, manufacturers can adjust the "price point" for each item, selling more popular items for a higher price and trying to "trade up" consumers to "premium" products. Extending an existing line is also a lot cheaper than developing and marketing a new product. Doing so requires only slight adjustment at the factory level rather than the creation of a whole new plant. Finally, and perhaps most important, line extensions can increase a brand's shelf space in the supermarket, grabbing customers' attention with a wall of related branded products.

Thus, from its humble beginnings as an "alternative" gourmet brand chip with only one flavor (taro), Terra Chips now claims over 25 varieties. Cape Cod potato chips has flavors like "Beachside BBQ," "Robust Russet" and "Jalapeño and Aged Cheddar." Kettle Chips, which sponsors a People's Choice Flavor Award and boasts varieties like "Yogurt and Green Onion" (yuck!) and "Spicy Thai," provides a survey on its Web site to help customers "discover the flavor within." Questions include: "Your dream job is?" and "Your philosophy of life can best be described as?" Remember, these are potato chips we're talking about.

All these varieties notwithstanding, product proliferation is rarely successful. As Messrs. Quelch and Kenny, among others, have noted, extending a brand almost always results in cannibalizing sales from the original. There's a limit to how much toothpaste we can use, for example, and buying Crest Tartar Protection Whitening Cool Mint Paste will most likely take sales from Crest Whitening Plus Scope Extreme Mint Explosion rather than from Colgate. Producing more varieties of a brand, in turn, costs more than simply producing more of the same version, which means line extensions are often money-losing propositions. Line extensions also discourage brand loyalty -- once customers are encouraged to look for variety within a brand, they will be tempted to look for it outside of one. In extending their product lines, manufacturers also risk that stores simply will not have enough room to carry everything, which increases the chances that a customer's favorite will not be on a shelf, further eroding brand loyalty.

Product proliferation usually succeeds only when consumers really need or want the new variety. Diet Coke is an oft-cited example of a successful line extension that worked because a lot of customers enjoyed Coca-Cola but didn't (or wouldn't) drink it because of the additional calories. It's hard to imagine, however, how many people wish that they could eat potato chips if only there were a yogurt and green-onion flavored variety. Instead, there are a lot more customers who come looking for a simple bag of chips and go away frustrated by the options, lips stinging from "sea-salt and vinegar." This is why Kettle, for example, has attempted to take a lifestyle page from the soft-drink playbook: If you can't convince consumers they want more product, convince them they want more of what the product offers.

The problem with too many choices is not that we don't crave variety -- it's that the pleasure of the familiar can get lost in the search for the next new thing. Decaffeinated, yes. Cabbage-flavored, no. In the end, having more of everything may not make us happier, just fatter.

**Mr. Stracher is publisher of the New York Law School Law Review and the author of "Dinner with Dad: How I Found My Way Back to the Family Table."**

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