**When to Cannibalize Your Existing Products**

April 3, 2013 by [Vincent Ng](http://www.mcngmarketing.com/author/vincent/)

You’ve come out with this new product, and you’re worried that it might eat into the profits of another product because they’re both quite similar. People often believe that cannibalizing the profits of another products is a bad thing, but the truth of the matter is that cannibalization may actually be good for profits when executed properly.

**What is Marketing Cannibalization?**

Market cannibalization is when sales of one particular product decreases due to the launch of another product from the same company. There are many examples of market cannibalization. One prominent example is the production green cleaning products for households, and how they can cut into profits of traditional house cleaning agents.

**When does Cannibalization Not Work?**

Cannibalization doesn’t work when it dramatically affects the overall sales and profits of your company or product line. Creating a new product for the sake of a new product without proper market testing can lead to disastrous results, especially if the existing product has a loyal fan base.

**When Should You Cannibalize Another Product?**

A product should cannibalize another product when it can increase profits even more for the entire product line or company.

Another example of market cannibalization is the Samsung Galaxy Note and the Samsung Galaxy S series. While they carry some similar qualities to each other, chances are people who use a Samsung Galaxy Note, aren’t going to buy the Samsung Galaxy S3. And now with a rumoured Samsung Galaxy Mega coming out, it will be interesting to see how these three different phone tablets will compete with each other.

**Why is Cannibalization Potentially Profitable?**

Large corporations, such as Proctor and Gamble (P&G) have been using this strategy to help maximize profits. It’s a very basic math model, but the hardest part is figuring out the projected sales for a product that hasn’t existed on the market yet.

Let say you have product A. Product A sells, 5000 units at a profit of $100 that’s $500,000 profit.

Product B gets introduced, the marketing and finance department project that the product will sell 1000 units but the profit is $150 in it’s first year. That’s $150,000 in profit.

However, by introducing Product B, sales for Product A have dropped by 1000 units.

Here’s what happens to the profits that year:

The following profit is then calculated at 4000 X $100 = $400,000 for product A, and 1000 X $150 = $150,000 for product B. The new profits for that company are now $550,000. This means you’ve increased your profits by 10% by cannibalizing into your other products.

**Brand Equity Can Play A Major Role in Cost Effective Cannibalization**

One of the ways to successfully ensure good cannibalization is to ensure a strong brand loyalty to the original product. Customers that are loyal to your product are more likely to try out a new one that is produced by the same company and may a unique selling proposition compared to the old product.

Depending on financial factors, it may be extremely costly to launch a whole new brand, with a new name, and so forth to compete with an existing product line. This is because marketing can cut into deep financial pockets.

A brand that uses their existing brand reputation to leverage a successful cannibalization campaign is Gillette, which is owned by Proctor and Gamble. Gillette currently makes two lines of razors, the Mach 3 and the Fusion ProGlide.

When the Fusion ProGlide came out, the marketing team made a conscious decision not to go after new customers to launch the brand, instead they purposely focused their marketing and advertising on getting old customers to purposely switch to the new product. This was a smart strategy, since Gillette was the number one selling brand of razors in the world.

It’s evident in the TV commercials that they aired in the U.K. and in North America that they wanted get people to stop using the Mach 3, and transition to the Fusion ProGlide.

Here’s the catch for customers, the Fusion Proglide was actually 40% more expensive than then the Mach 3 when it originally launched in 2006. Two years later, it was able to achieve be a billion dollar selling brand, and was the fastest brand in P&G history to reach that milestone.

Today, the Fusion Proglide series is the best selling razor in the world, and shows that cannibalization, when done right, can be hugely profitable.

http://www.mcngmarketing.com/when-to-cannibalize-your-existing-products/#.UscjjsJ3vIU