



## Fad or Trend? Why Some Products Are a Flash in the Pan and Others a Sustainable Success

The dominant consumer product of the 2015 holiday season was ... the hoverboard. This fantastic, futuristic piece of the 21st century — personal transportation meets consumer electronics meets extreme sports — was all over the news. It was a must-have gift of the season. Six months later, hoverboards were off the radar, and sales had cratered.

Robotic vacuum cleaners such as the iRobot Roomba, which some may equate with hoverboards, were emphatically not a dominant consumer product of that holiday season, or other recent holidays — at least when it came to public attention. They were simply selling steadily and entering more homes, just as they'd been doing for years.

To put it another way: Hoverboards were a fad. Robotic vacuum cleaners are a trend. To make smart decisions about investments, mergers, acquisitions and project development, it's critical to know the difference.

Every year, a handful of consumer products become runaway hits. They seem to come out of nowhere. They're hyped by traditional and social media. Demand surges, and retailers can't seem to keep them in stock. Revenues ramp up spectacularly.

Sometimes, that success persists for a while — for a year, two, three, perhaps even four. And then they fade, or vanish suddenly. Sometimes the companies that produced them vanish too. Or perhaps they survive — but at dramatically lower levels of revenue, profitability and attention.

The initial attention is so extreme that it's easy to remember the products. **Pet Rocks**, **Beanie Babies**, the **Atkins Diet**, **inline skates**, **paintball arenas** ... the list goes on. **Pokémon Go**

### How to identify a fad in the making

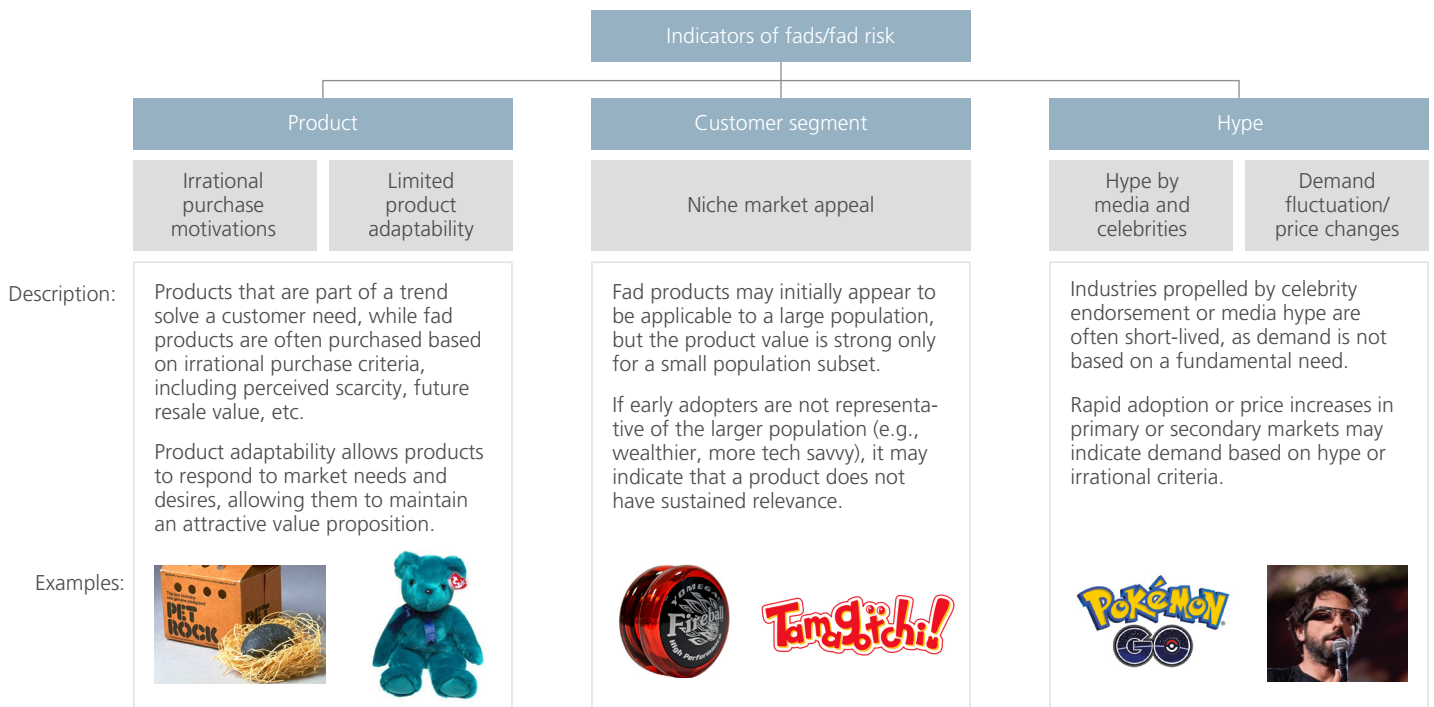
The framework helps you gather information. How to put it to work? Ask yourself these questions:

- **Product:** Does it solve a pressing consumer need? Will it hold a consumer's attention in the long term?
- **Consumer segment:** How large is the potential consumer base? What type of spending power do they have? Are early adopters representative of the broader population? How satisfied are users with the product? Will the next wave of consumers be as satisfied?
- **Hype:** Is consumer interest legitimate? Or is it being driven to unnatural levels by celebrities or media? Are prices escalating rapidly or fluctuating sharply? Either might indicate unsustainable demand based on hype.

*Fad or Trend? Why Some Products Are a Flash in the Pan and Others a Sustainable Success* was written by **Maria Steingoltz** and **Robert Haslehurst**, Managing Directors in L.E.K. Consulting's Consumer Products and Retail practice.

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Figure 1  
Indicators of fads



Source; L.E.K. analysis

might be the next on the list. These products help define their moment. Twenty years from now they might still be out there, selling quietly in a low-volume, steady state. Or they might simply be flashpoints for nostalgia.

What they aren't is a sustainable business success.

For every one of these products, we can think of a contrasting one — something that, even if it arrived in a spectacular fashion, went on to put down roots and achieve steady, profitable growth year after year. **Lego**, **yoga** and **natural shampoos** arrived — in some cases dramatically, in some cases quietly, but in all cases they established an effective and consistently growing market. Their revenue stream is predictable and is likely to persist well into the future.

The first set of products are fads. The second are trends. The distinction between them matters. But telling them apart isn't easy. Our examples make the differences seem obvious, and indeed they are — after the fact. The challenge for investors or decision-makers is to spot potential fads when the product is still under development. Understanding and characterizing

fads — and distinguishing them from trends — is crucial to investment strategy and revenue projection across industries, from technology to toys to consumer services.

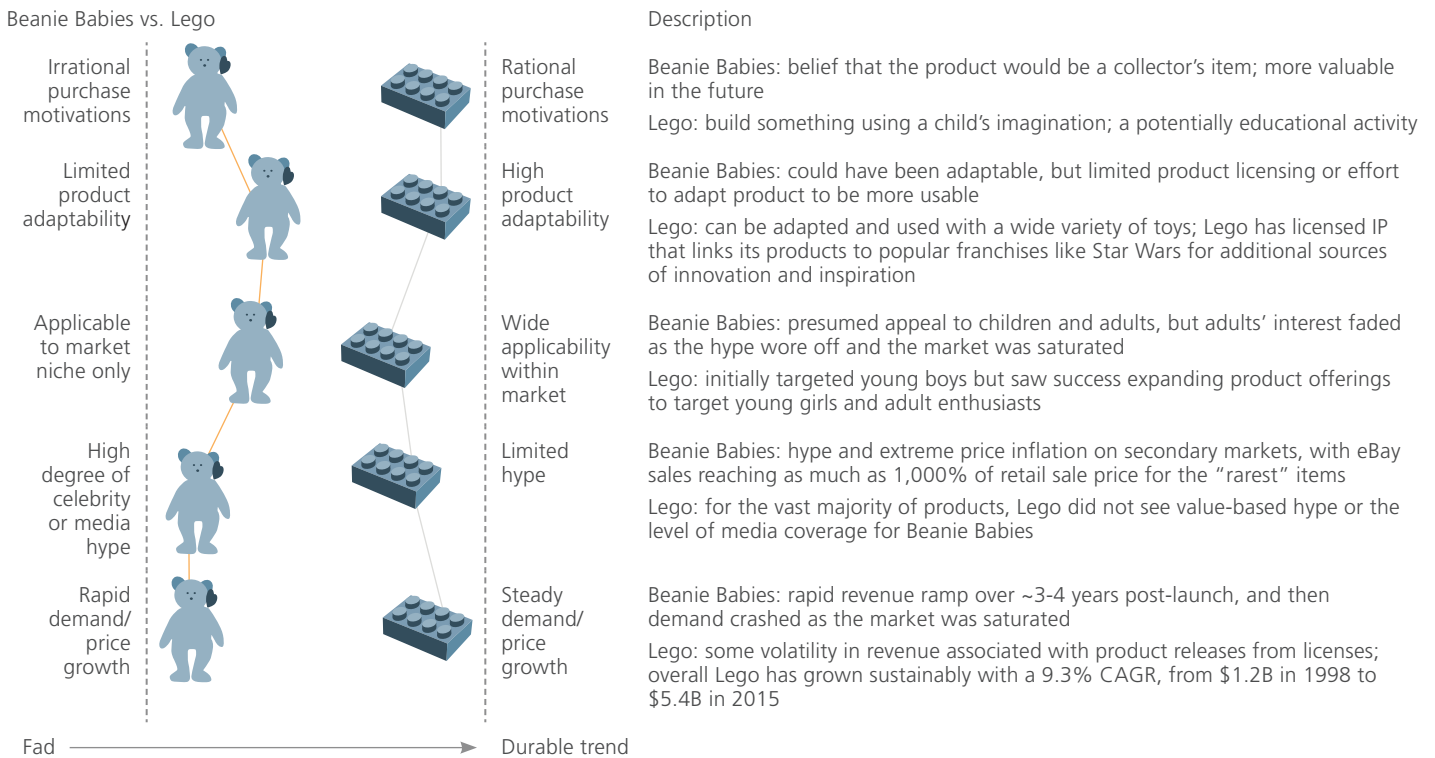
## A field guide to fads and trends

How to tell fads from trends? First, let's be strict about definitions.

- A **fad** is something for which enthusiasm is intense and widely shared, especially an enthusiasm that is short-lived and is not based on the object's qualities. It is typically characterized by a two-to-four-year revenue ramp, often accompanied by price inflation in secondary markets, followed by rapid decline once the fad "bubble" bursts.
- A **trend** is a general direction in which the market is developing or changing. Trends offer steady revenue growth — they point the way toward attractive target markets, high returns and steady revenue growth.

There's nothing inherently wrong with fads. They can generate substantial revenue and ROI. That's fine, as long as it's what the business and the investors are expecting. The problem is one of

Figure 2  
Fad vs. durable trend characteristics



Source: L.E.K. analysis

surprise — investing in a fad while believing it's a trend, then being unprepared for the sudden, sharp decline in sales.

In Figure 1, we outline a systematic way to review your projects and investment targets in order to spot potential fads. There are three categories to review, and one or more factors in each.

Fads are not the only reason that products fade. There can be other kinds of disruption. The stand-alone GPS market spiked, then faded — not because it was overhyped, but because smartphone apps took over the market.

The framework isn't a plug-and-play formula. Not all factors will be equally important in each situation. Some may not apply at all — a product could have certain attributes of a fad, such as celebrity-driven hype, and nevertheless become a trend. It is better to think of the elements of the framework as a set of issues to consider. The specifics will vary by category — in the case of a beauty product, you'll want to look at the role of

celebrity endorsements in making it so popular; in the case of a toy, you'll want to know whether it's selling for high multiples on eBay or reseller sites, mainly for novelty. You'll probably want to step back, look at the overall picture and ask whether, all things considered, the product leans more toward fad or trend. In the end, the framework exists to help guide the hard work you'll have to do — observing the marketplace, talking with and listening to consumers, and watching their behaviors.

The categories to consider, and the factors to watch, are:

- **The product itself.** Fad products are characterized by:
  - **Limited utility.** Products that are part of a trend solve a consumer need (such as for exercise clothing or robotic, "hands-free" housecleaning). Fad products like Pet Rocks and Beanie Babies were often purchased for irrational reasons — perceived value, scarcity or future resale value, or to be part of an "in group."
  - **Limited product adaptability.** Trend products are adaptable to market needs and desires. Exercise clothing

Figure 3  
Potential solutions to transform a fad into a trend or generate sustainable revenue from a fad product with limited staying power

Product	Irrational purchase motivations	Identify key customer needs and clearly communicate to consumers how the product meets those needs Make products that are usable rather than decorative so the customers can interact with the product over a longer period.
	Limited product adaptability	Allow licensing to turn products into a platform with a wide variety of related items and integrate old and new franchises, allowing users to interact with the brand from a variety of angles and keeping the brand fresh.
Customer segment	Niche market appeal	Create opportunities for mass customization to broaden the appeal of a more niche-oriented product Allow licensing to create a product platform with a variety of products (e.g., toys and movies), which will broaden market appeal.  For example, some customers prefer movies but will use toys if they like the movie, and some prefer toys but will watch movies if they like the toy; so having both allows a product to appeal to both customer segments.
Hype	Hype by media and celebrities	Consider how a rotating and varied list of celebrity endorsers for the same product will broaden appeal to a range of customer segments and demographics.  • For example, Burberry traditionally used celebrities and models with an aristocratic British look but added models such as Kate Moss and Cara Delevingne to advertisements to appeal to a younger segment with edgier, more fashion-forward products.
	Demand fluctuation/price changes	Create a suite of services or products surrounding the initial release so that consumers benefit from repeat purchases.  • For example, with Pokémon cards, additional purchase of cards allows the user to complement cards already owned and build out “decks” to play against other players, as opposed to Beanie Babies, where additional purchases only build a collection.

can be adapted easily as new forms of exercise become popular. But how adaptable is a Pet Rock?

- **The consumer segment.** Look at the consumer base for warning signs.
  - **Niche market product, unsustainable mass-market reach.** A fad product is often a niche product that briefly has mass-market appeal or carries mass-market expectations that can't be met. There's nothing wrong with a niche product — some people will always want to play paintball or laser tag. But initial dramatic sales levels beyond the niche may signal a fad in the making — a bubble that can't be sustained. Or expectations can be off target. **Google Glass** provided constant access to computing — a major draw for a small group of technologists. But the media and others who expected it to become a mass-market product were sharply disappointed. What Google Glass had to offer was not of interest to anyone else, especially given the price and the availability of solutions such as the smartphone that met a similar consumer need.
- **The hype.** Immediately upon launch, marketplace reaction gives evidence that a product is a fad. Watch for:
  - **Hype by media and celebrities.** Media hype and celebrity endorsement propel the demand. The media's

summer 2016 obsession with Pokémon Go is a case in point — media coverage drove rapid uptake, but daily user levels dropped sharply as consumers quickly lost interest. Celebrities like Madonna helped drive interest in the oxygen facial — but only for a short time.

- **Demand fluctuation and sharp price changes.** Hype drives demand (and therefore prices) to extreme levels. But neither demand nor pricing signals long-term interest in the product. Neither is sustainable.

## Compare and contrast these fads and trends to sharpen your recognition skills

The test of any framework is how it works in the real world. How does it help us think about, and break down, real-world examples?

Let's look at one case in point — **Beanie Babies vs. Lego** (see Figure 2): They're sharply contrasted. Beanie Baby sales spiked, then plunged. It was a classic fad cycle — hype, in this case secondary market price surges, led to overproduction, which burst the bubble. Adult collectors, who were a significant part of the market, fled. Lego is a highly adaptable toy that engages the imagination and can be used in a wide variety of projects. Adaptability is a hallmark of Lego's corporate strategy as well — one of the key growth drivers was the series of lucrative licensing deals that Lego developed with the *Star Wars* franchise, and

# Executive Insights

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then replicated with *The Lord of the Rings*, *Harry Potter* and *Batman*. These initiatives not only created sustainable growth by broadening the product's appeal, but also led Lego to create its own intellectual property — a video game series and the blockbuster Lego movies. The ability to constantly refresh by co-opting other IP helped drive Lego to high levels of growth and sustainability. It has grown, with limited hype (related to the movies), at a 9.3% CAGR for nearly two decades.

## For steady performance, put trends, not fads, at the center of your strategy

Fads can be worthwhile. They do happen, and when they do, it's possible to manage them carefully so that they create significant short-term value. But they're not a path to a steady, predictable stream of revenue or ROI. Take a hard look at the factors that turn products into fads. If you want a short-burst spike, invest in a fad. If not, look elsewhere — or do the hard work needed to transform potential fads into fully realized trends.

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### About the Authors



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