

The impact of innovation failures on brand sales.

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Abstract

The innovation literature has comprehensively investigated determinants of successful innovations and their extensive benefits. However, research about innovation failures is scarce. The impact of innovation failures introduction to and their withdrawal from the market on the performance of brand sales has not been examined so far – despite failure rates being high and innovations requiring significant upfront investments. Using data from the consumer packaged goods industry, we investigate spillover effects on brand sales due to innovation failures. By estimating a fixed effects model for a sample of more than 15.000 innovation failures, we show that both introduction and elimination lead to negative consequences for a brand's product portfolio sales, whereby the elimination shows a stronger effect. A shopping-basket analysis validates the negative effect of elimination which provides important implications for a brand's product portfolio management.

Keywords: *Innovation; Failure; Spillover*

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