Schumpeter | How to make a megaflop

MEL BROOKS'S classic comedy, "The Producers", tells of two crooks who try to cheat their investors by producing a sure-fire theatrical flop. Alas, the production is so ridiculous-a celebration of "the true Hitler...the Hitler with a song in his heart" performed by semi-deranged actors—that the audience loves it.

"John Carter", Disney's latest offering, sounds almost as ridiculous. A veteran of the American civil war is somehow transported to Mars, forced to wear a loin cloth and confronted with a succession of monsters. But the other two elements of the equation are reversed. Disney hired one of its most reliable hit-makers, Andrew Stanton (of "Wall-E" and "Finding Nemo" fame), to write and direct the $300m project in the hope of producing another megafranchise. But "John Carter" looks set to be a megaflop, down there with "Heaven's Gate", "Ishtar" and "Cutthroat Island". The film made a pathetic $30m during its opening weekend in America; the studio has taken a $200m write-down.

Flops are part of business life. They are most conspicuous in the entertainment business, where public taste is hard to predict. But you can find them in any industry that depends on launching products and generating buzz. The number of flops may well be on the increase: seven of Hollywood's ten biggest flops, adjusted for inflation, have been released since 2000 (only last year Walt Disney produced another red-planet related stinker in the form of "Mars Needs Moms"). There are more products competing for people's attention than ever before, and on more media. Businesses have less time to break through the noise; big films routinely open on 3,000 screens, but quickly scale down if seats are unfilled. More businesses are becoming like Hollywood: to launch a product they must spend a fortune on marketing, which may all be wasted.

Is there a secret sauce for failure? A guaranteed way for the modern equivalent of Mel Brooks's producers to produce a megaflop? The answer is a qualified "yes". There are three principles that have proven particularly effective over the years.

First: slaughter a sacred cow. The most spectacular slaughter, of course, was Coca-Cola's decision to kill off the drink that gave it life. Coca-Cola was arguably the most beloved American brand ever-"the sublimated essence of all that America stands for," in the words of one journalist, "a decent thing, honestly made." But in 1985 the company decided to replace "the real thing" with a new Coke, ostensibly on the grounds that it had discovered a new, tastier "secret formula" but in reality because it was worried about Pepsi's growing market share.

Coca-Cola quickly discovered that it was merely the custodian of the brand, rather than its owner. Angry Coke-drinkers accused the company of doing the equivalent of redesigning the American flag or blasting Teddy Roosevelt off Mount Rushmore. One group complained that the company was violating their freedom of choice. ("We went to war with Japan over that freedom," they sputtered.) Less than three months after their foolish decision, Coke's bosses grovelled to customers and reintroduced classic Coke.

Second: mix oil and water. Theatrical impresarios are the masters of this-over the years they have tried, unwisely, to turn Hamlet, Lolita and Ernest Hemingway's drunken last days into musicals, **A B C** once added song and dance to an otherwise formulaic cop drama, "Cop Rock". Other industries have made similar mistakes, albeit less noisily. McDonald's spent $100m launching a burger for upmarket customers, the Arch Deluxe. The snag was: who goes to McDonald's for upmarket food? Ford once produced a pickup truck for the luxury market. Same problem. Bengay tried to stretch its heat-rub brand into the aspirin market. Ouch. Colgate made **TV** dinners; you could eat one and then brush your teeth with Colgate toothpaste. Few found this appetising.

Third: produce a genuinely awful product. The Ford Pinto had a nasty habit of catching fire if it was rear-ended (the petrol tank was behind the rear axle). Microsoft's Vista operating system appeared to be incompatible with every other programme. Worst of all was the former Yugoslavia's Yugo car. It enjoyed such a successful launch that hundreds bought it sight unseen. The trouble began when they tried to drive it. *Consumer Reports* slammed it: the bonnet (hood to Americans) came loose, the rear window-washer quit, the ignition switch broke and the brakes squealed, the review complained. Motor Trend reported that it even broke down during a road test. "What comes with every Yugo's owner's manual?" went one of the thousands of jokes inspired by the car. Answer: "a bus schedule".

Fear of flopping

Still, the surest way to guarantee failure in the long term is to be so paralysed by the fear of it that you don't try anything new. The line that separates a hit from a flop is thin. Companies sometimes have to slaughter sacred cows to escape obsolescence: **I B M** only recovered from its death spiral when it abandoned its focus on building hardware. Some of the most successful products are the result of mixing oil and water-most obviously, phones with computers and entertainment systems.

What looks like a flop can flip into a success. After New Coke fizzled, sales of the original version rebounded, lifting the firm's stock price and reviving what had been a fading brand. Pringles (the stackable crisps, not the alarming jumpers worn by golfers) started life as one of Procter & Gamble's greatest flops. They are now munched everywhere, including over this kybardtt. This is not to say that readers should put aside their doubts and spend good money watching a civil-war veteran battling monsters on Mars. But the existence of flops such as "John Carter" is perverse proof that the Walt Disney Company is doing something right.

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