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SOME CONSIDERATIONS IN THE MARKETING OF GENERIC GROCERY PRODUCTS

By

Jon M. Hawes and Nancy E. Uhring
Assistant Professors of Marketing
College of Business Administration
University of Akron
Akron, Ohio 44325

This paper provides an overview of the introduction and subsequent marketing of generic grocery products in the U.S. The authors also identify some of the reasons for the sales success of generics.

INTRODUCTION

Who would have thought that austere-ly packaged, unbranded, sparsely promoted Standard Grade food products would become "one of the most significant developments yet seen in the grocery business?" (21) It seems that, on the surface, the successful introduction of generic grocery products runs counter to much traditional marketing logic. The concept that "more is better" certainly doesn't seem to apply, nor do most of the discipline's time-honored dictums regarding brand marketing of consumer, packaged goods.

Why, then, has this recently introduced line of generic grocery products met with such ready market acceptance? This paper addresses this question by providing a brief history of the marketing of generics, a review of the philosophy and psychology underlying what James Henson, President of Jewel Food Stores, has termed "generic mentality" (23) and a discussion of some of the

implications arising from the sales success of generics.

A SYNOPSIS OF GENERICS

In April of 1976, Carrefour introduced a line of 34 produits libres through its 38 hypermarkets in France (8). Each of the items was offered in a plain package with the (generic) name of the product and the Carrefour trademark austere-ly printed in black ink on a white label. These items were sold at prices which were from 7 to 30 percent lower than those of respective manufacturers' brands (6). Within a few months, the small number of items in the produits libre line were reportedly generating 30 percent of Carrefour's total sales volume (5). The success of produits libre encouraged the development of similar lines by many other retail organizations in France and in other European countries.

In February of 1977, Jewel Food Stores began testing the concept in the United States. By October of that year, Jewel expanded its offering of generic items to over 88 items sold through 53 of its 240 stores and the introduction of the "value alternative" in the U.S. market was official (24). The industry viewed Jewel's move with great skepticism,

but when Topco introduced its line of Valu Time products in February of 1978, the generic brand movement was established and the bandwagon effect began (10). By 1981, almost every major food distributor in the U.S. had modified its assortment to include a line of items with a low-price appeal.

Figure 1 graphically depicts this growth in the number of supermarkets in the U.S. that were offering generics. In fact, Business Week (3) reported that by March of 1981, about 50 percent of the nation's 33,000 supermarkets were selling some generic items. As further evidence of the sales significance of generic grocery products, Selling Areas Marketing, Inc. (SAMI) reported that in October of 1981, generics accounted for approximately 1.3 percent of total grocery sales and generated more than \$1.2 billion of retail sales revenue in 1981 (7).

Perhaps the most significant product aspect of generic grocery products was the lower quality of ingredients used. Handy and Seigle (9) reported that while most manufacturers' and distributors' brands were Grade A (Extra Fancy), most generic food products were Grade C (Standard Grade). Even though these products are just as nutritious as those of higher grades, they may not be as visually attractive. Nevertheless, many consumers concluded that the price savings of 20 to 40 percent compared to respective manufacturers' brands (2) more than compensated for the lower quality offered by generics.

The packages and labels used for generics can be described in a word -- austere. Generic grocery items were sold in no-frills packages with plain, usually white, labels. Traditional brand names were not included, although it was often possible to distinguish the generic items sold by competing stores by comparing the color, print style, "brand marks," or descriptive terms printed on the labels. In fact, during late 1981, Morris Patterson used the term "neogeneric" to describe

a category of goods which represented a synthesis of (truly) unbranded and distributors' brand products. Examples of neogeneric items included Kroger's Cost Cutter line, A&P's line of products bearing the P&Q label, and Safeway's Scotch Buy products (16).

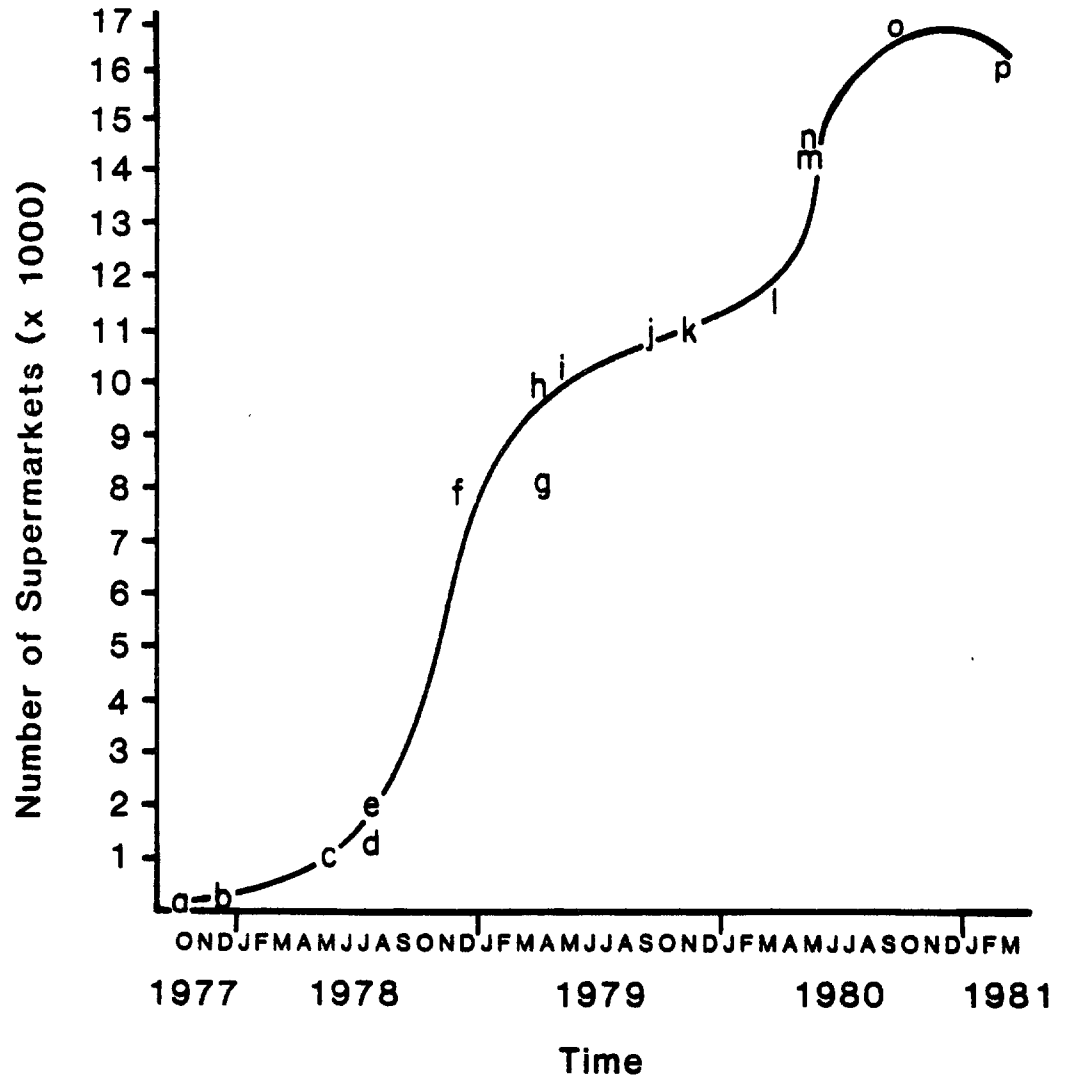
Marketers of generics usually began with a small assortment of generic items and gradually increased the offering over time. By 1981, it was not uncommon for a large supermarket to offer as many as 200 to 300 generic grocery products.

When a food retailer introduced generics, the items were usually segregated in a separate section, often a preferred display area, of the store. Over time, some firms elected to integrate most of all of the generic products onto the shelves next to respective manufacturers' and distributors' brands. Many food retailers, however, have chosen to permanently reserve a separate section of the store (a "generics aisle," a "bargain corner," or some other "store-within-a-store" arrangement) for generics.

Most supermarket organizations provided promotional support for their generic line when the products were introduced. This level of support was reduced, and sometimes completely eliminated, after a few months. Most of the ongoing advertising of generics consisted of a small section of the store's regular weekly newspaper ads (10).

A significant constraint to the growth and development of the retailing of generic grocery products was the difficult procurement of these goods (2). Supermarket organizations usually had to initiate contacts with suppliers. Often, this represented an additional burden for a busy executive. In addition, many food retailers were inexperienced in this type of product development activities, and the learning curve restricted the effectiveness of early efforts.

Figure 1
 Growth of the Number of Supermarkets
 Selling Generic Brand Grocery Products *



* The letters on the graph represent data points derived from the sources listed in the References section of this paper: a=[1,4,24]; b=[11]; c=[20]; d=[17]; e=[11]; f=[14]; g=[18]; h=[2]; i=[27]; j=[28]; k=[22]; l=[13]; m=[19]; n=[25]; o=[15]; p=[3].

Despite these difficulties, despite the unorthodox marketing strategies employed, and despite the American consumer's persistent reluctance to adopt yet another product innovation, generic grocery products have achieved an important position within the brand structure of the supermarket industry. The remainder of this paper attempts to provide some insight into the reasons for the sale's success of generics.

PHILOSOPHY AND PSYCHOLOGY UNDERLYING GENERICS

The philosophy universally acclaimed by food marketers offering generic grocery products can be succinctly characterized as: consumer orientation. These firms contended that a strong price emphasis was called for due to the unprecedented inflationary pressures. These supermarket organizations professed to be simply identifying consumer needs and responding to those needs by offering generics as a "value alternative" to higher priced, "frills-laden" manufacturers' brands.

Some marketers (especially executives in the advertising industry), however, considered generic grocery products to be an explicit contradiction of the character of marketing. These individuals charged that the anti-advertising, anti-packaging message advanced by the recusant retailers offering generics fostered and nurtured a growing disillusionment of consumers with business. The message of generic products was interpreted by some as suggestive of the notion that marketing existed at the expense of the consumer and that advertising was designed to mislead or to deceive (26).

The philosophy embraced by the originators of generics not only reflected, but in a sense confirmed, the disillusioned consumer's view of marketers. The ideology was exemplified by the suggestion of Etienne Thil, Carrefour's marketing director: "Maybe people are

just fed up with classical advertising" (5). It was further reflected by the name of Carrefour's line of produits libres as described by Thil: "Libre-free -- in the sense of liberated from advertising and promotional charges, plus the freedom to choose something other than a brand name" (5). Yet many within the supermarket industry considered brands to be the foundation of advertising and bemoaned the inconsistency presented by the advent of generics. The controversy expanded as one ad agency spokesperson defended the salience of brands by describing brands as ". . . the basic elements on which business has been able to grow, invest, and advertise" and another predicted the collapse of the marketing system due to generics because of the prediction that "manufacturers (would) become mere subcontractors to distributors" (5).

Implications of alleged wastes involved in marketing traditionally branded products, in addition to the questioned credibility and the expense of advertising these products, contributed to the developing charisma of plainly labelled generic items. This view was promoted by Rosemary Pooler, head of the New York State Consumer Protection Board when she lauded the development of generics by claiming "It's about time stores started cutting 'benefits' like packaging and advertising that consumers never wanted" (12).

Comments similar to the above were voiced in many forums as generics received extensive attention from the media. This led many consumers to believe that the purchase of generics was an effective way "to fight back." Generics were viewed as the "value alternative" which could be used to stretch inflation-strapped food budgets. This perception was undoubtedly supported by the segregated display of generics in stores and the visual impact of the plain black and white labels employed. In an unorthodox, but effec-

tive way, the marketing program for generics represented a true "celebration of austerity" that encouraged consumers to rally around the generic banner.

In fact, some consumers described the initial purchase of generics as an "adventure on the path to economy." Food shoppers were willing to experiment with innovative low-priced alternatives as they sought relief from the continuing impact of inflation. Generics were viewed by many as a way to beat the system -- a way to have the (generic) cake and eat it, too.

Furthermore, the highly favorable publicity surrounding the introduction of generics greatly reduced the social pressures against trading-down to less expensive products. In fact, it became very fashionable to use generics. The items were pictured in movies, Johnny Carson made jokes about the Plain Wrap products sold by Ralph's, and consumers responded by bragging about the bargains they got from particular generic items.

In fact, "generic parties" became tré chic in some parts of the country, especially the Denver area. These gatherings had strict dress codes -- only those people wearing plain black pants and plain white shirts were allowed to attend. Only generic foods and generic beverages were served.

One can conclude, therefore, that generics were effectively positioned as the "right products for the times." Simply put, generic grocery products, as a "value alternative" filled a consumer need. Satisfying customer needs and wants is one of the most basic marketing principles, but one that brand marketers evidently overlooked as most continued to upgrade, enhance, complicate, and raise the price of food products in an era during which a sizable segment of the market primarily sought functional value at lower prices.

IMPLICATIONS OFFERED BY THE SALES SUCCESS OF GENERICS

The perhaps obvious, but dominant implication arising from the sales success of generic grocery products is that tastes and preferences of consumers change over time. In this case, the change in taste and preference was at least partially brought about by conditions prevailing in the economic environment.

Marketers must continually monitor customer preferences and environmental conditions. Strategies must then be adjusted to take advantage of opportunities presented by environmental changes such as persistent inflation which causes increased demand for low-priced products. Long-term strategic marketing planning can be used so that the focus of the firm's adjustments to environmental change consist of maximizing opportunities rather than attempting to alleviate problems.

A second implication in the introduction of generic grocery products relates to the initiation of product development-type activities by distribution-oriented supermarket organizations. This step in the backward integration of this marketing channel demonstrates a shifting balance of power away from producers to down-channel members. It is difficult to speculate on the ultimate outcome of this power shift, but it is certainly a development worthy of the attention of the industry.

A third implication of generics relates to the advertising of consumer packaged goods. Traditional wisdom has called for massive advertising and other forms of promotional support for these goods. In fact, experts often refer to the barriers to entry brought about by this supposed requirement of extensive promotion support for new items in the industry. The successful

introduction of generics violates this traditional wisdom and supports the contention that a product which serves a true, unmet consumer need or want of a sizeable segment of the market can be profitably introduced without massive promotional expenditures. Of course, if the item receives favorable publicity, the chances of success are even higher. In addition, it is important to consider the fact that a new product is likely to receive an amount of favorable publicity which is directly proportional to its differential advantage in meeting consumers' needs and wants.

No one knows what the future holds for generic grocery products. Potential supply problems, competitive reactions of brand marketers, changes in the economy, and a host of other factors cloud any long term predictions. At a minimum, the introduction of generic grocery products has added an intriguing chapter to the history of the food distribution industry which will be long remembered.

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