AN EMPIRICALLY DERIVED TAXONOMY OF BRANDS

By

Jon M. Hawes, Asst. Prof. of Marketing
University of Akron
Akron, Ohio
and
Martha R. McEnally, Asst. Prof. of Marketing
University of North Carolina at Greensboro
Greensboro, North Carolina

This paper reports the results of a study designed to determine how consumers "group" various products into categories. Specifically, it was determined that consumers clearly perceive two types of brands: (1) manufacturers' brands, and (2) distributors' brands. While manufacturers' brands were viewed as a distinct offering, consumers did not differentiate between private brands and generics.

INTRODUCTION

Brand structure refers to the mix of brands available within a particular market. The brand structure of the U.S. supermarket industry has been the subject of much research. In fact, some of the early brand structure studies of the grocery industry conducted by the Federal Trade Commission [8] are regarded as having had a major impact on the development of the marketing discipline. Subsequent studies relating to the brand structure of the grocery industry in the mid 1950s by the National Commission on Food Marketing [14] are also acknowledged as important contributions to the marketing literature. In addition, a study conducted by Cook and Schutte [5] for the Marketing Science Institute in the mid 1960s greatly enhanced our understanding of the brand structure within the grocery and several other important industries. In taxonomic analysis of the brand structure of the market for grocery products, researchers have traditionally found it useful to identify brands sponsored by manufacturers (usually referred to as "national brands"), and brands sponsored by distributors (most are called "private brands") [1, 15].

Since the publication of these important studies, however, a significant modification in the brand structure for grocery products has occurred due to the introduction of generics. This innovation suggests the need for additional research. Generics present some interesting research problems because they cannot be readily categorized as manufacturers' or distributors' brands. Generics do not seem to fit into either of the traditional categories because they exhibit a noticeable absence of any traditional brand name. To date, the labels of most generic items have included only the information required by the federal government and the descriptive name of the product in the package (e.g., "Tomato Sauce", "Dog Food", or "Orange Juice").

Despite the unorthodox marketing strategies employed for generics, the

austerely packaged items have had a major impact of the sales structure of the grocery products industry in the United States and in other countries. Carrefour is credited with originating the generic brand concept when it introduced its highly successful line of "produit libres" through its French hypermarches during 1976 [10]. Jewel Food Stores followed with the introduction of generic grocery products in the U.S. market during 1977 [9].

The introduction of generic brands was a major innovation in retailing and at first many supermarket organizations were skeptical in their assessments of the potential longevity of the generic brands phenomenon. By the end of 1979, however, more than one third of all the supermarkets in the United States were selling generic brand groceries [12]. In April of 1980, it was estimated that nearly 14,600 supermarkets in the United States were selling generic brands [16]. By March of 1981, the number of stores had increased to over 17,000 [3], and in January of 1982, researchers at the United States Department of Agriculture reported that approximately 80 percent of the nation's 29,000 supermarkets were stocking some version of generic grocery products [17].

RESEARCH OBJECTIVES

While it would be difficult to dispute the sales success of generics, the absence of a traditional brand name on the labels of generic items complicates the understanding of the resulting brand structure for grocery products. What kind of taxonomy best describes products available within this industry? Surely Shutte's [15] dichotomy of manufacturers' brands and distributors' brands is at least deserving of reexamination. In fact, some have argued that the introduction of generics has resulted in a trichotomy of brands: manufacturers', distributors', and generic [e.g., 2, 11].

This paper empirically examines the dimensionality of the brand structure for grocery products. It specifically attempts to determine if consumers perceive generics to be similar to manufacturers' and/or distributors' brands or whether generics are viewed as dissimilar to those brands. While it should be considered exploratory, some interesting insights into the number of dimensions of brand structure perceived by consumers are identified and reported in this article.

METHODOLOGY

In order to evaluate the impact of the introduction of generics on the brand structure for grocery products, members of the Arkansas Household Research Panel (AHRP) were surveyed. This panel consists of over 500 households that have been selected through a stratified, systematic random procedure to provide an adequate representation of the Arkansas public [7].

A self-administered questionnaire was developed and submitted to members of the AHRP. A response rate of over 80 percent was achieved as four hundred fifty-five Arkansas families participated in the research project. Panel members were informed that the survey should be completed by the household member responsible for most of the family's grocery shopping. Since virtually all households purchase grocery products, it was assumed that respondents were familiar with and were, in fact, purchasers of grocery products.

A simulation shopping experience, similar to that employed by Myers [13], was used to collect consumer purchase intentions for a series of 33 grocery items. Respondents indicated on a five-point scale the probability of purchase for each of the 33 items. The list of products is shown in Table 1 and includes a manufacturers' brand, a distributors' brand (IGA), and a generic item for each of eleven product categories. Order, or position bias, was minimized by randomly placing the brand/product combinations throughout the list.

TABLE 1

RESULTS OF THE FACTOR ANALYSIS

Items	Factor Loadings Factor 1	Factor 2
1. IGA Brand Coffee	0.52999	0.05687
2. Generic Brand Margarine	0.65036	-0.24012
3. Green Giant Canned Peas	-0.02819	0.52114
4. Puffs Facial Tissue	0.03997	0.48417
5. Generic Brand Canned Peaches	0.71825	-0.15540
6. Generic Brand Facial Tissues	0.67662	-0.08637
7. IGA Brand Catsup	0.69470	0.06771
8. Folgers Coffee	-0.16606	0.43354
9. Generic Brand Tea	0.71813	-0.22342
10. Bama Jelly	0.22134	0.47949
11. IGA Brand Peanut Butter	0.70556	0.16129
12. Generic Brand Coffee	0.62059	-0.26948
13. IGA Brand Apple Sauce	0.63035	0.32655
14. Generic Brand Cola	0.62379	-0.05343
15. Generic Brand Peanut Butter	0.74507	-0.18197
16. Heinz Catsup	-0.19629	0.61243
17. Generic Brand Catsup	0.76018	-0.23316
18. Parkay Margarine	-0.08844	0.55209
19. IGA Brand Cola	0.62776	0.20685
20. Generic Brand Jelly	0.73554	-0.04560
21. IGA Brand Tea	0.70368	0.11059
22. Pepsi Cola	0.03197	0.42796
23. IGA Brand Margarine	0.63753	0.22651
24. Peter Pan Peanut Butter	-0.10078	0.65043
25. Generic Brand Apple Sauce	0.71781	-0.06372
26. Del Monte Canned Peaches	-0.25938	0.67560
27. IGA Brand Canned Peas	0.62449	0.28116
28. IGA Brand Jelly	0.67655	0.36857
29. Mott's Apple Sauce	0.13596	0.57080
30. Lipton Tea	-0.20107	0.55928
31. IGA Brand Canned Peaches	0.65940	0.33536
32. Generic Brand Canned Peas	0.70512	-0.11031
33. IGA Brand Facial Tissues	0.66284	0.23284
Eigenvalues	10.312	4.254
Percent of Variation Explained	31.2%	12.9%
Cumulative Percent of Variation Explained	31.2%	44.1%

RESULTS

The Principle Components method of factor analysis was applied to the purchase intentions data for the 455 respondents. The results of these computations are shown in Table 1. The findings very clearly indicate that all the IGA brands and generic items had high loadings on Factor 1 and low loadings on Factor 2. In contrast, all the manufacturers' brands loaded heavily on Factor 2 while the loadings on Factor 1 were very low. Indeed, the loadings on the first two factors were so "clean" that there was no reason to employ a Varimax or other form of rotation to facilitate the interpretation of the Principal Components solution.

In factor analysis studies, it is traditional to develop a name for each of the derived factors. In this study, Factor 1 is identified by the term "Distributors' Brands", while Factor 2 refers to "Manufacturers' Brands". Hopefully, the phrase "Distributors' Brands" connotes reference to both private brands (e.g., IGA) and generics.

The logic of the phrase "Distributors' Brands," is consistent with Schutte's [15] brand definitional criterion of product sponsorship, since both private brands and generics are sponsored by firms primarily involved in distribution, rather than production. Furthermore, it should be noted that most generic items have been, in fact, developed by distribution-oriented institutions -- not manufacturers. The responsibilities for product development and management of generic brand grocery products rest with the distribution-oriented sponsoring organization, usually the supermarket chain store organization.

The first two factors explained 44.1 percent of the variation in the data set. While six factors had eigenvalues of more than 1.0 (a traditional, albeit judgmental, cutoff point for inclusion in the analysis), only Factor 1 and Factor 2 had clear definitions. Each of the remaining factors explained far less of the variation and appeared to be nearly spherical.

Thus, the results of the factor analysis suggest that consumers conceptually "grouped" these 33 items into two relatively distinct sets -- one composed of manufacturers' brands, and one composed of IGA and generic brands. This is a very important finding because it supports the view that respondents to the survey did not view generic grocery products as a distinct offering. Respondents grouped generics together with other distributors' brands.

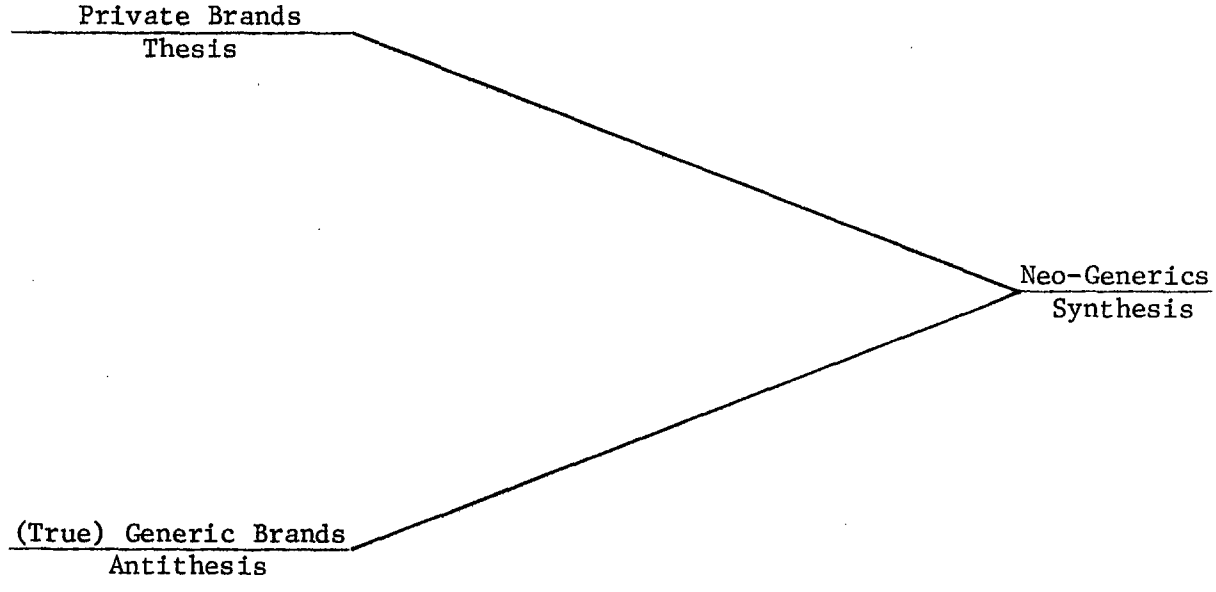
While the authors had hypothesized that each of the three brand categories would have high loadings on separate factors, the grouping of private and generic brands is not an untenable concept. In fact, when generics were introduced during the late 1970s, an expert in the industry described them as "nothing but low-end private labels dressed up -- or rather down -- to meet the 'tell-it-like-it-is' mood of the consuming public [6, p. 75].

Furthermore, the initial distinction between generic and private brands has diminished over time. When first introduced, a "true" generic item had no traditional brand name on its label. During the early 1980s, however, a new subcategory of products called "neo-generics" has emerged [17]. These products are usually Standard Grade and priced to compete with (true) generics. In contrast, however, the labels of neo-generic items include a traditional brand name. Examples of neo-generic itmes include Kroger's Cost Cutter line, A&P's line of P&Q products, and the earliest entrant, Safeway's line of Scotch Buy products [17].

As a classic example of the dialectic process, the initial distinction between private and generic brands has diminished. Figure 1 graphically depicts the dialetic process that fostered the development of neo-generics.

FIGURE 1

DEVELOPMENT OF NEO-GENERICS THROUGH
THE DIALECTIC PROCESS



Another important result of this research relates to the two factor solution. The findings suggest that brand category, rather than product category, tended to dominate the cognitive structure relating to purchase intentions for these items. If brand category had no impact on consumer decision-making, one might have expected an eleven factor solution where each factor represented one of the eleven product categories in the list of 33 items.

CONCLUSIONS

There is little reason to believe that the introduction of generics increased the aggregate market potential for grocery products. Sales for generic brand products would, therefore, represent displaced sales of manufacturers' and/or private brands.

This research indicates that in terms of purchase intentions, consumers hold a similar view of generic and private brands in the grocery products industry. Manufacturers' brands, however, are viewed as a distinct category. This suggests that the sales of private brands would be more severely impacted by the introduction of generics than would be the sales of manufacturers' brands. Early research by SAMI, A. C. Nielson, and others provided inconsistent and inconclusive findings regarding the level of suicide sales experienced by manufacturers' and private brands due to the introduction of generics. Recent research by Wills and Mentzer [17], however, revealed that "nearly all generic growth during 1979 and 1980 was at the expense of private lebel items." Until distributors clearly differentiate their generic brands from their private brands, this is likely to continue.

If generics are more profitable than are other items for retailers, this switching of sales may lead to a more optimal brand structure for supermarket operators. If generics generate less total profit than private brands, however, the introduction and promotion of generics

is clearly a suboptimal proposition. Unfortunately, no data were available to the authors at the time of this study to determine conclusively which of the brand categories offered greater profit potential.

Even more unfortuante, however, is the fact that many business firms may also not have conclusive profitability data for generics and private brands. Therefore, rules of thumb and logic-based analysis must be employed to guide the strategist. In this case, one would expect that the lower retail selling price, the low quality image, and the difficult procurement of generics would discourage the introduction of the new line of products. As mentioned earlier, however, approximately 80 percent of all U.S. supermarkets have introduced the line of products. Additional research is needed to determine why generics have been added to the assortments of so many supermarket organizations.

REFERENCES

1. Applebaum, William. "Perspective on Food Manufacturers' and Distributors' Brands in the United States." In Brand Strategy in United States Food Marketing, William Applebaum and Ray A. Goldberg, editors. Boston: Division of Research, Graduate School of Business Administration, Harvard University, 1967, 3-50.

2. Ashton, Dub. "National, Private, and Generic Brands: A Consumer Descriptive Analysis." In Proceedings, Midwest Institute for Decision Sciences, 1979 Conference, H. Robert Dodge and Gary L. Pielmeier, editors, Chicago: American Institute for Decision Sciences, 1979, 225-228.

3. Business Week, "No-Frills Food: New Power for the Supermarkets." (March 23, 1981), 70-80.

4. Cole, Robert H, Lloyd M. DeBoer, Richard D. Millican and Nugent Wedding. Manufacturer and Distributor Brands; Some Facts and Issues. Urbana, IL: University of Illinois, 1955.

5. Cook, Victor J. and Thomas F. Schutte. Brand Policy Determination. Boston: Allyn and Bacon, Inc., 1967.

6. Coyle, Joseph S. "Why Jewel Did It, How Consumers Respond, What The Risks Are, Where It All Goes From Here." Progressive Grocer, 57 (February, 1978), 75-77.

7. Darden, Donna K., William R. Darden and G. E. Kiser. "The Marketing of Legal Services." Journal of Marketing, 45 (Spring, 1981), 123-134.

8. Federal Trade Commission. Chain Store Inquiry. Washington, DC: U.S. Government Pringing Office, 1933.

9. Hawes, Jon M. and G. E. Kiser. "A Review of Retailing Practices for Generic Grocery Products." Akron Business and Economic Review, 13 (Spring, 1982), 37-43.

10. Hawes, Jon M. Retailing Strategies for Generic Brand Grocery Products, Ann Arbor, MI: UMI Research Press, 1982.

11. Kono, Ken and Michael D. Bernacchi. "Are Generic Products a Fad or a Long-Lasting Marketing Phenomenon? The Future of Generics." In Marketing in the 80s: Changes and Challenges, Richard P. Bagozzi, et al., editors, Chicago: American Marketing Association, 1980, 191-194.

12. Marketing News. "All Generic Products Losing Popularity With Public: Study." 13 (February 22, 1980), 7.

13. Myers, John G. "Determinants of Private Brand Attitude." Journal of Marketing Research, 4 (February, 1967), 73-81.

14. National Commission on Food Marketing, Special Studies in Food Marketing, Technical Study No. 10. Washington, DC: U.S. Government Printing Office, 1966.

15. Schutts, Thomas F. "The Semantics of Branding." Journal of Marketing, 33 (April, 1969), 5-11.

16. Soltan, Frank. "U.S. Retailer's Handling of Generics Presents Poor Image: 2 Canada Execs," Supermarket News, 30 (April 14, 1980), 6.

17. Wills, Robert L. and Rosanna L. Mentzer. "The Effects of Genercis on the Food Market Structure." National Food Review, (Spring, 1982), 7-10.

NOTE: An earlier version of this paper was presented at the 1983 Conference of the Southeastern American Institute for Decision Sciences.