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*There is hardly anything in the world that
Some man cannot make a little worse and
Sell a little cheaper, and the people who
Consider price only are this man's lawful prey.
--Attributed to John Ruskin*

Whither Generics

These products with plain white labels go by various names: plain label, no-brand, no-frills and generics. The basic concept of generics is that if you strip a product down to its essentials, one product will be much like another. That is, a green bean is a green bean. This concept is both true and false. It's truthfulness is reflected in the lack of brand identity in the produce section of the supermarket. Fresh produce is largely sold as a commodity; and what you see is what you get. But a quality grocer does select and provide a slightly better offering. And some branding of produce is evident. Even so, fresh potatoes are still largely an undifferentiated commodity.

The concept of generic foods is then firmly rooted in commodity type thinking. When they originated five years ago in France they were introduced as equivalent to branded lines but more economical because they did not involve costly packaging, advertising and promotional merchandising. That is, they were stripped of the trappings of the competitive free marketplace. As good as this sounds, it involves a certain looseness with the facts:

- Generics are a dumping ground for inferior quality raw materials. Exceptions to this only occur when demand for generics exceeds the supply of inferior materials. This follows the same pattern as fruit cocktail and hamburger. Both began as an alternative to discarding edible scrap. But as demand for the products increased, top quality ingredients had to be used when scrap was in short supply.
- In most cases it costs as much to package a generic as a branded product. Container costs are usually identical and the unit cost of a plain label is negligibly cheaper than a branded label.
- Generics have received massive promotion and indirect advertising. It is true that a lot of costly brand advertising has negligible value, and this weakness favors generics. But generics have usually been introduced with very favored in-store treatment: large prominently located, eye-catching displays in heavy traffic areas. This is costly preferential treatment by the retailer. The readily identifiable cost of advertising for a brand manufacturer is exchanged for this hidden cost to the retailer.

Taking these facts into account, the consumer is still pretty much paying for what they get. But the success of generics in capturing 1.5% of total U.S. grocery sales in just three years is undeniable. Why did it happen? And what is the future of generics?

Three basic factors will determine whether and to what extent generics can succeed:

1. **Personal wealth of consumers.** The long-term trend of increasing wealth has been interrupted by a period of economic stress. This is due largely to the pervading influence of pessimism on society. (Pessimism creates bad conditions, not the reverse.) This condition is necessarily temporary which means that the demand for top-of-the-line merchandise will be strong and increasing.
2. **Control of the market.** The trend over the past 30 years has been for retailers to gradually assume control over their own markets. Introducing the generic “brand” illustrates this muscle. Even though tight food supplies may temporarily favor control by the manufacturer and farmer, increasing agricultural productivity ultimately favors retail control of the market. This in turn gives retailers the freedom to promote generic and other store brands.
3. **Structure of the retail market.** The shift from supermarket to restaurant food will continue. This puts increasing pressure on the supermarket and consequently on all brands, including generics. (Unless we consider food service products as partially “generic.”) Basically, for supermarkets, the restaurants just represent the first shoe. The other shoe will fall when telecommunication merchandising, automated distribution and home buying plans get off the ground. It is unlikely that generics will survive this retailing revolution.

Speaking of revolutions . . .

One observer favorable to generics commented that, “They’re rational products – what you’d get in Russia . . .” Generics are a strange plant indeed to take root in a free market, free enterprise economy. Perhaps they are a reflection of the governmental and educational philosophies which brought us our current economic malaise.

But certain prosperity will certainly doom generics. In the meanwhile, many enterprising capitalists will make the best of a bad situation and profit on temporary adversity – including generics.