

House brands vs generic essay sample



**ASSIGN
BUSTER**

As consumer perceptions of quality continue to improve and the economic challenges of the past few years persist, more and more consumers are switching from name brand products to generics or house brands. What is a house brand or a generic product? A house brand, otherwise known as a store brand, is a proprietary brand of merchandise sold by one retailer and often bearing the name of the retailer. A house brand is usually sold at a lower price than the equivalent name brand product and can, sometimes, have packaging identical to that of the national brand.

Whereas, a generic brand has no-proprietary name and can even be absence of a brand name. Introduced in the 1970's, generics emerged during the recession as a way to help consumers save money. The associated packaging was a bland black-and-white or yellow-and-black and purposefully designed to be unattractive to "connote the notion that these products were saving you a lot of money" (Maleshefski, 2008). In many ways they were. Not only were the products inferior on the outer labeling but on the product inside as well. Manufacturers sought out lower-quality fruits, meats, and other materials to drive the price down.

For example, generic tea bags may contain tea dust whereas the national name brand actually contained tea leafs (Maleshefski, 2008). In 1979, The Private Label Manufacturing Association was formed. They are a trade association that represents this industry of over 3, 000 companies that produce store brand products (PLMA, 2010). As we came out of the recession, our need for better quality products and hedonic factors, such as family and peer approval, influenced our buying decisions (Harcar, Kara, Kucukemiroglu, Rojas-Mendez, 2009).

The movement changed the inferior black-and-white packaging to manufacturers producing packaging to specific retailer specifications as well as using higher quality ingredients. As this segment started to grow, the Private Label Manufacturing Association defined four classifications of store brand manufacturers: 1. Large national brand manufacturers. 2. Small, quality manufacturers that product store brands exclusively. 3. Major retailers and wholesalers that own their manufacturing facilities and produce for themselves. 4. Regional brand manufacturers that produce private label for specific markets.

Some examples of national brand manufacturers that also produce store brand products are: Alcoa - Reynolds wrap, McCormick- spices and seasonings, Sara Lee- frozen bakery items, and Birds Eye - frozen and canned vegetables, just to name a few. These manufacturers seized the chance to utilize their manufacturing facilities and run them at full capacity. Many make a few modifications to the product, per the retailer's specifications, while others make no changes to the formulas, only changing the packaging to suit the retailer (Chang, 2009).

Along with being more profitable through manufacturing they saw store brand products as a gold mine because there is no heavy product development, advertising and promotion costs associated with store brands (Chang, A. 2009). Wal-Mart and Target have committed to replacing hundreds of name brand products with store brands over the next year, to help consumers save money but to ultimately increase their profits (Store brands gain acceptance, 2010). The consumer's behavior toward store brand products began to change about ten years ago.

Why? One word will sum that up, the economy. We have not created one single job, the stock market crashed, people stopped investing because we didn't have the disposable money and were scared to, unemployment rose to record highs, the housing market crashed and people lost everything (Gross, 2009). Consumers saw store brand products as an easy way to reduce household costs and avoid the sticker shock of the name brand products. Using store brand products can reduce one's grocery bill by 35% (Marks, 2010).

Consumers also became educated on the fact that national brand companies were also producing store brand products therefore the perception that store brands were of poor or inferior quality was no longer valid. Now on to the taste tests, Consumer Reports has conducted these to show that store brands do meet the national standard. Kellogg's Mini-Wheat's and Kroger Mini-Wheat's showed no difference in taste, Kellogg's Frosted Flakes and Malt-O-Meal Frosted Flakes were the same, and Great Value Quick Oats was equal to Kellogg's Instant Oatmeal in taste (Marks, 2010).

Out of 29 products that were tasted by consumers, 23 of them were considered better or equal to the national brand (Marks, 2010). Many other taste tests have been conducted with the same conclusions, many of the store brand counterparts are "just as good, if not better" than the national brand. In fact, 77% of consumers surveyed felt that way (Chang, 2009). Not only have store brand products proved that they are economical but they have also proven to many national brand loyalists through taste tests that they are a quality product as well. (Store brands gain acceptance, 2010) There are still those consumers that have a store brand stigma.

<https://assignbuster.com/house-brands-vs-generic-essay-sample/>

Many people state, “ I prefer name brands”, or “ the name brand tastes better” or I don’t know if it’s as high in quality” (Chang, 2009). But, “ some 84% of U. S. shoppers bought store brands in the past year, and 93% of those who purchased store brands said they would keep buying them, even after the economy recovers” (Silverstein, 2010). Nationally, one in four products sold in supermarkets are store brands, accounting for \$88 billion of current business. If you included all wholesale outlets and dollar stores, this figure would grow to \$102 billion annually (PLMA, 2010). (Store brands gain acceptance, 2010)

Consumer behavior, as we know, does not change overnight. Switching to store brand products was a trend that was going to happen. When the economy starts to worsen, people become price sensitive and the trend happen faster than anticipated. There used to be a certain stigma attached to picking up the store-brand product versus purchasing national-brand products, but that has faded along with sky-high housing prices. Now, almost 75% of consumers say they think of store brands as “ brands” in themselves and give them the same degree of positive product qualities and characteristics as national brand products.