GENERIC PRODUCT USAGE IN MUNCIE

Honors Thesis
by
Janell Knipstein

Joanna R. Wallace

Ball State University
Muncie, IN

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INTRODUCTION

As the economy remains in an unstable situation, and food prices continue to be on the rise, much more emphasis is placed on generic products. These no frill products are packaged in black-and-white labeled containers. These products are placed on the shelf for all consumers. The advantage offered by the generic product is a reduction in price as compared to the national brands in the grocery store.

Generic products were introduced in 1977 and have since carved out a slice of business in the supermarkets. Consumers are aware of the generic product and there are many different opinions regarding the quality of generics.¹ This is a study of the variety of opinions regarding generic products in Muncie, Indiana.
OBJECTIVES

The objectives of this study are three-fold. The first objective is to determine the awareness of the Muncie household to the generic product. The second objective is to determine the percentage of generic purchases in Muncie in relation to total average weekly grocery purchases. The third objective of this study is to determine the target market in Muncie for the generic product and this market's stability.

The information for this study was gathered through a telephone survey concerning generic product usage in Muncie. The telephone numbers generated for use in this study were randomly generated by the computer. A total of 100 households were surveyed in order to convey a leading indication of generic product usage in Muncie. Telephone calls were conducted at all times of the day and a new number was selected after three unsuccessful calls were made during morning, afternoon, and evening hours. The following is a copy of the survey used in this study.
Questionnaire No. 3

GENERIC PRODUCT USAGE IN MUNCIE

OBJECTIVES:

1. Determine generic product awareness in Muncie.

2. Determine the extent of generic purchasing in Muncie.

3. Determine the existing market segments for generic products.

SAMPLE: 100 Muncie Area Households

DATE: Spring, 1983

INTRODUCTION:

Hello, my name is _________ and I am a Ball State student working on an Honors Thesis concerning generic product usage in Muncie. I have selected your phone number at random as part of my survey. Would you take a few moments to answer the following brief questionnaire?

1. Do you do any grocery shopping for your household?
   Yes  No
   IF NO, ASK FOR HOUSEHOLD SHOPPER. POSSIBLE CALLBACK TIME__________

2. Are you familiar with the black-and-white generic label?
   Yes  No

3. In which of the following stores do you shop most often?
   ____ Marsh  ____ Eavey's
   ____ Ross  ____ Working Man's
   ____ Wise  ____ Other

4. Which of the following categories describes your average weekly shopping bill?
   ____ $0-$20  ____ $21-$40
   ____ $41-$60  ____ $81 or more

5. What percent of your weekly purchases are generic?
   ____ 0%-10%  ____ 31%-40%
   ____ 11%-20%  ____ 41%-50%
   ____ 21%-30%  ____ 51% or more

6. Are you pleased with generic quality?
   Yes  No

7. Why have you purchased generics in the past?
   ____ Price  ____ Selection
   ____ Quality  ____ Other

8. Please rate generic quality on the following scale:
   ____ Poor  ____ Good
   ____ Fair  ____ Excellent

9. Do you plan on long-term use of generics?
   Yes  No
10. Of the following list, which generics appeal to you most?

   - Canned goods
   - Beverages
   - Snacks
   - Staples
   - Cereals
   - Paper products
   - Other

11. Of the following list, what generics would not appeal to you?

   - Canned goods
   - Beverages
   - Snacks
   - Staples
   - Cereals
   - Paper products
   - Other

12. Are there any products which you would like to see offered in generic lines?

DEMOCRAHTICS

I have just a few more questions. These are not meant to be personal. I need answers to these questions to make sure I have all types of households in the survey.

13. How many people are in your household? __

14. Which of the following categories describes your age?

   - under 21
   - 21-29
   - 30-39
   - 40-49
   - 50-59
   - 60 or older

15. Which of the following is the highest level of school you have completed?

   - some high school
   - high school graduate
   - some college
   - college graduate

16. As I read a list of income categories, please stop me when I read the category that describes the total income before taxes for your household last year.

   - less than $10,000
   - $10,000-$19,999
   - $20,000-$29,999
   - $30,000 or over

That's the end of my survey, thank you very much for your help.

CALLING AND QUESTIONNAIRE COOPERATION LOG

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RESULTS

Product Awareness

After conducting the telephone survey, it is very evident that the Muncie population is highly aware of generic products. Each of the households who completed the survey were aware of generic products in order to complete the questionnaire. In addition to the one hundred households surveyed, four households were contacted who were unaware of generic products and could not complete the questionnaire. Each household that was familiar with generic products had encountered them through at least one use some time in the past or through continued current usage. The opinions given in the survey were thus based on the impression given to the Muncie consumer through past experience with generic products.

Shopping Locations

Of the one hundred households surveyed, ninety-nine percent purchase their groceries at one of the four following supermarkets: Marsh, Ross, Wise, or Eavey's. Marsh and Ross appear to be the leaders in the community holding forty-four and thirty-five percent of the grocery business respectively. Marsh does not stock many products in the true generic brand. They do carry their own generic brand which is sold under the generic Yorktown label. These products come out of the less well-known packing plants and are of slightly less quality than the Marsh brand. Vegetables, for example, are field run. They may not be of a standard size or quality rating.
The Yorktown brand as such has been in the Marsh stores for a number of years. However, when the true generic product came about, the label was changed to its present generic look. When this new look was introduced one year ago, the price dropped to compete with the true generic and Marsh used heavy merchandising techniques.\(^2\)

Ross has approached the generic product phenomena by carrying all generic products with sufficient demand from the Muncie population. Unlike Marsh, Ross stocks all generic products in a "mini supermarket" instead of spreading them throughout the store. Ross has stocked generics for the past three years and has found them to be highly successful for their business. Manager Jim Wilson feels that these products are a public necessity. Although the penny profits brought in by generics are not as great as many other products, the generic goods serve as a loss leader and bring a lot of other sales in through drawing power.\(^3\)

Shopping Expenditures

Survey results indicated that forty-two percent of the Muncie population spends between forty-one to sixty dollars a week on grocery products. The other leading category is twenty-one to forty dollars per week with twenty-five percent of the Muncie households averaging this expenditure on a weekly basis. Sixteen percent spend sixty-one to eighty dollars, ten percent spend eighty-one dollars or more, and seven percent spend less than twenty dollars.
There is only a slight significance level of these average weekly shopping amounts to the percentage of purchases which are generic. The households which tend to spend a larger amount on groceries do not seem to purchase any more generics than those who spend less on groceries weekly. Eighty-two percent of the Muncie households surveyed place less than ten percent of their weekly shopping bill with generic products. Nearly all the rest of the households surveyed fell into the next category of purchasing eleven to twenty percent generic products per shopping bill.

This survey question in addition to the cross tabulation with average weekly shopping bills shows that although the Muncie household is aware of the generic products and has tried them in the past, very few heavy users of these products exist.

Generic Consumers

Seventy-six percent of the Muncie households surveyed are pleased with generic quality. Sixty-nine percent of the households surveyed plan to continue to include generics in their weekly shopping purchases on a long-term basis.

A truly "average generic shopper" does not exist in Muncie. Generics seem to be known throughout the city, and used by all income, household size, and age brackets. As stated previously, eighty-two percent of the households surveyed spend less than ten percent of their weekly purchases on generics. Thus, the products are purchased widely but in small amounts.
Through crosstabulation of yearly income and intention of long-term use of generics, it was suggested that there is a strong positive correlation between the lower income categories and continued use of generics. Eighty-four percent of those making less than $10,000 on a yearly basis plan on making generics a part of their weekly purchases on a long-term basis. The correlation between these two categories then steadily decreases as it goes into the higher income categories. The significance level for this crosstabulation is .81.

Generic Product Image

The generic product image varies widely according to which products a consumer purchases. After purchasing an unsatisfactory product, the entire generic field of goods may be of inferior quality in the mind of that consumer.

More than two-thirds of the surveyed households have initially purchased generic goods because of the lower price factor. Sixteen percent of the surveyed households have tried generics for various other reasons such as curiosity, a friend's recommendation, or positive publicity. The price factor, however, is the largest drawing element and consumers tend to base their opinions after taking advantage of the price reduction.

On a rating scale ranging from poor to fair to good to excellent, eighty-six percent of the households surveyed rated generic quality as being either fair or good. Very few respondents had strong feelings either for or against generic product quality. This rating was given by the respondents
as an evaluation of generic quality in general. Many respondents did feel that the quality from product to product would vary by a large amount.

Questions ten and eleven on the telephone survey are meant to define what types of generic products appear to be of inferior quality in the eyes of the respondent based on past experience. The category labels used to classify the generic brand were as follows: canned goods, beverages, snacks, staples, cereals, paper products, and other products. Three of these products held a wide margin of preference over the other categories. These three products in order of preference are canned goods, paper products, and staples.

Canned goods and paper products were also at the top of the list of those products which would be least appealing to the respondent. The same list of categories was used, and beverages and snacks were the other two products which carried a higher unfavorable percentage on this list.

When asked if there were any products which the respondent would like to see offered in generic lines that are currently not offered, nearly ninety percent of the respondents were satisfied with the current product offerings, and had no desire for a wider selection. A few suggestions, however, were given. Several respondents were interested in generic toiletries and products other than grocery store items. Four percent of the surveyed households suggested that they would like to see generic meat added to the product lines.
Responses of consumers varied widely on quality ratings and product preference. These quality ratings are likely to differ because the products are packaged and shipped from many different producers. National brand manufacturers often package these products and place the generic label on the product. Food packagers must meet minimum standards in order for the product to reach the grocery store shelf. Quality of any given product is left to the discretion of the consumer, and as the telephone survey points out, canned goods are one of the most controversial items as far as quality and consumer preference is concerned.

Muncie Demographics

Due to the influence Ball State has on the Muncie population, nearly fifty percent of the respondents surveyed fall between the ages of twenty-one to thirty-nine. The larger amount of younger respondents caused the average age of the respondents to fall around thirty-five years of age. These younger respondents seem to be more familiar with generic products and more likely to have tried them. Sixty-five percent of the respondents surveyed had either completed high school or some college education. It was interesting to note that of the respondents surveyed, there were nearly as many that had not completed high school as there were respondents with a college degree.

The average income for the surveyed Muncie households was $10,000 - $19,999. The large number of students may also cause this average to be a lot lower for the Muncie community as a whole. There were nearly twice as many respondents who
made less than $10,000 a year as there were respondents making over $30,000 a year. This large number of low salaries may play a factor in the familiarity of generic goods in Muncie.

The average surveyed household size was three people per household. Significantly large percentages fell on both the two and four member households.
Generic Staying Power

The rising costs of today's economy tend to shed a better light on generic products. The products have been around long enough that a great deal of consumers, especially in Muncie, are familiar with the products and have tried them in the past.

In 1979, the staying power of the generic brand was not definite.5 Today, the staying power of the generic brand has increased. Should generics suddenly leave the supermarket shelf, the change would be noticeable and the avid generic users would become upset with supermarket management. The occasional generic user may miss the product and complain slightly, but find a replacement for the good. In either event, the generic product has taken its place on the grocery shelf and has obviously proved itself worthwhile to both the grocer and the customer or it would not have remained in the marketplace for the length of time that it has thus far.

Whether the image of generic products change in the future or not, the product concept is here to stay, and consumers will always be willing to take advantage of a price break.

Muncie Product Awareness

A Nielsen Survey was conducted in order to determine national generic product awareness. Results of this survey indicated that fifty-nine percent of all shoppers were aware of generic products.6
According to the survey conducted for this study, the generic product awareness for Muncie is more than ninety-five percent. This high product awareness in Muncie is a plus for widespread generic usage. Such a large percentage of product knowledge is unusual for a product which is plain-packaged and unadvertised. This awareness may be attributed to the fact that Muncie holds a lot of lower income, large households who are meant to be more attracted to the product.

Also, Marsh has given indirect advertising to the true generic product through the heavy merchandising of their own generic brand. Many consumers may be unaware of the differentiation between the generic product and the Yorktown brand. With the widespread product knowledge that exists in Muncie, generics should continue to be a continued grocery item.

National Brand Threat

As generics become more popular, the national brand companies who produce their own line of goods are the most threatened. Consumers are beginning to discover that many generics are packed or bottled in the same plants as these national brands. With the same product in two different packages, customers are more willing to buy the lower-priced item if they approve of the quality.

Marsh has dealt with this problem by developing their own private brand into a generic line. They can then offer the consumer a lower-priced item and keep their own line of goods on the grocery shelf.
Grocer Advantages

Although generic products may not be in high demand in Muncie, they hold a drawing power for the grocers that stock them. Supermarket leaders in the generic area would benefit the most because they would hold a unique product in the community. As more grocers get into the practice of stocking generics, they become a more common item which grocers stock in order to remain competitive. If a customer is out to save money, they will go to a store which carries generic lines, and may also purchase other needed items such as product or meat at that same supermarket. Thus the penny profits brought in by generics are increased as they become a loss leader for the generic-stocked supermarket.

Consumer Quality Rating

As pointed out in the survey results, the majority of the Muncie households surveyed rated generic quality as being fair or good. This rating shows that the Muncie consumer has no strong feelings toward either end of the scale when considering overall generic quality.

This indifferent attitude is also shown through the low percentage of generic items purchased in the Muncie community. The consumer seems to be willing to purchase the products only because of financial benefits and not for outstanding taste, nourishment, or performance.

Health Push

As the economy moves in a direction that causes people to watch their expenditures, a simultaneous trend is occurring
which may not agree with saving money. This is the trend toward nutritional information, natural foods, and physical fitness. People across the nation are becoming more aware of their bodies and how to maintain good health. As this trend increases, generics will be put to the test. Consumers will need to draw the fine line in their own mind of how much quality they are willing to sacrifice for the food or products used to benefit the health of their household.

Future of Generics

Each consumer may live a much different lifestyle on the same amount of income. Americans have developed image products which they buy in order to give them an improved psychological image. A quality image is important to Americans at the present, and the generic quality image may need to be upgraded in order for the line to maintain its past success.  

As prices continue their steady climb and the rise of incomes is not consistent, generics will increase in popularity and become a more commonly purchased grocery item. The brand of food purchased by a consumer is not a visible image which is conveyed and the consumer is likely to pinch pennies with grocery products in order to spend more on publicly visible goods. Muncie, with its high unemployment and large share of college consumers should be no exception to this rule. The generic product in Muncie, although currently it does not appear to be in high demand by each household, will become a common everyday item for many more Muncie households in the future.
The following people are thanked for their assistance and advice throughout the conduction of this study and the compilation of the results:

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FOOTNOTES

1 George Lazarus. "Generic Label Carving Place on Grocery Shelf," The Chicago Tribune, May 9, 1979, Business Section.

2 Mr. Wayne Cheeks, Manager, Marsh Supermarket Northwest Plaza, Personal Interview, October 19, 1982.

3 Mr. John Wilson, Manager, Ross Supermarkets, Personal Interview, May 12, 1983.

4 Ibid.

5 George Lazarus, Business Section.


7 George Lazarus, Business Section.

8 "Buyers Mix Generics, Quality," Advertising Age, August 20, 1979, p. 3.
"Buyers Mix Generics, Quality," *Advertising Age*, August 20, 1979, p. 3.

Cheeks, Wayne, Manager, Marsh Supermarket Northwest Plaza, Personal Interview, October 19, 1982.


Lazarus, George, "Generic Label Carving Place on Grocery Shelf," *The Chicago Tribune*, May 9, 1979, Business Section.

Wilson, John, Manager, Ross Supermarkets, Personal Interview, May 12, 1983.