

## Study: 'Generic' brands save you money, even if you don't buy them

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(PhysOrg.com) -- A new study from the W. P. Carey School of Business suggests the simple presence of the store brand can save you money at the grocery store, even if you don't buy it.

People are especially interested in [saving money](#) at the [grocery store](#) now, due to the rough economy. Most know that buying the store brand or private label, also known as the “generic brand,” can save you cash. However, a new study from the W. P. Carey School of Business at Arizona State University suggests the simple presence of the store brand can save you money, even if you don't buy it.

“Consumers benefit because the whole idea is for retailers to provide a value option to customers,” says Professor Timothy Richards, the Marvin and June Morrison Chair of Agribusiness and Resource Management at the W. P. Carey School of Business. “Also, when grocery stores offer these competitive store-brand products, it forces the brand-name companies to lower the wholesale prices they charge the grocery stores. Part of the savings is then passed on to the customers who buy the brand names.”

The new research by Richards and his colleagues is being published in the Journal of Agricultural and Resource Economics. The study notes that private labels now account for almost one quarter of all [consumer spending](#) on food, beverages and personal care items. It also explains that the more similar the “generic” product is to the brand-name offering and the closer it is on the shelf, the more profitable the sales are.

The study also says private labels are becoming a more common way for grocery stores to differentiate themselves in a crowded industry. If they offer really great store brands, they may keep customers coming back. Richards says Safeway grocery stores, for example, have done an excellent job creating and promoting store-brand products, which now account for about 25 percent of the stores' total sales.

“Many stores also offer good, better and best labels, like a super-premium brand, to help cater to a wider variety of consumers,” says Richards. “All store brands offer the grocery chain a higher profit margin than the brand-name products.”

Richards explains that often the private label products are identical to the brand-name versions, even created in the same manufacturing plants when brand companies have spare capacity to cheaply rent out.

While the new study focuses on private label ice cream as one type of very successful store-brand product, Richards says his findings translate to all types of items, including cereal, dairy products, condiments and soda, that are also popular store-brand segments.

Provided by Arizona State University

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