Marketing History -- Its Many Dimensions

Proceedings of the Fifth Conference on Historical Research in Marketing and Marketing Thought

Held April 19, 20, and 21 1991 at the Kellogg Center of Michigan State University

Sponsored by the Academy of Marketing Science and Michigan State University Graduate School of Business Administration

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BLIND SUBSIDIARY LABELS...WHY THE COVERUP?

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ABSTRACT

This paper traces the private label branding practices of three major supermarket chains from the 1950's through today. The practices described were discovered through systematic observations taken by the writers over a period of four decades. What appears to have happened is that some of the chains have gone from an initial strategy of hidding the common source identity from the shopper to family branding and back to hiding behind a "blind subsidiary" label.

Safeway's private label history in the early 1950's consisted of three grades, a premium brand, a discount brand, and a price brand. As many as 450 labels were used. During the 1950's a decision was made to utilize a family brand on a product category, such as frozen vegetables or fruits. This practice soon spread to virtually every product category with Town House becoming their most widely recognized brand. Additionally, the Safeway circle "S" logo was placed on their private label goods and the name Safeway Stores, Inc. was given as the source. The total number of brand was reduced from 450 to 30 over the decade.

Within the past five years a new blind subsidiary, a company named Glencourt, Inc., Walnut Creek, California has begun to be used. No association is made with Safeway, although this is a registered trade name that has long belonged to the company. The products that are bearing the new blind subsidiary are all of lower quality than the first quality Safeway identified goods.

Safeway 's Canadian branding practices indicate an across the board move to the use of a blind subsidiary of Empress Food, Vancouver, B.C. The maple leaf "S" logo is being taken off of the labels gradually. The generic branded products have had the Scotch Buy brand removed. In general, the Canadian stores appear to be reducing the number of separate brand names and the association with Safeway through the use of a blind subsidiary.

Kroger, which adopted the family branding strategy first, has also gone through changes similar. A new name of Inter-American Foods, Cincinnati, Ohio is given as a source for both their Embassy branded goods and their generics. Other blind subsidiaries are being used for other products that were never clearly associated with Kroger by most customers.

Winn-Dixie uses different names to identify sources, depending upon the product type and the region where the product is sold. A&P has not appeared to have adopted the practice, although they have recently begun to sell some of their private label goods, especially their bean coffee to other food chains.

In conclusion, the writers find that the branding practices have come full circle from a position of not identifying the source, to fully identifying, back to the use of a blind subsidiary. The number of items contained in family brand category remains relatively larger to obtain economies in promotion, but the source is covered up by a blind subsidiary. The reasons for the return to a blind subsidiary are either: a. the fear that there will be a generalized substandard quality image carry over that would impact all store brands, or b. a possible means of avoiding law suits directed against a "deep pockets" defendant. Since a diligent investigator could soon penetrate the cover of a blind subsidiary, the researchers assume that the chains are attempting to minimize impact to their brands' image.