7 Brands in Chains

Paul Duguid

Typical brand wars of the industrial era include titanic confrontations such as GM v. Ford v. Chrysler or, in consumer goods, Pepsi v. Coke. In the late 1990s, the ‘new economy’ sector of personal computers (PC) produced a comparably aggressive war in which Microsoft, Intel, and Dell poured millions into their advertising budgets in the hope of being recognized as the premier PC brand. A moment’s reflection reveals something distinctly different about that last grouping. Although certainly another battle of giants, it was, in one way at least, quite unlike the battle between the ‘big three’ car manufacturers, for Microsoft provides software and Intel provides microprocessors for Dell computers. These three live in the same supply chains; GM, Ford, and Chrysler do not. Microsoft v. Intel v. Dell was, nonetheless, a brand war, this chapter argues, because brands play an important role in the ‘vertical’ competition (Bresnahan and Richards 1999) between complementary firms within a supply chain. Within chains, that is, firms that must cooperate often engage in a struggle against one another both to control and to resist being controlled. Thus, certain supply chains may be quite as predatory as the food chain, for the spoils from these ‘zero sum’ supply chain struggles are significant. For the victor, they may produce increasing returns; for the loser diminishing returns. This chapter sets out to explain how these struggles develop and what part brands play in them.

In the car industry, it would be absurd for the suppliers to wage a brand war against the car companies. In the PC world, things are evidently different. Yet, vertical competitions between partners who must cooperate are not another unprecedented outcome of the ‘digital revolution’. On the contrary, such struggles have intriguing historical precedents. If we have failed to notice contemporary vertical brand wars, it may be because we have failed to see the historical ones. And the historical wars have been hard to see because we tend to take both supply chains and brands as relatively modern phenomena. ‘Modern’ brands are said to have arisen with the Chandlerian, hierarchical corporation (Wilkins 1994); the supply chain with its fall (Womack, Jones and Roos 1991). In what follows, I assume that both brands and chains are older and more connected than is generally
assumed. A look at historical examples suggests that vertical struggles over branding or naming are likely to be particularly fierce in disaggregated supply chains that emerge as previously stable institutional arrangements collapse, especially in cases where resolving quality is an important but problematic issue. The PC chain meets both those conditions.

To make my case, I rely on three vignettes drawn from across a rather longue durée. I first explore the struggle in the PC chain a little further. This example shows that, even when struggles in chains are acknowledged, the contribution of brands is generally overlooked. I then look at the much earlier struggles of the book supply chain before modern copyright (roughly 1500–1710) and suggest that the emergence of the author’s name as a kind of brand of authenticity was the surprising outcome of a vertical struggle. From there, I go to the supply chain for wine in the eighteenth and nineteenth century and argue that the label on the bottle was the field for a fierce vertical skirmish. By this odd route, I return to the PC chain to explore its genesis and development a little more closely. In conclusion, I argue that, although the differences between my cases in time and type are stark, a set of common issues clusters around the challenge of how—and by whom—quality is signalled to consumers. Comparing the three, we can see ways in which, within chains of complex goods (goods whose quality is not easily assessed by the buyer at the moment of purchase), there are struggles among the links to be the one that stamps quality, reliability, authenticity, and the like on the chain as a whole. In some cases, an institution plays the branding role and submerges rivalry by taking the major links inside a hierarchical organization. Without such an institution, chains have to achieve the same result. One way for this to happen is for one link to dominate. Thus, one way to see vertical struggles emerging is to look at situations in which hierarchical organizations, for one reason or another, collapse. This is a common element in the examples I have chosen.

STRUGGLES IN THE PC CHAIN

Supply chains readily appear as, on the one hand, revolutionary (Womack et al. 1991), and on the other, equitable arrangements of the modern economy. Fruin claims that chains offer ‘the benefits of vertical integration without the disadvantages’ (Fruin 1992: 259). Fruin’s rather idyllic picture raises the question of whether such supply chains have simply made disadvantages disappear and, if not, where do they go?23

As Langlois (1992) notes, supply chains are critical to the production and distribution of the PC. That there may be disadvantages seems particularly likely in the case of these chains. Moore’s (1965) ‘law’, for instance, suggesting that the cost of computers halves every 18 months, implies that the risk of holding PC inventory is potentially disastrous. And major high-tech firms have come close to disaster through poor inventory management.
Dell stumbled badly when it found itself overstocked with underperforming chips in 1989 (Koehn 2001). The same year, AMD, a chip-making rival to Intel, was similarly caught and pummelled for holding depreciating inventory. Even Cisco, a poster child of the ‘network organization’ (Castells 2002), was forced to face down embarrassment and write down $2.25 billion of excess inventory in 2001. ‘Any strategy decreasing the holding period for inventory’, Curry and Kenney argue about the PC sector, ‘makes an immediate and significant contribution to profitability’ (Curry and Kenney 2004: 124). One successful strategy involves persuading others to hold inventory for you. Koehn (2001) applauds Dell’s ability to do this, but she does not explain who holds inventory for Dell, nor, given the loss-making potential of inventories, why they hold it. As the major firms pass high-risk inventory into the warehouses and onto the books of their suppliers (who nonetheless must supply parts ‘just in time’), it would seem that some links in a chain are more powerful than others.

Furthermore, although some firms shed risk, they, nonetheless, manage to hold onto returns. Take, for example, one critically important component of the PC chain, hard disk development and production. The disk sector would figure high in any technological meritocracy. McKendrick describes it as ‘among the most technologically innovative industries of the last fifty years’, and the disks themselves as ‘among the most valuable and technologically dynamic components of the computers that Dell and other PC manufacturers make’ (McKendrick 2004: 142). In 2000, the last year of the ‘dot com’ boom, the six major suppliers of this central component for the PC collectively made 196 million disks, according to McKendrick. More remarkably, however, they collectively made no profit. By contrast, Dell reported profit margins of 7, Intel 13, and Microsoft 31 per cent. Indeed, Curry and Kenney report that Microsoft and Intel, alone, ‘capture as much profit as all the other firms in the PC industry do’ (Curry and Kenney 2004: 132).

Disk drive manufacturers remain subordinate partners in the chain. Their history of greater losses and lesser profits through bad times and good suggests, in response to Fruin’s sunnier picture, that disadvantages are less likely to disappear than to be displaced along the supply chain to weaker partners. These end up carrying the depreciating inventory, idle capacity, and thinner margins for stronger partners, who capture the chain’s profits. ‘Virtual’ integration, as Dell calls it—in invoking one of those magical dot com terms—may not make the problems of vertical integration completely disappear. It merely puts them, from Dell’s perspective, out of sight and off the balance sheet.

The disproportionate profitability of certain links in the PC chain and the inequitable distribution of risk and return suggests that power, too, is not evenly distributed among the partners in a supply chain. This is not entirely surprising. Chains, by definition, are not perfect markets, a standard mechanism for apportioning risk. Richardson (1972) noted how,
supposedly, market relations can, in practice, be much closer to conventional hierarchical control (or ‘direction’ as he put it) than to the market. Richardson is relatively silent, however, on what can make the sorts of relations found in supply chains tilt from market towards direction (or vice versa). In certain chains, I suggest, brands help to allocate power.

Yet, even when supply-chain tensions are acknowledged, brands are not part of conventional explanations. Supply chain dominance by Intel and Microsoft, for example, is explained by Gawer and Cusumano (2002) as ‘platform leadership’ in a technological meritocracy. Such an explanation makes the billions Intel spends on marketing seem utterly wasteful. Certainly, when Intel introduced its brand, many thought the idea absurd. Yet, as I try to show in what follows, Intel’s marketing largesse may have been the firm’s wisest investment since developing the microprocessor. In a world where technological absolutes like the gigahertz and megahertz have become puzzlingly variable and, more generally, where signalling superior quality to the consumer is an art, it may be the art of branding, as much as technological merit, that wins.

At this point, you might ask yourself if you know who made the disk drive in your PC. But before we look further into PC technology, I want first to look back to earlier technologies of the book and the bottle, where the currency of names is better recognized and the distribution of power underwent significant historical shifts.

**BOOKS IN CHAINS, 1500–1710**

The great Whig historian, Macaulay, saw the end of press licensing in 1694/5, as a critical moment in the march of democratic progress: ‘What a revolution they were making, what a power they were calling into existence’, he wrote of Parliament as it unleashed the press. The event itself lacked commensurate grandeur: Macaulay had to confess, ‘On the great question of principle . . . not a word was said’ (Macaulay 1969 [1855]: IV, 122–123). Indeed, the event was less the triumph of good over evil than a standoff, following the collapse of its old regulatory structure, among what Williams (1961) describes as ‘residual, dominant, and emergent’ forces—a standoff, that is, between old and new links in the chain that brought books into production and out to the market.

By the 1690s, rapid developments in the press, both as a technology and as an institution, had left most interested parties—religious, political, industrial, and cultural, as well as ‘the reading nation’ (St. Clair 2004)—unsure where their interests lay. Among the rising ‘interests’ of the day, parliamentary politicians, who had the power to reimpose the old press restraints, recognized that all political quarrels—theirs, as well as those of their enemies—were mediated through the press (or pressed through the media) and if controls would work to their advantage while they were ‘in’,
controls would be to their disadvantage when they were ‘out’. At the same time, the Stationers’ Company, hitherto the government’s proxy means of press control, was having trouble subduing rebellion against what Milton called ‘the old patentees and monopolizers’ (Milton 1956: 505). Old settlements were coming apart under new pressures and, with most parties less willing to concede defeat than claim victory in what probably appeared as a zero-sum fight avant la lettre, print regulation entered an interregnum that lasted until 1709/10.  

Since Gutenberg, and until this point, governments throughout Europe attempting to control the press had usually co-opted printers to help them. The English Crown granted its first press patent in 1518, but, progressively overwhelmed by the growth in patent application, delegated controls. In 1557, the Crown chartered the Stationers’ Company to regulate ‘the mystery and art of stationery’ (Blagden 1960: 19). Children of Adam Smith, we often think of the division of labour as a progressive affair—the solitary pin maker becoming an extended pin factory. In fact, new technologies often concatenate preexisting practices into new networks. This was the case with printing. The Company formalized a set of guild relations extending across the book trades and back well before the era of print. The new settlement included, as Johns has showed, ‘binders, stitchers, concealers, sellers, publishers, and dispersers’ (Johns 1998: 159), who had worked with ‘scribeners’ and ‘writers’ long before printing. On the other hand, those who did try vertical integration with the help of the new technology soon turned to chains. Caxton, the first English printer, had also been publisher, importer, and seller of his books. But as Blagden argues, ‘economic pressure forced all but the wealthiest printers to limit their activities’ (Blagden 1960: 24) and to work cooperatively within chains, which, at first, the printers with their new technologies more or less controlled.  

Soon after the chartering of the Stationers’ Company, individual stationers were granted patents not merely over individual books, but over classes of books—law books for one, psalters for another, music for a third, and so on. Such properties were valuable and, here and elsewhere, a market quickly developed trading rights that reflected the supply chain in books. A printer might hold the printing right but sell the right to the ‘publisher’s profit’ to an ‘undertaker’, who might cede distribution rights to a bookseller and network of chapmen. As rights devolved and rents accrued, the Company developed significant internal tensions among the different trades over how profits were dispersed. Holding uneasy relations together, however, was the collective and extremely lucrative Company ‘stock’, in which members could buy shares and, occasionally, buy off dissent with a subcontract or a grant for the ‘benefit of the poore’ (Blagden 1960: 75). The Company controlled the stock, but with returns as high as 12 per cent over many years, challenges inevitably arose over who controlled the Company (St. Clair 2004: 59). In time, despite their name, the booksellers absorbed the publishing role of ‘undertakers’, yet kept a grip on the distribution network. So
doing, they presented their rivals for control, the once powerful printers, with something of a supply monopoly and a distribution monopsony. The Company consequently presided over a growing rivalry and needed both its rents and political power to control the tensions.

The onset of the English Civil War (1641–1642), ending licensing and the old monopolies, disturbed this arrangement. Printers found new sources of capital and copy from the proliferating opposition groups and built their own distribution networks of hawkers and mercuries to circumvent the booksellers and their chapmen. But Parliament—as fearful of radicals as of Cavaliers—soon restored the old privileges. With these, the prior settlement returned, giving control over the trade primarily to the booksellers. The Licencing Act [1662], which followed the restoration of the monarchy, managed to maintain the trade’s power and subdue its internal struggle, but the Act had to be renewed every five years, so when Parliament failed to renew it in the tense political struggles from 1679 to 1685, during which the king learned to use the unlicensed press in his favour much as it had been used against him earlier (Harris 2005), the settlement was upset once again. At the low end of the market, a flurry of newspaper and ballad publishing developed outside the control of the Company and Parliament. But at the high end, entrepreneurial booksellers, learning perhaps from the resurgence of the printers in 1642, developed a different tactic that relied less on the statutes of the old Company. In particular, they formed strong financial alliances, or ‘congers’, to buy up rights in copy, to control distribution, and to project themselves as the public face of respectable, quality publishing. Once again, master printers faced a future as journeymen if they did not stand up to the booksellers and make their mark.

Though the printer was instrumental to the process of publishing (Maruca 2007), the printer’s name dropped from significance on title pages with increasing frequency, and was rolled into the phrase ‘printed for’. The word printer came to designate the job of a mere mechanic, the word bookseller came to designate little more than the seller of books, and the word publisher was reserved for a new link that mediated between printer and bookseller and, directly or indirectly, represented the text to the reading public. By the end of the seventeenth century, congers of bookseller–publishers controlled the most lucrative ‘copies’ and, in the marketplace of books, represented in their names quality to the public. Jacob Tonson advanced his famous ‘list’ of great writers, from Benn, Congreve, and Dryden, among the living, to Jonson, Milton, and Shakespeare, among the dead, with his family name. With it thus well established, he could then use his name to provide warrants to the public for less famous authors and stables of anonymous editors and translators. The maverick publisher and editor John Dunton had once written about Richard Chiswell that ‘His NAME at the Bottom of a Title Page, does sufficiently recommend the Book’ (quoted in Johns 1998: 147). This sort of branding was not limited to warranting reliable editions of ‘quality’ literature. At the more dubious
end of the trade, publishers signalled different kinds of literature—salutary, salubrious, and salacious—to different niches. In the early years of the eighteenth century, the dubious Edmund Curll had, as a recent biography has noted, ‘worked to develop [his] modest toehold into something like a brand name, using energy and initiative to surf the wave of literary and political events, inciting and profiting from controversies political and local, packaging every kind of textual scrap into what he hoped would prove desirable commodities’ (Baines and Rogers 2007: 24).

In this complex chain of cultural production, the author seems surprisingly unimportant. Indeed, once the copy was surrendered, the author, in general, made little further contribution. Except for the classical authors and the most famous of contemporary names, authors were generally ‘fee-paid contractors’ (St. Clair 2004: 145) to the booksellers—to whom even the famous authors were significantly beholden. ‘The Stationers made “Shakespeare”’, Erne reminds us, and lesser authors generally felt lucky to be used, let alone made (Erne 2003: 73). Given their profession, authors were not, of course, entirely silent about their subordination. George Wither (1624) launched a suitably withering early attack on the system, and in 1644 the poet John Milton raised the authors’ flag again in Areopagitica (1956), another high point in the defense of authorship. This appeared without the name of printer or bookseller on the title page. When Milton portrays the Catholic authors as pressed beneath the weight of licenses, it’s not hard to sense that he feels the weight of the booksellers pressing at the bottom of English title pages: ‘Sometimes 5 Imprimaturs are seen together dialogue-wise in the Piazza of one Title page, completing and ducking each to the other with their shav’n reverences, whether the Author, who stands by in perplexity at the foot of his Epistle, shall to the Presse or to the spunge’ (Milton 1956: 469).

Authors were not to stand by for much longer, though their final, central role was more thrust upon them than achieved by their own hand. As the printers and booksellers fought one another to a standstill, the author, to the surprise of many (authors included), emerged with the prize from the Statute of Anne [1709/10] as the presumptive bearer of copyright. But much as the end of licensing was anticlimatic, so was the emergence of the author. Though authorial rights were championed by such as Locke, Defoe, and Addison, and naturalized by history, the Statute was less the recognition of the significant signifying name in the chain than the acceptance of a compromise candidate in the battle waged by the Crown, Parliament, publishers, booksellers, and printers to regain control over printing. Each was probably more determined that their opponent would lose than that they would win. The publisher–booksellers, in particular, felt less threatened by victory for their subordinate partner, the author, who was beholden to them for their fame, than by the return of either licensing or the Company. To resolve the struggles that had raged within and over the print supply chain since 1694/5 and so to help stabilize the chain once again, power devolved to a new and comparatively neutral figure. To most contemporaries, the
author did not seem then, as he or she does today, the rightful owner of this property. (Attorney General Thurlow would sum up the ‘Statute of Anne’ when arguing the famous case of Donaldson v. Beckett [1774] as ‘a new law to give learned men a property they had not had before’; quoted in Loewenstein (2002: 15).) Rather, this copyright-owning author was little more than ‘an instrumental convenience in regulatory struggles carried on within the book trade’ (Lowenstein 2002: 49). The author, as Chartier concludes, was a proxy deployed by the booksellers:

The only way that the booksellers . . . could reassert their traditional ownership was to plead for the recognition of the author’s perpetual right . . . Thus, they had to invent the author as proprietor of his works. Chartier (2003): 17.

Though given title to a key asset in the chain, the author’s name did not immediately rise to authenticate the chain in the way it does today. Booksellers were given continuing rights in the copy they already held. That of dead authors did not expire for 21 years; that of the living was renewable for two terms of 14. And following 1731 and 1738, many booksellers simply ignored the Statute of Anne and the author, claiming that common law rights made their copy ‘eterne’ (as Shakespeare had once hinted) and relying on congers and capital to help enforce their case (Deazley 2005). It took the (surprisingly narrow) decision in Donaldson v. Beckett, a battle among booksellers, to deny this claim. But by then, the publishers had turned once again to their collaborative congers, raising through them large sums to publish fine editions whose claim to ‘quality’—to be complete, correct, authentic, or authoritative—was, in part, an attempt to stamp the publishers’ old authority on the chain in spite of the authors’ due or the public domain, and so to retain control of a disaggregated chain.

The strategy met with a certain success, though with the rise of Romanticism it became increasingly difficult to erase those authors’ names that had, in Shakespeare’s words, ‘become a brand’. Even today, the struggle between author and publisher remains one that is resolved differently in different chains. Publishers are still instrumental in the achievement of celebrity, making names; though, in most cases, once that is achieved, the author takes over the signifying power (hence publishers’ contracts tend to include first-refusal on succeeding works), an intricate and unstable relationship suitably captured in the intricate prose of Henry James:

He was Lambert Strether because he was on the cover, whereas it should have been for anything like glory, that he was on the cover because he was Lambert Strether. James (1962 [1903]): 54

It may seem like postmodern nihilism to deny authors their due as the creator of the work of art and so as the dispositive name in this cultural supply
chain. Yet, we do not need to move far from the novel and the monograph to see how limited the author’s warrant is. Most of those who cannot remember the name of the disk drive in their computer probably cannot remember the author of the last film they saw or television programme they watched. Though these forms are close to books in the way they are created, produced, and distributed, the author’s warrant rarely extends to them. In these chains, actors, networks, production companies, or performers often provide the name that brands and, by extension, controls the chain. Indeed, a struggle over who controls the chain in Hollywood precipitated the writers’ strike of 2008—and it is a fitting reminder of a struggle extending back to the early modern period that the writers’ union is still called a ‘guild’ (Cieply 2008).

Overall, the example of publishing suggests that when relatively stable, integrated, but also lucrative, settlements like the Stationers’ Company fall apart, disaggregated supply chains will develop. And when quality is a problematic issue in these chains (over, in this instance, what is a reliable, trustworthy text), battles will develop over who can best assure the consumer and, in so doing, brand the chain. The battles can be fierce because the victor tends to accumulate rents commensurate with recognition. Out of this struggle in the book chain, the modern concept of the author, which seems quite natural and obvious today, emerged as an important, though not necessarily dominant, signifier. The struggle, I’ve suggested, is a ‘zero sum’ game, because those who do not control the chain will tend to be subordinated and controlled by those who do. Something similar, as we shall see, happened in the otherwise dissimilar chain that brought wine to British consumers in the eighteenth and nineteenth century.

WINE: TRANSNATIONAL TRADE IN CHAINS, 1700–1880

In 1874, an English journalist writing about the wine trade suggested that 1860 was the year of the ‘disestablishment’ of port wine (Turner 1874: 598), acknowledging in the comment that Portuguese wine in general, and port wine in particular, had benefited greatly from British foreign policy. As policy changed, so the wine trade was forced to change too. Port’s establishment had lasted a long time and produced a lucrative international trade. Its disestablishment led to long-distance fights among what had formerly been relatively quiescent trading partners.

The chain was set up at the end of the seventeenth century as souring Anglo-French relations led to repeated embargoes against French wine in England. As a wine-producing country possessing good relations with the British government and good access for British merchant vessels, Portugal was an obvious place to turn to meet demand. It was always likely that a fickle market would turn back to French wine whenever peace was restored, but diplomacy and politics gave it a surer foothold. In 1702/3, the Methuen
treaties between Britain and Portugal sought to lure the latter into alliance against France. The third, commercial treaty promised that Portuguese wines would be taxed at a rate one-third that of French wines. In return, the Portuguese agreed not to inhibit imports of English woollens with sumptuary laws. This treaty was threatened in 1713, when the British and French negotiated their own commercial treaty. An Anglo–French treaty seemed likely to succeed until it was pointed out that such an agreement would negate the Methuen Treaty. To the extent that negation threatened Portuguese wine, the loss of the treaty was not politically significant. But when the Portuguese hinted that they would retaliate by blocking English wool, Portuguese wine found it had widespread support, from England’s landholding sheep barons to shepherds, wool carders, and stockingers. The Anglo–French commercial treaty was defeated. In the process, wearing wool hats and drinking port wine became patriotic, anti-French symbols. Port became ‘the Englishman’s wine’, embraced even by Jonathan Swift, who encouraged true patriots to

Bravely despise Champagne at Court  
And choose to dine at home with port.

Swift (1937) vol. II: 487

When port’s reputation fell in the 1750s, the Portuguese government moved quickly to stabilize this important trade. In 1756, it created a quasi-government monopoly, the Wine Company, to oversee port production and exports. This was a remarkable body with powers not only to search and seize (much like the Stationers), but also to confiscate and exile (and, in extremis, to hang). The Wine Company demarcated a port wine region and set controls over every link of the wine chain from the planting of vines to the export of wine. So doing, in tandem with the Methuen Treaty, the Wine Company helped to secure an international supply chain in which Portuguese farmers grew the wine, British merchants exported it, and wine merchants in England imported and distributed it. Though the British complained about the Wine Company, which undoubtedly was draconian and capricious, under its rule they nonetheless managed to form a small, tight oligarchy that controlled up to 80 per cent of the market for English wines. Under Company rule, the wine regained its reputation and its hold on the British market.

This wine supply chain worked effectively until the Napoleonic Wars. During this period, shipping was disrupted, but the greater threat came in the rapprochement between Britain and France that followed. Developing closer relations with France, Britain no longer needed Portugal as either a diplomatic or a trading partner. French and Spanish wine began to rival Portuguese wine in the British market, with the help of new advertising and marketing techniques. In 1834, following the Liberal victory in the Portuguese Civil War, the long unravelling of the Wine Company’s power began,
leading to its final dissolution in the 1860s. An increase of competition in Britain accompanied a loss of regulation in Portugal.

As wine consumption in Britain grew and the market expanded, the gullibility of new wine drinkers met the cupidity of wine merchants. Wine in general, and port in particular, were threatened by fabrications. Wine claiming to be port came not only from southern France and southern Spain, but also from the East End of London, where dreadful concoctions of spirits and colouring, occasionally spiced with alum and sulphuric acid, entered the market. Unscrupulous merchants found it easy and profitable to pass off elaborate but cheap confections as simple, but expensive, wines. High-end wines can make judging quality and price difficult.⁴ Port, in particular, is problematic, because it is hard to predict how young or recently bottled wines, which tend to be harsh and crude, will taste when they are settled and ready for drinking. The better it tastes when young, the more reason to be suspicious; though, of course, wine that tastes foul may remain foul. As the great scientist Robert Boyle suggested, even sophisticated consumers may need an expert to judge for them: ‘Epicures themselves in the choice of Wines, do oftentimes desire the Skillfull to Tast these Liquors for them, and relye more on the Palates of Others than their own’ (Boyle, Papers, quoted in Shapin 1994: 219). The role of the experts was, then, a powerful one, and brokers who were as honest as they were skilful were hard to find. Even in the trade, skill was contentious, as demonstrated by the following note of 1793 from a wine exporter in Porto to an English wine merchant who had complained about a consignment of wine:

The wines you mentioned could only at present be fit to put in the bottle not to use. We therefore persuade ourselves that the judgment found was premature. . . . We therefore request of you to suspend your opinion until they have had more time to mature.¹⁵

In the early nineteenth century, with new merchants setting up all the time, not only was skill elusive, as this letter suggests, so was honesty. Wine merchants formed a suspect profession. In 1815, one member of the port trade called them the ‘most rotten set in London’. ‘No branch of trade is prone to the practice of more chicanery and fraud than that of wine dealing’, he continued, pointing out that the trade was prominent among lists of gazetted bankrupts.¹⁶ Faced with a growing crisis of quality, the port trade needed a means both to control its supply chains (particularly those links that were engaged in the fabrications) and to signal quality and reliability to consumers if it was to survive. Traditionally, wine was sold under the name of the merchant, who, by default, branded the wine. From the seventeenth to the early nineteenth century, it is overwhelmingly the merchant’s name that appears in advertisements for wine. Changes in advertising practices for alcohol
during the nineteenth century suggest that these names no long carried weight. Wine merchants tried to bolster their own names with others that were more reliable. After soliciting testimony from customers and scientists, they turned to their suppliers, whose reputation seemed less tarnished.

Since the early eighteenth century, wine had been advertised as ‘neat as imported’, to indicate that the importer had not blended the wine when it was received. Blending could be legitimate (port, after all, is a blend of wine and spirits), but the distinction between blending and adulteration was often a fine one. The claim ‘neat as imported’, occurring repeatedly in eighteenth-century advertisements, suggests that customers preferred wine merchants to leave what they received alone. By implication, it seems that the consumer had more faith in the honesty of the exporter than in the importer. Faced with a lack of confidence from their customers, British wine merchants seem to have put forward the names of these previously unknown, and so unsullied, suppliers to shore up credibility. As one London wine merchant stated abjectly in testimony about the genuineness of his wine before a parliamentary committee, ‘We rely upon the respectability of the house that ships them; we have no right to argue anything else’ (House of Commons 1852: 440). Before too long, even quality merchants—those that served the carriage trade and were reluctant to advertise at all—started using the names of their suppliers. Hedges and Butler, a venerable merchant, began to note, for example, that the port it sold was ‘Sandeman’s shipping’. But, in highlighting their suppliers’ names, the wine merchants were simultaneously subordinating their own. With Sandeman’s name as a warrant, consumers might now shop for Sandeman’s wherever it could be found, thereby undermining not merely Hedges and Butler’s clout, but also its very purpose in advertising. Rising from obscurity to prominence, though not through their own entrepreneurial activity . . . these new names (like the authors’ names a century before) unsettled the established balance of power in the old chain and set newly identified links against old.

As they saw their names subordinate the formerly dominant British retailers downstream, the exporters also discovered that the way port was made helped them to resist subordination by all but the most powerful names from upstream. Most port reached Britain as a blend created by the exporters from the output from several producers. Thus, although the producer’s name possessed a lot of authority in French wine, the process of blending in Portugal effectively dissolved the names of the port producers and gave distinction to the name of the exporter. The resistance to blending in England also put power in the hands of the exporter. Sandeman’s 1834 was distinct from Offley’s 1834, because Sandeman had blended it. Although those who liked Sandeman’s blend were no longer confined to Hedges and Butler, they were confined to Sandeman. Against this strong point of the chain, only very well-established wine producers in Portugal or wine merchants in Britain managed successfully to oppose their own name.
In sum, as the institutions that helped construct the port-wine supply chain crumbled, actors in the chain itself—faced not only with their ‘disestablishment’ but also with aggressive competition from champagne, burgundy, Bordeaux, and sherry—struggled for their collective survival. Collective danger did not produce a wholly cooperative response, however. Rather, it revealed internal tensions over names and trademarks, which the courts in Britain, and eventually Parliament, were increasingly willing to protect. Brands became a means for one firm in the chain to subordinate, in a quasi-hierarchical fashion, other links, even though they had no formal control over them. All but the best retailers in England were forced to advertise others’ names, and thereby subordinate their own, while paying for the privilege. At the other end of the chain, all but the best wine growers in Portugal gradually became contract grape farmers, whose produce was bought one year and disdained the next.

The rise to prominence of the export names represents a critical shift in signifying power, which had previously rested almost entirely with wine merchants. Gradually, this power was transferred up the chain to their historically more reliable suppliers, the exporters, who, in turn, subordinated their suppliers, the winemakers in inland Portugal. The geographic distribution here indicates how the power inherent in a trademark can work along supply chains and over geographic distances, allowing some to dictate terms—in a way closer to ‘direction’ than to the market nexus, as Richardson (1972) puts it—to other links over which they have no formal control and from whom they are separated by large distances. The power of names to signal quality and exert authority across distances became particularly clear in the nineteenth century.

One problem with this argument is that ‘modern brands’ have not yet appeared in economic–historical theory. In the Chandlerian tradition, brands are purported to be the product of the modern corporations that arose towards the very end of the nineteenth century, after the landmark trademark legislation of the 1860s and ’70s, and supply chains are generally deemed to arise with the fall of the Chandlerian organization. Of course, supply chains did not only succeed the integration of business organizations, they also preceded it. And legislation did not so much bring modern branding practices into being as respond to practices that had become well established through the support of common and equity law. Equity courts, in particular, had acknowledged a right to trademarks for some time before laws were written. A detailed look at court cases reveals two intriguing points. First, in ‘reported’ trademark cases (that is, in the precedent-setting cases), alcohol is second only to medicines in the number of cases fought. (As medicines in the nineteenth century were usually laced with alcohol, it may be fairer to lump the two into a single category.) Thus, it would not be unreasonable to assume that alcohol cases represent dominant trends in case-made law. Second, a review of alcohol trademark cases of the third-quarter of the century reveals that a minority (seven out of 60)
Brands in Chains

were canonical brand fights between like companies (Duguid 2003b). Bass did not fight with Guinness, Veuve Clicquot did not fight with Moët and Chandon, Hennessy did not fight with Martell, though all these companies litigated actively over marks—Hennessy, more than any firm from any sector. Rather, they fought with their suppliers and their distributors up and down their supply chains. Not just instruments of horizontal competition, alcohol brands were deployed in vertical struggles.

It is unsurprising, then, to discover that when a rogue exporter threatened the port chain in the 1880s, British importers with well-established brand names, who should have been competing with one another, joined together (almost like the booksellers of the seventeenth century, or, as we shall see, Microsoft’s antitrust opponents in the twentieth) to quash the threat that came from a supplier, with whom they would normally be expected to cooperate.

In the wine trade, then, as in the book trade, the disruption of a settled system of provision—the Stationers’ Company and the Wine Company—led to the development of a chain with more autonomous links than before. Within both sectors, links in the chain fought with one another to become the name by which the chain, as a whole, was recognized and its quality guaranteed. Those that won were in a position to dominate the chain as a whole and extend control over long distances and disparate players.

THE PC CHAIN

Do these stories of earlier supply chains have any bearing on modern technology chains like the PC supply chain? Does the packaging of wine have much to do with the packaging of chips? To address these questions, we need to understand a little more about the emergence of the PC chain.

In the 1970, larger than all its competitors combined, IBM dominated the US and computer market in a quasi-monopolistic fashion. In 1993, it sustained not only its first ever annual deficit, but at $5 billion, the largest loss in industrial history up to that time (Ferguson and Morris 1994). In the years between, its de facto monopoly had crumbled and a series of disaggregated supply chains replaced its hierarchical dominance. Like the firm itself, IBM’s technology had also been closely bundled. Its remarkably successful 360 series held together hardware, central processing unit (CPU), operating system (OS) and applications. Most of its competitors were reduced to making ‘IBM compatible’ peripherals, a strategy that allowed IBM to lead and the competitors to follow, picking up crumbs that fell from the rich firm’s table.

IBM’s hierarchical strategy, however, best served a market dominated by firms just like itself and machines like those it sold. By the 1970s, Digital Equipment Corporation (DEC) created a new market with its VAX lines of minicomputers. These were favoured more by research labs and
universities, a niche IBM mostly ignored, than by vertically integrated businesses, the niche IBM served. The VAX, like the 360, was more or less an all-in-one, all-or-nothing machine, bundling hardware, including the CVAX CPU, and its proprietary VMS operating system. Many DEC users, however, particularly those at universities, preferred the UNIX operating system, developed at AT&T, but advanced with the help of major universities. By the early 1980s, as many as one in four of the VAX machines was running UNIX and, on top of it, third-party software (Sturgeon 2002). Around the same time, SUN’s SPARC stations soon became popular, not only because of the SPARC RISC processor, but also because its proprietary UNIX OS, Solaris, allowed access to the growing library of UNIX software applications. Simultaneously, the personal computer was developing, and its manufacturers encouraged—indeed relied on—third-party software (such as, for Apple, the very successful VisiCalc), while relying on others to supply the CPU at the heart of the machine. The seams in the bundle that had sustained IBM and DEC were slowly coming apart. The era of the modular computer, built in an extended supply chain, was beginning (Langlois 1992).

Industry insiders at first regarded the PC as little more than a ‘toy’, but the rapid growth of a market for these cheap and relatively versatile machines made many, and particularly IBM, reconsider. A latecomer to this market, IBM decided to accelerate its entry by outsourcing the CPU (to Intel) and the OS (to the fledgling Microsoft). More used to doing everything in house, IBM management nonetheless relied, in part, on its copyright-protected ROM-BIOS chip to hold the chain together. Control of the BIOS, the critical link between the CPU and the rest of the hardware, it was assumed, would prevent anyone else in the chain from coordinating the hardware, the CPU, and the operating system. It would also prevent anyone else from building a rival, but compatible, BIOS. Thus, the rights in the BIOS and trademark-protected brand, it was thought, would allow IBM to retain control over its fledgling partners in the new supply chain and its lucrative market.

At first, the strategy was heralded as a remarkable success in ‘complementary assets’ and as a prototype for the future (Teece 1986). The commercial success of IBM’s PC was less a tribute to the machine, however (it was not particularly innovative or powerful), and more to the firm’s corporate brand. This helped to push the IBM PC into firms interested in PCs but suspicious of the ‘home-brew’ hobbyists and garage-bred entrepreneurs. American folklore said that ‘nobody ever lost their job by buying IBM’, and purchasing managers asked to buy these new machines seemed willing to buy IBM-branded PCs where they were unwilling to buy those of, for instance, Apple, a firm founded by long-hairs and phone phreaks. Moreover, a powerful advertising campaign helped to make the terms “IBM PC” and “PC” interchangeable. By the mid-1980s, for all but enthusiasts and hobbyists, a personal computer meant an IBM-branded PC. If you bought
one of those, you had one of the world’s most storied technology companies behind you.

This settlement all fell apart in 1982, when Compaq famously reverse-engineered IBM’s BIOS without, the courts ruled over IBM’s protests, infringing the company’s critical intellectual property. When IBM failed to prevent an alternative BIOS from working with the Intel CPU and Microsoft OS, the door was left open for manufacturers to make PCs or ‘IBM clones’ without using any IBM technology. Powerful but not agile (which is why it outsourced the PC in the first place), IBM confronted a series of finely divided and rapidly evolving supply chains addressing a series of finely divided and rapidly evolving niches.

Using the same CPU and same OS, the ‘clones’ effectively worked as an IBM PC. Thus, clone makers who used that CPU and OS, which Intel and Microsoft proved willing to supply, managed, to a significant degree, to appropriate the benefits of the IBM brand—an assurance of quality—without having to defer to the brand holder. Cloned computers became known as ‘IBM compatible PCs’, and then just ‘PCs’, suggesting now that anything an IBM could do, a clone could do too, but more cheaply. With this shift came a fundamental transfer of signifying power. The Microsoft DOS and the Intel 8086 chip, previously subordinate to IBM’s brand and familiar only to enthusiasts, now became the essential ingredients of a PC, and the term PC, itself, became ‘semigeneric’. The previously little-known Intel and Microsoft, to whom IBM had inadvertently devolved power as the booksellers had to authors and the English wine merchants to previously unknown exporters, became, by the second half of the 1980s, the principal guarantors of what was ‘compatible’, and hence of quality, to the PC supply chain. To signal whether a particular bland white box was reliable and to assuage the doubts of purchasing managers, the critical indicators became ‘Microsoft’ and ‘Intel’, brands that had received their power from IBM, but now operated independent of it. As Andrew Grove, the CEO of Intel, later acknowledged, ‘by choosing to base [the PC] on Intel’s technology, [IBM] made Intel’s microprocessors preeminent’ (Grove 1997: 14). The shift gave these two new firms extraordinary, quasi-monopolistic powers, which both learned to wield over others, such as the disk drive manufacturers, in the supply chain.

Such power changed their competitive outlook. Intel undoubtedly worried about AMD, Zylog, and other chip makers, and devoted a good deal of money to keeping them at bay, principally by keeping them in court. But in competition for supply chain domination, its major competitor was Microsoft. Microsoft paid even less attention than Intel to its ‘direct’ competitors in the operating system market, CP/M, Apple, and even IBM’s own OS/2. But it paid a lot of attention to Intel. And like Intel, it also paid a good deal of attention to the major hardware suppliers, the OEMs (Original Equipment Manufacturers), happy while these were in disarray, and concerned when one predominated, as Compaq did at first and Dell later. The major struggle in the PC world, then, was waged less between like
firms in different supply chains than between complementary firms up and down the same chain. Weapons included technological development, IP protection, and marketing strategies.

Brands were a surprising weapon in what is generally thought of as a war of technological or ‘platform’ superiority. Intel stumbled upon the power of its brand in an early supply chain skirmish. When OEMs were slow to use the new 386 chip, Intel introduced its ‘Red X’ campaign. Advertisements showed the number ‘286’ with a red ‘X’ through it and ‘386’ uncrossed beside. AMD called the campaign ‘trash marketing’; others simply thought it a waste of money. But in drawing attention to the CPU (or ‘chip’ as it was popularly known), Intel produced enough pressure among consumers to force the OEMs to upgrade. The achievement was a surprise to Intel, whose vice-president and director of marketing, Denis Carter, confessed:

I didn’t really know what a brand was. But it became evident that we had created a brand and that it made a difference in consumers’ purchase plans.24

In 1991, AMD broke Intel’s lock on the 386 supply chain by producing its own 386 chip, which was highly regarded. Intel responded, in part, by pushing out new chips (the 486 and the Pentium I and II), but also by redeploying the ‘accidental brand’ in its new ‘Intel Inside’ campaign. This was actually a ‘co-campaign’, which invited OEMs to advertise their use of Intel and share the cost of marketing. Some were sceptical; the most powerful, Compaq, initially refused; but many realized that, in the short term at least, Intel’s brand would help move their relatively indistinguishable boxes.

In the long run, however, the OEMs became Intel dependent: once you have persuaded customers that ‘Intel Inside’ is a guarantee of the quality of your product, it becomes hard to take the label off. Or, as Grove put it, the campaign ‘established a mindset in computer users that they were, in fact, Intel’s customers, even though they didn’t actually buy anything from us’ (Grove 1997: 67).25 Like Hedges and Butler selling Sandeman’s port, Compaq found itself selling ‘Intel machines’. Pushing its own label onto OEMs’ products, Intel diluted the relative power of the OEMs’ own names in the process of strengthening its own. In 1994, after his company had joined the campaign, a Compaq executive acknowledged that the ‘Intel Inside’ advertising campaign was ‘promoting the semiconductor company at the expense of Compaq’s brand’.26 And, we might add, at the expense of Compaq’s bank account: not only had Intel placed a rope around Compaq’s neck, it had beguiled Compaq into helping to pay for the noose.27

While deploying its brand to control the OEMs, Intel inevitably had to resist being controlled by the other major brander in the PC supply chain, Microsoft. The fabled WINTEL entente has not been particularly cordiale. Over the years, Intel has tried to promote other operating systems (such as Linux, which was originally written for the x86 chip), to appropriate some
of Microsoft’s domain by, among other things, including some signal processing capabilities in its chips, promoting ‘Viiv’ as the chip-based fulcrum for the digital home, and (perhaps here with a sense of humour about the reliability of Microsoft) offering its own antivirus protection. But, above all, Intel has resisted subordination by promoting its brand ferociously, spending $3.4 billion in the first five years of the ‘Intel inside’ campaign alone. By 1993, a couple of years after people were asking why a chip needed a brand, Intel was one of the strongest corporate brands in the world. That year, the magazine *Financial World* ranked it behind only Marlboro and Coca-Cola, and ahead of Kellogg, Nestlé, and Kodak. Considering the age of those brands and the relative youth of Intel, the achievement was remarkable. Technical explanations for Intel’s dominance make the effort seem wasteful. Yet the value of this accidental brand becomes apparent whenever Microsoft looms over its partners in the chain.

Microsoft has a particularly potent combination of intellectual property, including its copyrights, patents, and trademarks. This gives it extensive ability to control the chains they find themselves in, an ability that is reflected in its remarkable, disproportionate margins in a chain that is continually being squeezed ever tighter. Indeed, though it was billed in terms of conventional anticompetitive behavior, the celebrated ‘Microsoft trial’ must be seen in the light of its dominance over the supply chain and stranglehold over complementary assets that Microsoft does not own. It was, to a significant degree, Microsoft’s partners within the PC chain, not its competitors, that persuaded the US government (and later the European Union) to try to limit Microsoft’s power (Auletta 2001). From the trial documents came abundant evidence of Microsoft using any means at its disposal to maintain tight control over the PC chain. Branding was only one among several, but it was an important one. With the development of Windows 95, Microsoft increased its control over whose brand would appear on the desktop, in part, by designing their software to prevent users ‘booting’ multiple OSes. (This was aimed, in particular, at IBM’s competing OS/2.) The company also exerted itself to prevent OEMs from interfering with the appearance of the Microsoft desktop and, in particular, its Internet Explorer logo. Though Microsoft had no hierarchical authority over these OEMs, they complied as if they were a subordinate part of the same organization. Microsoft’s pressure went up and down the chain. To weaken the power of Intel’s brand, Microsoft provided warrants for competing CPUs to make it clear that a computer could still be a PC without Intel inside—as long as it ran Windows. (It also provided OEM warrants to prevent Compaq from looming too large.) Again, Microsoft fought to prevent Intel from incorporating into its processors, as previously noted, some of the functionality that was previously carried out by Microsoft’s operating system. Microsoft achieved its end in part by threatening Intel directly and in part by using its control over the OEMs to persuade them not to buy chips with the new signal processing capability.
Unsurprisingly, then, the Microsoft trial was remarkable for the number of witnesses that the government called, against Microsoft, who were less direct competitors than cooperating partners in Microsoft supply chains. Witnesses came from major partners: Intel, who provide CPUs designed around Microsoft OSes; Apple, who relies on Microsoft to provide the ‘Office’ suite for Apple’s OS; and HP and IBM, both OEMs relying on the Microsoft OS. Given Microsoft’s power and ruthlessness, of course, many up and down the supply chain would not testify. David Boise, the lead attorney prosecuting Microsoft joked, ‘It has been very difficult to convince an OEM to appear in court without a hood’ (Auletta 2001: 254).

Of the big three branders in the PC world, Dell is perhaps the most interesting. Intel has copyright and patent protection. Microsoft gains significant protection from copyright in the code of its OS. Dell, however, has almost no IP protection for its technology (as opposed to its business processes) and has several major rivals, including IBM, Hewlett-Packard (which now owns Compaq), Sony, and Gateway, as well as numerous ‘white box’ assemblers. What it trades on, to a significant degree, is its trademark and brand (Koehn 2001). This is always diluted by the need to carry Intel and Microsoft logos on its products. Dell tries hard to do without both, offering first PCs with ‘Motif’, its open source OS distribution, and later the PC E510n, without any OS loaded at all. Dell has further trimmed itself down so that—a little like Nike—its most important assets are its brand and reputation, which, supported by remarkably efficient business processes, manage to keep it from being completely subordinated by the WINTEL duopoly. And while keeping those at bay, the Dell brand subordinates suppliers along its Texas-to-Thailand chain who know that their best chance of getting into the market is through Dell. Dell’s market recognition gives it power, which it uses ruthlessly to pass risks onto, and drive down margins for, what are politely called its ‘partners’.

In all, the PC supply chain, like the book chain and the wine chain before it, contains internal competitive battles that are as fierce as, and sometimes fiercer than, the external, horizontal competitions in which the links must also engage. (Microsoft, after all, retains comparatively cordial relations with Apple.) The aggressiveness of the competition suggests that it take some power to keep particular PC chains relatively stable. In considering how IP figures in this fight, no one should underestimate the power of copyrights and patents held by Microsoft and Intel, but, given that Dell has little of either, that Intel and Microsoft invest heavily in marketing, and that IBM was let down by the faith it put in copyright and patents to maintain control of the PC, it is equally important not to overlook the role that their trademarks and brands play too.

Further, the role of brands in this chain helps to emphasize two points about modern chains. First, even in PC and similar hi-tech chains, technological merit alone does not win the day. Gawer and Cusumano (2002) trace ‘platform leadership’ to persistent and impressive research. But Intel
holds off AMD, which often produces better chips, in part through its ‘Intel Inside’ campaign, with which it grasps OEMs like Dell by the throat (and warns them off AMD) while simultaneously keeping Microsoft’s embrace from turning to suffocation. For Microsoft, ‘positive network externalities’ have undoubtedly been critically important, but those network effects are lent support by the ubiquity of the brand. Certainly, some buy the brand because of the network, but others join the network because of the brand. Second, a look at the PC chain helps to show that, in newly developing supply chains, neither who brands, nor where in the chain brand dominance can arise, is predetermined. Over time, it may be that one position will typically dominate—much as the OEMs dominate the automobile chains—but where that will be, and whose brand will count, can rarely be determined in advance.

Brands, then, have many distinctive aspects; among these is their signaling power, which is capable of acting across distances. As noted, brands have helped firms, though connected neither institutionally nor—in the case of port’s London-to-Portugal or Dell’s Texas-to-Thailand chains—geographically, to dominate others. Hence, where the Chandlerians bundle them into hierarchies, brands perhaps only show the extent of their ‘vertical’ power in vertically disaggregated chains of the sort that existed as much before as after the Chandlerian moment. As modern supply chains spread out across the globe in attempts to arbitrage weight and wages (so Dell’s lightest work is done in Burma and Vietnam, the heaviest in Mexico) the firm or location that brands the chain gets to pass many of the disadvantages of hierarchy (such as manufacturing, stockholding and decreasing returns) onto others while keeping the advantages (market recognition, increasing returns) for itself.

CONCLUSION: QUALITY CONTROL

These three vignettes reveal very different industries in very different times. They, nonetheless, share one thing: the challenge of quality. In each of the three cases, the objects that enter the market give consumers the difficult task of assessing whether the object is of sufficient quality to be worth buying. Let me present the common issues.

Books, which need to be sold before being read, for once read they have lost the centre of their value, need someone to warrant the content. Without this, the customer is buying a pig in a poke. At the beginning of the seventeenth century, however, as the bookselling cartel crumbled, the supply chain left open the question of who would warrant—the bookseller, the publisher, the printer, the author, or, indeed, someone else. Wine, particularly complex wines whose quality only emerges over time, also needs, as Robert Boyle noticed, someone to vouch for it and to justify the price. It is this ‘someone’ whose name tends to end up on the label. The newly
disestablished supply chain of the nineteenth century did not have a natural
candidate. There was one unlikely link: the retailers who had, for the most
part, lost their credibility. So a search went on for a new champion and a
struggle emerged around the search. Finally, with the PC, the general cus-
tomer and purchasing managers faced a challenge, made more demanding
by the continuous evolution of the machines, in deciding which, among the
relatively expensive and untried tools on offer, was reliable. Again, which
point in the chain could brand was open, and, to some extent, has remained
open, with the three dominant points—the CPU, the OS and the OEM—
battling with one another in vertical competition.  

As their stories are told here, these examples also have in common the
collapse of large institutions. These moments of transformation are not nec-
essary conditions for vertical competition; these fights go on all the time.
But disintegration of a hierarchical structure tends to bring new chains,
and so new fights, into being (we are witnessing such a chain of events
with the collapse of the phone carriers and the rise of the phone makers
and OSes such as Android). If you want to understand vertical fights and
how they develop, such moments of disintegration provide useful cases to
study, as this chapter has attempted to show. The institutional connection
is relatively easy to understand. As Arrow (1984) and Akerlof (1970) make
clear, monopoly-like institutions play an important role in assuring quality,
whether of second-hand cars or (though they don’t always like the com-
parison) ‘doctors, lawyers, and barbers’ (Akerlof 1970: 500). When they
collapse, as did the Stationers’ Company, the Wine Company, and IBM’s
PC division, a vertical fight will develop among the survivors over who
will play the branding role and deal with the complexities of quality. One
reason, then, that the vertical component of branding has been overlooked
is that business and economic history have tended to explore brands in
the context of large, vertically integrated institutions. Where an institution
provides the brand, while subduing vertical tensions through internal,
hierarchical power, brands will have no vertical part to play. They emerge
in the absence of such institutions, when several links have the possibility
of branding the chain of which they are a part. These fights, as I have sug-
gested, precede ‘modern brands’; indeed, they were a critical part of the
formation of modern branding case law. Many such fights, however, were
soon subsumed by vertical organizations. It is not surprising that they are
becoming noticeable once again as hierarchical organizations are dissolv-
ing into vertical supply chains.

NOTES

1. Versions of the argument in this chapter were presented at the seminar CON-
DOR at the École Polytechnique, the annual meeting of the Association of
Business Historians, and at an economic history seminar at the Wharton
School. I’m grateful to both audiences for helpful comments, particularly to
Andrew Godley who followed up with incisive comments, not all of which I have been able to address. I’m also grateful to Hervé Dumez and Daniel Raff for the invitation to Paris and Wharton, respectively, and to Bill Sherman and my colleagues, Teresa da Silva Lopes and John Mercer, for careful reading and helpful suggestions.

2. None of this argument challenges standard assumptions about the conventional, horizontal battles between brands. It merely suggests that, in certain circumstances, branding has a vertical component that is easily overlooked.

3. Notions of ‘platform leadership’, frictionless markets, and perfect information that have accompanied ‘new economy’ discussions have played an important part in painting supply chain relations as close to egalitarian. A quick look at the frequency of the term supply chain in twentieth-century newspapers—it appears around 1916, reaches one peak in 1942, another in the early 1950s, and a third in the mid 1960s, before the term is absorbed by the business literature—reminds us that the concept is originally a military one. It comes from the world of command and control and logistics, where direction and hierarchy, not markets and egalitarianism, reign. The quietist tone of the supply chain literature is not echoed in the ‘commodity chain’ approach. See, for instance, Gereffi and Korniewicz (1994), Dicken, Olds and Yeung (2001), or Raikes Friis Jensen and Ponte (2000). However, developed in the tradition of Wallerstein, the commodity chain approach frames power relations in the political–diplomatic terms of a global centre and periphery, paying less attention to other, disaggregated forms of control, such as the ones I examine here. See Hopkins and Wallerstein (1986).

4. A moment’s thought tells most but the geeks that we don’t know or care who makes the disk in our PC (or phone or music player); another moment’s thought, however, reveals to all but the geeks (who tend to be more conscious about backups) that the hard disk is the most valuable component of our PC. Corrupt software and processors can be easily replaced. Lost work on a crashed disk cannot. The anonymity of such an important component would be puzzling were it not for the aggressive fights to be identified that other components in the chain have waged. Those fights have been costly, but the rewards have been commensurate.

5. An unfortunate number of events recorded in this section occurred between January and March. In the era under discussion, England celebrated the New Year on 25 March. Consequently, what we would today call January 1695, people alive at the time would have thought of as January 1694. Hence the numerous virgules for that period of the year.

6. The lengthening chain, shifting powers and projected names over this period can be briefly illustrated in successive title pages and shifting prepositions in Samuel Daniels’s History. At different times, the name of author, the printer, or the bookseller is presented at the foot of the opening page as the warrant for the title above. The book first appeared in 1613, as ‘by Samuel Daniel’ and printed for the Company of Stationers. A 1621 edition was merely by ‘S.D.’ and was printed by Okes. Another was printed by Okes for the bookseller Waterson, who in 1634 gave the printing to a different printer, Cotes. The 1685 edition, however, is printed by F. Leach for Richard Chiswell, Benjamin Tooke, and Thomas Sawbridge (who now owned the copy), and is to be sold by William Whitwood. At this point, a collaborative group of booksellers, who would be expected to compete, had formed an alliance to own the copy and subordinate the other crafts (printing, distribution, and even authorship), from whom the group, nonetheless, expected cooperation.

7. The ‘stigma of print’ prevented the more aristocratic writers from using their power and authority on behalf of authors.
8. For Shakespeare on eternal copy, see *Macbeth* Act 3, scene 2, and on author as brand, see Sonnet 111, though in the latter, clearly he was using the notion as a liability, like a criminal brand, not an asset.

9. Encyclopedias and romantic novels, at different ends of the book’s spectrum, show how variable the notion of the author can be. Wikipedia and Harlequin romances have, in their different ways, taken advantage of the idea that the author need not be a single person. Encyclopedias have also proved to be adept at absorbing an authorial name such as Grove, Pears, or Chambers into collective production. The competition between authors and publishers over warranting often reemerges. A recent comment on the remarkable success of Penguin Books noted that (Allen Lane the founder) was a shrewd promoter of his company, and by creating a uniform line of books, he defied the conventional wisdom that readers don’t care who publishes what they read. The well-designed series advertised itself far more than it advertised its writers. (Weisberg 2005)

10. Port wine was produced in the Douro Valley in the north of Portugal and exported through the entrepôt of Oporto (or Porto to the Portuguese), hence its name.

11. French wine was prohibited between 1668–1669, between 1678–1685, and from 1691 (with intermittent gaps) to the peace of Utrecht (Francis 1972).

12. This argument is laid out more fully in Duguid (2003a).

13. This argument is laid out more fully in Duguid (2005).

14. Plassmen, O’Doherty, Shiv and Rangel (2008) suggest that with wine, judgments of price and quality can be strangely intertwined.


17. In 1711, Daniel Defoe, who had been a wine importer, noted in his *Review*, ‘Infinite Frauds and Cheats of the Wine-Trade will be discover’d, and I hope for the future, prevented; for if once we can come to a usage of drinking our Wines neat as they come from the Country where they grow, all the vile Practices of Brewing and Mixing Wines, either by the Vintners or Merchants, will die of Course’ (Defoe, 1938 [1711]: 207).

18. Sandeman was a relatively new exporter that had rapidly grown into one of the largest. For the details of this argument, see Duguid (2003b).

19. It would be a mistake to suggest that this was a universal trend. What I have described affected the higher-end wines primarily. The new retail outlets—Victoria Wine and Gilbeys, for instance—were able to create retail brands for middle-class markets as certain new wine bars—Bodega, for instance—were able to brand the chain for lower-middle class markets. (We see a similar strategy to Bodega’s in ‘buyers’ own brands’ today.) The wine labelled Victoria, Gilbeys, Bodega, or Sandeman could, in fact, be the same wine. More generally, then, what link controls a particular chain is likely to depend on what niche the chain ends in. It can be equally important to a high-end brand not to get caught in the wrong niche. Sandeman, for instance, did provide wine to lower quality outlets (including Gilbeys and Victoria), but it made sure its name was kept off any labels.

21. Nor are these attempts to control the chain through the name on a bottle a nineteenth-century phenomenon. It is evident in the voluminous litigation of Coca-Cola, which has fought mightily over the years with its bottlers, using its brand name to control their freedom (Hayes 2004). It is equally evident in the merger of Gillette and Procter and Gamble, who have combined forces in a modern pharmaceutical conglom, to prevent themselves from being subordinated by Wal-Mart, which is not, ostensibly, a direct competitor, but rather an important supply chain partner (Hayes 2005). The struggle is primarily over what names will appear on the Wal-Mart shelves. (For a related argument, see Miskell, this volume.)

22. Support for the argument in this paragraph and the evidence on which the earlier claims about advertising are based can be found in Duguid (2003b).

23. Anti-monopolistic supervision by the Department of Justice prevented AT&T from developing a line of computers in which it might have bundled UNIX. Indeed, supervision probably prevented AT&T from understanding what it had in UNIX, and helped to unbundle the computer business.


25. The effects of the advertising were almost as accidental as the brand itself. Grove also acknowledges that several of the beneficial consequences of this campaign were ‘an attitude change . . . we actually stimulated, but one whose impact we at Intel did not fully comprehend’ (Grove 1997: 67). This particular asset turned briefly into a liability when problems arose with the IBM Pentium chip, and OEM customers began to act as if, indeed, they were Intel’s customers. In a similar way, Microsoft’s attempt to brand the PC chain with its “Vista Ready” claim may prove a liability, given that many machines so labelled seem more equipped to crawl or stall Vista than to run it.


27. When Apple computers decided to use Intel chips, it was clear from very early on that Apple, always conscious of its brand, was not going to allow ‘Intel Inside’ to be scrawled on its computers. It has managed to treat Intel as a valuable component, but one that has no branding effect on the OEM product. Apple seems to be trying to play a similar role with telephone carriers such as AT&T in the United States and Orange in France. Where once people shopped for the network and accepted the phone, now they are encouraged to shop for the phone and accept the network. Meanwhile, Apple has fought very hard to control what other components (particularly any with branding potential) may be added to the iPhone.

28. If, as I have suggested, business and economic theory have had difficulty in seeing the role of brands in chains, it may be because economics has never found dealing with the question of quality easy. Early in the discipline’s history, Adam Smith acknowledged his discomfort: ‘Quality is so disputable a matter’, he wrote, ‘that I look upon all information of this kind [i.e., about quality] as somewhat uncertain’ (Smith, 1937 [1776]: 244). More recently, Stigler noted bluntly, ‘quality has not yet been successfully specified by economics, and this elusiveness extends to all problems in which it enters’ (Stigler, 1961: 224). It is not clear that the discipline has advanced a great deal with the problem since.

BIBLIOGRAPHY


Brands in Chains 163


House of Commons (1852) *Minutes of Evidence Taken Before the Select Committee on Import Duties in Wine*, London: House of Commons.


