

Memorandum



Subject Interview with [REDACTED]

Date June 3, 1996

60-2096-0002

To Nina Hale (Frito-Lay)

From Neeli Ben-David

b4, b7D

[REDACTED]

distribution: RWF, DNK, HALE, PTACEK, ALEXANDER - EAG, SWEENEY, JONES, BEN-DAVID, CASE, CHRON, ARCHIVE

b7D

[REDACTED]

[REDACTED]

In the last ten years, Frito has increased the price of its corn products, where it has an 80% market share, while it has kept the price of its potato chips virtually unchanged. [REDACTED]

[REDACTED]

Rather than engaging in explicit exclusive dealing contracts, Frito sets up comprehensive programs involving rebates and incremental sales incentives to induce retailers to give it more space. [REDACTED] referred to a [REDACTED]

[REDACTED] Typically, this is paid on a quarterly or monthly basis.

For example, Frito has a national contract with [REDACTED] which include rebates and additional compensation per increase in sales. Frito has similar arrangements with airport concession stands [REDACTED]

[REDACTED]

Although Frito has been the most successful player in this sort of game, others have tried to engage in the same types of maneuvers. A small national salty snack food company offered [REDACTED] [REDACTED] up front to be stocked in a certain amount of space. Eventually, the store took the chips out because they were not selling enough.

b7D

Frito tends to offer up-front or "spiff money" to acquire the best endcaps and bread tables. [REDACTED] recalls another instance in which a retailer told him that Frito had paid one million dollars up front, in a Southeastern market, to stock only Frito products. In another situation, Frito paid money to have a rack of its product placed in front of [REDACTED] product, essentially removing it from view.

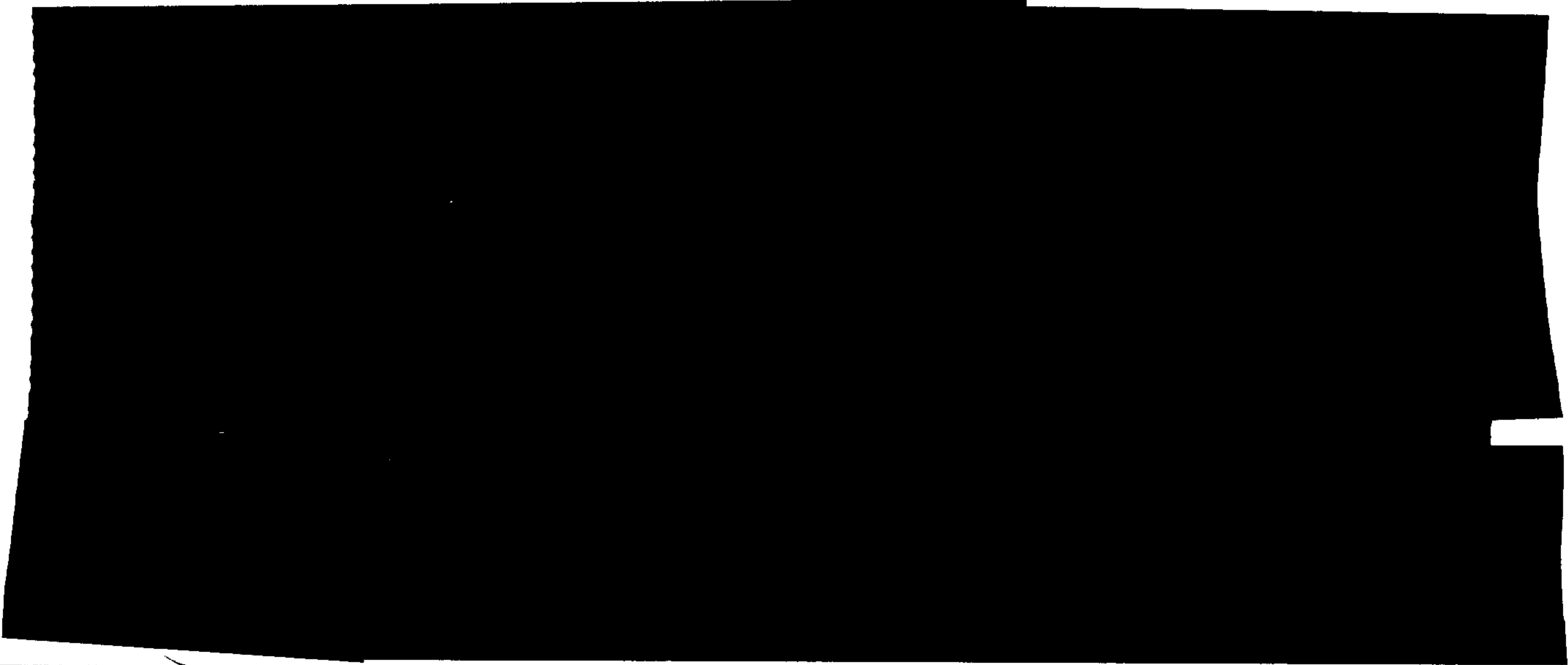
[REDACTED] also complained about Procter and Gamble's exclusive arrangement with Frito to sell Olestra;

[REDACTED]

[REDACTED]

[REDACTED]

b7D



[REDACTED]

[REDACTED] estimated that Frito had about [REDACTED] of all shelf space in stores (gondola only). Convenient stores and gas stations are even more of a problem than grocery chains. Often, grocery chains will keep stocking [REDACTED] products because of customer demand. However, convenient stores and gasoline chains (e.g., Exxon, Chevron, Shell, Texaco) are more willing to enter into exclusive dealing arrangements with Frito. [REDACTED]

[REDACTED] speculated that Frito paid cash up front for these arrangements, and that it had written, one- and two-year contracts with the stores (even though he doubts that the exclusivity is actually written in).

So/So # 11165