

Memorandum



Subject Telephone Interview with [REDACTED]

Date July 16, 1996

60-2096-0002

To Files

From Tara Sweeney

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This morning, Nina Hale, Cindy Alexander, and I spoke with

[REDACTED]

[REDACTED]

[REDACTED]

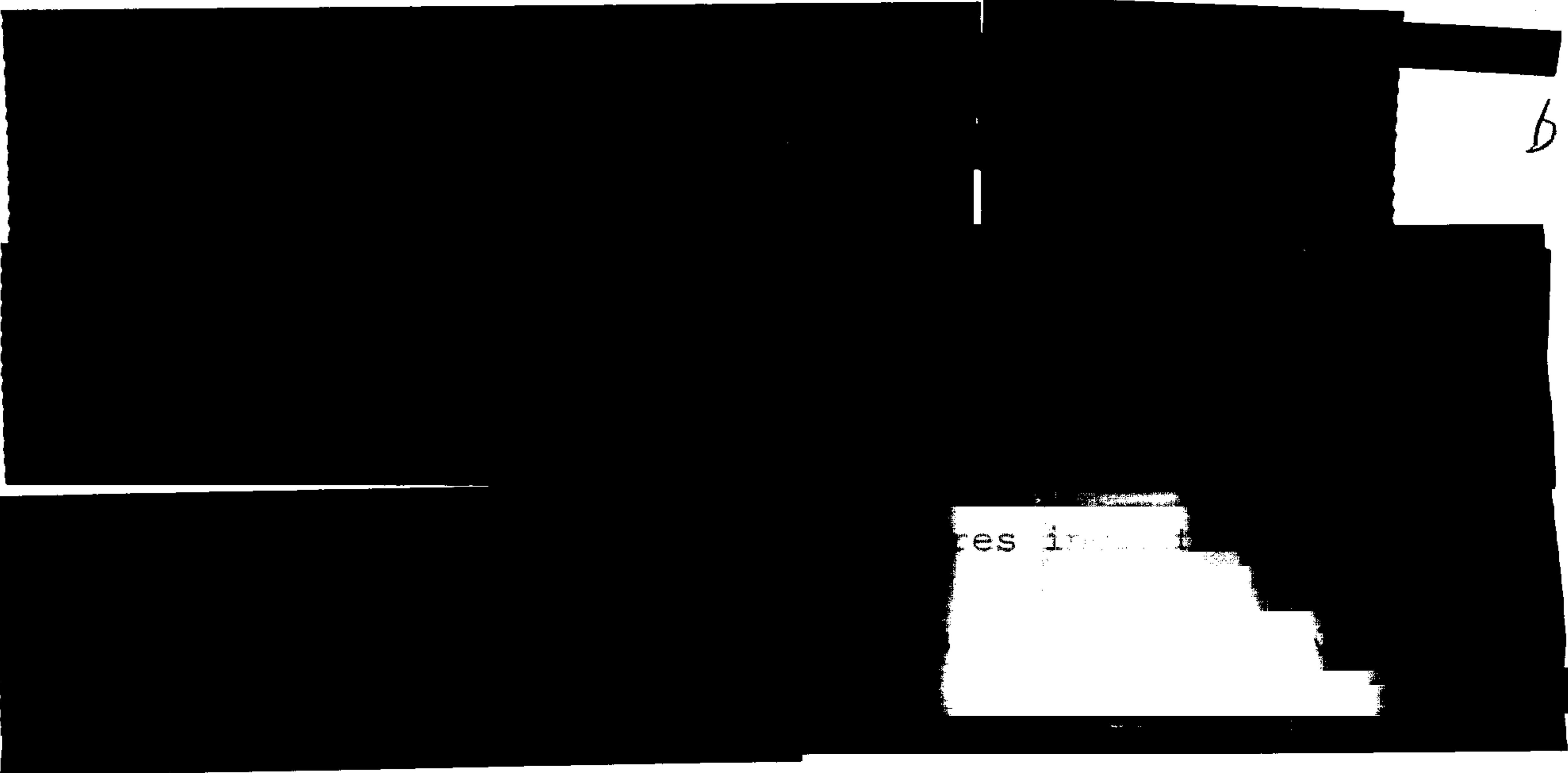
[REDACTED]

[REDACTED]

distribution: RWF, DNK, HALE, PTACEK, ALEXANDER, RUFÉ, HAYES, SWEENEY,  
JONES, CASE CHRON, ARCHIVE

*TS out*

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res in

[redacted] Salty Snacks is included in his line of responsibility.  
[redacted] decides which salty snacks are included in the stores.  
He explained that if a supplier wants to add a new item to a pre-existing line, they present the new item and offer suggestions as to which products may be deleted from their line. Generally, [redacted] tries to force the suppliers to be accountable for the efficient use of their shelf space. If they want to add a new item, they must replace slower selling items.

Palmer states that he decides the overall space given to snack suppliers. Generally, his decision is based on overall sales. If a company has [redacted] of total sales, he tries to give them [redacted] of the space. Differences in regional areas, [redacted] may factor into the

equation. Space allocation is monitored continually and is typically reviewed every six months. If they see no significant change in overall sales, they will not alter the space allocation. For example, if a supplier goes out of business or is sold, such as Eagle, they try to adjust the space by sales percentage.

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He states that they do not charge fees for the initial inclusion of a product. He believes that the selling of space clouds one's judgment of whom to put into the stores.

[REDACTED]

[REDACTED]

and

various local brands. He generally views the salty snack department in its entirety. He states that his decision for inclusion is not affected if a manufacturer only makes potato chips. The influencing factor would be whether or not the stores needed a new or additional supplier for potato chips. He states that they make these decisions by looking at the manufacturer's marketing strategy, use of media, potential promotional schedule, and based on their general view of what additional sales they can add. He states that the general rule of thumb would be based on regional overviews.

[REDACTED]

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[REDACTED]

[REDACTED]

Nina asked if there is a standard amount of space allotted to salty snacks. [REDACTED]

[REDACTED]

[REDACTED] If, for example, [REDACTED] decides that the salty snacks demand has increased, they may go to the headquarters and ask for more space. They would not do this on an individual basis for particular lines. If a new company comes in, they would not ask for additional space. However, if the industry overall changes, as in the refrigerated juice industry for example, they may change. [REDACTED] states that he has never asked for additional space in the stores from his head office.

In addition to in-line space, [REDACTED] allocates the end caps and secondary space. This is dictated by category where he will place only one product on display - i.e. potato chips, one tortilla chip, one Coca-Cola item. They also display their salty snack foods in the lobby where they create a block of items built up from the base of the floor. He explains that suppliers do not need to pay for the right to use end caps or lobby displays. He states that end caps allocation is decided after interviewing the

salespeople about their observations of sales over month long periods. The promotional observation/recommendation sheet is filled out monthly by the sales people. Based on this information, they decide which promotions to use. In addition, a company may put promotional dollars into an advertising fund which is then taken off their total invoice price.

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He also states that [REDACTED] does not use category managers or representatives from Frito-Lay in their stores. They do, however, have employees people who help them figure out what is the best way to present the products. These people work for a food brokerage firm. [REDACTED]

He explained that their secondary promotional displays are scheduled continually throughout the year. For example, to be scheduled in part of the back-to-school promotion, which runs from August 11th to August 30th, manufacturers must submit their applications by 5/15. To apply for Labor Day promotions, suppliers must submit their proposals by 6/12. This system

allows new suppliers an opportunity to pitch new products throughout the year.

He states that they have not had any problems with allocated space not being serviced properly. He states that they expect their suppliers to keep the shelves filled constantly. One type of dollar promotion which they may have from these suppliers is a type of volume incentive for buying 100 cases. Typically, when their products are delivered to the back door of the store, the invoices are forwarded on to headquarters, where the bills are paid weekly. b7D

He explains that the overall display of the products depends on the size of the store. One suggested layout consists of [redacted] feet on one isle, used for all the pretzel items, and then [redacted] feet on the opposite side. All of [redacted] runs across at eye level. The remaining space is broken down by category sets. He believes that this procedure is most desirable to the consumers. The warehouse salty snacks are included in the drug department category and are typically displayed close to the salty snacks either across the isle or next to the salty snacks.

He explains that they view their competitors store by store.

area. They monitor their competitors by price checkers who  
compare prices. He believes that [REDACTED]

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[REDACTED]  
[REDACTED]  
[REDACTED] He does not know how they rank based on sales.

Sales data can be found in Progressive Grocer, from the  
manufacturers, newspapers, IRI, Nielsen or perhaps from their  
marketing department.

So/So #11854