Memorandum

Subject Interview [redacted]	Date August 7, 1996 60-2096-0002

To Frito Files

From Jill Ptacek JP

b4, b7D

On August 6, 1996, John Hayes and I interviewed [redacted]

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Exempt under b7D

[redacted]

b7D

[redacted] does not accept money for shelf space. They do receive promotional allowances from vendors, which are usually based upon a percentage of projected sales. If [redacted] sales are off from what is projected, then the fund is cut back. [redacted] usually starts making its promotional plan 6 months in advance. The plan sets forth the promotions and prices that [redacted] is looking for in that 6 month period. Manufacturers make requests regarding which promotions/days they would like to participate in. [redacted] volume during promotions, s[redacted]will often focus its promotions on those vendors during that time of the month.

With respect to giving space to new products, [redacted] considers whether the product duplicates those [redacted] already carries and looks at info regarding how the product has tested with consumers.

b7D

[redacted] does not an exclusive agreement with Frito regarding promotion or percentage of shelf space. They are not on any sort of growth program with Frito. Frito does not get exclusive placement in ads; [redacted] has and will run other vendor's products on special at the same time as Frito's, if doing so makes sense.

[redacted]

I asked why Frito, for the most part, was to be given [redacted] of the shelf space under the final plan when their market share may be less than that. [redacted] said that the shelf space is divided in a manner to best set boundaries for the vendor employees who are doing the DSD. [redacted]

[redacted]

[redacted] said manufacturers have approached her and asked whether Frito has an exclusive deal with [redacted]

[redacted] buys chips from a number of manufacturers in addition to Frito. He says that he tries to carry at least two other manufacturers' total lines and may go as high as four vendor's total lines. He reeled off a number of manufacturers [redacted] does business with, most of whom we've hit with calls.

[redacted] looks at a number of factors when deciding which salty snack products he will carry. He refers to IRI, Nielsen and Spector (a service that breaks down market shares by community, maybe even at an ethic level?) data to determine market shares - reviewing both the market shares of the vendors in his stores and the shares the vendors have in other retail outlets.. He also looks at consumer preference for the product, and a company's ability to adequately service their stores. A vendor does not have to be able to serve all [redacted] locations for [redacted] to carry its product. b 7D

Salty snacks typically take up one side of an aisle and may wrap around the end. Warehouse-delivered snacks are usually located across the aisle as they are displayed on regular shelving rather than wire racks. [redacted] does not take into account warehouse items' market shares when divvying up the DSD shelf.

[redacted] do not charge manufacturers for shelf space. The [redacted] do receive promotional funding from salty vendors. In Frito's case, this funding is negotiated for all of the [redacted] stores and is based upon a percentage of sales. [redacted] negotiates with local and regional vendors for promotional services that cover less that all of [redacted] typically tries to develop a promotional calender that will emphasize sales of products other than potato chips in order to build incremental sales on those products. The promotional funds are used to buy down the cost of goods sold when [redacted] promotes a particular item with a sale. Some vendors fund their promotional allowances by percentage of sales payments, while others come to [redacted] with a set calendar and a set amount of spending in mind. This promotional funding is used to promote products on off shelf displays -- it is not a factor [redacted] considers when dividing up the gondola space. Thus, the amount of funding a vendor offers to pay does not directly effect the amount of gondola space the vendor receives from [redacted]

[redacted] does not charge a new product placement fee. When awarding space to new products, he looks at how well the product fits into the category (would adding the product duplicate other products). Whether the product is unique, or is manufactured by a company located in the same town as the store, are factors [redacted] also considers. Although they do not charge a vendor for space for the new product, he tries to get the vendor to provide in-store demos or encourages them to promote the product in [redacted] advertisements, to help get the product launched. New products typically are displayed on satellite displays at a discounted price to speed customer familiarity. Sometimes [redacted] will place a new product on the gondolas prior to promotion and discounting to familiarize customers with the full price of the item. If an established company seeks to add a new product, the space for the product usually comes from the shelf space already allotted to the manufacturer. If a company new to [redacted] seeks shelf space, [redacted] analyzes their sales potential. If he decides to carry their product, he usually takes the shelf space equally from the established vendors.

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So/So # 12112