Memorandum

Subject [redacted]

Date May 22, 1995

To Kate Balaban

From Wendy Saltzman

In a telephone interview, [redacted] alleged that Frito Lay has initiated exclusive dealing arrangements with grocery and convenience stores aimed at displacing [redacted] from the marketplace. [redacted] According to [redacted] Frito Lay's is currently targeting retail sales outlets through two types of agreements: FL has exclusive agreements with certain stores to sell only FL products, and in other stores FL is replacing competition by outbidding the other snack manufacturers for shelve space.

[redacted] maintains that [redacted] has mainly been shut out as a result of exclusive agreements in convenience stores where he has lost [redacted] in gross sales over the past year. In order to operate at a profitable margin, a distributor should generate [redacted] in gross sales per week, but currently [redacted] is operating at a loss, only generating [redacted] a week. Frito Lay makes [redacted] a week just from a single franchise, [redacted] almost the same amount [redacted] makes from all of its convenience sales in the same area. (b)(4)

Frito Lay's influence in the vending machine industry is not significant at this point, but [redacted] fears it may be growing. Over the past 2-3 years FL has ordered the production of 10,000 new vending machines, some which will display both Frito Lay and Pepsi products in the same machines. [redacted]

[redacted] said that "Frito Lay would love for me to just disappear. I can hardly get an appointment with store owners because they are so scared to upset Frito Lay." [redacted] (b)(5)