Memorandum

Subject [redacted]	Date June 21, 1996 60-2096-0002

To Frito Files

From Jill Ptacek

b7D

On June 17, 1996, I spoke to [redacted] called to complain about the hardships faced by some of the products he brokers due to retailers charging for shelf space. He only complained about the stores' actions -- he did not make any complaints about Frito's marketing practices.

A food broker takes products made by manufacturers and tries to get them placed in retail outlets. Once a store agrees to carry the product, the manufacturer makes delivery of the product to the stores if the item is a warehouse product, or distributors selected by the manufacturer get the product to the store using DSD. Brokers usually represent companies that are too small to effectively market and distribute their product to stores. The broker is the interface with the retailer and is involved in negotiating shelf fees for space for the products (the manufacturer bears this cost). In return, the broker makes 5% on each sale -- brokers do not take title to the product.

[redacted] indicated that shelf fees are becoming more and more prevalent -- to the disadvantage of small manufacturers, such as his clients. In most instances, [redacted] must pay a store an slotting

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

fee to get a product into stores; however this is no guarantee that the store will subsequently pull the product.

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[redacted] related two incidents to me. He said that last year the [redacted] asked [redacted] one of [redacted] customer, to pay [redacted] for two feet of space in all of their stores. [redacted] paid. However, at the end of the year as [redacted] had not seen any increase in their sales, they told [redacted] they would not pay the fee. They lost the account.

[redacted] also represents [redacted] which sells quality whole coffee beans. They have two principle competitors --one is owned by [redacted] the other by [redacted] has been in [redacted] stores for about a year. This year, [redacted] sent [redacted] a questionnaire asking how much they were going to pay for shelf space, promotions, ad space, in store demonstrations, etc. [redacted] says that they will not be able to beat whatever [redacted] offers and as most grocery stores carry only carry one brand of dispenser coffee beans, their inability to match will probably cause them to exit the store.

So/So # 11557