

# Memorandum



Subject Telephone Interview with [REDACTED]

Date June 5, 1996

60-2096-0002

To Salty Snacks Team

From Tara Sweeney *TS*

*b7D*

This afternoon Nina Hale and I spoke with [REDACTED]

[REDACTED]

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

[REDACTED] sold primarily through grocery stores, with some presence in convenient stores. He states that at their peak, they had distribution in all key grocery accounts. They occasionally focused on mass merchandisers and clubs, but their representation was not nearly as high as in the grocery stores. TD

### Distribution

[REDACTED]

A salesperson calls on a grocery store individually from a district center, writes up an order and then transmits it to the central computer at [REDACTED] headquarters. At this point they create a picking slip and send it over to the district center where the order is pulled and put on the truck for next day delivery. If an order is written on Monday, it is delivered to the store on Wednesday. He states that this is an advance version of direct sales deliveries. In other regions, they may have route sales, which is when the sales person sells directly off the truck. In some cases such as c-stores or Ma and Pa stores, route sales is the preferred method. There isn't necessarily a cost advantage because there are certain fixed cost with direct store delivery. Salty snacks have incremental costs because trucks "cube out" before they fill out with weight. Because of the packaging of salty snacks,

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potato chips in particular, the products take up more volume than they actually weigh. Cookies, for example, can be packaged in smaller boxes and weigh more.

### Competition

He states that their primary competitors for salty snacks included [REDACTED] and the strong regional companies. He says the location of the distribution centers did not determine who their competitors were because they had centers in all major cities. He explained that [REDACTED] had four levels of sales: territory, district, zone, and region. He also explained that sales were broken down to regional level, however, he is unable to give specific examples. He suggests that we speak with someone he worked at the local marketing level.

He said they considered competitors for overall products (salty snacks) and for segmented markets (chips). Although their primary focus was national, he suspects that the territory or district levels focused on competitors for specific products. He states that it is particularly relevant to look at segmented markets when considering whether to enter into a market. Pretzels, for example, tend to sell more in the Northeast than in the Southwest.

We defined advertising as efforts directed towards getting the consumers to buy [REDACTED]. These efforts include rebates and price

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reductions. He stated [redacted] spent more marketing dollars on trade promotions than they did against the consumer. He states that they had to spend a significant amount of their budget for shelf space. Efforts were also aimed at getting secondary displays and ads in the newspapers. He believes that money spent against the consumer creates a long lasting franchise affect as compared to money spent against the trade which may have short-term implications. Although trade promotion has short-term affects it is necessary to guarantee volume to build the business. [redacted]

[redacted] and actively advertised in order to establish itself. He states that the regional groups would have a better understanding of [redacted] trade promotions.

[redacted] He states that

[redacted]

[redacted]

[redacted]

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