

Memorandum



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| Subject Interview with [REDACTED] | Date May 9, 1996 |
| | 60-2096-0002 |

To Frito-Lay File From Neeli Ben-David NB

Background:

[REDACTED] is in charge of buying and merchandising certain categories of products within the store, including salty snacks, cookies, crackers, and bread for all [REDACTED] (b)(7)(D)

[REDACTED] In addition, Cindy Alexander who is an economist, also sat in on the conference. [REDACTED] has ultimate say regarding deals between the marketing chain and its vendors, and the allocation shelf space. He has served in this capacity for five years.

The chain of supermarkets has [REDACTED] stores and brings in approximately [REDACTED] in revenue. Its stores go under several banners including [REDACTED] (b)(4)

[REDACTED] There is also a small wing of institutional sales in addition to supermarkets.

[REDACTED] are located primarily in [REDACTED]

[REDACTED] Its top competitors include [REDACTED]

[REDACTED] stated that convenient

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

stores are not considered competitors in the sense that there are no merchandising campaigns against them.

Dealings with Vendors:

[redacted] explained that there are no written contracts with the suppliers. The supermarket and the suppliers deal through invoices and purchase orders and so forth. For example the vendor will present an item and the supermarket will then put it in the system and draft a matching invoice to the one that was presented to it by the supplier.

(b) (7)
(D), (b)
(4)

Products and Vendors Stocked:

Among the types of salty snack foods chosen by [redacted] potato chips, pretzels, and corn products. The top national vendors stocked [redacted] include Frito Lay, which is the largest and is stocked in all locations [redacted] which is stocked in 80 percent of the stores, [redacted] [redacted] 0 of the stores, and Utz, which is not distributed in [redacted]. In addition to these national brands, Weis also stocks several regional brands and these vary from city to city. For example [redacted]

The brands which are stocked by [redacted] is determined based solely on consumer demand, according to [redacted] brings in [redacted] worth of sales, [redacted] worth of sales, and [redacted]

Mr. Nichols looks at each individual type of salty snack separately and looks at the different vendors depending on the individual snack. It does not matter whether or not one vendor has a full line of snack foods. [REDACTED] may just buy one type of snack food from the vendor. Alternately, it may not carry all of one line and may choose certain snack foods from certain vendors.

Shelf Space:

The supermarket does not negotiate price and does not charge a fee for shelf space. [REDACTED]

[REDACTED] explained that there are listed prices that the products are sold for and they are already pre-priced at a retail price. The only variation is in the offer of certain types of promotions. The individual stores within the marketing chain do not have discretion about putting products on the shelf. [REDACTED]

There are 64 feet of shelf space for salty snacks (not including crackers but possibly including nuts). The salty snacks are organized by the individual item within each subcategory. For example, pretzels are placed together, potato chips are placed together, and corn products are placed together, rather than being organized by brand. No vendor has a certain amount of feet allocated to it. Rather each individual subcategory of salty snacks (e.g., pretzels, potato chips) has set amount of feet.

In order to determine what vendors are carried and in what amounts, [REDACTED] looks at the IRI market share to determine who has better sales in a given area. [REDACTED] explained that all vendors are included in the shelf space, but actual allocations between vendors is based on sales.

If a company wants more shelf space, [REDACTED] look at the weekly sales average of the company in that store to determine whether to give it the additional space. If a company has a new product, it will present a new product plan [REDACTED] will look at the product and determine what it is bringing into the market. It will then decide whether to allocate space for the new product. [REDACTED] explained that they do not request an authorization fee for the new shelf space, but they will accept one if it is offered. Often a vendor of a new product will offer to give an authorization fee to [REDACTED]

Vendors have a significant amount of control over their space. They manage their own space within each subcategory. For example if they want to replace one type of product with another (e.g., sour cream and onion potato chips instead of bar-b-q potato chips) they are at liberty to do so without authorization [REDACTED]

New shelf space comes from a vendor who is not doing well. When a vendor is not doing well it loses its shelf space and the space is given to someone who is doing better. Finally [REDACTED] [REDACTED] noted that if a vendor offers a specific price for shelf space, [REDACTED] not attempt to get other vendors to match the price.

A new party does not get charged for additional footage and there is no charge for shelf space in his area. [REDACTED] said that there were no offers to pay for additional shelf space and that the space is allocated entirely based on how well the product sells. However [REDACTED] did say that if based on sales [REDACTED] to allocate shelf space to a particular vendor and the

vendor decided to give some sort of fee for the additional shelf space, [REDACTED] would accept that fee.

Private Label:

[REDACTED] has its own private label. It uses many manufacturers for each product. For example there are five to six different manufacturers of pretzels which are placed under the [REDACTED]

Contract Duration:

Regarding duration of shelf space, [REDACTED] said that this issue has never come up. He explained that sections do not change very often and that vendors do not contract for a set amount of space for any time period. Instead, if a product is not selling, [REDACTED] it off the shelf.

End Caps:

Products on end caps are likely to rotate weekly. [REDACTED] says that vendors do not bid for the end caps. Instead, products are chosen based on how well they are selling and what type of promotions the vendor is offering. In order to get an end cap the vendor must be able to fill the end cap with enough of its product, which means the product must be selling at a fairly rapid rate.

Sales Data:

[redacted] is in the process of developing its own internal sales data to be organized by item.

[redacted] has no pull back data (data which comes from stores' scanner). In addition, there is no category manager from any company at [redacted].

Vendor Promotions:

Weis may get payments from vendor promotions. The vendor will determine how much money that it wants to take off the cost at which the supermarket will buy from the vendor and the supermarket will determine price at which the item is sold retail.. [redacted] referred to a practice called "pass through"-- if a vendor reduces an item by X cents per unit, [redacted] will similarly reduce at the retail price by the same amount, X cents, or more. Generally a promotion takes two to three weeks.

[redacted] does not deal in volume discount.¹ [redacted] said that there have been no offers for rebates for buying large volume and there have been no offers by vendors for the supermarket to sell the vendor's product exclusively. He reiterated that the only way to change shelf space is to show an increase in product sales.

Advertising:

[redacted] run a weekly ad which varies by region. Who is featured in the ad is dependent on who makes the best promotional offer in a given week. [redacted] looks for the best deal. [redacted]

¹ Originally [redacted] said that any arrangement to receive volume discount does not affect shelf space.

[REDACTED] noted that their weekly ads are limited to much fewer items than the industry norm and in each weekly ad there is a maximum of one potato chip item and one pretzel item and one corn product. The vendors all help pay for the ad. There is a set rate and all the vendors pay the same.

So/So # 10589