Memorandum

Subject Telephone Interview with [redacted]

Date June 4, 1996

60-2096-0002

To Frito Lay Files

From Nina Hale

b7D

[redacted]

[redacted] does not have any hard evidence on paper but he believes that Frito Lay's presentations to retailers are designed to capture [redacted] percent of the market. He says that [redacted] is the biggest customer in the [redacted] He heard that Frito Lay had offered [redacted] in cash to get [redacted] percent more shelf space in those stores. [redacted] gave Frito [redacted] percent more space, but

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nevertheless, it eliminated some competing companies, products in order to give Frito Lay that additional space.

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[redacted] refers to this as a perpetual monopolistic program that puts retailers in a prisoner's dilemma because of the large amounts of money that Frito is willing to pay to get the space. He illustrated his point by talking about [redacted] where Frito Lay's share of the shelf space jumped from [redacted] percent to [redacted] percent. He said Frito was able to accomplish this by locking competitors out of the secondary display space in the store. He said that Frito has so many display sites that when the numbers come in on the annual sales volume, Frito Lay is always the highest and yet Frito Lay insists upon attributing those numbers all to the in-line shelf sales, not to display space. As a result, the low volume sellers get pushed out of the shelf space because they have no volume relative to Frito's.

According to [redacted] Frito Lay's pricing is higher than anybody elses except where there is no competition, for example corn products. When Eagle came in with its corn products, Frito cut its prices. He said that prices are still low despite Eagle's demise, but he said that he has heard that corn product's prices are going to go up. When [redacted] was in [redacted] Frito Lay put in-place a program that was designed to get [redacted] off the shelf. He was not

able to elaborate on this but we might want to ask [redacted]

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He says that Nabisco is pulling out of the pretzel market and made an announcement to that effect last week.

[redacted] says that [redacted] percent of the chip aisle in [redacted] is Frito's and [redacted] percent of the chip aisle [redacted] is Frito's. According to [redacted] if it were not for [redacted] and [redacted] Frito Lay would have 100 percent. [redacted]

[redacted] referred to the same issue of recording sales volume based on shelf and display space that [redacted] had complained of. [redacted] said that in the past, [redacted] percent of sales would come from the shelf or gondola, and [redacted] percent would come from display space. Today, he says that [redacted] percent is coming from the display space and [redacted] percent is coming from the in-line shelf or gondola.

So/So # 11474