



June 7, 2000

Donald S. Clark  
Office of Secretary  
Federal Trade Commission  
600 Pennsylvania Ave. NW  
Washington, D.C. 20580

“Comments Regarding Slotting Allowances and Other Grocery Marketing Practices”

Our firm, Hirzel Canning Co. and Farms, is a mid-size, (\$28 million sales), 4<sup>th</sup> generation family food processor. We are presently in our 77<sup>th</sup> year of growing, canning, and marketing our own branded, retail and institutional canned tomatoes, tomato products, and sauerkraut.

There has always been the inherent problem for any manufacturer of food products to market a new product, new package, or a new brand to buyers of food products; wholesalers, chain stores, or retailers. Our grandfather faced the same challenge in 1923 when he tried to sell his sauerkraut packed in a wooden barrel or a can, and peeled tomatoes in a can.

There were many “canners” then, nearly 200 in the state of Ohio alone. Northwestern Ohio had a dozen wholesale grocers, several chains, and hundreds of corner grocers. Not one of these potential buyers really needed another brand of canned tomatoes or sauerkraut when they already had an adequate number of suppliers. They had to balance this with a finite amount of retail shelf space.

Undaunted and also under economic pressure, grand-dad went directly to the retail stores that were owner-operated, and after a short presentation, he left a sample can of each product with the grocer (preferably with his wife) for them to use and evaluate the product. Because his product was quite superior in taste and appearance to the competition, a placement of an order for one or two cases of product was the usual result when he returned to the store two weeks later.

Yes, free samples were definitely a form of “slotting-allowance”, but it resulted in the product going directly “on- the-shelf” with immediate exposure to potential buyers. Today’s world of marketing branded items to voluntary wholesalers, grocer cooperatives, and chain stores is quite different. Rather high slotting charges (\$5,000-\$15,000) only guarantee a “slot” in the warehouse, and absolutely no commitment as to where and when there will be placement on the retail store shelf.

More times than not there is no agreement of retail pricing or when there will be any promotional activity. In fact, several companies that presently sell a number of our products will not even “take” a new item to the buying committee until we commit to their slotting charges.

Most of the time, those charges are so high that we cannot expect a payback in even 5 years! The “national” brand marketers that have nation wide distribution, will pay

these high charges in a regional area of the country where we have a brand presence, just to keep us off the shelf.

When reviewing the scan data that is publicly available on branded sales, one finds that these regions where our DEI FRATELLI brand items are strong sellers, we actually sell more units per week than many of the slower-moving national brands. The national brands pay the high slotting fee and many times, they later pay additional fees to stay, keeping us from offering new items.

I have read the articles about slotting and category management, research studies done by several universities, and last week, I attended the FTC panel discussion that was held in your building. One statistic that always seemed to be quoted, was that 70%-80% of all new item introductions have failed in the market place.

Over a period of the past 5 years, our company has introduced 21 new SKU's, and we have only had two items that failed the grade. We do, in our own way, make sure that we produce an outstanding product, and research the competitive market place before introductions.

At Hirzel Canning Co. & Farms, we always have and always will continue to champion the free-enterprise system. The best product, the best service, and the best price should always be in the best interests of the ultimate consumer. We only ask that the Commission, through guidelines or some sort of oversight, keep the doors of the ballpark open to all comers. When the very dominant competitors control the retail market "space", they are restraining trade and usually resulting in higher prices to the consumers.

Thank you for listening to our concerns, and I, or our sales manager, Stephen Hirzel, would be happy to answer any questions.

HIRZEL CANNING CO.

A handwritten signature in cursive script that reads "Karl A. Hirzel". The signature is written in dark ink and is positioned above the printed name and title.

Karl A. Hirzel  
President