

Note: This is the first brief of ITT - much is left to be done but this is a starter.

ITT OVERVIEW

Sales of ITT are as follows: 1975 - \$11.4 billion; 1974 - \$11.6 B.; 1973 - \$10.2 B; 1970 - \$6.4B; 1976 - \$2.1B.

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Income as follows: 1975 - \$883 million; 1974 - \$851 M.; 1973 - \$521 M.; 1970 - \$353 M. ; 1966 - 90M.

*** Comment: The big drop in income during the last two years is seen as a blow to Harold Geneen, the kerysmatic leader who is ready to retire. much speculation as to his being willing til profits shoot up again - Hartford was the biggest problem.

The breakdown of sales and income by operations is as follows:

	1975 sales (billions)		1975 income (millions)		%sales domestic/foreign USA/Can foreign	
telecommunications	3.6	26%	190	48%	3%	45%
natural resources	.6	5%	57	14%	9%	-
industrial prods.	2.3	17%	55	14%	18%	16%
food products	1.4	10%	15	4%	19%	2%
auto. & consum prod	1.6	11%	13	3%	3%	19%
hotels, cusin servi.	1.2	8%	(23)	6%	8% (60%)	9% (91%)
defense & space	.6	4%	7	2%		
Hartford	2.0	14%	82	21%		
other insur/finan	.6	5%	9	2%		

Sources: 1975 annual report, p43,6; 1976 Moody's Indust Mannual, Vol 1, p742.

Comment: The sales/income information of the corporation carefully prevents one from knowing detailed sales. Scott seeds is under natural resurces with Rayonier. Wonder, Hostess, Morton, Smithfield are upder food products - almost all of it. Sheraton is most of hotel section but also Palm Coast and some other things. Hartford is set apart because of Justice Dept settlement. Note other insurance/finance operations are significant.

Miscellaneous ITT information on non-consumer areas - ITT Harper is in industrial area but I think is the source of retail fasteners (screws, etc.) which I saw for sale at Warehouse Paints (Salem). ITT Levitt was the biggest homebuilder but crashed under ITT leadership - was sold. ITT-AEC merger was attempted in 1966 but fought by justice dept. and ITT gave up in 1967. The list of mergers over fifteen years blows the mind - there are plenty of subsidiaries to resource. I suggest that someone write to these sub-ixdiaries inquiring and requesting information as a prospective investor. We could start with five and see what happens. If one of you are willing let it be known.

ITT CONTINENTAL

Baking Industry - 10% of food purchases are from industry - ITT (WONDER, PROFILE, BUTTER TOP), Campbell Taggart (Rainbo), American Bakeries (Langendorf), or Interstate &. the four hold 30% of bread market nationally in 1971 and this counts supermkts and their own brands (c. 10%) @ the share of the four has been steadily increasing - they have 63% concentration in 17 cities - ~~xxxxxx~~ has 73% in Charlotte, 76% in Omaha. WONDER is country's biggest seller, 12% of natl mkt. 26% in Nebraska, 30% in Oklahoma, & 48% in Utah.

Profits and concentration in food industry - FTC found that when 4 food cos. held 40% of market, profit of 6.3% .. if 70% of mkt profit of 11.5%. Then if they quintupled their advtsg, they had a profit of 15.9%

advertising - In 1971 food cos. became largest of TV advertising industries . "It is not a balanced dinner of the four basic food groups that they are pushing there, but snack foods, processed foods and convenience items. That's where the profits are. Children are taught that taste is a craving for sugar, that nutrition is no more than the vitamins added to brkfat cereal.. lure them with sweets at a tender age & hold them with snacks through the teens. With this trng., they can be expected to buy mgd. foods and convenience items for the rest of their years."

small independents pay \$3.50 to 4.00/1000 TV households - big advertisers pay \$2.50 with \$3 million or more network advertising - leave public airwaves to private oligopolies - when Budweiser switched from billboards he said "This put us so far ahead of the rest of the industry that it was like plucking a chicken".

nutrition - the Natl Acad of Science's Food & Nutrition Bd. recommended that 10 nutrients be added as acceptable from bread to breakfast cereals "from hominy grits to Hostess Twinkies. Behind the scientific legitimization".. corp. leaders chaired the committees

"What does a food oligopoly do if it is caught in the embarrassing position of peddling low nutrition at a high price? ..improve quality, less sugar/fat, urge basic foodstuff food, lower price? None of the above ... keep manufacturing the same sugary, fat-laden, nutritionally inferior convenience items but with 3 differences ..fortify with synthetic nutrients, advertise fortified ..better than nature's own and raise the price "

synthetic foods as the future - "Eventually we'll have to depend on artificial foods to feed the world's population", declared an executive of ITT. ...helping in their development" Hightower calls the statement "self-fulfilling and self-serving"

grain reserves - 6 giant exporters hold 56% capacity - domestic grain held by feed firms Ralston, Purina & Cargill and "increasingly by such bakers as Continental and Campbell Taggart."

conversation with baking industry consultant on airplane 8/76 - he knew ITT well, more centralized since ITT takeover but kept president, high distribution costs (Teamsters), regional and automated plants the future - profit big in bread, margins good in cakes too - supermarkets have their own bakeries - I was the interested pastor gathering information for a "sermon"

ITT CONTINENTAL - (cont)

ITT Continental plants are located in about 60 cities across the nation. They have covered every metro area - I have plotted the plants on our Gulf USA map.

The company had sales of \$1.2 Billion in 1975 and a net income of \$22 million ... other brands are BRAUNS, DICARLO, HOME PRIDE, COUNTY FAIR, LOVE'S, ROMAN MEAL (where the licensee) ... operate about 8,000 trucks, 900 passenger vehicles, 670 tractors and 730 trailers - most are leased.

WONDER - BREADS

The average brand name bread Consumers Union bought cost 65¢, store-brand was 52¢. "The price difference has nothing to do with quality." "It does have a lot to do with harsh nonprice competition and with wasteful attempts to create ephemeral 'product differentiation'. ... By 1988 supermarkets began to reserve the best shelf space for their own brands ... independents have high distribution costs ..

on price - "Consumers tend to blame the rise on the higher grain prices that resulted from the 1972 Russian wheat deal and on the increased intl demand for American grain thereafter. Yet the farm value of wheat per loaf of bread, just under 3¢ in 1972, was only about 4.9¢ when we bought bread for this project last year (1974). ... It is not the high price of grain, then, that is behind skyrocketing bread prices. The real culprit is the competition for shelf space and the wasteful nonprice competition among the independents that results." (CR, May 1976)

market penetration - Senate committee reports 4 firm concentration in 1974 as 59.9% in 18 mainly different cities from 1963 survey - in three comparable cities concentration increased 3% ... telephone survey ITT average market share was judged as 21%.

more on prices - Bakers raised prices as wheat prices rose - "Shortly after the bakers cried wolf, the price of wheat began to plummet. The price of bread, however, rose. And the difference was pocketed by the bakers. There had been a wolf there, all right- the oligopolistic bakers themselves." (H)

advertising "Instead of competing on product quality, the dominant firms hire Bill Cosby (Del Monte), Patricia Neal (Gen Foods), Ann Blyth (Hostess) or other personalities to gain your trust and sell their wares." (H, p117)

"It is one thing to have to listen to TV comms. on Wonder bread, but quite another thing to realize that every time you pick up a loaf of the stuff you are also picking up a fraction of the \$5 million a year ITT spends to put those ads on TV" (Hi. p117)

antitrust - Continental has a long history of antitrust convictions, etc. it is a question of their price cutting to remove competition as the 10th Circuit court noted "the plaintiff, old Homestead, ceased to do business on December 31, 1967, and on January 2, 1968, Continental raised its prices and did away with all discounts." (House Comm. Interstate Commerce, March 13, 1974 hearings)

nutrition - Consumer Reprot did an in depth study of breads saying you can't tell value by color or even by ingredients for enrichment may not include unknown nutrients. In addition baking method is a factor. So the study of bread value is only made by its results - thus a study on rats.

ITT HOSTESS

HOSTESS is by far the leading line - it is a way to Wonder bread into grocery markets to eliminate local bread competition - about 12% of production of cakes to grocers under their own label

school breakfasts - "Not for nothing have the major food makers moved into public schools to corner the mkt. for prepackaged brkfst and lunch programs. With a grant from the fed. govt., ITT's Hostess cake subsidiary developed 'Astrofood', a vitamin-fortified, sugar-filled cake, which is now fed to schldn every morning in several systems around the country, including St. Louis, Memphis, Little Rock, Atlanta, Buffalo, LA, Seattle, N.Y."

"Following the lead of the cereal oligopoly ... ITT & Tasty ... both concocted fortified cakes and went into the school-breakfast business, persuading the Dept of Agriculture to redefine 'breakfast' to include 'fortified baked product with cream filling' ... massive new market ... teach kids that a meal is a brand-name, packaged goodie."

"While homogenized, uniform meals have not come as a result of our demand, we have accepted them, passively assured their domination of our food economy. We are a nation built on self-reliance, but we are letting ITT teach our chldn. that breakfast is a fortified cake; we are letting Gen Fds. convince us that Cool Whip topping is fresh, even though it is a non-dairy product & requires chemicals to maintain its 'freshness' ..." (Hightower, Jim. EAT YOUR HEART OUT, p74, 82, 234)

advertising - "the mass takeover of supermarket shelf space by soda pops, sugar-filled cereals, potato chip treats, convenience foods & snacks continue to reach into the pockets of many Americans, robbing them of their money and of the proper nutrients which they should be receiving. As for the producers - the General Mills, the Dow Chemicals, the ITT's, etc -- through large advertising budgets not only help to sell the products of the conglomerates, they also tend to cut down accessibility to the market by any new company wishing to enter." (Comm of 15, nutrition hears, June 20, 1974)

Comment: Both Wonder and Hostess have a number of substitutes that seem to have close to the same popularity. We could promote supmkt bread at a lower price which supmkt wouldn't mind! The Wonder and Hostess campaigns should center in at kids/teenagers (T-shirts, etc.)

A coordinated supermkt campaign like UFW might get some to take out Wonder/Hostess/Morton/Smithfield to stop picketing. Is there any chance of recruiting or cooperation with UFW actions?

Institutions could be hit / university and city snacks and food / factories have canteens fir Hostess goodies in them - place for UAW action to remove. More information on school breakfast needed / could make news here maybe. The nutrition campaign to parents should be considered. SA blacks health could be tie-in (here we need more information). Also high prices rip-off and no gain for farmers is important and could appeal broadly, and to rural oriented (Nebraska activists)

ITT MORTON

Frozen Food industry overview - This is a growth industry with sales growing from \$655 billion in 1967 to 13B in 1974. Prepared foods sales grew from \$1.7B to \$3.3B, the same growth ratio. Bakery products grew from 253M to 491M; dinners from 421 to 595M; cream pies from 53 to 59M; fruit pies from 117 to 217M; and meat pies 119 to 161M. (Quick K FROZEN FOODS, Nov 1975, p81)

Morton stands as 3rd largest 100% prepared frozen food company in nation. They are #1 in frozen doughnuts (over \$50 million ~~xx~~ sales); #3 in ~~xxx~~ dinners; #2 in pot pies; #2 in fruit pies; #2 in cream pies; "far and away leader in macaroni & cheese"; #1 in food service in preplated lunches; and a considerable FACTOR IN CASSEROLES & fried chicken. advertising budget "one of largest in f.f. industry. frozen doughnuts \$6 mil ~~xx~~ alone in 1976

frozen dinners is greatest \$volume item (for industry or Morton?) - do 64 hot lunches and 52 cold pack sets

Morton does guided tours of plants / hands out fact-packed brochure - a good vacation for someone - plants in Crozet, Va. (12 miles from Charlottesville) with 1350 employees and older plant in Russelville, Arkansas.

up to Jan 1975 70% sales through brokers, now 100% through brokers (names in QFF special 30year issue on Morton.

have 50% market penetration in food service in some areas, by 1976 to be 80%

school lunches in elementary schools have 3 elements = hot pack (protein & vegetable), cold pack (starch & fruit) and milk (not supplied by Morton) @ school can buy hot and cold or just hot and supply own cold pack.

SOURCE: "The Morton Frozen Food Story", Quick Frozen FOODS, Ap '76, p35-94

Progressive grocers are told frozen foods are big in their future because consumers have less and less time for chores .. buying power highest in history - basic trend "the working woman" nearly half work - they have family incomes of 58% above median - these working women accrdg to survey are "younger, better educated than non working women", they stop for food less often, preferring one-stop, one-day-a-week trips - the coming majority of wkg women is a "fertile soil for growth of f.f." - biggest trends of food preference foreign type hot dishes (60%) Italian 105% increase and frozens are big source of this variety (PROGRESSIVE GROCER, Oct. 1974)

Morton stopped frozen dough sales but recently started again - this is \$70M business (1974) with Rhodes with 38%, Bridgeford (10%) and Rich 6%, Rhodes expected \$30M sales by end of 1974 - one chain exec reported "he gets more complaints about out of stocks on frozen bread dough than any other product" (ADVERTISING AGE, Nov 25, 1974, p3)

1971 NET TV show program of what you would need to make a Morton's frozen lemon cream pie - took viewer step-by-step using sugar, sodium bicarbonate, ammonium bicarbonate, sodium caseinate, more sugar, emulsifiers, polysorbate 60, artificial coloring and artificial flavoring. "You wonder what kind of pie we've made here" Efron at end of spof held up Morton box "There it is. A modern lemon cream pie. I'll open it for you. Get it out of the box. Good. Factory-fresh, factory-approved. No lemons, no eggs, no cream. Just Pie." company went bananas - (Hightower, Jim. EAT YOUR HEART OUT, p111)

ITT MORTON (cont)

"Junk food products reach into our nations's schools under the guise of the natl school lunch program. Many schls., due to rising costs of labor & food, have been forced to substitute on-site prepared food for food which is prepared, frozen, packaged and distribution by such corp. giants as Morton Foods" (Committee of 15 in letter in hearing of Senate Comm on Nutrition, June 20, 1974)

Comment: The ~~xxxxxx~~ action in this area for consumers seems to be directed toward working women in middle-upper middle class. It would be supermarket oriented and could bring in nutrition question some. Institutional action could center at school boards, universities(?) since Morton is #1 in preplated lunches. Morton's hqtrs are Charlottesville and big plant 12 miles away might mean U of Va. activist (in GBC) may have univ. contracts and reasearch possibilities.

ITT GWALTNEY (SMITHFIELD)

The food products difference in sales of Continental from Hostess is \$200 million in sales and \$7 million loss in income. I would guess this is mainly or all Gwaltney which "processes a variety of fresh and processed pork products, ranging from fresh pork cuts to the aged and especially cured 'Genuine Smithfield' Ham, and including bacon, sausage and luncheon meats. Their products are distributed primarily in the eastern seaboard states." (Moddy's p742)

"Most people have never seen a real country ham, even in the South ... Even the old names cover shameless counterfeits: 'Smoked in the tradition of ancient Virginia', claims the label in Gwaltney hams, dressing them up in a colonial motif. The company is owned by ITT, and the ham is cured with sodium nitrate." (H, p99)

The idea of a holiday campaign with a menu of all kinds of ITT foods, a breakfast, lunch and dinner of a Smithfield ham (for East) . Or one could broaden it to a lifestyle and a menu

"Thus the average citizen can buy his home from ITT, live in one of its 'planned communities', have the house insured by another of ITT's divisions, stay at one of ITT's hotels or motels, use one of ITT's rental cars (~~xxxxxxx~~ ~~xxxx~~), purchase his bread and other bakery products from another of its divisions, buy his cigarettes and coffee from one of its vending machines (~~xxxxxxxxxx~~ ~~xxx~~) obtain a loan from one of its finance companies, and had it not been for antitrust objections watch TV on an ITT-owned network! Actually for antitrust reasons ITT can't rent you a car or provide you a vending machine.

Comment: As you can observe I haven't found much on Gwaltney yet.

ITT SCOTT

O. M. Scott & Sons Co. was taken over by ITT in April 8, 1971. To this point I have only found one informative article (The Mag of Wl St., 9/14/68, p30-31+). Much of the below information is still correct and pertinent I believe.

"With plant and hdqtrs in Marysville, Ohion, Scott is the best known and dominant factor in producing and selling nationally branded lawn care x products. Scott grass seed, fertilizer and weed controls. These S. products outsell all branded competition combined and competition comes from such corp. giants as Borden, Armour, Swift, Eli Lilly and Dow Cem. ..also major marketer of hand lawn mowers and chemical compound spreaders."

Sales moved from \$11.4 million (\$210,000 earnings) to \$48.3 M in 1967 (\$2.5 M earned). Forecasts of 7-10% growth for hom lawn fertilizer annual - 50% of home owners yet to use fertilizer. Professional markets such as golf courses only 5-6% of total revenues (can grow - Dayton city?).

Fertilizers - 65% of Scott's sales sold under TURF BUILDER brand ... in 1970 to have \$4.5 M plant producing a lighter weight fertilizer (polymer)

Combination Products - a fertilizer/disease control combination with names such as TURF BUILDER PLUS 2, TURF BUILDER PLUS 4, HALTS PLUS. sales growth potential considerable since save time and labor / low penetration base.

Control Products - they make products to control lawn diseases, insects & weeds with names such as COPE, HANSEL(?), HALTS AND SCUTL. % should decline as combination increases though dollar volume is modestly growing.

Grass Seed - 1/5th of sales in seed. SCOTT'S WINDSOR makes up 2/3 or seed volume. last three years has had 100 % sales growth, should continue but not at that rate. Windsor not adaptable to tropical climates so 1/3 US unexploited by Scott / working on new varieties of bluegrass

Mechanical Products - c. 1/10th of Scott's sales / primarily lawn mowers and fertilizer pspreaders. They only manufacture their new fiber@las rotary spreader. Electric lawn mowers called SILENT SCOTTS sold at premium prices show promise and good profit margins.

Scott's moved from 9,000 outlets in 1961 to 18,000 in 1968 including hardware, department, discount, lawn-garden stores ... Woolco, K Mart, Zayre, S. Klein & J.M.Fields. Supermarket sales small but high margins make it attractive for lower margins supmkt. "At present Scott is concentrating on mkt penetraion in Northeast and Midwest where mkt penetration is and on the West Coast." 1964 marketing tactic of pre-season and post-season sales lengthen selling season / Early Bird considerable success, far more than autumn ("supposedly the best time"). Overseas sold through Wolf Group in Western Europe - great potential. in advertising have "Lawn Care" which can get for 2 years free / also "Lawn Care" advisory service and Q&A service (70,000 letters in 1967)

Comment: We could write nurserys through yellow pages and see local groups follow up with talks and protest - need to see competitors there are. Institutional possible at city parks, golf course level and university grounds.

ITT HARTFORD and other insurance/finance subsidiaries

The Hartford/ITT merger was the largest merger ever! This merger took place in a rapidly changing insurance industry. "After 1965, a new type of merger began to appear: (before was prop/liab with life insurance cos.) holding companies known as congenics, with subsidiaries consisting not only of insurance cos. but also of cos ... (doing) banking, data processing, loss-prevention engineering, mutual fund management, real estate appraisal & credit and collection. The advantages - tax burden less for life insurance co. less if part of holding company ... than itself owning a number of subsidiaries. Moreover, a holdg. co. is able to expand by issuing preferred stock, a course not permitted to a life insurance co. ... This allows greater 'leverage' in financial operations, that is, it can control larger resources with a smaller investment than would otherwise be necessary. There are also merchandising advantages in wide diversification. The sales force can sell not only insurance but mutual funds, loss-prevention engineering, real estate appraisal service, & other financial services." (Ency Brit, "Insurance", Vol 9, p658, 1974)

Hartford is engaged in the business of writing fire, marine, casualty, life and accident and health insurance, annuity contracts and surety bonds, and in the investment and reinvestment of their assets.

Besides a raft of companies with HARTFORD, THERE ARE THE FOLLOWING IN THE group: FIRST STATE INSURANCE, NEW YORK UNDERWRITERS, NEW ENGLAND REINSURANCE, TWIN CITY FIRE, LONDON-CANADA, LONDON-EDINBURGH GENERAL I C OF CANADA, SENTINEL INSUR., PACIFIC I. C.

Not included in the Hartford Group are the following: ITT AETNA, ITT THORP, INDUSTRIAL CREDIT CO, ITT HAMILTON LIFE (1.25 Billion in life insurance), ITT MIDWESTERN LIFE, ITT LIFE OF NEW YORK, in Canada ABBEY LIFE OF CAN. and MONITOR GROUP.

Hartford has had some disasters (Fortune 1975) with their underswriting operation having deficits (a good operation is considered to break even) and in their investment operation. By 1974 Hartford had a market value \$240 million below its stock costs and \$340 million below its bond ~~xxxxxx~~ costs! Some of this is being written off. The Fortune article is long and titled "ITT's Disaster in Hartford".

Since then IRS has ruled that the Hartford merger was not tax-free so ITT owes about \$100 million to former Hartford stockholders - I'm a little unclear on this issue.

Comment: ITT's involvement in insurance is huge. I see great possibility of a university centered action with senior students who are deluged with life insurance salespeople before graduation. Also Hartford probably insures many university facilities. Hartford probably does much business with cities but cities are having a hard time getting insurance so it is probably best to keep ITT separate from Hartford actions ~~xxxxxx~~ at least in cities in the East and Midwest. I have much to do yet in this area and without too much effort I will be able to pinpoint ITT insurance areas of high market penetration. But I do have enough information to know they are big in all areas.

ITT SHERATON

"The Sheraton Corp owns and operates or operates under lease or management agreements, or grants franchises to independent operators of hotels and motor inns in approximately 248 cities in the US and 32 foreign countries. At Dec. 31, 1975 Sheraton System consisted of:

	Hotels & MotIN.Tot	US	For	/Rooms-Total	US	For.
Owned (sub to mtges) & oper.	28	20	8	15,584	11,697	3,587
Leased & oper.	23	14	9	9,610	5,270	4,340
Managed, not ownd	32	18	14	18,008	10,897	7,111
Franch oper.	<u>302</u>	<u>275</u>	<u>27</u>	<u>55,482</u>	<u>47,095</u>	<u>8,387</u>
TOTAL	385	327	58	98,684	74,959	23,725

(Moody's, 1976, p742)

Holiday Inns have led in franchising but Sheraton is also in the spotlight.

In 1968 Sheraton has 71% occupancy at average room rate of \$11.92 (average of 10.39 in 1963). Hilton had 68% occupancy, \$17.42 av. rate. Hotel Corp of Amer led with 74% occupancy and \$19.34 rate. Holiday had 75% and \$11.85 rate. (Mag W1 St., 8/3/68)

Mag W1 St. (10/11/71) reported a report of hotel-motel occupancy of 53% in 1971 (56% in 1970 and 62% in 1969 (first 6 mos. periods). "ITT Sheraton is suffering along the the industry. But Sheraton opened 34 new properties or additions in 7 countries ... major convention hotels in Honolulu, Toronto, Buenos Aires and San Diego continue/ plans for Paris and Hartford. recently opened in Stockholm & Copenhagen. Hotel and Business Services had loss of \$23 million in 1975, \$6M loss in '74, \$3M ~~in~~ loss in '73, and \$13 profit in '72 - the area has been a loser.

Comment: I have a 1969 list of 47 hotels which money was put into so these are undoubtedly the closely linked ITT ones. Hotels are a good place for public demonstration and could embarrass some groups using Sher. in D.C. etc for conferences. People and institutional employees could be steered away from them.