What Will We Look Like Tomorrow?

Some see independents getting choked out of the market, while others see a new business model ripe with opportunity for those open to change.

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W hat does your future hold as an independent retailer? Will you still be in business in five, 10, or 20 years, and if so, what will your business look like? It is no secret that competition is fierce in the food and petroleum industry. Every format is looking for a new profit center, and people believe the grass is greener on the other side—but is it?

Gas stations cannot make money by only selling gas, so they’ve become large convenience stores offering hot food. Big-box stores are opening up all over, and more of them are getting into the grocery industry. Target recently announced it will eventually offer everything a normal grocery sells. Dollar stores are selling tobacco items, beer, and wine. There are many dynamics in play, but one thing is for sure: The retail world is changing. It is changing because customers not only want a one-stop shopping experience (as time is increasingly of essence in our daily rat race), but also because every format is looking for greater profit centers. When they see what a certain retailer’s formats have succeeded in doing, they add it to their own business model. As Malcolm X said, “Anytime you find someone more successful than you are, especially when you’re both engaged in the same business, you know they are doing something that you aren’t.”

Occasionally, I receive calls from retailers wanting to know why we have not been successful in passing a law to increase the minimum, or why we haven’t stopped another retailer from locating to a certain address, which they feel would create unfair competition. These calls are made out of frustration because their business is “not like it used to be.” The liquor minimum and other similar laws are often a security blanket for someone who does not want to change their existing business model. I know this because I have been in states where minimums do not exist, and the independents that are creative and always willing to try something new are thriving. AFPD is not the competition police, although we do try to make sure nobody is breaking the law or cheating the system at the expense of our law-abiding members. AFPD is not here to stifle competition, but rather to level the playing field.

In addition, many legislators are not fond of legislating profit margins for any industry. As Herbert Hoover stated in his 1930 State of the Union Address, “Competition is not only the basis of protection to the consumer, but the incentive to progress.” Business will never be the way it used to be. You must recreate yourself every day. Meijer is not the same store it used to be. The liquor minimum and other similar laws are made out of frustration because their business is “not like it used to be.” You must recreate yourself every day. Meijer is not the same store it used to be. The liquor minimum and other similar laws are made out of frustration because their business is “not like it used to be.” You must recreate yourself every day. Meijer is not the same store it used to be. The liquor minimum and other similar laws are made out of frustration because their business is “not like it used to be.” You must recreate yourself every day.

See PRESIDENT’S MESSAGE, page 48

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Truthful Talk
AFPD provided a forum for two Detroit mayoral candidates to address members with their message.

By Vanessa Denha-Garmo

During any election year, associations, chambers, and various groups vie to be viewed as thought leaders or as prominent organizations in the political process. The ones that are successful are those with a communications strategy.

The AFPD board and administrators understand this well. AFPD’s strategic plan includes marketing, public relations, collaborative partnerships, and political positioning. Another part of its plan is providing an opportunity for candidates to address the association. In return, AFPD members provide something quite valuable to political candidates—a platform where their voice is heard.

As a 103-year-old trade association with representing thousands of members, AFPD is in a position of influence. Recently, AFPD provided a nearly 60-minute public discussion opportunity for two of the leading candidates running for mayor of Detroit—Wayne County Sheriff Benny Napoleon and former Wayne County Prosecutor Mike Duggan.

Garnering the support of our well-established association is crucial for both men. While less than 10 percent of AFPD members are Detroit voters, all are possibly influential supporters. Getting time in front of this audience is strategic campaigning.

While meeting with the AFPD board, Wayne County Sheriff Benny Napoleon explained how he was on a “listening tour” as he prepared to run for mayor of Detroit. While he listened, he also focused much of his message on his strategy to reduce crime, attract more people to the city, and create an environment where the school district can thrive and businesses grow. He also walked AFPD board members down Detroit’s historical road and explained what necessary changes needed to be made.

Meanwhile, Mike Duggan, who recently stepped down from the top job at Detroit Medical Center (DMC) to throw his hat in the ring, touted his track record as a business-minded political leader and pointed to past successes. He was able to describe a “before and after” picture of his many projects over the years, giving AFPD members a visual.

AFPD board members were not only listening, but also asking top-of-mind questions. Can Detroit really turn around? Will businesses in the city be protected and thrive? Will blight disappear and new residents emerge? And, on the minds of most: Can a white man be elected mayor in a black-dominated city?

Both Napoleon and Duggan have their work cut out for them. For instance, Duggan may have a solid track record as a turnaround guy with vision, but can he convince suburban political donors he can be elected in Detroit? Napoleon has a track record as a crime-fighting leader with an extensive knowledge in running a grassroots campaign, but will business leaders be convinced of his ability to lead Detroit out of a deficit?

As the media digs into past mistakes and negative ties to Wayne County, each candidate will need a strategy to deflect. While neither may emerge in this campaign as a media darling, both will have opportunities to provide their plans and perspectives regarding Detroit’s future.

Neither the candidate nor the audience should ever dismiss these opportunities for open dialogue and candid communications. Truthful talk should always be part of the strategy. Tell the candidate what you expect, and hopefully, the candidate will tell you honestly what he can deliver.

At the end of the day, both sides will have the information they need to create a strategic plan, and perhaps both will gain new advocates and supporters.

Vanessa Denha-Garmo is founder of Denha Media & Communications, AFPD’s public relations firm.
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What Will We Look Like Tomorrow?

While some think independent retailers are getting choked out of the market, others see a changing industry ripe with opportunity for smart and aggressive entrepreneurs.

By Carla Kalogeridis and Beverly Sturtevant

Independent retailers are facing some serious challenges with their traditional business model, and they know it. Gone are the days when gas stations sold gas, liquor stores sold liquor, and big-box superstores stayed away from perishables and foodservice. No one, it seems, is staying on their side of the fence anymore.

"Competition is fierce across the board," says Allan Girvin, director of sales and marketing for Heeren Brothers. "C-stores and gas stations are carrying perishables and produce; dollar stores and drug stores are moving into groceries, beer, and wine and launching their own store brands. Even our local lumberyard has a small grocery section and sells fresh veggies outside in the summer. Everybody is competing for the same customers," he continues, "and for Michigan, there are fewer of them because of the exodus of Michigan's people during the recession. They have not returned, leaving stores with fewer buyers as well as scarcer potential employees."

Bobby Hesano, owner of D&B Grocers Wholesale, agrees with Girvin's description of the market. "The population decline has resulted in fewer customers and continues to have a major impact," he says. "The population still isn't stable, so further declines will add to the pressure."

Hesano says that independents are having a hard time being competitive because of class-of-trade issues that have been blurred for many years, and he expects these issues to continue as all retailers seek new ways to increase sales. "With the big-box stores, gas stations, drug stores, and almost any retail outlet selling food to varying degrees, the consumer has many more choices of where to buy their staples," he says. "This will eventually lead to some retailers' inability to stay competitive over time."

Second, Hesano points out that with unemployment still high and benefits running out, fewer dollars will be available to those still living in the state. And third, he says, rising costs due to last year's drought, poor growing conditions, and exports to China have increased prices on basic food items, limiting the buying power of consumer dollars.

It's not all bad. The increasing consolidation of the food, liquor, and petroleum industries is what led to the reformation of AFPD—The Voice of Independent Retailers. It's time to think outside the box and fight back.

Advice From Your Friends

Here's some advice for AFPD members (from fellow members) on how they plan to strengthen their businesses and be more competitive in 2013.

- Hire better employees. "Attract better employees to improve customer service and to make sure you have someone to delegate to. Also, go after new vendors and build stronger relationships with the ones you have. Remember, these are supposed to be partnerships." —John Abbo, Hartland Mobil
Retailers. No doubt, joining together in one membership organization has strengthened our collective industry politically and economically.

But even so, significant mind-numbing challenges remain. With the fiscal cliff and new health care laws looming, independent retailers have more on their plates than ever before—and many are in real danger of choking. “We need to be honest with ourselves and admit that we are facing some serious challenges as independent retailers,” says Kevin Bahnam, owner/operator of USA 2 GO and a Tim Hortons.

“Yet, we should not despair—simply because we cannot afford to. These challenging circumstances should motivate us to think outside the box and fight back.”

No doubt, our industry has survived many challenges before, and giving up has never been an option. What’s emerging now is a new breed of savvy independent retailers, battle-worn but determined to compete on levels that big retailers can’t match.

“What’s facing us now is not much different than what faced us yesterday,” insists John Abbo, owner of Hartland Mobil. “As the economy improves and becomes more consistent, the chains and big-box stores and pharmacies become more aggressive—and retailers must be more proactive, too.”

When small retailers get discouraged, Jeff Lenard, a spokesperson for the National Association of Convenience Stores (NACS), likes to point out that being a bigger company doesn’t make you immune from the challenges of the times. “Even dominant companies like U.S. Steel, General Motors, and Sears have recently faced bankruptcy issues,” he says, “and there are shifting undercurrents in today’s economy that can help independents.”

The Big Squeeze

To be sure, retailers are having a hard time competing on price but are finding other ways of staying competitive. “Pricing on everything is squeezing down, reducing margins,” says Abbo. “The best marketers are taking over.”

“When retailers compete solely on price, only two people win,” says Lenard, “and that’s whoever got the customer and the customer. It’s not a good thing for our industry as a whole.”

bargaining power gives independents some of the benefits larger chains enjoy. Pat LaVecchia, owner of Pat’s Auto Service, a business that includes a small convenience store and gas station, has used his AFPD membership for just that. “We are being squeezed, but we can combat it by using AFPD’s programs for c-store buying, workers’ comp, and more,” he points out.

Ronnie Jamil, owner of Bella Vino Fine Wines, agrees that retailers are getting pressure from multiple directions. “Everybody is squeezing us. Gas stations and drugstores—even smoke shops—are becoming convenience stores and liquor stores. Every kind of retailer is going after all the business and taking on everybody else,” he says.

And, of course, when you look at price alone, small retailers are trying to compete not only with each other, but also with Sam’s and Costco selling at or below cost. “How can independents survive when taking credit cards—which is 80-90 percent of my business—costs more than their margin on each transaction?”

Jamil acknowledges that AFPD and other organizations are working on the credit card fees issue, and he knows he can’t compete on price with the big-box stores. But what frustrates him the most is the squeeze he gets from some of his own suppliers, who are supposed to be his partners.

“Our biggest issues are with suppliers,” he says. “Cigarette companies, for example, restrict profit and favor the big companies that can sell near cost and advertise heavily to build the brand. In one case, profit is limited to 11 percent; my fixed cost just to turn the key in the door is 15 percent.”

“Other suppliers require package deals or insist you carry everything they offer—15 flavors of one brand of vodka for
example,” he continues, “just so their brand gets promoted at your expense. How many independents have the space and financial ability to buy that much inventory or advertise that heavily?”

In the past, retail entrepreneur Phil Kassa relied on his main suppliers for great deals and forward-buying throughout all his stores, and then he passed the deals on to customers. Today, this owner of Saturn Markets, two Heartland Marketplaces, a Sak N Save, and a dollar store relies more on independent wholesalers to keep him competitive when the deal from his main wholesaler has expired. This way, he says, he doesn’t tie up as much money in inventory “because they act like our own warehouse.”

Kassa also relies on close-outs, items that are being discontinued, products that were over-bought by wholesalers, and short-dated—but not outdated—products. “We purchased Caramel Cheerios with 2-1/2 months left on the code,” he says as an example. “Our regular retail price on the product is $4.29 per box, but we retailed this product at 10 for $10. It was a great value for the customer, and we made money on it.”

Kassa’s introduction of a loyalty card that rewards customers for shopping in his stores also yielded strong results. “A customer doesn’t need a card to get discounts, but the card rewards them with free items or gift cards when they attain a certain amount of points. We introduced it last September, and it was surprisingly successful,” he says.

Despite the road getting tougher, Kassa believes independents still have a fighting chance if they are willing to change with the times. “Independents are still competitive, but we are having a more difficult time,” he says. “With the downturn in the economy, people are more price sensitive, and our customers are trading down to private-label and dollar-store items. A lot of our sales are driven by promotions where there is less brand loyalty. We just have to make the right adjustments.”

Al Chittaro, president of Faygo Beverages, also believes independent retailers have ample opportunity to remain very competitive and are continually looking for ways to do so. “As a partner, we communicate with our retailers regularly on how they can squeeze additional efficiencies out of both of our systems,” he says.

A Chunk of Change
The bottom line on all of this, the retailers and suppliers say, is that independents need to be willing to fight for their business—and to change and grow quickly with the times.

Change is tough for any business, and retail is no exception. The good news is that independents can respond to trends and put new ideas in place much faster than their giant, slow-moving competitors. “To thrive, independents need to be flexible and acutely aware of the demographics of their trade area,” advises Ed Weglarz, director of petroleum for AFPD. “Independents have the advantage of being able to respond faster to the demands of customers, with less red tape to navigate before changing a marketing initiative.”

To be successful change agents, retailers must recognize that the need for change will show up in a variety of places in their business—not just the new trends like social media and mobile marketing. Nader, for example, says Plumbs is always working to improve its value image and service offerings to customers. “We are also doing more event marketing such as seafood sales, one-day meat sales, Wild Wednesdays, and three-day sales,” he says. “And we are creating programs for better customer service and suggestive selling.”

Changing his business to allow for a focus on food service is a big component of helping offset the declining margins on gasoline, says Bill Michailidis, president and CEO of Delaware Market & Café. “It gives people another reason to frequent your location. The food service that you offer should be different than what’s available. Make an effort to identify what food is needed and obtain the expertise to ensure your products are properly executed.”

Abbo recommends that retailers look for change opportunities in their physical stores because it will pay off. He adds that when it comes to change, it’s important to be proactive. “Cut expenses, open new profit centers, and use the space you have smarter,” he says. “Work with new vendors to improve inventory and get more variety. Merchandise creatively. Take advantage of today’s great deals on energy savings (like the Michigan Saves Program) and new equipment. Paint the outside of your store and get new shelves so you can display more products. Being on the cutting edge of technology—like integrated registers/pumps—will make you more efficient.”

Advice From Your Friends

• Connect with customers one-on-one. “Ask your customers: ‘What products or services do you need that we are not providing? What products or services do you buy somewhere else that we could provide and limit the number of shopping stops you have to make? Keep on top of the market, and don’t be afraid to add or delete products and services.’”

—Ed Weglarz, AFPD
ALL THE YUM.
1/2 THE FAT.
"Independents have more connections to the community than anyone. You've got to ask yourself how you can use that. How can your store become a focal point for the community? How can you create an emotional tie between your business and your customers?"

—Jeff Lenard

Like Abbo, Bahnam plans to use more technology in 2013. "Using technology to analyze data helps eliminate unnecessary products, replacing them with new items and concepts," he says. "We can also better control our inventory and manage our gas margins and general merchandise more appropriately."

All this sounds like great advice, but here's the million-dollar question for many: How is a retailer supposed to afford all this change in such a tight market?

"The changes in banking over the last four-plus years have made it difficult to get loans or maintain lines of credit to purchase new businesses or to forward-buy on products that are on deal through our wholesalers," says Kassa. "In the past, our banks were our partners; today they're our competitors. They're trying to liquidate us, rather than help keep us competitive. Today, financial institutions say they don't believe in lines of credit to stay competitive; in the past, they couldn't wait to lend you money."

Even though the banking climate has changed, Abbo says it's important to at least try to take advantage of today's low-interest rates to get financing. "This money is critical if you want to have the right products or expand or buy new equipment," he says. "It used to cost $10,000 to fill my tanks; now it costs $40,000. If I don't have financing and control costs, I can't pay for those gas loads." He needs the financing to increase his merchandise inside the store, too. "There are now 20-plus craft beers," Abbo points out. "If you don't have space for them, or can't buy them, you will lose customers."

One competitive strategy that costs little or nothing, say these active AFPD members, is for less-engaged retailers and suppliers to get more involved in 2013. "To succeed, we must be more informed and involved in the industry," says Abbo. "There are new ideas available to you through AFPD that may be better than the ideas you have. And don't forget to take advantage of the programs and discounts available through your AFPD membership."

And lastly—and for many, most importantly—ratchet up your community involvement and customer connections in 2013. Strong community ties may end up being your best competitive strategy, these entrepreneurs say, plus it's the right thing to do on many levels.

"It's easier to say what we can't do in 2013—which is tuck back into our shell," says Girvin. "Instead, we have to become more involved in community events—schools, political bodies like development councils, programs for the needy—that create a sense of belonging and giving back."

"Chains are very unlikely to be part of local service organizations, so join and participate in groups like Rotary International to establish your credibility in the neighborhood and obtain referrals," advises AFPD's Weglarz.

In addition, he says independent retailers should think about the services they can offer their community that a chain store would overlook. "C-stores can establish a relationship with an auto repair facility and refer customers back and forth. Expand to offer car/trailer rental service. Offer to receive package deliveries for customers who are not at home all day and don't want packages abandoned on their front porch."

"Independents have more connections to the community than anyone," sums up NACS's Lenard. "You've got to ask yourself how you can use that. Is there an empty lot next to your store where a farmer's market could set up? How can your store become a focal point for the community? How can you create an emotional tie between your business and your customers?"

Preserving Independents for the Long-Term

Surviving 2013 is one thing, but retailers should also be thinking about their stores' legacy for years to come. "Traditionally,
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independent retailers have not always done the best job with succession planning," says Auday Arabo, president and CEO of AFPD. "But when it comes to the future viability of independent retailers as a business model, this discussion is crucial."

"Succession planning is important, but honestly, we haven’t given it much thought," admits Kassa. "It is much harder getting new, young talent because they know they can go only so far in a family-owned small business."

The way Abbo sees it, a retailer has three options when it’s time to retire: sell outright, sell the business but lease the property, or hand it down. "If you hand it down to someone in the family, it’s tough to rely on their business sense; they might not be able to handle it."

As part of his succession planning, Michailidis opted to train his team members and then farm out some of the services that can be performed better by a larger, more specialized firm. "I recently went to a professional employer organization (PEO)," he says. "They are responsible for all employee-related issues that seem to take some time away from the rest of the operations."

Michailidis’ PEO is responsible for screening employees, providing benefit packages, drug screening, payroll, all the required training, sexual harassment, etc. "This was a way for me to focus on the core issues of improving sales and service," he explains, "because those are the generators that allow us to remain in business and be profitable."

Another option, Abbo says, is to bring in new talent to eventually take over—but that comes with its own challenges. "You can’t give it away because real estate, fixtures, and good will are too valuable. And most young people don’t have money to invest, so they don’t have any skin in the game as motivation," he points out. "Why would they want to work hard and take over your store when they could advance faster in a bigger company?"

"The unknown also concerns young talent," Nader adds. "What are the guarantees they will take the key leadership role in the company when family is part of the equation? In a larger, nonfamily-owned company, they may see more advancement opportunities unhindered by the family factor."

Interestingly enough, the flipside of the issue is that some independent retailers flat out don’t want their children in the business. "I didn’t want my kids in this business, so they have their own careers," says LaVecchia. "I don’t want to stick my estate with it, either, because it would be an EPA nightmare. They control every piece of dirt on your property."

"Why in the heck would I want my son to be in this business?" echoes Ronnie Jamil. "I’d be setting him up for starvation."

As a young person who grew up working in his father’s store, AFPD’s Arabo understands the sentiment. "Witnessing the wear and tear that the store put on my father is what drove me to go to school and get educated," he says. "But it was my father who urged me to come back into the industry because as he put it, ‘Nobody ever fights for the little guy.’"

Arabo says that if he met a young person who was interested in owning a store, he wouldn’t steer them away. The most successful people, he points out, are always the ones who do what they love. "If you’re good at it and enjoy it, that’s the key," he says. "You will be successful at whatever you do."

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Advice From Your Friends

**Get them in the store.** "Continuously upgrade your facilities to make them stand out from the competition. Offer a cash discount for gas sales or some sort of item that you could use as a loss-leader to bring people into your location. Get them in the store by adding any service your community needs: lottery, check cashing, bill payments, ATM, phone and cash cards, telephone pins."

— Bill Michailidis, Delaware Market & Cafe

**Develop your niche.** "Find your own niche where big stores can’t compete: superb customer service, carry-out, specialties like a phenomenal meat department or bakery, and participation in programs like Pure Michigan. You can’t compete on price, and the family budget is still an issue, but you can overcome those factors through community affiliation."

— Allan Girvin, Heeren Brothers
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That being said, he admits that many young people think retail is easy. "They want to jump right in without knowing what this business has in store for them," he says. "I would suggest instead that they go through a food marketing program like the one at Western Michigan. They need to do one of the internships that the university provides and work in every department of a store."

Arabo believes independent retailers are doing themselves a disservice if they automatically plan to promote family members into management without at least looking at the talent coming out of schools with good food marketing programs. "You need the best talent available to compete against the big companies," he says, "and if you aren't going to hire the kids who have been educated for this industry, you at least need to provide some excellent training for the people you already have."

Banham thinks that independents have a good shot at attracting young talent, whether from within or outside the retailer's family. "Granted, as we are mindful of their abilities and gifts, it requires some flexibility from our side and openness to adapt and adopt new ways of running our business," he points out. "The hope is to get young people involved in what we have established and allow them to take it to the next level by using some of the resources that were not available to us in our time."

NACS's Lenard agrees. "The question for young people entering their family business is whether they are willing to re-create it," he says. "That's how your parents did it...now, how are you going to do it? The basic template is there, but you can customize it. The smaller you are, the more nimble you are. You can do things that Walmart can't dream of doing."

For example, Lenard spent much of last year traveling and visiting convenience stores across the country. In California, he met c-store owners who were hiring young chefs to run their foodservice business. "Instead of working the grueling hours that a new chef often has to put in as a line cook, these retailers are hiring incredibly talented young chefs and giving them leadership responsibility right away," Lenard says. "In one case, an operator was able to hire a chef away from a nearby five-star restaurant because there's not much room for advancement in a great restaurant."

While acknowledging the great food and retail programs at the university level, Lenard says a young person can also get a great education if he or she gets in with the right independent retailer. "If you pay close attention and you're working for a good operator," he says, "you can learn everything about inventory, customer service, human resources, technology, finance, and community relations that you will learn at business school, and much more quickly, too. The lessons are all there in a well-run retail store."

Get Out!
The underlying theme for 2013, say these successful retailers and suppliers, should be to get out of your store. "You've always got to be looking for the next trend," says Arabo. "and you can find it at food shows and trade shows and by mingling with your colleagues, suppliers, and competitors."

Jamil agrees that taking initiative is key. "You can't just sit...Get back to basics. First, maintain traffic in the store with hot ads on basic items. Second, improve in-store merchandising by offering profitable items as customers come in for basics. Cross-merchandising is a big key here. Lastly, as sales fluctuate, watching operation costs is a must to maximize profitability."

—Bobby Hesano, D&B Grocers Wholesale
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back and hope, so we're going to be even more proactive in 2013," he says.

Admittedly, with pressures from big competitors and stores trying to be everything to everybody, limited financing, a shrunken population of customers in some areas, health care, and new regulations, it's easy to make the case that the future viability of independent retailers is in danger — especially for those who are burned out and disinterested in changing with the times. But for those committed to saving their life's work and securing their legacy, the opportunities exist.

"Nobody should second-guess independents' entrepreneurial spirit," says Arabo. "You can definitely thrive in this business climate, if you are willing to reinvent yourself and invest in your workforce."

A good example of this, says Lenard, is Pat Lewis, CEO of Kick-Back Points. In the 1990s, a Walmart opened near one of his Oasis Stop 'n Go stores in Twin Falls, Idaho. Lewis created a loyalty card to encourage customers to stay with him. The loyalty program was so successful at his 10 stores that Lewis started marketing the program to other retailers in other states. Today, with more than three million members, KickBack Points is the leading loyalty program in the nation. "Now, Lewis is known as a loyalty guy who also has retail stores," says Lenard. "Independent retailers have to find those little ideas that make them different, and be open to the thought that one of these little ideas could grow into a big one."

Arabo says AFPD has "a lot of very talented individuals running some very good stores within its membership." But even though talented, some people aren't motivated and willing to learn what's new. Arabo spends a good bit of his time urging less-active members to attend AFPD events and get involved.

"Independents must continue to evolve and to tinker with new ideas," he says. "Independents drive change, and the big chains see that."

"Remember, somewhere in our industry of independents is the next Walmart or the next McDonald's," says NACS's Lenard. "They all started as individuals, as a one-store chain."

If this is a turning point for independent retailers, what does that mean for the future viability of AFPD as an organization? Arabo points out that AFPD is simply a reflection of the makeup of its members. "AFPD will be around another 100 years because the way the members go is the way we will go," he says. In fact, he expects the organization to change because the members' businesses are constantly changing. "All we need to know is, as things change, how can we better serve you? What programs do you need us to develop to make you more competitive and cut costs?"

"The American Dream is what AFPD is all about," he concludes. "As long as the entrepreneurial spirit is alive, AFPD and the independent retailer will be around."
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Food Marketing Institute (FMI) and Feeding America have released a report underscoring the critical contribution food retailers make to their respective communities through their support of local food banks. The study, “Decades of Donations: The 2012 Survey of the Food Retail Industry’s Support of Food Banks,” is a collaborative effort between FMI, representing U.S. food retailers, and Feeding America, the nation’s leading network of food banks. The document substantiates how critical food banks are to the nation’s anti-hunger support system and reports that U.S. grocery stores are the top donation stream for Feeding America’s network of food banks.

As AFPD President & CEO Auday Arabo likes to remind members: “If you are not currently donating, you are missing out.”

Food banks play a vital role in local communities nationwide. Many have been in operation for more than 20 years and receive donations from a variety of sources, including USDA commodities, local and national businesses, and contributions from charities and private individuals. In the United States, food banks across the country serve as warehouse or distribution centers for local hunger-relief organizations such as food pantries, soup kitchens, and homeless shelters.

“More than 50 million Americans, including 17 million children, are at risk of hunger,” says Bob Aiken, president and CEO of Feeding America. “Families across the country are struggling to make ends meet, there is the possibility of billions of dollars in cuts to the SNAP program, and food banks are working harder than ever to serve the needs of hungry families in their communities. This is why the substantial donations we receive from the nation’s food retailers are so critically important in helping us provide food to nearly six million Americans each week.”

According to Feeding America, food banks experienced a 46 percent increase in clients between 2006 and 2010. Consequently, 99 percent of all retailers who responded to the FMI survey indicated they support a food bank by donating food. More than one-fifth (21 percent) of retailers reported donating more than 1,000,000 pounds of food to local food banks.

continued on page 24
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Reporting in 2012 on contributions made in 2011, 96 percent of retailers donated cash to food banks. Of those who donated cash, 26 percent contributed more than $100,000 last year. Cash contributions to food banks enhance their ability to supplement product categories in need, such as fresh meat, where donations do not meet the demand.

“Our 2012 consumer trends research showcased how U.S. consumers have adapted to living with less, but many American families struggle with severe economic restrictions that limit their food options,” says Leslie G. Sarsin, president and CEO of FMI. “Grocery stores and supermarkets across our nation are proud to partner effectively with local food banks, providing families in need with affordable quality nutritious food.”

The report covers the product categories, challenges in supply that food retailers and Feeding America are working to collectively address; and alternative ways in which food retailers assist food banks, such as food drives, scannable coupons that assist local banks, and even necessary equipment to expand and enhance a food bank’s network.

“Food retailers have a longstanding tradition of being actively involved in their respective communities,” Sarsin continues. “By assisting food banks and enabling their customers to join in that effort, food retailers extend the reach of that neighborhood support to those in need of basic nutritional sustenance.”

FMI members can download the report free at www.fmi.org.

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Congress Barely Averts the Fiscal Cliff

President Obama has signed legislation that allows tax rates to rise on the nation’s highest earners while also extending tax cuts for individuals and businesses and delaying automatic spending cuts (known as sequestration) for two months. The 154-page bill, passed mere hours before the nation was set to fall off of the proverbial fiscal cliff, contains various provisions of concern to the retail industry.

**Farm Bill**
- Extends the 2008 Farm Bill until September 30, 2013. The legislation does not include language restricting convenience stores’ ability to accept SNAP benefits.

**Unemployment Compensation**
- Extends for one year the availability of unemployment compensation benefits.

**Taxes**
- Allows the payroll tax cut to expire, thereby returning the tax rate to 6.2 percent from its current 4.2 percent rate. This means taxes will rise on approximately 77 percent of households.
- Permanently maintains the reduced 2001 and 2003 income tax rates for individuals earning up to $400,000 ($450,000 for married couples). Income above that will be taxed at rates rising to 39.6 percent.
- Prevents the alternative minimum tax (AMT) from affecting approximately 27 million taxpayers.
- Extends for two years (2012 and 2013) the Work Opportunity Tax Credit allowing businesses to claim a credit equal to 40 percent of the first $6,000 of wages paid to new hires in one of eight targeted groups, including vocational rehabilitation referrals and qualified ex-felons.
- Extends through 2013 the 15-year cost recovery period for certain improvements made after December 31, 2011.
- Increases the estate tax rate from 35 percent to 40 percent, but maintains the exemption for estates worth less than $5 million for an individual, and up to $10 million for a couple (indexed for inflation).
- Taxpayers who earn below the $400,000/$450,000 thresholds will continue to see their capital gains and dividends taxed at the reduced 15 percent rate, while the rate will rise to 20 percent for incomes above those limits. The highest earners will actually see that rate rise to 23.8 percent because of an additional 3.8 percent investment tax included in the health-care law.

**Energy**
- Extends for two years (2012 and 2013) the 30 percent investment tax credit for alternative vehicle refueling property.
- Extends for two years (2012 and 2013) the individual income tax credit for highway-capable plug-in motorcycles and three-wheeled vehicles. This replaces the 10 percent tax credit that expired at the end of 2011.
- Extends the cellulosic biofuels producer tax credit for one additional year through 2013. The legislation also expands the definition of qualified cellulosic biofuel production to include algae-based fuel.
- Extends through 2013 the production tax credit for wind electricity.
- Extends the bonus depreciation allowance for cellulosic biofuel facilities placed in service before the end of 2013.
- Extends through 2013 the 50-cent-per-gallon alternative fuel tax credit and alternative fuel mixture tax credit. This credit can be claimed as a nonrefundable excise tax credit or a refundable income tax credit.

In the New Year’s Day deadline, lawmakers created a new deadline they will have to meet in two months, when sequestration is scheduled to take effect, the current continuing resolution funding the government expires, and the nation is expected to reach its statutory debt limit. Republicans in Congress have insisted that spending cuts be included in any deal to raise the debt limit, while President Obama has said such issues should be considered separate and apart from the debt limit. Many political observers expect the fight over the debt limit to be more acrimonious than the fiscal cliff negotiations because of the severe consequences for failing to raise the debt ceiling (NACS: www.nacsonline.com).

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Exploring the Alcohol Beverage Consumer

A new Nielsen Category Shopping Fundamentals study explores the U.S. consumer’s mindset when it comes to purchasing alcohol beverages. How do they plan? How engaged are they? What influences them?

The study found that consumers typically postpone spirit purchases until they venture out to make other purchases. While consumers largely plan their trips to make spirit purchases, the spirit purchases themselves only trigger 39 percent of the trips. Combining alcohol marketing communication with consumer packaged goods is key for activating these types of purchases.

Traditional beer drinkers are planners. Overall, beer consumers exhibit a high level of planning and habitual in-store behavior. Mainstream domestic beer consumers are purpose-driven, consuming 78 percent of their purchases on the same day. Marketers can break through their habitual behavior by using occasion marketing, highlighting a variety of settings to consume and share the beverage.

Craft beer consumers, on the other hand, are much more impulsive. Craft beer drinkers make purchases without having a specific occasion in mind. These consumers are attentive to in-store marketing triggers, providing opportunities for specialty and seasonal beers alike.

Wine drinkers are explorers and make their purchase decisions in-store. Compared to the beer and spirits categories, a high level of wine purchase decisions are made in-store (37 percent), and consumers make 70 percent of their product decisions at the shelf. Engagement with the category begins even before visiting the store.

(NACS: www.nacsonline.com)

Q&A on Liability for the Employer Shared Responsibility Payment under the Affordable Care Act

Q: Under what circumstances will an employer owe an Employer Shared Responsibility payment?

In 2014, if an employer meets the 50-full-time employee threshold, the employer generally will be liable for an Employer Shared Responsibility payment only if: (a) The employer does not offer health coverage or offers coverage to less than 95 percent of its full-time employees, and at least one of the full-time employees receives a premium tax credit to help pay for coverage on an exchange; or (b) The employer offers health coverage to at least 95 percent of its full-time employees, but at least one full-time employee receives a premium tax credit to help pay for coverage on an exchange, which may occur because the employer did not offer coverage to that employee or because the coverage the employer offered that employee was either unaffordable to the employee or did not provide minimum value.

After 2014, the rule in paragraph (a) applies to employers that do not offer health coverage or that offer coverage to less than 95 percent of their full-time employees and the dependents of those employees.

Q: How does an employer know whether the coverage it offers is affordable?

If an employee’s share of the premium for employer-provided coverage would cost the employee more than 9.5 percent of that employee’s annual household income, the coverage is not considered affordable for that employee. If an employer offers multiple healthcare coverage options, the affordability test applies to the lowest-cost option available to the employee that also meets the minimum value requirement.

Because employers generally will not know their employees’ household incomes, employers can take advantage of one of the affordability safe harbors set forth in the proposed regulations. Under the safe harbors, an employer can avoid a payment if the cost of the coverage to the employee would not exceed 9.5 percent of the wages the employer pays the employee that year, as reported in Box 1 of Form W-2, or if the coverage satisfies either of two other design-based affordability safe harbors.

Q: How does an employer know whether the coverage it offers provides minimum value?

A minimum-value calculator will be made available by the IRS and the Department of Health and Human Services (HHS). The minimum value calculator will work in a similar fashion to the actuarial value calculator that HHS is making available. Employers can input certain information about the plan, such as deductibles and co-pays, into the calculator and get a determination as to whether the plan provides minimum value by covering at least 60 percent of the total allowed cost of benefits that are expected to be incurred under the plan.

AFPD Bottom Line will continue to print additional questions and answers related to the Affordable Care Act in subsequent issues of this magazine. This Q&A series started in the January 2013 issue of Bottom Line. Please refer back to this issue for additional information.
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Ohio’s Trace-Back Program Targets Alcohol Sources

The Ohio Department of Public Safety’s (ODPS) Ohio State Highway Patrol (OSHP) has announced it will conduct “trace-back” investigations on all fatal and serious-injury crashes in which alcohol and drugs are suspected.

Liquor permit holders will be investigated if questions arise over whether they were complicit in the cause of an accident by serving an obviously impaired patron, providing alcohol to minors, or hosting underage alcohol parties—all criminal violations. “If a bar owner refuses to cooperate in an investigation, they can be cited on administrative charges and taken before the Ohio Liquor Board,” Joe Andrews, spokesman for the Ohio Department of Public Safety, told the Daily Standard.

Ohio troopers will continue to focus on the suspected impaired driver, but agents of the Ohio Investigative Unit (OIU), who were formerly referred to as liquor agents, will now investigate if other criminal violations may have led to a driver’s impairment. Officials say this may be the first and most comprehensive effort of its type in the United States.

According to ODPS Director Thomas Charles, OIU agents will focus efforts on three areas:

- Trace-back investigations on fatal and serious-injury crashes in which alcohol and drugs are suspected;
- Special investigations, e.g. human trafficking, in liquor establishments;
- Investigations of serious violations of Ohio’s liquor laws.

“Trace-back investigations will be available without cost to any Ohio law enforcement agency,” Charles added. “We owe it to the families who have lost a loved one, whose lives never are the same because of a senseless act, to find out all the facts that led to the tragedy.” (Ohio Restaurant Association: www.ohiorestaurant.org)
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Grants for Health Insurance Exchanges in Michigan, Ohio

Ohio and now Michigan are among 49 states that have received money to help them build health insurance marketplaces, a type of retail marketplace intended to facilitate the purchase of health insurance. On January 17, 2013, Health and Human Services (HHS) Secretary Kathleen Sebelius announced $1.5 billion in new Exchange Establishment Grants to Michigan as well as California, Delaware, Iowa, Kentucky, Massachusetts, Minnesota, New York, North Carolina, Oregon, and Vermont to ensure these states have the resources necessary to build a marketplace that meets the needs of their residents.

Delaware, Iowa, Michigan, Minnesota, North Carolina, and Vermont received one-year grants the states will use to build marketplaces. California, Kentucky, Massachusetts, New York, and Oregon received Level Two (multi-year) Exchange Establishment Grants to further develop their marketplaces.

A total of 49 states, the District of Columbia, and four territories have now received grants to plan their marketplaces, and 34 states and the District of Columbia have received grants to build their marketplaces. To ensure states have the support and time they need to build a marketplace, states may apply for grants through the end of 2014 and may use funds through their start-up year. “These states are working to implement the health care law, and we continue to support them as they build new affordable insurance marketplaces,” Secretary Sebelius said. “Starting in 2014, Americans in all states will have access to quality, affordable health insurance and these grants are helping to make that a reality.”

Beginning in 2014, consumers and small businesses will have access to marketplaces designed to provide access to private health insurance choices similar to those offered to members of Congress. Consumers in every state will be able to buy insurance from qualified health plans directly through these marketplaces and may be eligible for tax credits to help pay for their health insurance. The marketplaces promote competition among insurance providers and offer consumers more choices.

**AFPD Bottom Line** will continue to run articles on health care to help our members better understand the new law and its impact on small businesses.
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Retailer Spotlight

Walker Street Pharmacy: A Neighborhood Gathering Place

How—and why—do you build a successful business tucked back on a neighborhood street that was once an Indian trail from the Grand River and downtown Grand Rapids, Michigan?

"I always wanted my own store," explains Grand Rapids native Ed Rutowski. "I wasn't sure about a career, but I was pretty strong in science and I wanted to help people, which a pharmacist is able to do every day."

After earning his pharmacy degree at Ferris State College (now Ferris State University), Rutowski's first job was with Revco Drug Stores, where he stayed until 1986, when he was hired at Walker Street Pharmacy, in the historical West Side of Grand Rapids. "That store has been a pharmacy since 1932," Rutowski remembers.

He had always wanted to earn a degree in fine arts also and in 1989 moved to Chicago to pursue a bachelor's degree at the School of the Art Institute of Chicago. "During that time, I worked for Walgreens for a few years, then became a staff pharmacist at Northwestern Memorial Hospital in Chicago," he says, "but when my wife, Coral, and I had a baby, we wanted to move back to Grand Rapids to be near family."

"I went back to see my former employer at Walker Street," he says. "He not only took me back, but began putting a bug in my ear about taking over so he could eventually retire. I bought him out in 2008 and I'm now the fourth owner."

"The store was expanded a couple of times to 8,000 square feet back when money was cheap," Rutowski points out, "so we have space on the front end for everything." It's a party store with liquor, beer, and wine, plus several aisles of groceries, magazines, greeting cards, and gifts. "We offer the coldest beer in town," he laughs.

The pharmacy offers all the expected services, including immunizations, and is especially proud of its HQAA certification to bill Medicare for diabetes supplies and durable medical equipment. "Getting certified by the government was a grueling process," Rutowski says, "and we have to recertify every three years, but it puts us a level above the competition."

The store is off the main road, so it's somewhat insulated from the big-box stores. "They like to be at a large, main intersection," Rutowski explains. "We are tucked back into an old, established, west-side neighborhood. There's no room for them back here. So we've enjoyed the same strong customer base for generations. Now, we're filling prescriptions for our early customers' grandchildren and hiring them as they grow up."

The neighborhood setting makes the store a place to gather, Rutowski points out. "I love it when people bump into their friends, sometimes people they haven't seen for years, and stand in the store to talk. And people like that they know you. It builds rapport and trust. They ask me lots of things. I am happy to research and answer medication questions for them, call the doctors, and help with their insurance."

Like every small business, there are challenges. "Some of the big stores are offering free antibiotics. Several have $4/$10 plans for generics, and you can't make money on those plans," Rutowski says, "but you have to do it to compete and retain your customers." Insurance plans cover less and less every year, and reimburse slowly; some have mandatory mail order, which takes business out of state, and doesn't provide face-to-face interaction with the pharmacist.

The new health care law is an unknown, he worries. "But at least more people will have coverage. If they can see a doctor, they'll have a prescription to fill, and most will buy something."

"Rutowski uses North Pointe Insurance for his liquor liability, and offers a whole range of MoneyGram services. He takes advantage of AFPD's Monster rebate and appreciates getting the labor and W-2 Card posters in the mail. "I know AFPD works to make life easier for us," he says. "Anything they can do to cut taxes and take the burden off small business is a big help."

Rutowski was happy that Michigan's bottle bill is on AFPD's 2013 focus list. "We've recycled bottles for so long, it's worked into our system, but it's a nightmare I'd rather not deal with," he says. "I'd love to see it replaced with a recycling program outside the stores."

The Rutowski family is very familiar with the AFPD Foundation's $1500 scholarship program, as their daughter, Emmy, is planning on applying. She's considering studying international business at Michigan State and is very interested in all things Japan. "A couple of my employees may be picking up applications, too," Rutowski says.

What about that fine arts degree? "One of these days, I'll retire to a big sunny studio and paint again," he says.
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PREVENTING LIQUOR LAW CHANGES
AJPD successfully defended against any liquor law changes in 2012 that would have allowed unfettered expansion of liquor licenses in Michigan, including those that would have allowed virtually every gas station in the state to purchase a liquor license. Our coalition of stakeholders seeking to "put health first" was very successful in 2012 and will defend the value of our members' liquor licenses in 2013.

AMENDING THE CAT TAX
In Ohio, AJPD fought to amend the devastating CAT tax on motor fuel. While key legislative leaders pledged their support to move the CAT tax to the rack for all sellers of motor fuel, our real success came with a December 2012 decision by the Ohio Supreme Court that ruled the current CAT tax on motor fuel is unconstitutional. As the legislature is forced to rewrite this tax, the door is wide open for AJPD to finally level the playing field for our members.

EXEMPTING FOIL POUCHES
When the State Treasury in Michigan sought to require the foil pouches in which liquor is distributed to be redeemed and returned to our members' stores, AJPD was the lead retail voice in passing HB 5660, which amended the bottle law to exempt foil pouches from the redemption process. This amendment will save stores from spending thousands of dollars on new equipment.

AMENDING THE PREPAID SALES TAX
Governor Snyder, with strong advocacy from AJPD, signed a new law amending the prepaid sales tax to create monthly changes in the sales tax withhold rate; eliminate the 10 percent threshold to trigger any changes in the rate; and add the prepaid sales tax element to diesel fuel. This will reduce the retailer's obligation at each month's end.

BANNING SYNTHETIC MARIJUANA
As it became apparent that synthetic marijuana products like K-2 and Spice were harmful—and in some cases killing young people in Michigan who were smoking these substances—AJPD was the sole retail association partnering with the Michigan State Police to pass HB 5338, a law that now bans these substances from sale in retail stores in Michigan.

CLEANING UP USTs
In May 2012, AJPD worked successfully with other stakeholders to pass HB 5228. Governor Snyder signed this important legislation that created a more consistent, efficient, and less-expensive process for remediating underground storage tank sites.
2012 AFPD Government Relations Accomplishments

ELIMINATING BELOW-COST SELLING
AFPD helped identify and bust gas stations that were cheating Michigan citizens out of their fair share of tax dollars. This effort created a fair and level playing field for our members who do it the right way. We are committed to eliminating below-cost selling at every opportunity.

DELAYING SIGNAGE COSTS
When the State of Michigan tried to make costly changes to Michigan's gasoline price-sign laws, AFPD intervened and helped pass HB 5852, which phases in significant changes to the size of posted price numerals for five years, thus eliminating an immediate cost to our gasoline retailers.

ADVOCATING FOR THE RETAIL FRAUD ACT
During the 2012 lame-duck session in Michigan, AFPD advocated for the successful adoption of the Retail Fraud Act, which punishes wrong-doers in the grocery business and protects AFPD members who honor the law.

SECURING CHANGES TO BLUE SIGN FEES
When the Ohio director of transportation arbitrarily sought to increase state fees for roadway and freeway business advertisement signs (so-called blue signs), AFPD joined the advocacy team that passed a law requiring the Ohio legislature to recommend all blue sign fee changes. In 2012, the proposed changes went through legislative review, guaranteeing business owners in Ohio the Constitutional right to no taxation without representation.

EXPANDING AFPD TRAINING
AFPD launched its own Michigan UST owner/operator training program, training more than 200 owner/operators in Michigan last year. Upon AFPD's certification by the Ohio Fire Marshal in September and October 2012, AFPD trained and proctored exams for 40 UST owner/operators in Ohio. Additionally, AFPD developed a TIPS training program for employees of stores selling alcohol in Michigan and Ohio. In the last quarter of 2012, AFPD provided TIPS training to more than 70 owners and employees.
AFPD’s Work on Your Behalf Continues in 2013

Your AFPD continues to lead the way in supporting progressive policy changes that will improve the lives of consumers and retailers alike for generations. In Michigan, the focus is on replacing the bottle bill with a statewide recycling plan. In Ohio, AFPD is working to replace the Commercial Activities Tax (CAT) on motor fuel with a fair and equitable replacement plan.

Ohio: Commercial Activity Tax (CAT)
2012 was an up-and-down, exciting year for AFPD as it relates to the CAT on motor fuels. AFPD has been the leader in proposing legislation to amend the CAT to provide for the payment of the tax on gasoline only at the terminal rack, rather than at each point of sale or distribution.

Throughout 2012, AFPD has worked tirelessly gathering support from leaders in the Ohio House and Senate. But in December, although two of Ohio’s leading legislators stood ready to introduce the AFPD-proposed legislation, we were hugely disappointed that key leadership decided not to allow the bill to come to the floor during the lame-duck session.

In a surprise move on December 7, 2012, the Supreme Court of Ohio ruled in the case of Beaver Excavating Co. v. Testa that the CAT is unconstitutional under Article XII, Section 5a of the Ohio Constitution, which specifies that revenue from all taxes related to sales of motor fuel may not be spent for any purpose other than highway purposes (i.e. highway and bridge construction and repair and other state highway travel related expenses). Since all CAT tax revenues are currently allocated to the General Fund, and not to a specific highway-use fund, the allocation of the tax revenue currently does not satisfy the constitutional requirements. The Supreme Court is sending this issue back to the lower courts with the instruction that an excise tax must be charged on motor fuels.

This reopens the door for AFPD, and we are already meeting with leaders of the Tax and Finance Committees. It is still AFPD’s goal to obtain resolution by the end of the first quarter.

Additionally, Governor John Kasich has placed a restructuring of the entire Ohio tax system high on his agenda. Gov. Kasich is known for his stance on taxes; and helped balance the U.S. House budget in the 1990s.

Michigan: Comprehensive Bottle Recycling
Michigan is currently one of only ten states with a bottle-deposit law requiring sticky, bacteria-laden bottles and cans to be brought into retail stores—the same stores where we buy our fresh foods and produce. Throughout 2012, AFPD has been the lead association working with legislators to bring Michigan into the 21st century by taking bottles and cans out of our stores.

In 2013, progress is being made toward creating a bottle evolution bill that includes a comprehensive, state-wide recycling plan. AFPD has been invited by the Michigan Department of Environmental Quality (DEQ) to be the lead retailer on a committee tasked with developing the program.

More Michigan News
AFPD is proud to announce Lansing-based Public Affairs Associates (PAA) as its Michigan lobbyist. PAA is among the most respected issue advocacy firms in the state. AFPD looks forward to working with PAA on the recycling bill as well as other issues important to independent retailers.

AFPD President and CEO Auday Arabo was an invited guest to the floor at Michigan Governor Rick Snyder’s State of the State address on January 16th. The invitation is a reflection of the excellent relationship between AFPD and the governor.

AFPD continues to lead the way in supporting progressive policy changes that will improve the lives of consumers and retailers alike for generations.
Ann Arbor, Michigan—Volunteer Energy, Michigan’s fastest growing natural gas supplier, has been chosen to provide a new savings benefit for AFPD members. “We’re thrilled to have been selected as the preferred gas supplier to AFPD members,” said Shawn Hall, Michigan Regional Sales Manager for Volunteer Energy. “We’ve been working closely with businesses throughout the state for several years now, and we couldn’t be happier with our new partnership,” he said.

Volunteer Energy serves tens of thousands of business and residential gas customers across the state. The energy supplier’s bright orange logo is well known to many Michiganders due in part to their sponsorship affiliations with the Red Wings, Lions, Grand Rapids Griffins, and the University of Michigan. In addition, Volunteer Energy is heard daily on WJR’s Paul W. Smith show. “Volunteer Energy is committed to Michigan in a big way,” said Hall.

“We couldn’t be more pleased to help our members save money through this partnership with Volunteer Energy,” said Auday Arabo, President and CEO of AFPD. Arabo conducted an extensive review process to select the best provider to secure low gas rates for members. “Our members trust us to bring them value, and we feel we’ve done that with the addition of Volunteer Energy,” Arabo said. “If a member is using natural gas, they can probably cut their rate. And it doesn’t cost anything to do a rate comparison, so members have nothing to lose.”

The program is currently in effect, so any AFPD members in the DTE Energy, Consumers Energy, Michigan Gas Utilities, and SEMCO service areas can now contact Volunteer Energy at (734) 548-8000 to enroll in the program. There is no sign-up fee and no cancellation fee. The member is only obligated on a month-to-month basis.

About Volunteer Energy—Volunteer Energy is a rapidly growing alternative energy supplier with corporate offices in Pickerington, Ohio, and a regional office in Ann Arbor. Founded in 2001, Volunteer Energy provides natural gas and electricity to more than 100,000 businesses and residents across the Midwest.
Seven Touches Make a Message

The beginning of any new year is a good time to assess your marketing material, create a plan, and execute it. With advancements in technology, independent retailers have a variety of ways to communicate with their customers. Research shows that it takes at least seven touches to effectively communicate your message. Here are seven ideas:

1. **On the bulletin board.** If you have a visible bulletin board at your store, why allow other businesses to plaster their flyers all over it? Use that space to post your flyers, printed newsletters, and sale papers. If you don’t have one, consider getting one, especially if you have an area where customers can sit to eat or drink coffee.

2. **Reward them.** This is an ideal opportunity to build an email list by asking customers to opt in to your newsletter. Engage them on a regular basis while promoting products and sales.

3. **On the Web.** If you do not have a website, get one soon. Make sure to update it regularly. If you hire a web designer, make sure he creates a site that you can manage and strategically update with photos and content.

4. **Blog about it.** A blog enables you to promote products and services, and it establishes you as an expert in your industry. If you are a sommelier or expert in beer, for instance, write about the various products you offer. You can write about the retail industry, or even the economy. The content helps brand your company.

5. **Post it.** Research shows that Facebook business pages are more popular than websites, although both are important. Facebook pages do not take much time to update. Pictures keep customers engaged. Don’t just promote products; give customers tips and advice.

6. **Circulate the circular.** Why not use the circulars to send your customers a personal message from the owners or managers? You can give a tip of the week or message of the month about your products and services.

7. **Greet them.** If you see people frequently, get to know their names. People do business with people they like and trust. Become a trusted retailer and say hello to your customers. Let them know you care.

If you are not using any of these communication methods, start with one and implement another method every other month. In 2014, you will be able to evaluate your communications plans by first assessing the effectiveness of your 2013 strategy.
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Applications are available beginning January 1, 2013. Deadline to apply: March 31, 2013.
Liquor Sales Reach Record $849 Million

The Division of Liquor Control once again achieved a record year for dollar sales of spirituous liquor in 2012. Total sales were $849 million, an increase of 7 percent over 2011, exceeding last year’s total by $55.3 million.

This achievement is due in part to the continuing trend of customers trading up to premium products as tastes are becoming more sophisticated. Better product selection and improved inventory management—without encouraging increased consumption—are key to meeting the needs of our consumers.

Strong wholesale sales indicate positive growth in Ohio’s economy as Ohioans are again patronizing restaurants and entertainment businesses. For the second consecutive year, wholesale dollar sales (liquor purchased by retail permit holders such as restaurants, bars, and clubs) showed strong growth. Total wholesale sales in 2012 reached $257.8 million, an increase of 5.7 percent over last year.

Dollar sales grew at a higher rate than consumption in 2012. The Division sold a total of 11.9 million gallons of spirituous liquor through its 464 Contract Liquor Agencies, an increase of 4.2 percent over the previous year.

The top 10 selling brands of spirituous liquor (intoxicating liquor containing more than 21 percent alcohol by volume) in Ohio for 2012 (by gallons sold):
1. Kamchatka Vodka – 364,914 gallons
2. Jack Daniels Tennessee Whiskey – 355,068 gallons
3. Bacardi Superior Light Rum – 287,378 gallons
5. Crown Royal Canadian Whiskey – 281,295 gallons
6. Captain Morgan Spiced Rum – 279,512 gallons
7. Smirnoff Vodka – 271,204 gallons
8. Jagermeister – 256,526 gallons
9. Black Velvet Canadian Whiskey – 231,888 gallons
10. Korski Vodka – 229,404 gallons

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DTE Energy, 24 Years

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n order to successfully complete the required certification exams, AFPD provides Underground Storage Tank (UST) Owner/Operator Class A & B training to prepare Michigan UST owners and operators. In Ohio, AFPD provides the UST training as well as certification exams. The regulating departments in both states are enforcing the UST Class A & B certification requirements as they make their inspection visits of UST facilities. Get compliant by taking the training and completing the exams. Check the AFPD website for the dates and venues of future classes. (see sidebar, “USTs: What It Takes to Reach Compliance”)

Changes in Roadside Signage Regulations
Roadside price sign regulations are changing in Michigan. When advertising a gasoline price subject to any conditions (e.g., car wash, rebate), the sign lettering must be at least one-half the size of the price numerals and backlit so it can be read from the street at night. This regulation is effective July 1, 2013. AFPD was successful in obtaining a deferral of the regulation as it applies to cash and credit conditions of sale until July 1, 2017. After that date, the one-half size price numeral requirement will apply to all conditions for the sale of gasoline. Keep these revised regulations in mind when upgrading or replacing components of your roadside price sign.

Changes in Pre-Paid Sales Tax
Effective April 1, 2013, Michigan’s gasoline pre-paid sales tax withhold system will change. The sales tax withhold rate will be determined and adjusted each month, rather than quarterly. By the 15th of each month, you will be notified of the gasoline sales tax withhold rate applicable for the next month. This change will help smooth out the sales tax obligations of the retailer by reducing the difference between the total sales tax obligation and the actual amount withheld. Beginning April 1, 2013, pre-paid sales tax withholding will be expanded to include clear diesel fuel.

On January 10th, AFPD hosted its first UST training course of 2013. AFPD has trained more than 250 people in federal UST regulations over the past year.
National Wine & Spirits Michigan is proud to support the AFPD and wish you success in 2013. Congratulations on another successful year!

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President’s Message
continued from page 6

To compete, you must also love (or at least enjoy) what you are doing. Yes, you can pay the bills as an independent retailer, but will you really compete and last if you do not enjoy the daily grind of the industry? I grew up in retail and have worked every department in a grocery store, and I loved working with people; but in the end, it was not for me. The grocery stores are what my late father enjoyed, and he was the one who influenced me to leave my dream job as a prosecutor in the San Diego District Attorney’s office to run a similar association in California. He told me: “A day, this trade put food on your table, and you need to fight for guys like me because independents need help. They do not have all the marketing dollars and support the chains have. You need to make sure other kids have the opportunity that was provided to you by the family business.” Fighting for the interests of independent retailers and their viability is personal for me.

Competition is a real thing and it is not going away, but it is not a new phenomenon. The great Walt Disney, said, “I have been up against tough competition all my life. I wouldn’t know how to get along without it.” If you love what you do, you will never stop looking for new ideas, trends, and even talent. You can never stop learning—otherwise, someone somewhere is working harder, and it is only a matter of time before they open up a shop near you, especially if you are in a profitable neighborhood. A famous quote says, “While most are dreaming of success, winners wake up and work hard to achieve it.” Yes, you need to make it happen! Several industry leaders have made helpful suggestions to you in this issue’s cover story, but it is up to you to take the next steps.

Who knows which independent retailer will be the next Meijer in another 50 years? Every great company started with one location, one operator, one dream, and plenty of hard work. The entrepreneurial spirit of the independent retailers is as strong as ever. It is this spirit that makes our country so great and the leader of the free world, the shining city on the hill to which President Ronald Reagan always pointed. If you ever have the slightest doubt about your future, please repeat the following:

I am too positive to be doubtful, too optimistic to be fearful, and too determined to be defeated.

And remember that AFPD will always be with you, fighting for your interests, because AFPD is the Voice of Independent Retailers.
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Lipari Foods: Celebrating 50 Years of Service and Success

One man, one station wagon, a few bottles of BBQ sauce, and a dream... that is how Lipari Foods began. While working as a meat cutter and operator of a full-line grocery store, Jim Lipari and his partner created Bazzo’s barbecue sauce, and on Lipari’s days off, he loaded up his station wagon and hit the road selling the unique sauce.

In 1963, Lipari Food Distributors was officially formed to distribute Bazzo’s. More products were added, and in 1967, Frank’s Tea & Spice named Lipari as its distributor, with a customer base that included many independent supermarkets. The first phase of Jim Lipari’s dream of independence and his philosophy of customer service had been realized.

Thom Lipari, president/CEO and Jim’s son, explains, “Over the past 50 years, we’ve achieved our goal of becoming a leader in food distribution, servicing the perimeter of the store. Today, more than 900 people work for us and we service more than 8,000 customers in 12 states.”

Lipari Foods’ tremendous growth has come in many forms: acquisitions of distribution businesses, partnerships with wholesale warehouses, product expansion into seafood, dairy, grab-&-go, and confections, as well new facilities to accommodate anticipated growth.

After Thom joined Lipari Foods in 1971, a second building added two walk-in coolers, and the addition of cheese, ham, and salami put Lipari Foods in the deli business. In 1983, Lipari became the first company in southeastern Michigan to market in-store frozen dough to bakeries and independent grocers. More recently, the purchase of I&K Distributors brought a full dairy program on board, and Eastside Deli Supply and Pic-A-Nut acquisitions boosted Lipari’s portfolio of products for the convenience store channel.

By 2010, Lipari had added warehouses for dry and frozen storage totaling 410,000 square feet in Warren and Detroit. Lipari has also remained committed to advanced operations technology, taking pride in a world-class operating system for transportation and warehouse management that allows it to ship to 12 states from one central distribution site in Warren, Mich.

Today, with headquarters in Warren and 28 depots in the company’s operating area, Lipari offers both national and exclusive brands in a wide range of quality bakery, dairy, deli, packaging, seafood, grocery, confectionery, and grab-&-go products.

It’s more than just products. Lipari category specialists’ wide range of experience and expertise makes them a valuable part of an independent retailer’s strategy for success. They optimize product assortment to build sales, provide training to store personnel to build customer loyalty, offer merchandising ideas to enhance profits, and help c-stores implement unique food service programs that stand out from the competition.

In 1981, Lipari Foods hosted its first-ever Deli & Specialty Food Trade Show in the Detroit metro area. Thirty-plus years later, the 2013 Lipari Food Show theme is “Lipari Foods 50th Anniversary: A Masquerade Ball.” This will be a “big party,” says Thom Lipari, “showcasing memorabilia, an anniversary video, and a company timeline.”

Lipari has a long history with AFPD. When he had a grocery store in the 1950s, Jim Lipari joined AFD as a retailer, and when Lipari Foods was launched in 1963, he immediately became a supplier member because “it was the right way to go.” Thom Lipari agrees. “AFPD membership continues to be valuable as a way to stay in tune with the needs of our customers. My father’s big thing was ‘always take care of the customer.’ Membership in a strong association is important because of the strength in numbers it offers to its members.”

The company hasn’t forgotten its community, either. Lipari donates a percentage of the proceeds from its Zoppitty Confections program in partnership with the Make-a-Wish Foundation. “We also do an annual holiday gift drive to help fill Make-a-Wish baskets, and our employees participate in the annual Detroit Walk for Wishes.”

Thom Lipari looks to the past and the company’s achievements with gratitude. “I want to thank the dedicated employees, customers, vendors, and consumers who have helped us reach 50 years of success,” he says. “We’re especially proud of the jobs we’ve created and the entrepreneurship we’ve encouraged.”
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<th>Competitor Annual Sales</th>
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How do Consumers Define ‘Healthy’?

With the start of a new year, many Americans vow to eat healthier. But what that means for foodservice retailers is continually changing, a new Technomic report finds. Contemporary definitions of health are strongly associated with local, natural, organic, and sustainable food and drink. Additionally, consumers are taking more of a balanced and personal approach to healthy eating—seeking out better-for-you foods while enjoying occasional indulgences, the report states.

"More consumers than ever before tell us that eating healthy and paying attention to nutrition is important," confirms Darren Tristano, Technomic vice president. "However, there’s a shift happening in terms of what actually defines healthy for them. We’re seeing more consumers gravitate toward health-halo claims such as local, natural, and organic, as well as whole-wheat and free-range. Operators can leverage this growing interest in the health halo by developing the kinds of food offerings that can underscore health without detracting from the taste perception."

The Healthy Eating Consumer Trend Report finds that 64 percent of consumers today—up from 57 percent in 2010—agree that it is important to eat healthy and pay attention to nutrition. Half of today’s consumers report that they eat healthy food to have a nutritious and balanced diet.

Half of consumers also say they would like restaurants and foodservice retailers to offer more healthy foods, and nearly as many say they would probably order these options if they were offered. Today, 38 percent of consumers—up from 33 percent in 2010—say they are more likely to visit foodservice retailers that have healthy menu options, even if they do not order a better-for-you item.

More consumers today than in 2010 report that they consume local, organic, natural, and sustainable foods at least once a week. Half of consumers say that descriptors such as low-salt, low-fat, and low-sugar clearly signal health, yet strongly detract from the taste of food. (adapted from a recent report by NACS)

More consumers gravitate toward health-halo claims such as local, natural, and organic, as well as whole-wheat and free-range.
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Together we are leading Michigan to a healthier future.
Workers’ Comp Premium Deadline Coming this Month

Each year, the Ohio Bureau of Workers’ Compensation (BWC) sends payroll reports to private, state-funded employers in January and July. The payroll report must be submitted with the premium payment to BWC semiannually. The current payment for private, state-funded employers is due February 28, 2013.

Employers are required to pay premiums from the first day they acquire coverage. BWC uses employer payroll reports to calculate premiums, which must be paid by the deadline or coverage will lapse. A lapse in coverage would not only make an employer responsible for all claim costs if an accident occurred, but could also cause ineligibility for the group rating discount.

The employer is instructed to report the payroll for the previous six-month period, separating the payroll according to the different manual classifications. Manual classifications are assigned to each employer based on the job duties reported on the initial coverage application. The payroll report comes to the employer with the manual classifications and the rates already entered. The employer enters the actual payroll for each manual classification, multiplies by the rate assigned to that manual classification, and adds the totals for each. This amount will be the premium the employer owes BWC.

If payroll is submitted under the wrong manual classification, the premium will not be the correct amount. Employers could pay too much or too little to BWC. If the payroll is intentionally misrepresented to achieve lower premiums, BWC can charge employers up to 10 times the amount of the premium that was not reported.

Employers can complete their written payroll report or pay payroll premiums online through BWC’s website. www.ohiobwc.com. If payroll is reported online, employers are not required to pay their premium online, but can simply print their payroll report, attach it to their check, and mail both to BWC. However, employers who pay their BWC premium online can use BWC’s Go Green 1 percent discount if the premium is paid in full. BWC’s 50/50 payment option allows an employer to pay half their premium now, and the second half by June 1, 2013. Please note that employers who filed and paid online in the past will not receive a hardcopy of their payroll report, but must continue to use the online option.

Here are some tips to help you complete a payroll report:

- Report payroll under the correct manual classification describing the type of work;
- Use BWC’s list of reportable payroll to help determine the correct wages to report;
- Report any payment made to employees, both in wages or in-kind;
- Pay close attention to the six-month period defined on the payroll report sent by BWC;
- Compute the premium by multiplying the payroll by the rate for each applicable code and then adding together the total for all codes;
- Once a payroll report has been submitted to BWC online, changes cannot be made;
- Return the report to BWC early.

If you need assistance or additional information for completing your payroll report, contact CareWorks Consultants at (800) 837-3200.
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Buscapes Enterprises Inc. .................................................................... (586) 269-18
Kasaps Brothers/Ram's Horn Restaurants ........................................... (248) 350-15
Tubby's Sub Shops Inc. ......................................................................... (1-800) 497-66

GASOLINE WHOLESALERS
Atlantic Oil Company ........................................................................... (1-800) 376-28
Central Ohio Petroleum Marketers ..................................................... (614) 899-93
CFX Management ............................................................................... (937) 426-99
Countywide Petroleum/Cejo Petroleum ............................................. (440) 237-44
Gilgan Oil Co. of Columbus, Inc. ........................................................... (1-800) 355-95
High Pointe Oil Company .................................................................... (248) 414-98
K & K Petroleum Maintenance Inc ....................................................... (927) 538-11
Motor City Oil Co. ................................................................................ (313) 892-93
Obie Oil, Inc. ....................................................................................... (833) 279-99
Oscar W Larson Co. ............................................................................ (248) 620-50
Superior Petroleum Equipment .......................................................... (814) 539-72

GREETING CARDS
“Leamin’ Tree” .................................................................................... (1-800) 556-7819 ext. 41

GROCERY WHOLESALERS & DISTRIBUTORS
Bumette Foods, Inc. ............................................................................. (248) 264-29
Caterfield, Inc. ..................................................................................... (517) 146-94
Central Grocers .................................................................................... (815) 553-89
Complimentary Foods ......................................................................... (734) 145-94
D&B Grocers Wholesale ...................................................................... (734) 145-94
Exclusive Wholesale World ................................................................... (248) 398-36
General Wholesale ............................................................................. (248) 145-94
George Enterprises, Inc. ...................................................................... (248) 145-85
Great North Foods ............................................................................... (989) 146-25
International Wholesale ....................................................................... (248) 145-85
Jerusalem Foods ................................................................................... (313) 446-45
Kap's Wholesale Food Service ............................................................. (313) 522-35
Nash Finch Company ........................................................................... (1-800) 412-99
Spartan Stores Inc. .............................................................................. (416) 475-25
SQUEAL ................................................................................................. (917) 475-25
Value Wholesale Distributors ............................................................. (248) 971-89

HOTELS, CONVENTION CENTERS & BANQUET HALLS
Farmington Hills Manor ....................................................................... (248) 688-68
Hampton Inn - Commerce ................................................................... (248) 663-98
Hampton Inn - Shelby .......................................................................... (248) 663-68
Holiday Inn Express - Commerce ......................................................... (248) 663-68
Petruzello's ......................................................................................... (248) 819-79
Shenandoah Country Club .................................................................... (248) 663-68
Suburban Collection Showcase ............................................................. (248) 386-38

ICE CREAM SUPPLIERS
Nestle DSD .......................................................................................... (248) 425-88
Prairie Farms Ice Cream Program (Large Format) ................................ (1-800) 399-970 ext. 1
Arctic Express ....................................................................................... (810) 347-89
Par Ice Cream Company, Inc. .............................................................. (313) 257-10

indicates supplier program that has been endorsed by AFPD.
* Indicates supplier only available in Michigan
** Indicates supplier only available in Ohio
## SUPPORT THESE AFPD SUPPLIER MEMBERS

### PHARMACEUTICALS

- U.S. Ice Corp. *(313) 862-3344*
- J.C. Cascar, Inc. 1-800-327-2920
- OMC City Ice 1-800-756-4411
- Lee Ice Co. *(313) 295-6756*

### INSURANCE SERVICES: COMMERCIAL

- North Pointe Insurance 1-800-229-6742
- CareWorks 1-800-837-3200 ext. 7158
- *Care Specialty Markets (North Pointe)* *(Underground Storage Tanks)* 1-800-648-0351
- *Penn & Brown Insurance* *(313) 846-3366*
- *Mitsubishi Adjusters International* 1-800-445-1554
- *Executive Insurance Agency* *(248) 356-3000*
- *Brooks & Woods Agency* *(517) 481-4300*
- VTR, pest insurance *(440) 247-3750*

### INSURANCE SERVICES: HEALTH & LIFE

- *BCBS of Michigan* 1-800-666-6233
- *New Life Insurance Company* *(248) 352-1341*
- *Mary Hines, Jr. & Associates* *(248) 851-2277*

### VENTORY SERVICES

- *Reup & Stor* *(586) 718-4695*

### LEGAL SERVICES

- *Bell & LeBarge, Attorneys and Counselors* *(313) 682-1100*
- *Peploe & Waggden, Ltd.* *(216) 320-0068*
- *McClure, Davis & Acho, PLC* *(313) 261-2400*
- *Fleming & Phillips, LLP* *(858) 597-9611*
- *J. Miller & Co.* *(248) 626-6800*
- *R. Atkinson & Associates* *(588) 493-4427*
- *Stetson & Hays* *(814) 226-3589*
- *Epstein, Fishbey, Pain & Fierman* *(248) 867-7327*
- *Bos, Davis, Eckard, Sletten & Hicks PC* *(248) 223-8980*
- *Wright, Krasnoff & Co., PC* *(517) 362-2300*

### MILL. DAIRY & CHEESE PRODUCTS

- *Denmark's* *(216) 214-7342*
- *Prairie Farms Dairy Co.* *(248) 299-0300*

### MISCELLANEOUS

- *TechClinic* *(586) 943-0880*
- *Validator* *(330) 305-2543*
- *20 Comfort Sofa* *(313) 407-4976*

### MONEY ORDERS/MONEY TRANSFER/BILL PAYMENT

- *MoneyGram International* *(517) 292-1434*
- *McCheck Payment Service, LLC* *(248) 973-7241*

### OFFICE SUPPLIES & PRODUCTS

- *Staples* 1-800-683-9000 ext. 514

### PIZZA SUPPLIERS

- *Hunt Brothers Pizza* *(815) 259-2769*

### POINT OF SALE

- *BMC Business Machines Specialist* *(517) 485-1732*
- *Lubricat, Security, Credit Card, Point of Sale and more* *(860) 593-0020*
- *Great Lakes Data Systems* *(248) 251-6300*
- *Legacy Technology Services* *(734) 622-2001*

### PRINTING, PUBLISHING & SIGNAGE

- *American Paper & Supply* *(586) 778-2000*
- *Fisher Printing* *(708) 588-1500*
- *International Outdoor* *(248) 489-8899*
- *Michiyan Logics* *(313) 337-2267*
- *Prophium Commerce Solutions* *(313) 207-7805*
- *West Kuppenhagen Graphics* *(586) 775-7529*

### PRODUCE DISTRIBUTORS

- *Heavenly Brothert Products* *(313) 453-2109*
- *A&A Produce* *(248) 888-3594*
- *A & P Farms* *(734) 352-2041*
- *Tom Mason & Son, Inc.* *(313) 468-0561*

### REAL ESTATE

- *American Business Broker* *(313) 344-5779*
- *JLP Appraised Team* *(313) 207-1888*

### REFRIGERATION & REFRIGERATION SOLUTIONS

- *Phoenix Refrigeration* *(248) 344-2995*

### SECURITY, SURVEILLANCE & MORE

- *Central Alarm* *(313) 864-8900*
- *Guilford Loss Prevention* *(727) 776-3429*
- *US RAC, LLC* *(248) 505-0413*
- *Whole Armor Reliant Services LLC* *(313) 930-5646*

### SHELF TAGS/LABELS/MARKETING

- *Eagle Solutions* *(586) 287-9630*
- *JAYD Tags* *(248) 203-2003*
- *Saxon Inc.* *(248) 287-2000*

### SODA POP, WATER, JUICES & OTHER BEVERAGES

- *Arizona Beverages* *(810) 360-0671*
- *Cedarapple Beverage Group* *(248) 459-2051*
- *Intrastate Distributors (Snappe)* *(313) 921-8800*
- *Monster Energy Company* *(586) 564-6460*
- *Nestle Waters Supermarket* *(734) 513-1715*
- *TUP Bottling Group* *(313) 937-3500*
- *Abecape Water Co* *(1-800) 334-1046*
- *Buckeye Distributing (AZ)* *(440) 526-6666*
- *Coca-Cola Refreshments* *(216) 680-2853*
- *Fargo Beverages, Inc.* *(313) 925-1800*
- *Om Go* *(248) 470-4001*
- *Pepsi Beverages Company* *(313) 334-2830*
- *Swede* *(1-800) 688-9485*
- *Poniac* *(248) 334-4312*

### SPECIALTY FOODS

- *Cousin Mary Jane* *(586) 995-4153*

### TOBACCO COMPANIES & PRODUCTS

- *Adina Client Services* *(517) 831-5910*
- *RJ Reynolds* *(336) 741-0727*
- *S & E Distributors Inc.* *(313) 755-8826*
- *Westside Vapor* *(313) 952-2754*

### WASTE DISPOSAL & RECYCLING

- *National Management Systems* *(586) 771-0700*

### WINE & SPIRITS COMPANIES

- *Benzinger, Martin & Co.* *(313) 846-2964*
- *Barn Sip & See* *(248) 471-2280*
- *Cana Wine Distributors* *(248) 688-8647*
- *Carstens on Brands* *(248) 299-5164*
- *Diego* *(313) 465-8664*
- *Evergreen, Hill Distilleries* *(313) 346-1713*
- *KCI Imports* *(248) 549-0004*
- *Nancy Gruenlas* *(248) 347-3711*
- *Treasury Wine Estates* *(734) 684-3515*

### WINE & SPIRITS DISTRIBUTORS

- *Great Lakes Wine & Spirits* *(313) 887-0521*
- *National Wine & Spirits* *(586) 858-6424*
- *586) 858-6427*
April 9 & 10, 2013
29th Annual Innovations Trade Show
Burton Manor
Livonia, Mich.

—as Requested—
TiPS Training

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