

BottomLine



THE VOICE OF INDEPENDENT RETAILERS // VOL. 26, NO. 5 // MAY 2015



The Ever-Changing Retail
World of Technology

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BottomLine



THE VOICE OF INDEPENDENT RETAILERS
VOL. 26, NO.5 // MAY 2015

features



AFPD THROWBACK // **RETAIL CRIME: DON'T BE A VICTIM**

Retail crime is a serious safety issue in today's grocery workplace. In sheer numbers, more grocery store workers are assaulted each year than workers in any other occupation.

ORIGINALLY PRINTED IN THE JULY 2000 ISSUE OF THE
AFD FOOD & BEVERAGE REPORT



COVER STORY // **THE EVER-CHANGING RETAIL WORLD OF TECHNOLOGY**

Retailers have various departments in the store to manage and maintain. At the supermarket level, some departments require its own manager or supervisor. However, in recent years, the one area that has seen vast changes is the front counter or Point-of-Sale (POS) with the advancements of technology. This is also true for convenience stores, gas stations and liquor stores.



BEFORE YOU HAVE A FIRE LOSS

AFPD Business owners face many challenges in owning their own business. In terms of money nothing is more devastating than a fire loss claim or related type of loss. When there is a fire, there is a chance that you can be ruined financially. AFPD is here to offer you some simple advice to help you preserve what you have worked so hard to build up over the years.



president's message

AUDAY P. ARABO, ESQ. // AFPD PRESIDENT & CEO

Service is the Reason We Exist

Time seems to fly by when you are busy and AFPD has definitely been busy in 2015. Our new Chairman, John Denha is one of the most active Chairmen I have worked with, which is a good thing. Our Annual Trade Dinner was a blast and our newly reformatted buying show was a huge success. I hope to see many of you at the Ohio Buying show, which is on May 19th in Cleveland, Ohio.

The AFPD board of directors and staff are very proud of our members. There are many reasons for the way we feel, but plainly, we know our members take pride in their trade, respect their industry and are willing to be a part of something bigger; a collective force whose only existence is to serve its members. However, sometimes we have non-members who approach us and ask for things which are just not realistic and more of a fantasy or wish list. We never sugarcoat things or give people false hope or guarantees. We are always candid and transparent in everything we do. Members are the lifeline of our association and they are the reason we were created in 1910 and the only reason we still exist 105 years later. However, we do not want to represent every retailer in our industry. We strongly believe our members are the cream of the crop in the food, beverage and petroleum industries. We only want to represent and serve those members who are proud of their trade, who give back to their communities and want to better themselves. A number of people may read this column and ask, what is Auday talking about, but it's true, AFPD has a high standard when it comes to our membership and those who we solicit for new members. Leaders in state government recognize this fact and that is why they work with us so willingly. We need to recognize the challenges in our industry and continually educate ourselves with the trends, new products, new rules and regulations and potential threats to our businesses so we can better compete.

We live in a very dynamic and every changing world. However, one thing remains true, once you stop learning and growing, you die. It is only a matter of time before you cease to exist or become irrelevant. There are so many "AFPD haters" out there who find it easier to point the finger at someone else instead of self-reflection and asking: "How can I make my business better or more profitable?" One former AFPD member I spoke to told me that every negative thing that happened to his business over the past twenty years was AFPD's fault. Other retailers who may not be AFPD members blame AFPD for the explosion of alcohol licenses. While it is flattering, some people really believe AFPD has the clout to, and ability to, decide who will receive an alcohol license. These expectations are unrealistic and fantasy.

AFPD is one of the top food, beverage and petroleum associations in the entire country. We are not a membership good old boys club and the anti-competition police. We work hard and are truthful about what we do and understand our abilities and limitations. At some point, some of these disillusioned retailers need to take responsibility for their lack of growth, lost profits and even increased competition. Competition is what makes the USA the greatest country in the world and it makes you better and keeps you on your toes so you do not become content and stagnant. We humbly thank you for your membership and always remember; AFPD is here to serve you! God Bless. ■

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petroleum news & views

EDWARD WEGLARZ // AFPD DIRECTOR, PETROLEUM

Department of Labor is Monitoring Gas Stations

Our experience shows that the Federal Government agencies tend to gravitate toward audits that produce results. A word to the wise: follow payroll rules and regulations, and keep payroll records, or the agency will promulgate their own sample of what your payroll was! In the past five years, more than 1,100 attendants at Shell, Exxon, BP and other leading brand gas stations in New Jersey have been denied minimum wage and, in some cases, overtime pay. These workers have received \$5.5 million in back wages and damages recovered thanks to a multiyear enforcement initiative conducted by the U.S. Department of Labor's Wage and Hour Division.

“In the past five years, more than 1,100 attendants at Shell, Exxon, BP and other leading brand gas stations in New Jersey have been denied minimum wage and, in some cases, overtime pay.”

“The wages recovered for these low-wage workers will help them pay rent and put food on the table for their families. These wages will also fuel the local economy,” said Secretary of Labor Thomas E. Perez. “The U.S. Labor Department is determined to ensure that employers follow the law and to create a level playing field for those competitors who pay their workers all of the wages they have rightfully earned.”

“Our investigations of the New Jersey gas station industry found widespread violations of the federal Fair

Labor Standards Act's minimum wage, overtime and record-keeping provisions,” said Mark Watson, regional administrator of the Wage and Hour Division in the Northeast. “To combat these violations, we are engaged in strategic enforcement and outreach efforts with employer organizations and employee advocacy groups to educate all parties on their rights and responsibilities. Our efforts are having an impact on the industry.”

In fiscal year 2014, the division recovered nearly \$300,000 in back wages and damages for nearly 100 employees, about \$3,000 per worker. While that amount is significant, it has dropped to its lowest point since the initiative began in 2010. In addition, ample evidence shows the division's enforcement efforts have impacted the industry. The division's investigators report that some gas stations hired more employees to avoid overtime violations; purchased time clocks to track hours worked; and contacted the Wage and Hour Division for help in providing intensive training for managers on overtime and minimum wage laws. The division will continue to monitor this industry for continued compliance in fiscal year 2015.

The FLSA requires that covered employees be paid at least the federal minimum wage of \$7.25 per hour. Nonagricultural and other nonexempt employees are entitled to time and one-half their regular rates for every hour they work beyond 40 per week. The law also requires employers to maintain accurate records of employees' wages, hours and other conditions of employment, and prohibits employers from retaliating against employees who exercise their rights under the law. The FLSA provides that employers who violate the law are, as a general rule, liable to employees for back wages and an equal amount in liquidated damages.

When employees are denied their hard-earned income, the Wage and Hour Division is committed to ensuring that workers receive wages earned and needed for basic expenses such as rent, transportation and food. Since 2009, the division's investigations have resulted in the recovery of more than \$1.3 billion dollars in back wages for more than 1.5 million workers. ■



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Retail Crime: Don't be a Victim

■ BY DEBBIE SCHILL // LOSS PREVENTION

Retail crime is a serious safety issue in today's grocery workplace. In sheer numbers, more grocery store workers are assaulted each year than workers in any other occupation.

Retail workers, as a group, are fourth only to taxicab drivers, police officers and security personnel as those most likely to be killed at work. The employees at greatest risk generally work alone, late at night, and are known to handle cash.

Retail crime can cause injuries, lost productivity and income, reduced employee morale, and a damaged reputation of a business within the community. But, by focusing on the key areas described below, you can significantly reduce the chance of a violent retail crime occurring at your business.

- Make sure indoor and outdoor lighting is adequate and well maintained all the way around the store.
- Reduce potential hiding places outside the store by keeping landscaped areas trimmed and limiting outside storage.
- Do not store ladders outside and eliminate areas where a robber could access the roof – a trash bin is as good as an elevator to the agile thief. Always keep roof hatches closed and locked.
- Keep the inside and outside of the store clean, organized, and in good repair. This creates the impression of a well-managed business.
- Post and enforce no loitering signs and immediately remove any graffiti on store premises.
- Limit the number of entrances and exits at the front of the store. Keep back and side doors secured so they cannot be opened from the outside (but carefully adhere to the fire codes).
- Do not open doors before or after regular business hours and don't leave unattended doors open and unlocked for vendors or employees. Require all vendors to report at the main entrance.
- Make a sweep of the entire store at closing to ensure that there is no one attempting to hide out.
- Arrange displays so they do not block visibility of the cash registers from the outside.
- Post police, fire and emergency numbers next to the phones and ask police to do an occasional drive-by.
- Limit cash in registers during late night hours. Post signs stating "low cash on hand." ■



AFPD's 31st Annual Innovations Buying Show Recap

AFPD's longest running show welcomed over 1,000 attendees who were looking for products to fill their shelves for the months ahead. It all happened at the 31st Annual Innovations Buying Show, which was held for the first time at Shenandoah Country Club in West Bloomfield. The event, on Thursday, April 16th, filled the hallways and ballrooms as suppliers and retailers showcased the industry's latest products and services.

This year's setting allowed for a more personal touch and kept the attendees mingling as they made their way through the display areas. The Innovations Buying Show continues to be the best opportunity for buyers to see tomorrow's hot-seller, today. Allowing retailers to sample food and beverages on this large of a scale, is invaluable when it comes to deciding which new products to carry in stock.

AFPD continued its outreach in giving back to the community, a Trade Show tradition, and donated 6500 lbs. of food to Forgotten Harvest to wrap-up the event.

AFPD's Innovations Buying Show, once again, paired people with products at special show-only prices and it continues to push the industry forward. Mark your calendars and don't miss your opportunity to attend one or both of our fall buying shows! AFPD's 17th Annual Holiday Food and Beverage Buying Show is being held on Thursday, September 24th and our 6th Annual West Michigan Holiday Food & Beverage Buying Show is on Thursday, October 1st. ■

110 BOOTHS SOLD! THANK YOU EXHIBITORS!

Air Resource Vending	Lipari Foods
Alexander & Hornung	Lippitt O'Keefe Advisors (<i>on behalf of Michigan Micro Distillers Institute</i>)
Allstate Insurance	MB Financial Bank
Arctic Express/Nestle Ice Cream	MI Liquor Control Commission
Arctic Glacier Premium Ice	Michigan Lottery
Better Made Snack Foods	Monster Energy
Blue Cross Blue Shield of Michigan	National Benefit Plans (NBP)
BMC-Business Machines Company	NMS-National Management Systems
Caretek Total Business Concepts	NYSW Beverage Brands
Coca-Cola Refreshments	Office Depot
Comcast Business	OFICRS/AFPD Coupon Redemption Services
Conifer Insurance Company	ORKIN
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D&B Grocers Wholesale	Pepsi Beverages Company
Dairy Fresh	Pinnacle Propane
Detroit Economic Growth Corporation (DEGC)	PM Environmental
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Faygo Beverages	RNDC of Michigan
Fisher Printing	Select Distributors
Frito Lay	Sherwood Food Distributors
Globe Midwest/Adjusters International	Sock's Galore
Great Lakes Data Systems	SpartanNash
Great North Foods	SRC Refrigeration
H.T. Hackney	T.I. Spices/Amal Distributing
Heeren Bros Produce	Taylor Freezer of MI
Hershey's Ice Cream	U.S. Ice Corp.
Home City Ice	Unifirst
Huron Web Printing	Velvet Ice Cream
Intrastate Distributors (IDI)	WIC Program
Kar's Nuts Products Co.	WorldPay



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FEATURE //

Some Retailers Express Frustration with EMV

Major retailers discuss practical concerns about EMV implementation at payment technology conference

EMV chip cards and mobile payments are a constant topic in the payments industry lately, but according to some, large merchants are far from sold on either technology. An article last month from DigitalTransactions.net cites merchant comments during a recent payments-technology conference, describing the problems they have with the current EMV rollout plans, among other payment industry issues.

The article goes on to say that while most big retailers are gearing up for EMV in an effort to beat the October 1, 2015 liability deadline, they're not necessarily happy about the way the technology is playing out.

One big issue is that EMV debit card transactions will likely follow paths determined by the major card networks rather than

by merchants, despite debit-routing choice mandated by the Durbin Amendment to the 2010 Dodd-Frank Act. With EMV debit transactions, merchant terminals must open and access two application identifiers to give the merchant network-routing choice, a two-step process that could add significant time to each transaction. This complication will be even more glaring with NFC transactions (such as Apple Pay), which involve a tap or a wave of the card.

Under Durbin, merchants must have a choice of at least two unrelated networks for routing of debit transactions. The EMV specifications, however, don't allow for such choice, a problem the payments industry wrestled with for months before finally settling on a solution last year.

That settlement, however, came late in the game, and the industry is still struggling to catch up with software and hardware.

Another frustration with EMV is that it imposes multimillion-dollar costs for multilane merchants but does nothing to lower acceptance costs. At the same time, the fraud it combats will represent a savings only for the banks that collect card interchange.

The merchants' approach toward mobile payments is equally wary, according to DigitalTransactions.net. With a number of digital-wallet providers battling for supremacy — including Apple Pay, Samsung Pay, Google Wallet and the merchant-endorsed CurrentC — some merchants argue it's best simply to wait before committing to any particular product. ■

American Fuel Consumption Lowest in a Generation

Annual household fuel consumption declined by 19% from 2004 peak usage, now at lowest level since mid-1980s

Data released in March by the University of Michigan's Transportation Research Institute (UMTRI) found that average fuel consumption for U.S. drivers dropped in 2013 to the lowest level since the organization began measuring in 1984.

Fuel consumption is lower now than it was a generation ago and is some 14% to 19% less than peak levels in 2003-2004, whether analyzed by vehicle, driver, person or household. This finding is similar to the findings in a Fuels Institute report analyzing driver demographics over the past 100 years.

The UMTRI study indicates that in 2013, the amount of fuel consumed per person in the U.S. was about 392 gallons, while households consumed an average of 1,011 gallons — respective declines of 17% and 19% from 2004 peaks. Fuel consumption per vehicle dropped to 524 gallons in 2013 (down 14% from the peak) and per-driver fuel use declined 16% to 583 gallons.

"Despite population growth of 8%, the absolute amount of fuel consumed by light-duty vehicles decreased by 11% during the period 2004 — the year of maximum

consumption — through 2013," UMTRI researcher Michael Sivak summarized in a press release.

Similarly, the Fuels Institute report, "Driver Demographics: The American Population's Effect on Vehicle Travel and Fuel Demand," found that transportation demand has stabilized after a century of continuous growth, suggesting that the U.S. driving pool has reached a level of saturation. Historically, the amount of drivers grew rapidly until 1980, but has since plateaued at around two-thirds of the general population. ■



Helping Shoppers Keep Food Fresh

■ BY DAVID FIKES // FOOD MARKETING INSTITUTE

Supermarkets have an array of fresh, frozen and prepared foods. Your store maintains quality assurance and sanitation standards to ensure customers receive fresh, wholesome and safe food products. After purchase, though, it's up to the shopper to take care of their purchases properly. Well, now there is an app that can help.

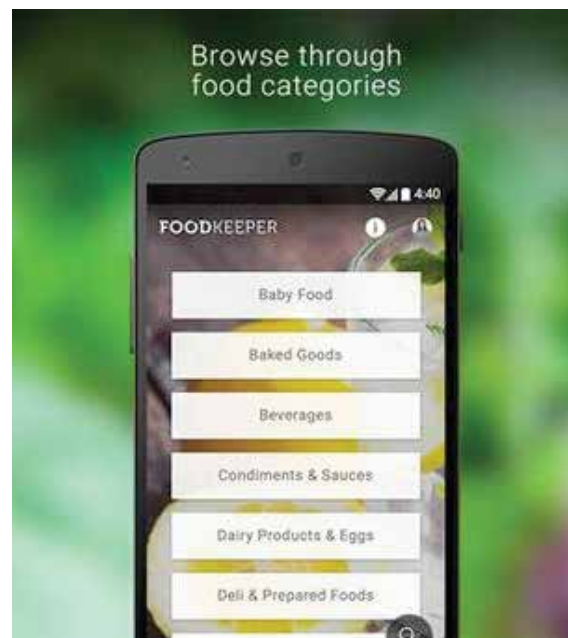
Originally, the FoodKeeper was a publication developed by Cornell University's Department of Food Science, FMI and USDA. The brochure contains valuable advice to help consumers understand the shelf life of products when stored in the pantry, refrigerator or freezer. In 2014, the brochure was updated with new items, food safety recommendations and an online searchable database was created for easy anytime access. In 2015, the partners turned the publication's guidelines into a FoodKeeper app, available for iPhone, iPad, iPod touch and Android devices

This FoodKeeper 2.0 has implications for food retailers beyond helping customers with food safety practices; it also can help shoppers reduce their food waste. Every year, billions of pounds of good food go to waste in the U.S. because home cooks are not sure of the quality or safety of items. Industry groups such as the Food Waste Reduction Alliance are working

collaboratively to decrease food waste while increasing the donation of safe, nutritious food. While these large scale efforts reduce industry food waste, consumer education and the actions of individual households can have an equally powerful effect. Food waste from households represents about 44 percent of all food waste generated in the U.S., and it is estimated that 20 pounds of food is wasted per person per month.

The FoodKeeper application offers users valuable food safety advice and specific storage guidance on nearly 500 food and beverage items, including various types of baby food, dairy products and eggs, meat, poultry, produce, seafood, and more. The FoodKeeper app also includes an optional feature that reminds shoppers to use items before they are likely to spoil. With The FoodKeeper application shoppers can:

- Find specific storage timelines for the refrigerator, freezer, and pantry, depending on the nature of the product;
- Get cooking tips for cooking methods of meat, poultry and seafood products;
- Note in their devices' calendar when products were purchased and receive notifications when they are



nearing the end of their recommended storage date;

- Search the application with swipe gestures or voice control; and,
- Submit a question to USDA using the 'Ask Karen' feature of the application. 'Ask Karen' is USDA's virtual food handling and food safety representative. The system provides information about preventing foodborne illness, safe food handling and storage, and safe preparation of meat, poultry, and egg products.

The FoodKeeper mobile app is the latest resource for food retailers to help shoppers with both food safety at home and food waste. Encourage your shoppers to download the FoodKeeper for iPhone, iPad, iPod touch and Android devices. ■



MICHIGAN //

Michigan poll shows 51% support for marijuana legalization, taxation and regulation

A small majority of Michigan voters support the legalization of recreational marijuana, according to the results of a new statewide poll, but many Republicans and older voters remain opposed.

The Marketing Resource Group survey of 600 likely voters revealed 51 percent support for legalizing marijuana "if it was regulated and taxed like alcohol." Another 45 percent of respondents were opposed.

The live operator poll, conducted April 13 through 17, included a mix of landline and cell phone calls.

The results come as at least three separate groups are eyeing possible 2016 ballot proposals to tax and regulate marijuana. One of those groups, headed by two well-known Oakland County Republicans, has talked about regulating the drug "like alcohol."

The poll question did not describe Michigan's current regulatory system for alcohol, which involves a three-tiered system of suppliers, wholesale distributors and retailers.

Support for legalization was highest amongst Democrats and young people. However, only 36 percent of self-identified Republicans offered support. Likewise, only 37 percent of voters over the age of 65 said they support legalization, while 50 percent were "strongly" opposed.

"While attitudes toward marijuana may be mellowing, most Republican voters and those 65 and older are still not ready to legalize it," said Tom Shields, president of MRG. "Maybe support for the legalization of marijuana would grow if they suggested using pot taxes to fill the pot holes. I would not be surprised to see a successful ballot proposal within the next few years."

Michigan Comprehensive Cannabis Law Reform Initiative Committee, an activist-led group seeking to put more of a "craft beer" legalization model on the 2016 ballot, is proposing that a share of marijuana tax revenue go to roads.

Another group, the Michigan Cannabis Coalition, is proposing a centralized regulation concept with revenue for public safety, health and education.

The Michigan Responsibility Council, the Oakland County group that is also considering a ballot measure, has discussed regulating marijuana like alcohol but has not yet announced any specific plans.

Voters in Colorado, Washington, Alaska and Oregon have chosen to legalize recreational marijuana in recent years. The drug remains illegal at the federal level. ■

Pepsi Reformulates Diet Soda

New version of Diet Pepsi will be free of aspartame and on store shelves in August

PepsiCo confirmed last week that it will launch Diet Pepsi without the use of the artificial sweetener aspartame later this year in the United States, CNBC reports.

"Diet cola drinkers in the U.S. told us they wanted aspartame-free Diet Pepsi and we're delivering," said Seth Kaufman, senior vice president of Pepsi and Flavors Portfolio, PepsiCo North America Beverages, in a

press release. "We recognize that consumer demand is evolving and we're confident that cola-lovers will enjoy the crisp, refreshing taste of this new product."

Diet Pepsi, Caffeine Free Diet Pepsi and Wild Cherry Diet Pepsi will be sweetened with a blend of artificial sweeteners sucralose and acesulfame potassium. The new drinks will hit store shelves in August. ■





Marijuana Legalization Ballot Drive Launched in Michigan & Ohio

■ BY DAVID EGGERT // ASSOCIATED PRESS

Michigan would legalize the use of marijuana for recreational use under the wording of a proposed ballot initiative submitted April 9th, 2015, the first of what could be competing legalization efforts.

If authorized by the Board of State Canvassers, the Michigan Cannabis Coalition's initiated law would require roughly 252,000 valid voter signatures before going to the Republican-led Legislature. If lawmakers rejected the bill or took no action, it would receive a statewide vote in November 2016.

The initiative is being backed financially by six to eight anonymous people from the agricultural, real estate, insurance and education sectors, said the ballot committee's spokesman, Matt Marsden. Donors will have to be identified later in campaign finance reports.

Marsden pointed to Ohio, where groups are collecting signatures for marijuana legalization ballot campaigns.

"We don't want people going to Toledo spending money when we can collect (tax) revenue from it," Marsden said, calling the drug's eventual legalization "kind of a foregone conclusion." "We might as well take the reins, set it up responsibly and take the revenue from it."

Recreational marijuana is already legal in Washington State, Colorado and Washington, D.C. It will become legal in Oregon this summer.

The proposed Michigan Cannabis Control and Revenue Act would legalize recreational

marijuana use and possession for those 21 and older and not affect the state's 2008 voter-approved law that legalized marijuana for medical purposes, said Marsden, a Republican political strategist.

"If we can create some new jobs through regulating a cash crop, we ought to try it," he said.

Under the measure, a state board — including three gubernatorial appointees with agricultural backgrounds and two legislative appointees — would issue licenses for the commercial indoor production of marijuana and marijuana-infused products in industrial or agricultural zones. Permits would also be available to sell the drug at the retail level as long as a business was located at least 1,250 feet from a school.

No one with a felony conviction could grow or sell recreational marijuana for business purposes. A household could grow up to two flowering marijuana plants for personal use or to share with others under the legislation, which would let municipalities pass ordinances allowing up to four plants to be grown per household.

Tax revenue would be dedicated to public safety, education and public health. It would be up to legislators to set a tax rate.

Marsden offered what he said was a conservative estimate that Michigan could collect \$200 million to \$600 million more in tax revenue annually by fully legalizing marijuana use.

Robert Stevenson, executive director of the Michigan

Association of Chiefs of Police, expressed concern about the legalization effort and noted using marijuana remains illegal under federal law.

"It's unrealistic (for us) to support something that's still against the law. The ball's in the federal government's court first," he said.

States where marijuana is legal for recreational use have had problems with users driving under the influence, said Stevenson, contending that "this rhetoric that our jails are full of marijuana users is ... not true." Police chiefs instead are focused on bills intended to clear up confusion surrounding the legality of marijuana dispensaries and non-smokable forms of the drug, he said.

A month ago, marijuana activists also announced their intention to launch a legalization petition drive this year. The Michigan Comprehensive Cannabis Law Reform Initiative Committee's initiated bill would let residents cultivate 12 plants each — mimicking the medical marijuana law's limit — and earmark tax revenue toward road repairs and school funding.

A nonprofit group, the Michigan Responsibility Council, is exploring a marijuana legalization ballot proposal, as well. It was formed in January by the president of the East Lansing-based Republican political firm Mitchell Research & Communications.

Visit the Michigan Cannabis Coalition online at www.micannabis.vote. ■



Historic Year for U.S. Convenience Stores

Convenience continues to resonate with consumers, with record in-store sales of nearly \$215 billion and overall industry sales closing in on \$700 billion in 2014

Buoyed in part by low fuel prices, the U.S. convenience store industry had record in-store sales of \$214.9 billion in 2014, higher than overall industry sales in 1998, according to figures released today by NACS. Overall industry sales for 2014 reached \$697.5 billion, evidence that the value of convenience continues to resonate with consumers.

The industry's 2014 numbers were announced at the NACS State of the Industry Summit, a two-day conference that reviews and analyzes the industry's key economic indicators.

The industry's in-store sales of \$214.9 billion represent an increase of 4.6% over 2013, which was itself a record year. Although more gallons of fuel were sold in 2014 than 2013, total industry fuel sales decreased by 1.8%, due to gasoline prices that were 4% lower in 2014 than the previous year.

Even though fuel sales decreased, the link between fuels and convenience retailing continues to grow. Overall, 83.5% of convenience stores (127,588 total) sell motor fuels, a 0.7% increase (930 stores) over 2013, according to the 2015 NACS/

States, according to Nielsen, which is significantly higher than the U.S. total of other retail channels including drug stores (41,799 stores), supermarket/supercenter (41,529 stores) and dollar stores (26,572 stores).

In-store sales growth in 2014 was driven by sales gains in both foodservice and merchandise, with the highest growth in commissary (e.g., packaged sandwiches, deli salads) up 9.8%, salty snacks (up 8.5%) and packaged beverages (up 6.5%).

Beyond sales, convenience stores remain an important part of the economy. The convenience and fuel retailing industry employed 2.43 million people last year (a 10.6% increase from 2013). Overall, convenience store sales represent about 4.1% — or one out of every 24 dollars — of the entire estimated \$17.7 trillion U.S. gross domestic product. If total industry sales were compared to the GDP of other nations, our \$697.5 billion industry would rank at #20, slightly lower than Saudi Arabia and just above Switzerland.

"These numbers demonstrate that Americans turn to us for their daily needs," said NACS Chairman Steve Loehr, vice president of operations support at La Crosse, Wisconsin-based Kwik Trip. "We are a vital part of consumers' daily lives and the U.S. economy. We also continue to innovate and deliver on our promise of providing fast, one-stop shopping to consumers, whether they are on the road or in their communities."

Nielsen Convenience Industry Store Count. The growth of convenience stores selling motor fuels is double the overall growth in the industry, as fuel retailers add convenience operations and convenience retailers add fueling operations. The U.S. convenience store count increased to 152,794 stores as of December 31, 2014, an almost 1% increase (1,512 stores) from the year prior.

Convenience stores also account for 33.9% of all retail outlets in the United



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Convenience store pretax profits increased in 2014 to \$10.2 billion, due primarily to higher profit margins as wholesale fuel costs decrease. The industry saw an 18.8% increase in fuel margins this year, at an average of 22.2 cents per gallon for 2014 compared to 18.7 cents per gallon in 2013. In a same-firm comparison, the number also rose from 5.4% to 6.8%, a significant increase over 2013.

Motor fuels continued to drive sales dollars, but in-store sales drove profit dollars. Overall, 69.2% of total sales were motor fuels, but motor fuels only accounted for 39.5% of profit dollars.

The industry's bifurcation also continues, with a considerable difference between top quartile and bottom quartile performers

— although the gap was less pronounced this year in some categories. The year also brought unprecedented M&A activity in the convenience channel, mainly driven by Master Limited Partnerships (MLPs), with four of the top five firms by store count selling or acquiring stores in 2014.

Here's how in-store sales were broken down in 2014:

- Tobacco (cigarettes and OTP): 35.9% of in-store sales
- Foodservice (prepared and commissary food; hot, cold and dispensed beverages): 19.4%
- Packaged beverages (soda, alternative beverages, sports drinks, juices, water, teas, etc.): 15.4%
- Center of the store (candy; sweet, salty and alternative

snacks): 10.6%

- Beer: 7.3%
- Other: 11.4%

Meanwhile, foodservice accounted for 33.5% of gross profit dollars, a 4.4 percentage point increase over 2013. While tobacco products constituted 35.9% of in-store revenue dollars, they accounted for only 17.3% of gross margin dollars. Packaged beverages were third, accounting for 18.5% of gross profit dollars.

The industry's 2014 metrics are based on the NACS State of the Industry survey powered by its wholly owned subsidiary CSX, the industry's largest online database of financial and operating data. Complete data and analysis will be released in June in the *NACS State of the Industry Report of Convenience Stores*. ■

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Grocery Sales Still Trump Restaurants as Landscape Changes

■ BY BRIAN TODD // THE FOOD INSTITUTE BLOG

Americans are not spending more dining out than for groceries, contrary to a report by Bloomberg. They are, however, not always doing so at their local supermarket. The 87-year old Food Institute has been tracking retail sales of food for decades and restaurant and bar sales in March did outpace sales at grocery stores by about \$2.54 billion. However, consumers spent about \$25 billion more for groceries at other retail venues selling food and consumable products that were not included in the numbers used in the Bloomberg article.

Breaking it down, The Food Institute estimates \$17 billion more was spent for groceries at warehouse clubs and supercenters, another \$6 billion at other food retailers like butchers, bakers and specialty food stores, approximately \$1.5 billion at drug stores, and nearly half a billion online.

Adding the above into the mix puts actual grocery sales at around \$75 billion in March - 42% more than eating and drinking place sales. And that doesn't even include groceries sold at mass merchandisers like Walmart and

Target's traditional locations.

In 2014, 30% of shoppers said their primary store for food shopping was not a grocery store, but rather a supercenter, a warehouse club or a discount store reported FMI. And that is exactly what is being reflected in the data but unfortunately it makes it more difficult to track the food retailing industry as a whole.

How would you like to see us present the data as a result of this evolution? What would be the most helpful to you in running your business? ■

Consumers Turning to Fresh Items in Convenience Stores

More than six in 10 American consumers (61%) say convenience stores are offering healthier, nutritious products, according to NACS data

More than one in three Americans (34%) say they have purchased more snacks that are considered "healthy choices" over the past year, and they are increasingly turning to convenience stores for these healthy purchases, according to survey results released today by NACS.

More than six in 10 American consumers (61%) say convenience stores are offering healthier, nutritious products and serving sizes. This was the third consecutive year that a majority of Americans said convenience stores are providing more better-for-you items.

Sales reflect growing consumer choice for food items in convenience stores. Nearly six

in 10 consumers (59%) and seven in 10 of those age 18-34 (70%) say convenience stores offer food that they feel comfortable eating. Foodservice sales at convenience stores increased 9.7% in 2014, according to NACS data.

In particular, consumers are purchasing more fresh and nutritious food in convenience stores. Overall, 44% of Americans say convenience stores offer nutritious items, which is a strong increase from the 30% who felt that way in 2013. In addition, 43% say convenience stores are a place to get fresh food items. Convenience stores sales of fresh fruits and vegetables (whole commodities like apples, bananas and oranges

as well as fresh-cut/value-added produce like prepared salads, fruit cups and other packaged produce) increased 10.3% to \$362 million in 2014, according to Nielsen data.

"Convenience stores are increasingly becoming food markets for time-starved consumers seeking snacks, meals and grocery items that are both fast and healthy," said NACS Chairman Steve Loehr, vice president of operations at LaCrosse, Wisconsin-based convenience store chain Kwik Trip.

The NACS survey was conducted by Penn, Schoen and Berland Associates LLC; 1,103 consumers were surveyed April 7-9, 2015. ■



Massive Cans of Beer Take on Craft Brews

The 32-ounce Crowler is gaining popularity among craft brewers and convenience stores

Crowlers are just like growlers, but made with aluminum instead of glass. And they're becoming more popular with bars, restaurants, retailers, brewers and craft beer enthusiasts.

There was a time when craft brewers scoffed at the prospect of using cans instead of glass. But for Oskar Blues Brewery, a Longmont, Colorado, craft brewer that was the first to embrace the can, creating the Crowler (with the help of Mason jar manufacturer Ball Corporation) is pioneering the "American craft beer in-a-CAN movement," according to its website.

"We get off on pushing the limits, doing things differently and the Crowler is another step of innovation to take advantage of

what the can package has to offer from behind the bar," said Jeremy Rudolf of Oskar Blues.

Unlike its glass growler counterpart, the Crowler is a one-use, recyclable 32-ounce can that is filled and sealed for freshness via the tabletop All-American Can Seamer, a machine developed by Oskar Blues and similar to devices used in sealing homemade foods in mason jars. Oskar Blues has sold more than 120 of its machines to breweries, bars and beer stores across the United States, as well as a coffee company, reports the Charlotte Observer.

In North Carolina, bars, restaurants, breweries and bottle shops are accustomed to filling growlers, but one bar/

bottle shop, State of Beer, saw canning craft beers as a point of differentiation. "We were looking for an alternative package to the growler," Chris Powers, co-owner of State of Beer, Busy Bee Cafe and Trophy Brewing Co., told the newspaper. "It seems as though a lot of bottle shops have started filling growlers and we wanted to be different."

Also in North Carolina, Mills River convenience store operator Triangle Stop Food Stores is selling Crowlers from its in-store Mountain River Tap & Growlers bar. The company is promoting its I-Can Crowler sealer and cans via Facebook, and a YouTube video shows the craft beer canning process in action. ■

Hawaii Poised to Raise Smoking Age

Bill sent to governor would raise tobacco use and purchasing age to 21, including electronic cigarettes

Hawaii is on its way to becoming the first state to prohibit those under 21 from buying tobacco products or smoking them in public.

Last week the state legislature sent a bill to Gov. David Ige's desk for his signature that would raise the purchasing age of tobacco products from 18 to 21, and prohibit anyone under 21 from consuming tobacco products in a public place, including electronic cigarettes. The Associated Press reports that the governor has not decided whether to sign the bill into law, which

would take effect January 1, 2016.

If enacted, those caught breaking the new law would be fined \$10 for the first offense, and subsequent violations would lead to a \$50 fine or mandatory community service.

Opponents of the measure say it's not fair that military veterans returning from service could be prevented from smoking. "You can sign up and be in the military and basically give your life for your country. You can vote," Michelle Johnston, owner of Sub Ohm Vapes in Kailua-Kona, on Hawaii's

Big Island, told the news source.

"Why shouldn't you be able to choose if you want to buy tobacco products or vaping products, when you're considered a legal adult?"

State Sen. Gil Riviere (D), who voted against the bill, commented that if the state wants to eliminate smoking, it should ban it for everyone. "You can sign contracts, you can get married, you can go to war and lose an arm or lose an eye ... you come back and you're 20 years old and you can't have a cigarette." ■

THE EVER-CHANGING RETAIL WORLD OF TECHNOLOGY



■ BY VANESSA DENHA GARMO

Retailers have various departments in the store to manage and maintain. At the supermarket level, some departments require its own manager or supervisor. However, in recent years, the one area that has seen vast changes is the front counter or Point-of-Sale (POS) with the advancements of technology. This is also true for convenience stores, gas stations and liquor stores.

“Staying up with technology is critical to staying in business today,” said Jerry Crete, owner of Ideal Party Store and AFPD board member. “The cost of doing business is rising every day and the competition to C-stores is growing every day. Big chain stores, big oil companies and national chains have all stepped up their game to try and ‘steal’ business from independent C-stores.”

Crete notes that for a small C-store operator, it is important to track sales, keep relevant inventory and track margins. “When I put my POS system in five

years ago, it paid for itself in six months. I was better able to keep track of what was selling (or not selling),” he said. “I no longer had to worry about clerks not ringing things up at the right price or forgetting to add bottle deposits. With the onslaught of new products it helps tremendously with keeping the right inventory mix to meet customers ever changing tastes.”

Technology is changing rapidly and the challenge is not only keep up, but get ahead of the curve. “Today, everybody is moving fast, especially retail customers who want in-and-out of a store in the shortest amount of time,” said Dalen Hanna, JD, Operations Manager Delta Swiss Technologies, Inc. “The primary role of technology in any retail environment should be to increase processing speed. Additionally, anything that’s a redundant system needs to be automated so that staff can spend time interacting with the customer rather than running through a checkout to-do list.”

Hanna also notes that technology needs to be limited in scope. “A number of businesses can overkill



its implementation - making it harder for staff to figure out minor issues and distracting the customers from the core product or service a business offers.”

Technology advancement in both hardware and software has improved dramatically to help today’s retailers. “Today tools that used to be available to only chains like Meijer, and Kroger are now available to the independents and small chains,” said Richard Pringle of Great Lakes Data Systems. “Now available to the typical AFPD Member are total systems offering inventory control, loyalty, and frequent shopper and wholesaler connectivity.”

Technology is definitely changing the way retailers do business and often times the change is coming from customers. Mobile wallets are the new frontier in consumer spending, according to WorldPay’s *The Merchant Advisor*, and *Thought Leadership 2014*.

Wallets have gone mobile and have become the newest form of digital payment.

Sharing the same concept with credit cards and cash, as a form of payment for goods, mobile wallets are apps that store pre-entered credit card information on a smartphone for easy checkout at POS.

When a customer wants to pay, they simply wave their smartphone over a near field communication enabled (NFC) POS device or terminal instead of pulling out his or her credit card.

“In today’s market modern technology is required to remain competitive,” said Bob Bauer, president of Business Machines Company (BMC). “As the chains move into smaller markets and communities, (being) local does not create the value it once did. Retailers must have competitive pricing, customer programs, self-checkout and integrated payments.”

The most avid mobile wallets users include millennials and high-income consumers (household income of at least \$150,000), with 52 percent of millennials and 55 percent of high-income consumers having used their phones as a mobile payment device, according to research provided by Nenif Michael from Worldpay.

Of the 60 percent of consumers who have never used their mobile phone as a payment device in a merchant location, the two most cited reasons preventing them from doing so were security and privacy concerns.

Mobile technology has advanced, giving the shopper the ability to keep promotions, store coupons and electronic wallets on their cell phones. The credit card processing has progressed to cloud-based electronic

signature capture, and now with the newest PCI requirements to EMV reading terminals.

“The biggest impact in the last 10 years has been the requirements and development of PCI regulations,” said Pringle. “Credit card fraud and identity theft have become serious threats to credit card companies, merchants, and consumers. To combat these losses the credit card companies have implemented new and strict security requirements.”

These include the Payment Card Industry (PCI) - Data Security Standard and Cardholder Information Security Program (CISP). Failure to adhere to these policies and programs can subject your business, as a merchant accepting credit card, to fines and charge backs.

Meanwhile, the mobile wallet trend is growing. Huge growth is projected for mobile payments, so much so that by 2018, mobile proximity payments in the US are projected to reach \$118 billion, up from \$3.5 billion in 2014, according to Worldpay reports. Additionally, a new report from Juniper Research predicts that the number of consumers using NFC contactless payment services will jump to 516 million by the end of 2019, a more than five-fold increase from 101 million today.

Moving forward, there will be foreseeable changes in the payments industry. For instance, 71 percent of global consumers believe that mobile payments are the future. That means consumers will likely become more comfortable with the notion of paying via a mobile wallet. And, with the EMV liability shift for some merchants coming in October 2015, we will see more acceptance of payment technology.

Even though mobile wallets are the wave of the future, customers will still carry the traditional wallet and you might be asking what is in yours? By October 2015, all restaurants, retailers and other merchants will be subjected to new Europay, Mastercard, and Visa (EMV) standards, which reflect a shift from magnetic-stripe credit cards to chip-and-pin cards. “Considered safer and widely used across Europe and other nations, the chip-based cards require insertion of the card into a terminal throughout the entire transaction,” said Pringle. “EMV compliance is required for credit card acquirers and processors, though it’s not mandated for merchants and processors. But merchants who don’t meet compliance by October 2015 will assume liability for fraudulent purchases—a shift that is poised to drive many to adopt the new standards and avoid the risk.”

Technology will continue to advance and



Supermarkets, C-stores, liquor stores or gas stations cannot afford to be archaic. “Pressure on margins for C-stores will get worse not better in the future,” said Crete. “C-stores that don’t adopt technology will be left behind. Social media seems to have staying power and using technology wisely can help smaller stores compete with the larger ones. One thing that will never change is taking care of customers. Good, friendly customer service will never go out of style and it seems like the bigger the store/chain, the harder it is for them to provide it.”

Meanwhile, Pringle notes that stores are going to have to do several things to be PCI compliant, including:

- Build and maintain a secure network
- Protect cardholder data
- Maintain a vulnerability management program
- Implement strong access control measures
- Regularly monitor and test networks
- Maintain an information security policy ■

Vanessa Denha Garmo is the owner of
Denha Media & Communications.

ask the member

What Have You Done to Update Technology at the Counter in Your Store?



“We have always used a POS system. We upgraded our registers a couple of years ago which became compatible with the system.” **JEFF FARIDA**
BRIGHTON MARKET // BRIGHTON, MI



“With the food stamp program changing in the last year we had to buy a new terminal. We combined our food stamp processing with our credit card processor.”
HOLLY SCHLUSLER
HENRY’S GENERAL STORE // LEROY, MI



“I am still shopping for the right machine. We are looking at all of our options and seeing what they can do.”
FERAS NAJOR
CHAMPION MARKET // ANN ARBOR, MI



“I have a POS system I put in a year ago. I didn’t integrate credit card with POS. I decided to keep it separate but the technology is excellent now.”
MIKE GAGGO
NORM’S MARKET // TAYLOR, MI



“We just last week switched over to Worldpay and the Nenif was great. They were helpful and knowledgeable and we are just getting set up. We appreciate the change. Being an AFPD member has really helped us. I call them for a lot of questions on different things. They have been very helpful.”
JERRY KROHM
SOUTHSIDE MARKET // BAY CITY, MI



“By the end of the year we are going to upgrade our whole system, our POS system up front and our back-END system. We are going with updates to pin pads, the whole works.”
TOM BAUMANN
RIC’S FOOD CENTER // MT. PLEASANT, MI ■



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Cornering the Market on Fresh Meat and Seafood

They have been in business for more than 40 years and there still isn't a day that goes by that a new customer doesn't walk into Mini Mart Specialty Meats on McNichols in Detroit. They have also been serving repeat customers from several generations of families for years.

When George Sorisho opened Mini Mart Specialty in 1975, he based his business on simple principles. "Only sell the best, top quality meats, fresh produce partnered with excellent customer service," said son John who now operates the store with his brothers James and George Jr.

They are known for the specialty items. They sell Black Canyon Angus Beef, fresh Amish poultry, fresh fish, and seafood, which is flown in daily from the around the country. "It comes from everywhere," said John. "We deal in large volume buying and we sell only fresh fish. We are very picky. We never buy frozen."

From crab legs to jumbo shrimp to salmon, the seafood is from boat to plate in a short period of time.

Mini Mart is also the home of the Original Turkey Chop, which John launched in 2001 and it has become one of their signature items.

About 50 percent of their customers are Detroit based and the other 50 percent are from the tri-county area. Although the majority of their loyal customers are from Michigan, Mini Mart has created such a niche in the market, they get requests form customers from around the country. "We are launching a new website soon that will allow customers to order online and we can ship direct to them," said Sorisho.

"Meijer is ready to open up not far from us in



Detroit and I know many other stores are worried but I am not worried about that competition," said Sorisho. We have customers passing by many Meijer locations and other stores to buy their meat and seafood from us."

Not only do they have satisfied customers, they have employees with longevity. They provide 401(k)s and insurance and some have been with the Sorishos for 20 years or more.

They are in the second phase of their two-part remodeling process. They gave their exterior a complete facelift and they are now working on the inside of the 5,000 square-foot building. "We kept the same footprint but we raised the ceiling, put in LED lighting, a new meat department, a back room and a new cutting facility and we are about to replace the floor with a polish cement floor."

Their operation is unlike any other around. It is entertaining and in constant motion. On any given day, there are 12 employees at the meat counter selling products with three employee's continuously cutting meat right in front of the customer.

"We are always shouting out specials on the PA system," noted Sorisho. "We have deals on fresh jumbo shrimp today – 2 pounds for 20 dollars. 'We just blow it up right in the store.'"

What is their secret to longevity and loyalty? "Our secret to success is no secret. We maintain high standards and unparalleled customer service which transcends the test of time," said Sorisho.

They are open Monday thru Saturday 9 a.m. to 8 p.m. and 9 a.m. to 7 p.m. on Sunday. ■

RETAILER: MINI MART SPECIALTY MEATS

Locations: Detroit, Michigan

Founded: 1975

Employees: 20

AFPD member since: 1965

Quote: "I strongly recommend AFPD to anyone whose business fits AFPD criteria. They are our eyes and ears in Lansing. They keep us current with laws and legislation. Many rebate programs for members add up quickly."





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Where Service Comes First

■ BY KRIS HARRIS

In the heart of Ohio sits two stores owned by Dave Hilderbrand. Even though Sterling One Stop and Sterling Crossing are separated by just a short distance, both locations share a common trait. What's common for the two stores is something that Dave puts into everything he does, which is good customer service. "I'm an old-school guy that came up through the grocery business and I was taught that service counts for something," Hildebrand said.

Dave started at his first location, in 1999, off of West Columbus Street in Mt. Sterling Ohio. It began with a new store built by Kennison Sims, who constructed the building where an old tire shop stood.

At the time, it was believed that the store would see some good, solid growth, but it wasn't expected to grow at the rate it has. "The store was supposed to see three or four years of growth and then level off, but the store grew until 2008 and it still shows growth in areas other than fuel," Hilderbrand explained.

Sterling One Stop is a convenience store that relies on the daily traffic of people going to and from work. In order to stay competitive, Hilderbrand knew that he would have to offer more than just snacks and pop at his store. "We sell food at the store, which is a very valuable part of this industry. If you don't offer some kind of good food, you're going to have a hard time paying your bills," said Hilderbrand.

However, according to Hilderbrand, being successful requires more than just what you have in stock. The best thing you can offer your customer doesn't come in a box or sit on a shelf. It's the way to treat customers



that really matters. "Being spoken to as a person and not being treated as a number, it makes a world of difference," he said.

As technology continues to shrink our world, time has become more valuable than ever before. Making sure that your customers can get in and out quickly can be just as important as the price of the goods they purchase. "The most valuable thing people have is their time. If they don't have to stand in line and wait, they will come back," Hilderbrand said.

The second location, Sterling Crossing, is an old two-bay that was purchased in 2003 and converted into a convenience store. "I try to keep that location a little different. It doesn't offer exactly the same items, but it survives on its own merit," said Hilderbrand.

As a member of AFD, Dave knows that he'll have help when needed. "It's unbelievable what AFD and Ron Milburn and those guys have been able to do. They've done a lot for us, but just the CAT tax alone is the difference between making money and losing money," said Hilderbrand. "And now, with what they're trying to do for us with the cigarette and tobacco tax is another battle were fighting to try to keep it down where things are semi-affordable for the normal working Joe," Hilderbrand continued.

If you ever find yourself wondering what you can do to improve your store, remember this valuable lesson from Dave, "I learned early on that service can fix a lot of problems. It doesn't change things over night, but it can fix things." ■

Kris Harris is a writer for Denha Media & Communications.

RETAILER: STERLING ONE STOP / STERLING CROSSING

Location: Mt. Sterling, Ohio

Founded: 1999

Employees: 20

AFPD Member Since: 2007

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Grocer by Day Makes a “Slight Return” to Musician by Night

■ BY KRIS HARRIS

Much like a Super Hero, Mark Kassa lives two lives: a grocer by day and a musician by night. And, sometimes the two lives collide.

Those in the food and beverage business know him well as an AFPD member and a part of the successful family-owned string of businesses. In recent years, they have been able to see the performer persona on stage with his band Slight Return.

Sporting his signature hat and armed with his guitar, Kassa and band entertained the nearly 1,000 guests at AFPD's 99th Annual Trade Dinner.

Although immersed in the family business, Kassa's love for music pulled at his heart strings and he knew he needed to take a chance on his dreams.

In 1990, he traveled to California to attend Musicians Institute in Hollywood for a year. The experience changed the trajectory of his life. “It was a really cool school because we learned four-years of music theory in six months and half the kids were from outside the U.S.,” Kassa said. It was a tough decision for Kassa, since it wasn't a popular one with his family. “I'd been in the grocery business since I was a little kid and here I wanted to leave to go to music school for a year and my relatives thought I'd gone nuts,” Kassa explained. However, even though following a dream can be a difficult decision, it was something that he had to try.

Part of the difficulty of Kassa's decision came from the fact that he grew up — literally — in the retail industry. From an early age, he learned the day-to-day operations and responsibilities of running and owning a store. Leaving for a year to attend school

wasn't easy, but neither is living with the regret of never pursuing a passion.

He formed his band, Slight Return, in 1996. Since then, he's worked with some of the industry's finest musicians. When putting together the tracks on the band's latest album “Welcome To The D”, he felt it needed a certain something that would require the help of the funkier legend in music history, “So I get down to the last songs on the album and I said, ‘you know what this album needs is a George Clinton,’” said Kassa. And sure enough, with some careful planning and clever maneuvering, he met and impressed the prince of P-Funk enough to secure him a spot on the song, “Funky People.”

Not only does he perform in the band, he also manages it as well. As band manager, he relies on his years of experience within the retail industry. “The grocery business helped me organizationally with music and conversely, when you play music it opens up a creative side whether it is for a marketing angle or thinking outside the box,” Kassa explained.

If you meet him at the Heartland Market in Farmington, you'll see him dressed in a button-down shirt and slacks, which is a sharp contrast to his on-stage gear. Kassa operates the location, just one of the several family-owned businesses.

AFPD has been very supportive and a huge help over the years of the Kassa family and the band. “Aday is a great guy, who listens to suggestions and is very open,” Kassa said. “AFPD has a lot of great programs and they hear people, which is key. If you have a question or suggestion, they listen and try to do something about it,” Kassa continued.

So what drives the grocer by day and musician by night to juggle his two labors of love? “Passion,” he said. “I have a passion to play music. If I have a gig, I'm literally up for 22 hours straight. I sleep two hours, and work the next full day. But it doesn't matter, because I love what I do,” said Kassa.

To get a copy of the new album “Welcome to the D”, visit www.slightreturn.com. ■

Kris Harris is a writer for Denha Media & Communications.



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* 10% discount subject to minimum premiums

To sign up for this program, call AFPD at (800) 666-6233 or complete this form and fax back to (866) 601-9610 or email to: info@AFPDonline.org

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ADDRESS: _____

CITY: _____ STATE: _____ ZIP: _____



michigan lottery

M. SCOTT BOWEN // MICHIGAN LOTTERY COMMISSIONER

New \$30 Instant Game Expected to Create Player Excitement and Sales

Instant games from the Michigan Lottery have always been favorites among players. Contributing to the popularity of instant games is their broad appeal and the opportunities to win instantly. With a variety of themes and price points, most players can find an instant game they enjoy playing and likely will continue playing that game for several weeks.

To help maintain a high level of player interest, we evaluate our current game offerings and develop new games on an ongoing basis. This proactive approach, based on extensive research, found that players were interested in an instant game beyond the \$20 price

point. That finding led to the decision to sell \$30 instant games.

The \$30 price point has been very popular among players. The Lottery's first \$30 instant game, \$2,000,000 CASH, recently sold out and players have won about \$86.5 million in prizes to date. The Lottery's second \$30 offering, \$100,000,000 Diamonds, launched in September 2014 and also has sold well and players have won more than \$32.2 million in prizes to date.

To capitalize on the momentum created by these two popular games, the Lottery will launch its newest \$30 game, World Class Millions, on May 5. This new game gives players more than 30 opportunities to win on each ticket. It also features three top prizes of \$4 million, matching the largest prize offered on a Michigan Lottery instant game. In total, the game offers more than \$40 million in prizes ranging from \$100 up to \$4 million.

We expect this new game and its record top prizes to create high interest from players and strong sales for Lottery retailers.

INSTANT TICKETS & PULL TAB TICKETS ON SALE OR SET TO EXPIRE

NEW INSTANT TICKETS:

There are currently no new Instant Tickets for May 2015

INSTANT GAMES SET TO EXPIRE:

Expiring May 4th

- \$100,000 Bingo \$3 (IG # 621)
- Life In The Cash Lane \$10 (IG # 648)
- Oh Deer! \$2 (IG # 662)
- Golden Gift \$2 (IG # 663)
- Silver Bell Bucks \$2 (IG # 664)
- \$500,000 Riche \$2 (IG # 665)

Expiring June 1st

- Bonus Cashword \$2 (IG # 655)

NEW PULL TAB TICKETS:

On sale May 5th

- S'More Money 50¢ (MI # 537)
- Ben's Bills \$1 (MI # 544)

PULL TAB GAMES SET TO EXPIRE:

Expiring May 1st

- \$100,000 Mega Bucks \$2 (MI # 505)

Expiring May 18th

- Quick Cash 50¢ (MI # 512)

Expiring June 1st

- \$25,000 Bankroll 50¢ (MI # 509)

Expiring June 8th

- Hot Cherries \$1 (MI # 518)
- Power Slots 50¢ (MI # 585)

TICKET ACTIVATION: Retailers are reminded to activate all game tickets before putting them on sale to ensure winning tickets may be redeemed by players.

MONOPOLY MILLIONAIRES' CLUB INSTANT GAME TO LAUNCH SOON

A new MONOPOLY MILLIONAIRES' CLUB instant game featuring more than \$10 million in total cash prizes will be arriving soon at retailers.

Each \$5 ticket gives players a chance to win a \$300,000 top prize. This game also offers a second chance promotion that gives players a chance to win all-expense paid trips to Las Vegas and the opportunity to become a contestant on the MONOPOLY MILLIONAIRES' CLUB national television game show.

The new instant game replaces the MONOPOLY MILLIONAIRES' CLUB draw game that was suspended on December 26th. Complete details on this new game and the second chance promotion will be included in next month's Game Line. ■

"The Michigan Lottery. All across the state good things happen."



TOGETHER, WE'RE BUILDING A BETTER MICHIGAN

And you're part of it, thanks to all your hard work selling Lottery tickets. Because that makes good things happen for Michigan in many ways. It contributes hundreds of millions annually to the state School Aid Fund, which is good for Michigan students. It's certainly good for players, who won over a billion in prize money. It also helps bolster your business and 10,000 others across the state, with commissions earned. So thanks again. By helping build a better Michigan, you're making good things happen for all of us.





michigan lobby

JOSEPH A. GARCIA // HONIGMAN MILLER SCHWARTZ & COHN LLP

Michigan Legislative Update

The Michigan Legislature returned from their two-week Easter recess, and began active and earnest consideration of the budget for fiscal year 2015-16. Within their deliberations, AFPD members could have been adversely affected by a proposal from Governor Rick Snyder to increase a myriad of fees assessed to businesses and individuals:

LIQUOR LICENSE FEES

Among the Snyder administration's budget recommendations was a proposed 50% retail liquor license fee increase to be imposed over a three-year period. The House Appropriations Committee rejected this fee increase on Tuesday, March 24, 2015, and they were closely followed by a Senate Appropriations rejection on Wednesday, March 25. While the fight over this issue is not finished, the Legislature acknowledged the already heavy burden borne by small businesses. Senator Marty Knollenberg (R-Troy) stated that "when it comes to fees, the Legislature's job is to protect job providers. The last thing we want to do is hurt our job providers." For the time being, the budget gap created by the fee rejection is being filled by a \$900,000.00 transfer from the Liquor Purchase Revolving Fund.

DEPARTMENT OF AGRICULTURE FEES

Also proposed by the Governor were fee increases for the Department of Agriculture on grocery stores, pesticide and plant management, and commercial feed companies. These fees were to be phased-in over three years to raise \$4.1 million to hire eleven more inspectors and three support staff. These fees have been rejected as well for the moment, but the Chairs of House and Senate Agriculture Appropriations,

Representative Nancy Jenkins (R-Clinton) and Senator Mike Green (R-Mayville), both expect an agreement on fees before the final budget in June. "We are not sure where those agricultural fees are going to land," said Representative Al Pscholka, Chair of House Appropriations. Stay tuned.

MERGER OF COMMUNITY HEALTH AND HUMAN SERVICES DEPARTMENTS COMPLETE

Governor Snyder's executive order merging these two Departments has taken effect. The new Department of Health and Human Services will be the state's largest with 15,000 employees and a budget of nearly \$24 billion. The Department Director is Nick Lyon who had been serving as Interim Director for Community Health with the departure of Jim Haveman last year. The Legislature had 60 days to block the Governor's Executive Order, but they did not stand in the way. The new Department will operate welfare, Medicaid, and other assistance programs, including WIC and food stamps.

CANDICE MILLER TO STEP DOWN

Congresswoman Candice Miller has announced that she will not seek reelection in 2016. She joins former Representatives Mike Rogers, Dave Camp, John Dingell, and U.S. Senator Carl Levin who all retired last year. Miller has been elected for seven terms from her district which includes most of Macomb County, and all of St. Clair County. Numerous Macomb politicians are looking to possibly run, including State Senator Jack Brandenburg, Representative Andrea LaFontaine, and former Senator Alan Sanborn. Some have speculated that Miller, a former Michigan Secretary of State, could be a Republican candidate for Governor in 2018. Others have suggested that Macomb County Executive Mark Hackel could be a Democratic candidate as well.

UPCOMING SPECIAL ELECTION

Don't forget to vote in the Tuesday, May 5, 2015 Special Election which seeks to raise the sales tax from 6 cents to 7 cents with funds dedicated in part to road funding. ■



Tax Increase Proposals Continue to be Rejected

As expected the Ohio House of Representatives stripped out all of Governor Kasich's proposed tax increases in HB 64, the General Revenue Operating Budget for Ohio. This included Sales Tax, Tobacco Tax, CAT tax, Severance Tax, etc., keeping only the means testing for tax credits. This is the third time the House has rejected Governor's tax proposals. The House did cut the income tax by \$1.2 billion which is a 6.3% cut across the board bringing the highest income tax rate to below 5%. They also made permanent the 75% tax cut for first \$250,000 on income for small business.

The Sub. HB 64 will undergo further changes as the House will accept an omnibus amendment, but it's doubtful if there will be any changes to tax proposals. AFPD worked with many other businesses and associations in opposing the onerous tax increases the Governor sought. Numerous meetings with legislators, op-eds in various newspapers across Ohio and AFPD members contacting legislators in opposition helped change the minds of legislators. As of this writing the bill had not yet passed the House but will move to the Senate where further changes are expected, which could include tax changes; the tobacco tax being one that we need to keep a close eye on. Once the Senate passes HB 64 it will then go to a conference committee where House and Senate will thrash out the differences they have over the bill. Once they've come to agreement it will go to the Governor, who can line item veto any provision in the bill he disagrees with but he can't add language that isn't in the bill.

Typically the General Assembly is in slow motion while the budget bill is moving through the legislature



“AFPD worked with many other businesses and associations in opposing the onerous tax increases the Governor sought. Numerous meetings with legislators, op-eds in various newspapers across Ohio and AFPD members contacting legislators in opposition helped change the minds of legislators.”

and that has been the case this year. AFPD will monitor all legislation and if necessary oppose or support bills that impact AFPD members.

On the political front Governor Kasich continues to play cat and mouse with press on his plans to run or not run for President. He continues to travel to key states but has yet to announce his intentions. Former Florida Governor Jeb Bush spoke to the annual meeting of the Ohio Chamber of Commerce and sounded just like Governor Kasich. Speculation is these two may run as a team.

Lastly, I know I sound like a broken record, but PAC dollars are important if you want to have an impact on legislation that effects your bottom line. Please be generous in support of the AFPD PAC. ■



Human Resource Consulting Service

Human Resources Services Available

- Human Resource Audits.
- Outsourced Human Resource Department.
- Employee and Labor Relations Consulting.
- One-Time Human Resource Projects such as training, handbooks, recommendations, etc.
- Human Resource mentoring and coaching for employees assigned the responsibility.



RiskControl360° is available for a no-cost consultation to determine what Human Resources services your company may benefit from the most. It may be one of the services listed above or a specific Human Resources problem currently challenging your business (included on the back).

Human Resources Audit

What is included In the Audit?

Most, but not all engagements, begin with an audit of your current Human Resources program. Your audit may include any of the following topics as necessary:

- Affirmative Action Plans (if applicable)
- Benefits programs
- Company structure
- Consolidated Omnibus Budget Reconciliation Act (COBRA) review
- Culture and employee involvement initiatives
- Discipline policies and procedures
- Employee communications and open door
- Employee files (personnel, medical, workers' compensation)
- Employee handbook review
- Employee recognition and reward programs
- Employee training programs
- Employee Wellness initiatives
- Employment and Reemployment Rights Act (USERRA) review
- Equal Employment Opportunity Commission (EEOC) review
- Facility tour review
- Family and Medical Leave Act (FMLA) and Uniformed Services Employment and Reemployment Rights Act (USERRA) review
- Investigation/complaint/grievance review
- Job Descriptions review
- Occupational Safety and Health Administration (OSHA) high level review
- Onboarding program
- Patient Protection and Affordable Care Act (PPACA), commonly called the Affordable Care Act (ACA)
- Pay and incentive programs
- Performance review process
- Recordkeeping
- Recruiting and hiring practices
- Required notices and postings
- Termination practices
- Time and attendance
- Unemployment claims
- Wage and hour classifications

Additional Human Resources Consulting Topics

Your business may be experiencing a specific problem or you may be concerned with some of the following Human Resources related topics listed below. This is not an all-inclusive list of topics so call today for a no cost consultation to discuss your specific needs.

- Turnover reduction/retention plans
- Succession plans
- Anti-harassment, discrimination and workplace violence
- Diversity programs
- Multiple generation programs
- Career path analysis and development
- Supervisor performance management / coaching
- Leadership training and coaching
- Human Resources staff mentoring and coaching

Lead Consultant Heather Richkowsky, PHR



Ms. Richkowsky is a dynamic and collaborative Human Resources leader with experience in both union and non-union environments. She has over 15 years of Human Resources leadership and organizational development experience and has an understanding of how to build positive and collaborative employee/labor/management relations. She is certified in Leadership Architect Competency Modeling and Voices 360 Feedback & Development through Lominger and Korn/Ferry International. She has a proven track record of integrated talent management, strategic human resource planning, risk management, workers' compensation cost containment, health, safety and environmental issues and a solid record of coaching leadership teams to improve performance and results. Heather is also involved in her community through volunteer activities and has a successful grant writing background. She currently serves on the Kent State University Engineering Technology Advisory Board and is a graduate of the 2014 Leadership Stark County Government Academy.

Contact Us

For your initial no-cost consultation, please contact:

○ Brad Hunt, MBA
Director, RiskControl360°
(330) 301-3262
bhunt@riskcontrol360.com
www.riskcontrol360.com



Before You Have a Fire Loss

■ BY RON ACHO, ATTORNEY // CUMMINGS, MCCLOREY, DAVIS & ACHO



AFPD Business owners face many challenges in owning their own business. In terms of money nothing is more devastating than a fire loss claim or related type of loss. When there is a fire, there is a chance that you can be ruined financially. AFPD is here to offer you some simple advice to help you preserve what you have worked so hard to build up over the years.

Why? Having an insurance policy and having paid your premiums, doesn't mean you'll be paid for your loss. In fact, it has been very common for claims to be denied by insurance companies. If you own a business in Detroit, chances are very high that your insurance claim could be denied because of the suspicion of arson. This is a trend that is getting worse rather than better and why you have to protect yourself from losing everything you earned.

What should you do? We're going to point out a few easy things that you can do to protect yourself:

HAVE A GOOD COMPETENT AND KNOWLEDGEABLE INSURANCE AGENT

Insurance agents are critical in this process. They are the ones that can find you the right coverage at the right price. They also can be helpful before a fire loss occurs.

HAVE A ONE PAGE STATEMENT OF YOUR COVERAGE PRESENTED TO YOU EVERY YEAR

You should insist that your agent gives you a simple one page description of what you are being covered for and for how much. Many times, store owners think they have certain coverage and they don't. Frequently business interruption is not secured and as a result the store owner becomes financially devastated. (We have found that there are errors in the name of the Insured – either your Company or personal name is not accurate – which results in a denial of the claim and causes real problems for the insured.)

GET A SURVEY DONE OF YOUR STORE

When you have a policy that is new, or one that you are changing significantly, you should have a survey done that describes the value of your building, fixtures and equipment, inventory, and any other things being insured.

RECORD A VIDEO OF YOUR STORE

Once or twice a year, get a video camera (or use your phone) and videotape the outside and inside of your store. The more you videotape the better. That means any backrooms as well as the front of the store.

Lastly, you need to keep accurate records so that your Claim will be fully supported and withstand a challenge by the Insurance Company. If you do these three simple things we have recommended, you will be in good shape. Look for an upcoming article on *What to do after a fire loss*. ■



The Importance of Knowing...and Covering Your Basis

■ BY RANDALL A. DENHA, J.D., LL.M.*

What is “cost” for tax purposes (or “basis”) an individual gets in property he inherits from another? This is an important area and is too often overlooked when families start to put their affairs in order.

The general rule is referred to as the “step-up” basis rule. That is, the heir receives a basis in inherited property equal to its date of death value. So, for example, if Uncle Harry bought Kodak stock in 1935 for \$500 and it’s worth \$5 million at his death, the basis is stepped up to \$5 million in the hands of his heirs and all of that gain escapes income taxation forever.

The step-up basis rule applies to inherited property that’s includible in the deceased’s gross estate, whether or not a federal estate tax return was filed, and it also applies to property inherited from foreign persons, who aren’t subject to U.S. estate tax. The rule applies to the inherited portion of property owned by the inheriting taxpayer jointly with the deceased, but not the portion of jointly held property that the inheriting taxpayer owned before his inheritance. The step-up basis rule also doesn’t apply to reinvestments of estate assets by fiduciaries. Note also that for property inherited from individuals dying after 2009, the amount of property appreciation to which a step-up basis will apply will be subject to various dollar limitations.

It’s crucial for the step-up basis rule to be understood so that disastrous tax errors are not made.

For example, if, in the above example, Uncle Harry, instead of

dying owning the stock, decided to make a gift of it in honor of his 100th birthday, the step-up in basis would be lost. Property that has gone up in value acquired by gift is subject to the “carryover” basis rules: the donee takes the same basis the donor had in it (just \$500), plus a portion of any gift tax the donor pays on the gift.

The basis “step-up” rule can become a “step-down” rule as well. That is, if a decedent dies owning property that has declined in value, its basis is lowered to the date of death value. Proper planning calls for seeking to avoid this loss of basis. In this case, however, giving the property away before death will not preserve the basis: when property which has gone down in value is the subject of a gift, the donee must take the date of gift value as his basis (for purposes of determining his loss on a later sale). The best idea for property which has declined in value, therefore, is for the owner to sell it before death so he can enjoy the tax benefits of the loss.

ALTERNATE VALUATION

Although the above discussion refers to the date of death value, the rule is different in some cases. Where the decedent’s executor makes the alternate valuation election, then basis will be determined as of the date six months after the date of death (or, if the property is distributed or otherwise disposed of by the estate within the six month period, the date of distribution or other disposition).

DEATH BED MANEUVERS

One ploy the tax rules sought to prevent was the passing of property through a decedent to attempt to inflate basis under the above rules. For example, say Robert owns stock with a \$1,000 basis and \$20,000 value. He goes to 97-year old Uncle Ed and arranges the following: Robert makes a gift of the stock to Uncle Ed, who takes it with Robert’s \$1,000 basis. Ed then dies leaving the stock back to Robert in his will or trust. Robert regains ownership, but now with the basis stepped up to its \$20,000 date of death value. Under the tax rules, if Uncle Ed dies within a year of when Robert made the gift, Robert still has his original (\$1,000) basis. The result is the same if, instead of leaving the stock to Robert, Uncle Ed leaves the stock to Robert’s wife. ■

THIS ARTICLE MAY NOT BE USED FOR PENALTY PROTECTION.

**Randall A. Denha, j.d., ll.m., principal and founder of the law firm of Denha & Associates, PLLC with offices in Birmingham, MI and West Bloomfield, MI. Mr. Denha continues to be recognized as a “Super Lawyer” by Michigan Super Lawyers in the areas of Trusts and Estates Law; a “Top Lawyer” by D Business Magazine in the areas of Estate Planning and Tax Law; a Five Star Wealth Planning Professional and a New York Robertes Top Attorney in Michigan. Mr. Denha can be reached at 248-265-4100 or by email at rad@denhalaw.com.*



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- GFPS (405) 278-8800
- NoCheck Payment Service LLC (248) 973-7241
- Western Union (734) 206-2605

OFFICE SUPPLIES & PRODUCTS

-  **Office Depot** (248) 231-7198

PAPER PRODUCTS & PACKAGING SUPPLIES

- AJM Packaging Corporation (Paper Products) . (248) 901-0040
- American Paper & Supply (248) 787-8393

PAYROLL SERVICES & MORE

- GMS-Group Management Services (614) 754-5276

PEST CONTROL

-  **ORKIN** (614) 620-0566

PIZZA SUPPLIERS

- Hunt Brothers Pizza (615) 259-2629

POINT OF SALE

- BMC-Business Machines Company (517) 485-1732
- Caretek Total Business Concepts 1-866-593-6100
- Great Lakes Data Systems ... (248) 356-4100 ext. 107

PRINTING, PUBLISHING & SIGNAGE

-  **Fisher Printing** (708) 598-1500
- Huron Web Offset Printing (519) 845-0821
- Michigan Logos (517) 337-2267
- Pace Custom Printing (248) 563-7702
- Walsworth Publishing Company (616) 419-3305

PRODUCE DISTRIBUTORS

-  **Heeren Brothers Produce** ... (616) 452-2101


PROPANE

-  **Pinnacle Propane Express**... (847) 406-2021

REAL ESTATE

- American Business Brokers (614) 500-8500
- Signature Associates (248) 359-3838

REFRIGERATION SOLUTIONS (COMMERCIAL)

-  **SRC Refrigeration** 1-800-521-0398
- Arneg USA (336) 596-1494
- Phoenix Refrigeration (248) 344-2980

REVERSE VENDING MACHINES

- Kansmacker (517) 374-8807
- TOMRA (248) 529-2371
- UBCR, LLC (248) 529-2605

SECURITY, SURVEILLANCE & MORE

- Advanced Satellite Communications/
ASC Security Systems (734) 793-1423
- Central Alarm Signal (313) 864-8900
- Jarbcom 1-800-369-0374

SHELF TAGS/LABELS/MARKETING

- iScanZone (248) 470-3717
- JAYD Tags (248) 730-2403

SHIPPING: FREIGHT & CARGO SERVICES

- Eagle Expedited Services, LLC (248) 722-9696

SODA POP, WATER, JUICES & OTHER BEVERAGES

-  **Monster Energy Company**... (586) 566-6460
- Absopure Water Co. 1-800-334-1064
- Coca-Cola Refreshments
- Belleville  (734) 397-2700
- Metro Detroit  (313) 868-2008
- Port Huron  (810) 982-8501
- Cleveland  (216) 690-2653
- Faygo Beverages, Inc. (313) 925-1600
- iDrink Products, Inc. (734) 531-6324
- Intrastate Distributors (313) 892-3000
- NYSW Beverage Brands (845) 254-5400
- Pepsi Beverages Company ... Detroit  1-800-368-9945
- Howell  1-800-878-8239
- Pontiac  (248) 334-3512
- Cleveland  (216) 252-7377
- Twinsburg  (330) 963-5300
- Tropicana Chilled DSD (Naked Juice) (816) 509-7853

SUPPLEMENTS

- InstaBoost (248) 281-0065
- LXR Biotech, LLC (Eternal Energy Shot) (248) 836-4373


TIRE & VACUUM EQUIPMENT/SERVICE

-  **Air Resource Vending** (507) 263-2962

TOBACCO COMPANIES & PRODUCTS

- 8 Mile Smoke (844) 678-6453
- Altira Client Services (513) 831-5510
- R J Reynolds Tobacco Company (336) 741-0727
- Westside Vapor (e-cigarettes) (614) 402-0754

UNIFORMS, LINENS, WORK WEAR & SUPPLIES

-  **UniFirst** (888) 256-5255 ext. 232

WASTE DISPOSAL & RECYCLING

- Midwest Recycling (313) 304-9099
- National Management Systems (586) 771-0700
- Schupan Recycling (269) 207-5448

WINE & SPIRITS COMPANIES

- Bacardi Martini U.S.A. (734) 459-2764
- Beam Suntory, Inc. (248) 471-2280
- Black Heath Beverage Group (734) 417-5774
- Brown-Forman Beverage Company (248) 393-1340
- Cornerstone Wine Distributors (586) 839-2552
- Diageo 1-800-462-6504
- Five O'Clock Brands (248) 549-0054
- Heaven Hill Distilleries 1-800-348-1783
- Lavish Vodka Cocktail (248) 978-5869
- North American Spirits & Wine (248) 535-0707
- Remy Cointreau USA (248) 347-3731
- Southern Wine & Spirits of America ... (248) 698-1660
- Veritas Distributors (586) 977-5799

WINE & SPIRITS DISTRIBUTORS

- Great Lakes Wine & Spirits (313) 867-0521
- RNDC of Michigan 1-888-697-6424



MAY 19, 2015

AFPD'S 7TH ANNUAL OHIO FOOD & PETROLEUM BUYING SHOW

Back by popular demand! AFPD's Ohio Buying Show is gaining popularity as an excellent venue for Ohio-area members and customers to network, engage, buy and sell as they head into summer.

Executive Caterers at Landerhaven // Cleveland, OH

CHAIRMAN'S ROAST & SCHOLARSHIP DINNER

AFPD is rolling out the red carpet for a classic comedy roast of our 2014 chairman of the board, Pat LaVecchia. A night filled with fun, laughs, wine and cocktails. Tickets and sponsorship opportunities available. Sponsorships to our Chairman's Roast allows AFPD to provide \$1,000 scholarships to deserving students in Ohio. Scholars will be presented their awards at this event.

Taza Lebanese Grill // Cleveland, OH

MAY 20, 2015

AFPD'S 11TH ANNUAL OHIO GOLF OUTING

This outing is a social event where retailers, wholesalers, manufacturers and service providers all come together to have a little competitive fun. A day on the course includes breakfast, dinner and 18 holes of golf!

Manakiki Golf Course // Willoughby Hills, OH

JUNE 25, 2015

7TH ANNUAL AFPD FOUNDATION / JOSEPH D. SARAFI SCHOLARSHIP LUNCHEON

Every year the AFPD Foundation awards academic scholarships in the amount of \$1,500 each to extraordinary and deserving students in Michigan. Help the AFPD Foundation invest in the leaders of tomorrow. Tickets and sponsorship opportunities available.

Detroit Athletic Club // Detroit, MI

JULY 14-16, 2015

AFPD'S 39TH ANNUAL GOLF OPEN & MICHIGAN POLITICAL ACTION COMMITTEE GOLF OUTING

Three days to choose from! A day on the course includes breakfast, lunch, 18 holes of golf and samples at every hole! Last year we sold out! Sponsorship opportunities are available. All proceeds from July 16th will go to support the AFPD Michigan PAC.

Shenandoah Country Club // West Bloomfield, MI

publishers statement

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