

BottomLine



THE VOICE OF INDEPENDENT RETAILERS // VOL. 28, NO. 1 // JANUARY 2017

Time Is On My Side,
Yes It Is!

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BottomLine



THE VOICE OF INDEPENDENT RETAILERS
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features



AFPD CORNER //

MICHIGAN LIQUOR LAWS TOWN HALL MEETING

AFPD held a Benchmark Beverage Company Town Hall meeting on Thursday, December 8th at Shenandoah Country Club. The meeting's agenda was to update members on recent legislation that affects the beverage industry. Auday Arabo, AFPD President and CEO, updated members on various issues.



COVER STORY //

TIME IS ON MY SIDE, YES IT IS!

It was a year ago this month when John Abbo started to implement systems to better manage his time. "We started to restructure by putting in an accountable administration, and new technology along with getting a good handle on HR and training by giving our leaders the tools they need to be successful," said Abbo, owner of Hartland Pizza and General Store.



SUPPLIER SPOTLIGHT //

THE EBY-BROWN RULES OF BUSINESS

Eby-Brown is the largest privately owned distribution company in the United States and is officially the, "exclusive c-store endorsed program partner" of AFPD.



president's message

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

AFPD Keeps Moving Forward

Happy New Year! It is hard to believe how fast time flies. 2017 is now my eighth year with AFPD and living in the Midwest. The Midwest has officially become my home and now it's strange to see my old home looking to become its own country, that being California.

We have done so much over the last eight years to re-establish the presence and strength of AFPD in Michigan, Ohio and the entire Midwest. AFPD has been growing every year while other associations all over the country continue to struggle. One of the major reasons for our success is our ability to listen to our members and change our direction based on their needs. One example is our investment of time and energy into creating new endorsed vendors programs for our members. For instance, how many of you have ever heard of or been invited to a "Vendor Day" event by your wholesaler? Most supermarkets get invited, but most convenience store and liquor stores are not big enough customers to be invited to attend their wholesaler's vendor day.

AFPD, in partnership with Eby-Brown, has created an exclusive program and partnership where we have a rebate program for our members, as well as the AFPD-Eby-Brown Chain Book which will bring special vendor programs right to your doorstep. Programs which have only been offered to chains with twenty or more locations are now available to AFPD members from store number one! Rebates and programming from companies like Hostess, PepsiCo, Oberto and many others are now available to AFPD members. This is in addition to the 2% rebate and the AFPD-EB Y-Brown Chain book; Eby-Brown will pay for your membership to AFPD every year that you qualify for their program! This program is available all over the country, in every state Eby-Brown does business in and we believe this program will be a game changer for independents all throughout the region.

Another big change coming to the Midwest is the consolidation of Coca Cola operations under the Reyes Family (Great Lakes Coca Cola) who are headquartered in Illinois.

Another reason for our success has been our ability to both win and compromise when needed to in Lansing and Columbus. Please take a look at our major government relations achievements in Michigan and Ohio in 2016! We had some major victories thanks to our Director of Government Relations Dan Papineau and others on our staff.

I also want to be one of the first to congratulate our new Chairman of the Board at AFPD, Phil Kassa, who is a third generation independent grocer. Phil and his family run four supermarkets in the Detroit Metro area and are a very respected by their peers in the industry. I also want to thank the outgoing AFPD Chairman of the Board, John Denha. He has been great to work with over the past two years and I believe he will stay involved in future AFPD boards unlike some of his predecessors who tend to disengage after they have served as Chairman of the Board.

Rest assured AFPD will continue to support our members, both big and small regardless of where your business is located and regardless of whether you run a supermarket, liquor store or gas station. We are here to serve you, the members, and we need you to spread the word, because there is strength in numbers! We are not perfect and you may not like everything we do, but we are here to listen and learn and do our best to protect the entire industry based on numbers and trends, rationale and logic, but never based on emotions or fallacies. We are looking forward to a great 2017! Happy New Year! ■

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Fernando Zrnyi	Benchmark Beverage Company
Steven Schmitt	Benchmark Beverage Company



Michigan Liquor Laws Town Hall Meeting

AFPD held a Town Hall meeting on Thursday, December 8th at Shenandoah Country Club. The meeting's agenda was to update members on recent legislation that affects the alcohol industry. Auday Arabo, AFD President and CEO, updated members on various issues including:

SENATE BILL 929 - SDM CAP

This bill passed in the House just hours before the meeting.

SB 929 allows all retailers the opportunity to compete on a level playing field when it comes to the sale of beer and wine by eliminating arbitrary criteria certain businesses have to meet in order to sell beer and wine.

"AFPD stepped in and said let's create uniformity with a cap similar to liquor licenses," said Arabo. "One SDD for every 3,000 people and, in order to grandfather everybody in for the beer and wine today, it has to be one SDM for every 1,000 people. So the cap now is one for every 1,000 people for SDM."

For an AFD member like Cliff Denha, owner of the Wine Palace in Livonia, who has both an SDD and an SDM license, the licenses now has value. "If the area is saturated, you can sell that license now," explained Arabo. "Before the law got passed today, pretty much anybody could get a beer and wine incense. Some counties in the state are already saturated today."

SENATE BILL 1088 – WINE DIRECT SHIP

This bill allows retailers to ship wine directly to customers via the U.S. Postal Service, UPS or FedEx. The bill also will allow for certain online app companies to deliver beer, wine, and spirits to customers. However, they must go through a retailer to do so.

"The bill means that stores can now ship, via UPS or any common carrier, to deliver to a customer in



the state, and it will be legal," said Arabo. "So if someone is sitting on a bottle of wine, during a period of high demand, they can sell it to a customer across state." This bill will also allow you to deliver spirits to someone's home or residence if the employee is TiPS trained, which AFD provides.

SENATE BILL 973 – GROWLERS

This bill will allow SDD licensees to sell beer in growlers.

"One bit of good news is that a bill, that we authored and is going to the governor's desk, says SDD licensees will now be able to fill growlers in their stores," said Arabo. "It was a bill that we have been working on for two years. So anybody with an SDD License, that wants to fill growlers now, can be like the bars." ■



petroleum news & views

EDWARD WEGLARZ // AFPD DIRECTOR, PETROLEUM

What do we Know About the Future?

I don't pretend to be a predictor of the future. Nor, do I have a crystal ball to look into, but there are some leading indicators that can give us a rather blurred but reliable picture of the future of fuel marketing.



If we've learned anything over the past decade, we've learned that there is little, if any, margin selling gasoline. For some unexplainable reason, retailers feel the uncontrollable urge to giveaway their primary product in hopes that the motorist will come in the store and buy some item that actually produces some margin. We even see "big box" stores publish profit and loss statements with (and without) gasoline sales. Noting that the gas business is merely an expensive advertisement to attract customers. I believe we will continue to operate within that marketing philosophy for the foreseeable future. There will always be some marketer that wants a bigger piece of the constant, or even shrinking, retail gasoline pie. He will discount his product to increase the share, and when competitors respond with similar or even more dramatic price reductions, the downward spiral will begin. Motorists do not buy more gas because it's cheaper. They have no ability to store it. They don't drive more because they paid less. But, similar to geometric axioms, irrational retail gasoline pricing appears to be here to stay.

So, here's what you need to know, so you can plan for the future, and survive...

There will be broader competition. More non-traditional outlets – grocery chains, even home improvement store – will be competing for fuel business and they can afford to use gas as a loss leader.

Marketers will need to 'Build Their Own Brand'. Some are abandoning branded gas to save several cents a gallon because of very slim profit margins. Motorists are also less brand-loyal and more price conscious when they can check gas prices online with their smartphone. The younger driver and leasing drivers subscribe to the philosophy that "gas is gas" and therefore consider "price" as their primary motivator when purchasing fuel.

Vending machines at the pump island are a consideration. C-Stores are installing vending machines at the pump finding that 60-70% of customers who buy fuel never enter the store to buy higher-margin items. Soft drink machines are the most common, but some stores are promoting sandwiches and snacks.

If the item seems a trifle "goofy" don't discount it. You may just be on the brink of the newest phenomenon to sweep the industry! ■

SENATE BILL 1051-3, SENATE BILL 1179 – RAISES RPF FEE AND ELIMINATES LICENSES FEES

This bill increases the refined petroleum fund fee 1/8 of a cent but eliminates 3 licensing fees for fuel retailers.

Not mentioned in the meeting, was AFPD's support of the House passing Senate Bill 853 which happened on Thursday, December 1, 2016. SB 853 would prevent local governments from banning or setting fees for containers like bags, cups, bottles or packaging. If signed by Michigan Governor Rick Snyder, the bill would take effect 90 days after its enactment.

"AFPD is trying to get in the middle of issues based on fairness," explained Arabo. "I tell people that we've been here since 1910 and when we look at policy, we look at 5, 10, 20 years down the line. We don't look at it emotionally."

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government relations update

DAN PAPINEAU // AFPD DIRECTOR, GOVERNMENT RELATIONS

Michigan Government Relations – Annual Report

AFPD was successful on many fronts this year in its government relations efforts. Many policies were adopted that will help our members and several policies were stopped that hurt our members. Keeping a close eye on legislative activity is important. Governments could turn the way our members run their businesses upside down in a short period of time if we sit back and let them. AFPD is at the forefront of educating members of the legislature on our industry and the consequences bad policies could have on the businesses of our members. An old saying that holds very true when it comes to government relations is “if you are not at the table, then you are on the menu”.

The legislative process is a slow and frustrating one. It is full of compromise, negotiations, trial and error, victories, and losses. I am happy to report that AFPD had several victories this year on the government relations front. We must continue to build our presence in Lansing to continue being successful. While the content of this report shows overwhelming success, we still have a lot of work to do in building our reputation in downtown Lansing. Combating constant legislative turnover, staff turnover, extreme partisanship and the endless train of terrible policy ideas is no easy task, but with a strong association with active membership we can definitely beat the odds.

SB 929, SDM LICENSE CAP – THE COMPROMISE OF ALL COMPROMISES

After year over year of SDM license proliferation there is now an end in sight with the passage of SB 929. For decades Michigan has seen massive growth in SDM licenses. From stores that we never imagined would attain an SDM license like bike shops and florists to the continual degradation of the ban on gas stations from being able to receive an SDM license the number of licenses was getting out of control. From 2012 to 2014 there was a 20% increase in licenses. I bet every member knows of some gas station located close to

their business selling beer and wine.

Over the years several carve outs have been passed to give more and more gas stations the ability to acquire an SDM license. This patchwork of regulation allowed many gas stations to get an SDM while others could not. This winners-and-losers’ scenario did not sit well with a conservative, Republican controlled legislature. After the last carve out was passed earlier this year for big box retailers’ gas stations the Senate Majority leader promised his caucus he would level the playing field for all gas stations after several Republicans voiced concerns over the adoption of yet another carve out. This meant he was going to give gas stations blanket allowance to receive an SDM license. With AFPD put in a difficult position we interjected early in the process and negotiated that a cap on SDM licenses be included in the bill.

Taking a hard lined approach against, arguably the second most influential politician in Lansing (second only to the Governor) would have been detrimental to us. We would never see another win for our membership for several years. The other AFPD legislative victories achieved this year would have never occurred. Additionally, we could have also been subject to dramatic repercussions. The first thing on the radar that would be put on the table as retribution would be the 17% markup. This is something that many republicans, including the Governor, openly support eliminating. AFPD fights to keep the mark up in place and it was our President and CEO, Auday Arabo, that backed the Governor off of aggressively pushing through legislation that would have eliminated the 17% markup which he proposed early after his election. While we would love to be in a position to increase the markup for our members we are barely hanging on to a markup at all.

While gas stations will now be able to acquire an SDM license without an inventory requirement there is now a cap on the number of licenses that will be available. The cap is determined through a quota. 1 license per 1,000 people living in a local unit of government. This is very similar to the cap on SDD licenses which is 1 license per 3,000 people living in a local unit of government. Additionally, we have added that to be approved for an SDM license a business



must also hold a retail food license. This will block the trend of businesses not in the retail food and beverage industry from getting an SDM license.

It is important to realize that capping the number of SDM licenses is no easy task in a conservatively led legislature that commonly preaches the principles and advocates for a free and open marketplace. Where a cap was not in existence before, one exists today. This cap is in place now and can be altered later. The implementation of a cap is a huge accomplishment we will have in statute going on into the future.

While this was a heavily debated and sometimes criticized move by some AFPD members at the end of the day it is a tremendous victory for our membership. The details are complicated and misinformation is rampant but to anyone arguing a different position other than the one we took I respectfully implore you to get a better understanding of our political system and the current environment we must work in to protect our industry.



SB 973 – GROWLERS FOR SDD LICENSEES

For years off-premised retailers were prohibited from filling and selling growlers in their stores because they sold packaged liquor. This is no longer the case. This policy did not go without several concerns and pushback from other large trade associations and their lobbying efforts. Eventually, AFPD negotiated away all opposition and was able to sheppard this legislation all the way through the process in a matter of weeks.

Craft beer is a popular item in stores across

Michigan. Customers love to experience new beer that is hard to find and very unique. Off-premised retailers will now have the opportunity to market new products and create a new type of atmosphere for their customers with growler filling.

Some members may have been to or heard of an off-premised retailer that allowed customers to fill and sell growlers while also allowing customers the ability to wander their aisles while drinking beer or wine. This is because these retailers do not sell packaged liquor and were able to get a Tavern of Class C license. Unfortunately, some retailers with either of these licenses like the ability to fill and sell growlers but do not like their customers congregating near the tap systems taking up space nor do they like the problems associated with customers drinking alcoholic beverages in their aisles. This bill will now allow them to offer growlers without incurring additional hassles if they get the appropriate license.

This is a very exciting development for our retailers. The opportunities are endless when it comes to craft beer offerings now with the enactment of SB 973.



SB 1088 – DELIVERY AND DIRECT SHIPMENT OF BEER, WINE, AND SPIRITS

Shipping and delivery of our alcohol retailers' products is complicated and confusing. Additionally, many out of state retailers ship and deliver wine illegally cutting into our members' sales. It has been estimated that Michigan businesses are losing as much as \$60 million in missed sales due to this illegal activity and lack of enforcement. Thankfully, legislation was passed to

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"HOW CAN BEING MORE ENERGY EFFICIENT HELP MY BUSINESS?"

Warmer weather may make it hard for businesses to save money on their gas and electric bills while still keeping employees and customers cool. That's why DTE Energy wants you to know what you can do to accomplish both goals. Programming thermostats to automatically adjust the temperature during unoccupied periods and installing motion sensor lights in less used areas are easy ways to save without sacrificing comfort. Replacing incandescent lights with compact fluorescent or LEDs will result in even more energy savings. Together, we can reduce energy waste and help your business thrive.

For more tips and ways to save, visit dteenergy.com/savenow.



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keep this money and these sales here in Michigan. In addition to that the legislation provides a myriad of new retailing opportunities when it comes to beer, wine, and liquor sales. Here is a brief summary of the new opportunities the legislation affords our retailers.

- SDM licensees will now be able to ship wine via a common carrier like UPS and FedEx.
- Retailers with an SDM license will be able to deliver beer and wine themselves or through an employee to a customer's home or other designation location without having to deal with the complications that come along with doing this through a catering license.
- Retailers with an SDD license will be able to deliver spirits themselves or through an employee to a customer's home or other designation location without having to deal with the complications that come along with doing this through a catering license.
- Both SDD and SDM licensees will be able to work with a third party delivery service to deliver their products. An example of this service would be a third party delivery app on a customer's cell phone. Imagine a group of intoxicated adults at a party who run out of alcohol. They can go onto their phone and order a product from your store through a third party delivery company. This third party delivery company will pick up the product at your store and deliver it to the location in which it was ordered.

There are some requirements retailers will need to comply with to deliver beer, wine, and spirits or ship wine however, they are minor given the new ability for them to be able to do this. Consider starting a wine club, contacting a Michigan winery, seeking out a partnership with a third party delivery service, and looking where delivery yourself could open up new sales avenues.

SB 853 – PLASTIC BAGS, YOUR CHOICE

Our friends in Chicago no better than anyone about the detrimental effects locally enacted plastic bag bans and plastic bag taxes have on their business. Imagine being told that you could no longer provide plastic bags to your customers to take their products home



in. What if the city, township, or county your business is located in told you that you could only offer your customers reusable cloth bags that you could either charge them for, give them for free, or hope they bring themselves. Moreover, what if you had to tax your customer 7¢ per bag you supplied them.

Think about the competitive disadvantage would create for your business. You have to charge a bag tax while the competitor a few blocks away does not. Luckily, Michigan passed and the governor signed legislation that will disallow local government from enacting a local bag ban or local bag tax.

What you give your customer to take their purchased items home should be up to you and based on consumer choice. Government should be nowhere in that decision. Flexing a muscle against local government intrusion into your business sends a message across that state. The message is that a patchwork of regulation is nothing more than government enacted competitive disadvantages.

It was too late for Chicago and the consequences were terrible. We were proactive in protecting our members after Washtenaw County and Ann Arbor tried to pass bans on the use of plastic bags. We cut the trend off at the knees.

SB 1051-3 AND SB 1179 – CHANGES TO GAS STATION LICENSURE AND FEES

When the Department of Agriculture came out and requested an increase in the 7/8 of a cent refined petroleum fund (RPF) fee to a full penny a gallon the retail fuel community came together to negotiate a deal. The deal was that in return for the 1/8 of a cent increase in the RPF fee the Department would

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eliminate the fees on 2 licenses. Retailers will no longer be required to pay the annual \$100 per tank registration and/or renewal fee. Additionally, fuel retailers will no longer have to pay the annual \$100 Fuel Retailer license fee to operate fuel pumps. It is important to note that fuel retailers will still have to attain both the registration and license and are subject to the current penalties for being caught without one or an expired one.

The 7/8¢ refined petroleum fee paid on all refined petroleum products sold for resale in Michigan or consumed in Michigan will be increased by 1/8 of a cent to be one full penny. Money collected from the fee goes toward covering leaky underground storage tank clean up and inspection activities.

HB 5599 AND SB 717 – UNDERGROUND STORAGE TANK DEDUCTIBLES AND ACCESS TO RESOURCES

Legislation dramatically decreasing deductibles for underground storage tank insurance purchased through the state's Underground Storage Tank Authority program passed this year as well. The former deductible of \$50,000 for operators with more than 8 tanks and \$15,000 for operators with fewer than 8 tanks will be reduced to \$10,000 for operators with more than 8 tanks and \$2,000 for operators with fewer than 8 tanks. Other changes making funds more easily available to clean up releases from leaky underground storage tanks were included in the bill.

The Michigan Underground Storage Tank Authority (MUSTA) serves Michigan's petroleum underground storage tank owners and operators by managing the Underground Storage Tank Cleanup Fund on a sound fiscal basis while assisting them in meeting their financial responsibility requirements and efficiently providing financial assistance to remediate contamination caused by releases from petroleum underground storage tanks.

Fuel retailers not currently utilizing this program should definitely look into it.

SB 800 – INCREASED FOOD ASSISTANCE FUNDING

A supplemental budget bill was passed that will provide food assistance for 338,000 families in Michigan. The year-end budget bill included an

investment of \$6.8 million in state funds that will be leveraged to receive tens of millions of additional federal dollars that will fix an issue with the federal Heat and Eat program. This funding restores approximately \$76 per month in food assistance for 338,000 low-income families.

This additional funding will be spent in members' stores all across Michigan on food for those who are in need.

HB 5857 – MOTOR VEHICLE SERVICE AND REPAIR ACT

Legislation was passed that clarifies, codifies, and repeals several provisions affecting the automotive repair industry. Changes made include but are not limited to the following:

- Change from \$10 to \$50 the amount a motor vehicle repair facility may charge above the estimate given to the customer who did not sign a special waiver, before the facility must obtain consent for the excess charge.
- Change from \$20 to \$50 the minimum amount that triggers a requirement for a motor vehicle repair facility to give a customer an estimate before beginning repairs.
- Allow a specialty mechanic qualified in all repair categories to apply for certification as a master mechanic for light vehicles and heavy-duty trucks, with respect to the qualifications achieved for each category.
- Codify the requirements for an individual to be certified as a master motorcycle mechanic or recreational trailer mechanic.

Other provisions of the bill affected the return of parts to a customer, mechanic trainee permits, the evaluation and approval of a school, academy, or other similar establishment that intends to provide training to mechanics or mechanic trainees, and a change of ownership for a motor vehicle repair facility.

SB 991 – SALES TAX ON CORE CHARGES

Legislation was passed that exempts from sales tax a core charge attributable to a recycling fee, deposit, or disposal fee for a motor vehicle or recreational vehicle part or battery.

The retail sale of certain automotive parts may include an additional charge to encourage the return of those parts when they are worn out or depleted so that the parts can be recycled or remanufactured.



In the automotive parts industry, the used part being returned (typically as a trade-in toward the purchase of a new part) is commonly referred to as a “core.” Therefore, this additional charge is commonly referred to as a “core charge”. Typical items with a “core charge” include vehicle batteries, brake master cylinders, water pumps, alternators, and starters.

A used part received by the seller as consideration for a sale at retail is considered a trade in and sellers of automotive parts shall remit sales tax on the total sales price, which includes the value placed on the used part traded in (core) and the part sold. No refund or reduction of tax was permitted based on any payment or credit given to a customer for a part traded in (core) by the customer. Under this bill there will be a reduction in the tax because the value of the core will be exempt.

While this bill may sound technical and rather insignificant, for those service station owners that have to explain to their upset customer why they must charge sales tax on what amounts to a deposit of potentially several hundred dollars this bill is a refreshing change and will stifle a lot of frustrations.

SB 667 – ALLOW FOR ADDITIONAL PROMOTIONAL PRODUCTS TO BE USED BY RETAILERS AND CODIFIES PRICE, POST, AND HOLD PROVISIONS

Legislation became law that allowed alcohol retailers to use additional promotional materials given to them for free from distributors. These items will help drive sales and give retailers additional opportunities to showcase certain products. The items that are now allowed to be used are suction cup displays on coolers, cooler door attachments, and tear pad holders.

Additionally, the bill codifies what is known as price, post, and hold provisions. A manufacturer or wholesaler will have to file with the commission a list of cash net prices to the retail licensee for all brands of case and keg beer as well as any beer package price reduction prior to the effective date of the price change and must keep the price in place for 90 days after the price change date.

HB 5257 – SOCIAL MEDIA ADVERTISING

This bill will allow alcohol retailers to advertise their products for free on social media. Unknown to many, advertising alcohol on social media was illegal. When the Liquor Control Commission started

enforcing this law the need to change the law became apparent. Retailers can now post on social media special offerings and sales on products like craft beer, for example.

The bill also allowed for certain brand locator applications. Hard to find products can be advertised on these now legal brand locators to try and drive sales.

YOU-BUY-WE-FRY

While legislative activity was not needed, AFPD worked with the Michigan Department of Agriculture to shut down the ability of certain fast food type restaurants from accepting food assistance. Certain stores were popping up around the state that allowed customers to purchase raw meat or fish with their EBT bridge cards and then immediately have that food cooked for them right after the purchase. This action exploits a loop hole in food assistance processing and was not fair to legitimate retailers looking to have those EBT dollars spent in their stores.

These retailers were sent notices from the Department that they must stop accepting EBT and register as restaurants as opposed to grocery stores.

If grocery stores cannot sell prepared foods to EBT customers than no one should.

In addition to the enactment of several pieces of legislation that helped our industry we worked to kill several bills that would hurt our industry. While the number of bills we stopped action on is too many to list examples are as follows:

- Increase beer tax by 400%
- Mandate fuel retailers use anti-skimming devices
- Require tax on spirit samples be paid by retailers
- Increase minimum wages and establish wages for employees going through training
- Require suburban employers from withholding and being liable for their employees' city income taxes.
- Disallow retailers from applying a surcharge on credit card purchases

Next year brings us new opportunities and challenges. I look forward to continuing to advocate on behalf of our members as a new legislature is seated after the first of the year. As always, please feel free to contact me with any questions or comments via email at dpapineau@AFPDonline.org. ■



michigan lottery report

M. SCOTT BOWEN // MICHIGAN LOTTERY COMMISSIONER

Doubler Days Returns in January; Expected to Boost Club Keno, Fantasy 5, Lotto 47 Sales

The Michigan Lottery is giving players a chance to double their fun and their winnings in January when the popular Doubler Days promotion returns to Club Keno, Fantasy 5, and Lotto 47.

From January 1st through January 31st, all Club Keno, Fantasy 5, and Lotto 47 tickets purchased at Lottery retailers are eligible for Doubler Days. A Doubler message will be printed on random tickets and will double all non-jackpot prizes won on that ticket, all without any additional cost to players. The Doubler feature also will apply to EZmatch prizes on Fantasy 5 and Lotto 47 tickets.

This popular promotion has a strong track record of generating excitement among players and boosting sales for retailers. During the most recent Doubler Days promotion in September, Club Keno sales increased by 9.5%. September marked the first time the Doubler Days promotion was offered to Fantasy 5 and Lotto 47 players. Sales for Fantasy 5 and Lotto 47 increased by a total of 18%.

The Doubler Days promotions offer double benefits to retailers with increased sales commissions and redemption commissions. Lottery retailers weren't the only ones to benefit from this successful promotion in September. All told, Club Keno, Fantasy 5, and Lotto 47 players won more than \$2.5 million in Doubler Days bonus prize money.

New Lucky 7s Instant Game Family Expected to Attract Player Interest

Player research and sales have shown time and again that Lottery players are attracted to instant game families. The Lottery's newest family of instant games – Lucky 7s – features four games that are expected to be popular among players.

INSTANT TICKETS // PULL TAB TICKETS

NEW INSTANT TICKETS:

On sale January 3rd:

- IG 210 – Lucky 7s – \$1
- IG 211 – Lucky 7s Doubler – \$2
- IG 212 – Lucky 7s Tripler – \$5
- IG 213 – Lucky 7s Multiplier – \$10

INSTANT GAMES SET TO EXPIRE:

Expiring January 3rd:

- IG 711 – \$300 Grand Cashword – \$5

Expiring February 6th:

- IG 694 – Four by 4 – \$1
- IG 712 – 5x The Cash – \$1
- IG 713 – 10x The Cash – \$2
- IG 714 – 20x The Cash – \$5
- IG 715 – 50x The Cash – \$10

NEW PULL TABS TICKETS:

On sale January 3rd:

- MI 578 – Mega Bucks Multiplier – \$1

PULL TABS GAMES SET TO EXPIRE:

Expiring January 9th:

- IT 854 – Cashin' In – \$1
- IT 855 – Happy Hour – \$1
- IT 856 – Spin to Win – \$2
- IT 857 – Ultimate Slots – \$5
- MI 537 – S'more Money – 50¢
- MI 550 – \$200 a Week for Life – \$1

Expiring February 13th:

- MI 551 – Criss Cross Cash – \$2

THE NEW “LUCKY 7S” FAMILY INSTANT GAMES INCLUDE:

- Lucky 7s - \$1 ticket, \$5,000 top prizes, more than \$5 million in total prizes available
- Lucky 7s Doubler - \$2 ticket, \$50,000 top prizes, more than \$30 million in total prizes available
- Lucky 7s Tripler - \$5 ticket, \$500,000 top prizes, more than \$40 million in total prizes available
- Lucky 7s Multiplier - \$10 ticket, \$1 million top prizes, more than \$60 million in total prizes available

Lottery instant game families are very popular with players. In 2016, the “Hit” and “Hot” families were among the Lottery's best-selling instant games. We expect retailers to experience similar success with the “Lucky 7s” family of games when they go on sale January 3rd. ■

“The Michigan Lottery. All across the state good things happen.”

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

JAN 1 - 31

In September, players
won over **\$2.5 million**
in Doubler bonus
prize money!

DOUBLER DAYS



**RANDOM CLUB KENO, FANTASY 5 AND LOTTO 47
TICKETS WILL PRINT WITH A DOUBLER MESSAGE
IN JANUARY. LUCKY PLAYERS WITH THESE
TICKETS WILL DOUBLE THEIR WINNINGS!**

**WHEN A PLAYER DOUBLES THEIR WINNINGS, YOU'LL DOUBLE
YOUR REDEMPTION COMMISSION. TELL YOUR CUSTOMERS
TO PLAY CLUB KENO, LOTTO 47 AND FANTASY 5 TODAY!**

All Lotto 47 and Fantasy 5 non-jackpot prizes are eligible.



Applies to Club Keno and Kicker prizes only. The Jack is excluded from the promotion. Club Keno and Kicker prizes will be doubled up to a maximum of \$4 million per draw. The Club Keno mark is a registered trademark of IGT Global Solutions Corporation. Overall odds of winning Club Keno are from 1 in 4 to 1 in 17. APPLIES TO FANTASY 5 AND LOTTO 47 RETAIL TICKETS ONLY. All Fantasy 5 and Lotto 47 non-jackpot prizes, including EZmatch prizes, are eligible to be doubled. Jackpot prizes are excluded from the promotion. Overall odds of winning Fantasy 5: 1 in 9. Overall odds of winning Lotto 47: 1 in 47. Overall odds of winning EZmatch: 1 in 5. Knowing your limits is always the best bet. Call the Michigan Problem Gambling Helpline for confidential help at 1-800-270-7117.





ohio lobbyist report

TERRY FLEMING // TC FLEMING & ASSOCIATES

Ohio End of Year Report

The Ohio General Assembly has recessed for the year and most likely will not return which means January of 2017, a new General Assembly will be seated and we start all over again. As usual, a flurry of bills were passed in a lame duck session (that means they are nearing the end and all bills not passed will die at end of year and have to be reintroduced next year). One of the most important bills passed was HB 341, which overrides cities from prohibiting pet stores from purchasing dogs from, so called, puppy mills. Why you ask is this bill important? Well, it's what's called a Christmas Tree Bill, in other words loaded with other amendments and one of those prohibits cities from raising minimum wage giving that authority to the state only, this was strongly supported by AFPD and its now in the Governor's hands. Another Christmas Tree Bill was SB 235, among the many provisions of the bill were the following, exempting from the sales tax tangible personal property used in the manufacturing of oil and natural gas, ensuring small business investment companies are not subject to the financial institutions tax. That would make the companies subject to the commercial activities tax. However, according to the Legislative Service Commission, the bulk of the company's income is investment income that is not subject to the CAT. The bill also allows land in a downtown redevelopment district to get tax increment financing.

Continuing on, also passed was HB 554, this was a very controversial bill that repeals the alternative energy standards that would have gone into place in 2020 and replaced it with language that freezes the requirement for alternative energy for two years and then makes it voluntary after that, this could be a money saver for small businesses. Another very controversial bill passed was SB 374, this deals with Ohio's Unemployment Fund which is badly underfunded. After many meetings and arguments, the compromise was that the House and Senate will come up with legislation to address this issue next Spring; in the meantime if they don't come to an agreement starting in 2018, benefits paid to jobless workers would be frozen and the taxable wage base on which employers must pay unemployment taxes would increase from the first \$9,000 of an employee's wages to \$9,500. And a current law that automatically levies increased taxes on businesses if the state is forced to borrow from the federal government would

be repealed. Lastly, for AFPD members who may also be in the Tow Truck business, HB 341 passed that would make it much easier to obtain titles for salvage vehicles. The General Assembly also passed an extended concealed carry bill that would prohibit employers from not allowing legal permit holders to have guns in their cars on company property.

At the local level, AFPD was the only association representing convenience stores that testified in opposition to the city of Columbus proposal to raise the age to 21 for purchase of tobacco products. We did so not as a supporter for tobacco use, but because it creates an unfair advantage for businesses outside of Columbus, AFPD said "Members of the AFPD feel that if the movement to increase the legal age to purchase tobacco products is a worthy one, then the increase in age should be done at a statewide level to ensure all retailers within Ohio compete on a level playing field". It's expected our objection fell on deaf ears and the city is likely to pass the ban.

At the Federal level, there were two issues, a Texas federal District Judge has preliminarily blocked the U.S. Labor Department's new overtime rule, which was to go into effect on December 1. This issue dealt with "white collar" exemptions. For further details please contact Ed Weglarz at AFPD. Due to recent scrutiny by the FTC and Federal Reserve Board of Governors, VISA has changed rules to avoid enforcement on use of EMV smart chip technology, again AFPD can provide further details.

On the agency front, State Representative Anne Gonzales has asked the State Lottery Commission to brief her on where they're at on negotiations with AFPD on changes to lottery rules.

Governor John Kasich has said that Ohio is on the verge of a recession due to falling revenues. The Governor said that next year's budget will be bare bones.

On the political front Republican Treasurer of State Josh Mandel announced he will run for U.S. Senate in 2018, against Democrat Incumbent Sherrod Brown, which would be a repeat of the 2010 election, but first Mr. Mandel has to win a Republican primary as many others have indicated an interest in the race.

On the sad side, American Hero John Glenn died on December 8, John was born in New Concord, Ohio a son of Appalachia who became a hero in World War II, the first man to orbit the Earth and lastly a U.S. Senator from Ohio. In another sad instance students at Ohio State were attacked by car and knife by a Somali immigrant who was shot and killed by a campus policeman. President Elect Donald Trump visited the victims of the attack in a very low key meeting.

We end by wishing all members of AFPD a Happy New Year. ■



The Exciting Future of Liquor Control

As we begin a new year, I wanted to share a few thoughts with all of you, both from a business as well as a personal perspective. 2016 was a year of many changes in our business. Change, even when it's positive, can be challenging, and I appreciate your support in working through these changes. The progress we've all made was possible because of that partnership.

2017 will continue to bring more changes for all of us:

- As we continue moving forward with Phase 2 of our Liquor Modernization Project (LMP), we will implement a new and fully functional Microsoft Dynamics AX operating system, along with retail and wholesale hardware replacements.
- In February, we will see the first phase of the single shelf price initiative. A consistent shelf price across the state will reduce confusion for customers.
- We are in the process of consolidating our four existing warehouses into two facilities; one in Green, Ohio, and the other in Groveport, Ohio.
- The Division of Liquor Control, along with a number of other Department of Commerce divisions, will be moving to a new location in Columbus. We are very excited about the move, and are looking forward to the planned move-in date of July 2017. The new location is much more conducive to conducting business, and will allow us to build a dedicated customer service center so we can better serve you.
- Our Merchandising team will analyze our present Agency layouts, and will execute a number of Agency resets to improve the customer experience.
- Our Agency Representative Committees will be under development. Developing these committees, which are a first for the Enterprise, is a personal goal of mine. It's critical that we have

members from each of the four districts working to help ensure that the Enterprise is meeting stakeholder needs, understanding industry trends and leveraging best practices.

So as you can see, 2017 will be a year filled with significant change for all of us. My commitment to you is that the Division will make every effort to support you through these changes. We will continue to increase our communication activities, including webinars, road shows and town hall sessions. There will be meetings with stakeholder user groups to review LMP system progress and functionality, and an extensive training effort for stakeholders. The Liaison Team will continue to visit Contract Liquor Agencies. Our Merchandising team will work closely with brokers and suppliers to bring forth the best possible product selection in all categories.

Now let me speak to all of you on a few personal notes. As you may have heard, I have moved into the role of Superintendent for the Division of Liquor Control, replacing Bruce Stevenson, who spent 25 years with the Division. I am honored to have been asked by the Director of Commerce, Jacqueline T. Williams, to serve in this capacity. It is my mission not only to serve the State as Superintendent, but also to work tirelessly to serve all of you as we all strive to build this Enterprise into one that is world-class in all measures of the term.

What will it take to become a world-class Enterprise? To me, that means our efforts must be built on a foundation of consistently providing the highest quality products and service to our customers. We must be open to change, innovation and new ways to drive responsible growth in our businesses. Finally, we must continue to build on the communication strategies we have set forth to take full advantage of the Industry and Agency insight that will be critical to the overall Enterprise growth and success for the future.

As I stated to all of you when I came on board as Chief Operating Officer, my team and I will continue to work tirelessly to gain your respect and trust as we move into the future. Thank you all for your efforts and support. I hope that all of you and your families enjoyed a wonderful Holiday Season, and that you have a happy, healthy and prosperous New Year. ■



Time Is On My Side, Yes It Is!

It was a year ago this month when John Abbo started to implement systems to better manage his time. “We started to restructure by putting in an accountable administration, and new technology along with getting a good handle on HR and training by giving our leaders the tools they need to be successful,” said Abbo, owner of Hartland Pizza and General Store.

Joe Abro, CPA with Abro & CO., CPA, PC agrees that in order to best manage time, an owner must start to delegate duties. “Give up day-to-day control,” he said. “Look for and reward qualified people to help run your business. It’s not worth it if you make an extra \$20,000 and you can’t enjoy it.”

He also suggests taking on a business partner. “This way nothing falls on just one person,” he said. “Also, this way you will be able to have less debt and make other passive investments.”

At the Kassa owned stores they have one store director and one or two co-managers, depending on the store. It’s also a family owned business with five brothers as partners. “It makes it easier on us,” said Phil Kassa. “The directors get their direction from one of the partners. For the most part, our managers held the same type of positions at Farmer Jack and Kroger. At our smaller stores, we trained them from the bottom up. Some were stockers or cashiers, and we trusted and promoted them. Again, one of the partners usually walks the store and balances the store.”

It’s been a work in progress for Abbo. “It takes a lot of commitment, and research and an understanding of what you what to accomplish and how to get there,” he said. “Having the motivation, knowledge, and the ability to implement, and understand and learn from our mistakes. We measure twice and cut once.”

Implementing software and other technology can also reduce an owner’s time spent at the business. “Automate day-to-day activities,” said Abro. “Use software programs to staff, bill, invoice, and track sales.”

Use of technology such as Point of Sales programs, staffing programs, and security camera systems are basic applications that can assist with time management needs. “Find out when you are busiest, and staff accordingly,” said Abro. “Most small business owners run their business by wearing many —sometimes all the hats. While that is easy and cost-effective in the beginning or the start of their business, that mindset can continue for 20 years and doesn’t improve your business or life.”

In fact, research shows that enhancing time management is one of the most effective ways to decrease stress. “The quality of life today is like night and day compared to before,” said Abbo. “Not only do I have time to focus on developing my organization and being a thousand percent more productive, but I have a work-life balance. It’s about my family. That’s what we all do this for, and that’s what matters most in life. We are nothing without our family.”

Abbo is not alone. “It’s important because it gives us an opportunity to spend more time with our families,” said Kassa. “We take vacations, and not have to worry about day-to-day issues. We also get to exercise 5

or 6 days a week, to hopefully keep us healthier. I really can’t tell anyone how to run their business because every situation is different. I can tell you from experience, there have been times when things got tough, we had to buckle down and almost live for our business. We couldn’t afford the extra payroll, so we had to make sacrifices. Our family has had its share of challenges, as well as successes, but we realize if we can afford it, take advantage of any time you can spend with your family. My dad, who really didn’t believe in delegating, always said if you work hard, God won’t let you go hungry.”

The world in the 21st century is fast-paced. “You need to unwind and recharge or you will end up in the emergency room,” said Abro. “Time management allows for enjoying time away from their business — to enjoy life, to travel, to play golf, to go to a baseball game, or just sit and have a cup of coffee. You will appreciate your employees and your business more. Don’t wait till you get that dreaded call from your doctor that says you have cancer to change your life.”

Abro even recommends taking a three-hour lunch at the golf course or volunteering at your kids’ school for a half day or coaching your kids’ basketball team.

Experts also recommend setting time aside for yourself to exercise and be away from the phone or computer. “I have a drink and a Cigar before I go home with a couple of friends,” noted Abro. “Only 1 drink and 1 cigar - nothing crazy...It’s worked wonders for my stress.”

They also offer advice to others. “If an opportunity presents itself, and you are able to delegate authority, take advantage of it,” said Kassa. “Being confined to four walls only makes you stale. If given the opportunity to have a life outside of your job, it will help you see how the rest of the world operates; and might give you another chance of higher success, meaning there is a world outside of your own little world.”

“Biggest advice for business owners is having too much personal debt. Don’t have a \$500,000 mortgage just because you can afford it. Have a plan to become debt free,” said Abro. I am referring to personal debt. “Don’t lease brand new cars every 2 years because you could afford it. When you make an extra \$5,000 because you had a good month, pay it towards your mortgage.”

Abro continued to say that if an owner has a business that can afford to make changes, then putting these policies in place is imperative. “If you love your family, they should be a first priority and you can figure it out from there,” he said. “Don’t let your business run you, but you run your business, to give you a quality and balance in life that’s healthy for you and your family.”

For Abbo, he adds that the ability to communicate well with your team and creating a secure environment for your staff is a win/win. “This is opposed to a self-preservation environment, and the difference is that people won’t sweep mistakes under the rug but bring them forward for the better of the organization, because they are secure and want the organization to thrive,” said Abbo. “The better the organization does the better they do. This is an effective sustaining standard. Don’t let numbers dictate how you treat your staff, but let the staff increase the numbers.” ■



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What Processes do You Have in Place That Allows You to Take Time Off and Have a Better Quality of Life?

"Having the right people that work for you, that's the biggest thing. It's harder and harder to find the right people these days. If you have the right people, it makes a big difference. I have my son, who works with me and I also have my sister, but when we vacation, it's a family going together. That's the hard time, but if you have the right people in place and you trust them, and have confidence in them, it makes a big difference."

SAAD ABBO

U.S. ICE // DETROIT, MICHIGAN

"I'm a little bit luckier, because I have a brother that's with me, so we split the time. And we have good family members, but it is harder and harder to find good people that you can leave there. We do what we have to do, because you have to have some free time. I switch off with my brother and when he has something important going on, I take care of him and when I have something important, he takes care of me."

CLIFF DENHA

WINE PALACE // LIVONIA, MICHIGAN

"I always ask my employees, 'what would you do if I wasn't here?' So, they have to run the store like I am there, but I am not there, so when I am not at the store they will run it the same way. It is about training employees the right way from the beginning. We have the POS system and we upgrade technology when necessary. I am always a phone call and text message away."

JOHN DENHA

HURON FOODS // WATERFORD, MICHIGAN

"We started to restructure a year ago by putting in an accountable administration and new technology along with getting a good handle on HR and training by giving your leaders the tools they need to be successful."

JOHN ABBO

HARTLAND PIZZA AND GENERAL STORE // FENTON, MICHIGAN

"You have to lay out a system. You have to have a solid business plan and system in place that everyone is on board with and understands. Everybody has to follow the system. You have to have controls in every aspect of the system. Once you do that, you don't become a slave to your business. The process has to be managed by people you trust and you pay. At one point I had 16 subways. I had to have a process and specific job duties. I had one person in place who all the store managers reported to. Technology plays a role from the franchisers in the franchise world. You have to be with a brand that is successful with rewards and technology."

PAUL ELHINDI

CORNER MARKET // CITY: LYNDHURST, OHIO

"We are a family owned business and we have directors. The directors get their direction from one of the partners. For the most part, our managers held the same type of positions at Farmer Jack and Kroger managers. At our smaller stores, we trained them from the bottom up. Some were stockers or cashiers, and we trusted and promoted them. Again, one of the partners usually walks the store and balances the store."

PHIL KASSA

HEARTLAND MARKETPLACE // FARMINGTON HILLS, MICHIGAN





The Eby-Brown Rules of Business

■ BY MONIQUE MANSOUR // DENHA MEDIA & COMMUNICATIONS

Eby-Brown is the largest privately owned distribution company in the United States and is officially the, “exclusive c-store endorsed program partner” of AFPD.

“We are just as excited and honored to have gained the trust and confidence of the AFPD team and membership as we were when the announcement was made this fall,” stated brothers Thomas (Tom) and Richard (Dick) Wake, Co-Presidents of Eby-Brown. “We are looking forward to working with AFPD and growing the relationship by delivering value-added solutions and resources to the membership and we appreciate this opportunity.”

The family owned business is nearly 130 years old. “Eby-Brown has a history dating back to 1887 when the company started,” said Co-President Dick Wake. “Our family has always had an entrepreneurial spirit and in 1956 our mother and father, Bill and Bobbie Wake, bought the company. They were very passionate about delivering the right products to a growing market and providing jobs in the communities they served.”

When the parents decided to retire, the brothers became the official owners. They made a commitment to deliver strong solutions to the growing c-store market. “Since Dick and I purchased the business from our parents in 1983, we have been strong partners in running the business,” said Co-President Tom Wake. “We serve as Co-Presidents of Eby-Brown and manage the company as equal partners. We continue to learn from each other and leverage that knowledge through the solutions we deliver to our customers.”

Remembering why they do what they do each day, helps keep Tom and Dick focused on what really matters, and in turn, this influences what they find most rewarding about their work. “Our customers and their satisfaction, coupled with the level of our employee engagement is what we find most rewarding,” said Tom. “We can’t have happy customers unless we have employees who feel empowered to deliver the best solutions that the industry has to offer. Our reward really comes from exceeding the expectations of both our customers and our employees’ goals for growth.”

Every business, no matter how big or small, faces challenges and trying times at different points. But in every obstacle, Tom and Dick look for a silver lining. “We look at any challenges as opportunities for growth and improvement,” said Dick. “Our



DICK WAKE & TOM WAKE

goals in these areas are to ensure a seamless level of service to our customers, stay ahead of the curve related to developing and delivering the best portfolio of solutions and products, and stay committed to growing our employees to develop the bench strength necessary for business continuity. These are the same challenges all family-owned and publically held businesses face and our practices in these areas are to use good business judgment.”

Both Tom and Dick found it incredibly important to come up with a basic philosophy for their business upon purchasing Eby-Brown from their parents. “We wanted to continue our parents’ legacy of staying focused on customer service and keeping our customers at the forefront of every decision we made,” said Tom. “So, we sat down and created the foundation of our culture and the philosophy of our success – ‘The Eby-Brown Treehouse Rules’. These are 10 rules that apply to everyone in our company and reflect our core values. They have become the heart and soul of what drives us. They are simple. The essence of all 10 Treehouse Rules is founded in keeping the customers first, respecting each other as employees, and always going the extra mile to find a solution or deliver satisfaction to our internal and external customers.”

When it comes to goals for their business, Tom and Dick find it unnecessary to overcomplicate matters. “Our goals are simple,” said Dick. “We want to continually deliver mutually rewarding success for our customers, employees and suppliers resulting in value and growth for these partners. Our Treehouse Rules reinforce the values necessary to accomplish those goals. We keep it simple but important and relevant to the growth of our customers’ business and employees’ development.”

Though the future can never be 100% predicted exactly, one thing remains crystal clear for, brothers and Co-Presidents, Tom and Dick Wake. Eby-Brown’s carefully crafted rules of business will always provide the solid base for the company.

To read the complete list of Tree House Rules visit: www.eby-brown.com/content/ebys-tree-house-rules. ■

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* Based on \$2,000 non-tobacco purchases weekly

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- \$3,500 minimum delivery required (including tobacco).
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- Receive a 2% rebate on all purchases (excluding tobacco). Rebate checks are sent quarterly by AFPD.
- AFPD membership fees paid by Eby-Brown.
- Access to AFPD/Eby-Brown Chain Buying Book.
- Access to AFPD approved national and local programs (where applicable).

CURRENT EBY-BROWN CUSTOMERS

- Must qualify for the 2% rebate (excluding tobacco) and paid membership fees at the discretion of the Eby-Brown sales management team. Rebate checks are sent quarterly by AFPD.
- Access to AFPD/Eby-Brown Chain Buying Book.
- Access to AFPD approved national and local programs (where applicable).

1415 W. Diehl Road
Naperville, IL 60563
(800) 553-8249
www.eby-brown.com



Ugly Produce is Starting a Shift From the Perfect Looking to the Better Tasting



■ BY KRIS HARRIS // DENHA MEDIA & COMMUNICATIONS

Some shoppers circle the produce aisle looking for the perfect apple, tomatoes with the right amount of firmness or a head of lettuce without any wilt on the leaves. Picky shoppers, who have high standards, have pushed perfectly good produce aside, in favor of the picture perfect. However, discarded produce is making a comeback in more than one way. “We’ve become spoiled and want everything to look perfect, but there’s a mini revolution going on that people don’t want to waste the food,” said Eliot Kaufman, Director of Sales and Marketing at Heeren Bros. Produce.

“Ugly produce”, as it’s called, is not only finding its way to new homes, but it’s also slowly becoming an emerging market. Ugly produce is not easy to define, because it can mean very different things, depending on how it’s being referred to. “It’s all kinds of things, by how I define it,” said

Sarah Philips, CEO and Founder of Ugly Produce is Beautiful. “It’s produce that is called ‘outcasts’ or they are imperfect produce that don’t fit into the USDA grades of standards for fruits and vegetables.”

Typically, produce that doesn’t meet certain standards, but remains perfectly edible, still finds its way to market. “Usually, you’ll have two types of specs, and some people call it first and second, but we’ve gotten better words for it, like ‘select’ and ‘premium,’” explained Kaufman. “A select zucchini tends to be smaller and not like the big club ones.”

There are traditional outlets for these “select” or “ugly” products. “They can go to a processor, or institutions, like hospitals, and restaurants,” said Kaufman. “Institutions often don’t mind if they are select products, because they can get it at a slightly reduced price and because it doesn’t have to be perfect. They’re putting a knife to it anyway and they can feel good about it, because it’s not being wasted.”

However, when a restaurant that relies on taste is using ugly produce, there is usually another reason other than a cost saving. “They want produce with flavor,” Kaufman said. “Restaurants are using more and more of the better tasting products, versus the corporately grown.”

Farmer’s markets have indirectly helped in the growing popularity for ugly produce. “At a grocery store, you’d put back an apple that has a blemish on it, but at a Farmer’s Market it’s different, it’s like there’s a romance with it,” Kaufman said. “Of course it has

a blemish; they just went in their backyard and picked it. It’s like it’s more authentic.”

In Michigan, because of the weather pattern, produce can be grown that isn’t perfect. This is in stark comparison to produce that’s grown on a 10,000 or 20,000 acre mega-farm. “For example, our Michigan cucumbers have a tendency to have more yellow on the bottom, it’s just the way they grow, but it tastes better than the ones that are manufactured to be perfectly green,” said Kaufman.

Some picky shoppers are no longer looking for perfect looking produce, but a better tasting product, which is helping drive this niche market. “Some of the ugly produce has made a crossover to mainstream,” said Philips. “Heirloom tomatoes are an example.”

Produce doesn’t have to be ugly to taste good, but chances are if your produce looks perfect, you’ve given up some taste to get it to look perfect. “There’s a real spot for ugly produce, but in retail, it kind-of doesn’t have as large a population,” Kaufman said. “However, there’s a real opportunity to sell it and to utilize the product more.”

Overall, ugly produce is a still a minor trend, but there is some movement out there. “It’s just that we haven’t seen the retailers pick it up,” said Kaufman. “But we have seen restaurants and institutions go after the ugly produce to save a little money, and to help the environment.”

For more information on Ugly Produce is Beautiful, visit uglyproduceisbeautiful.com. ■



Trending in 2017

The Food Network and cooking channels have prompted a new wave of home chefs so why not help customers test their culinary skills with food and beverage items trending in 2017.

“Hot products for 2017 are a mix of new categories emerging and some old line items resurfacing to become new again,” said Bobby Hesano from D & B Grocers Wholesale who offers a list of items that are must stock up on in the New Year.

To quench the culinary thirst, add water to the cart. Water is an old category, but the hot growth for 2017 is the PH balanced water like Essence water. “Flavored waters continue to grow and themed water like Aqua Balls that appeal to a children’s market with Disney characters and carbonated water like La Croix and San Pellegrino continue to grow this category,” said Hesano. “Almost every month something new comes out in the water category.”

It’s not just about snacks; it’s about healthy snacks. “They continue to trend in 2017 with unique oil for processing like avocado oil, olive oil, coconut oil to name a few,” said Hesano. “Add to that the sea salt or Himalayan salt and you have a new slant on an established category. Items like Deep River and Good Health to name a few.”

In addition, the growth line of all snacks continues to be popped corn like Skinny Popcorn and Pop Daddy, with the health benefit of popcorn and the taste pleasing flavors of Kettle, Jalapeño and white cheddar. Within the snack category, nuts continue to evolve with new flavors like a new line

emerging called Lord Nuts with flavors like Thai Curry and Lemon Grass, White Cheddar & Jalapeño and Spicy Bloody Mary.

People are still going organic with their food choices. “This will continue to expand along with gluten-free and non GMO,” said Hesano. “With the national chains and the health oriented chains driving the category, organics continue to grow and add variety with pricing leveling off, but still a premium priced product. Organics should be a growth category for many years and if retailers don’t jump on the bandwagon, they will get left out of the growth especially from the Millennials.”

For the health and fitness aficionado, energy and protein bars along with healthy snack bars continue to expand in lines and options. “The offerings are moving beyond Kind and Cliff Bars to high protein bars like Fit Crunch and the Gatorade protein and Whey protein bars,” said Hesano. “Somewhat a select audience, but younger people are looking for and buying in this category. High fiber bars are also coming back into popularity, like Fiber One, as they improve flavors and taste profiles.”

You can’t forget the spirits. “Local wines and craft beers continue to grow out of the craft brewery shops and into supermarkets and convenience stores,” said Hesano. “Need to be licensed to do them, but a very big market that will show long term growth.”

Add to beverage the high end specialty coffees coming in flavors and espressos. New ones like Uncommon Coffee which comes in 100% compostable k cup and Lava Mountain Coffee that comes

from South America grown in lava rich soils to produce an outstanding coffee experience.

Also keep in mind that limited edition flavors are here to stay. “This year we had pumpkin flavored pita chips and candy cotton flavored beverages,” said Hesano. “While the flavors are popular they tend to be short lived flavors so new ones will continue to come into being and replace old flavors. Some old flavors will resurface like Ginger Ale and Root Beer.”

When targeting customers, Hesano reminds grocers that new products tend to appeal to the younger group of customers who are willing to try new trends and even make new trends successful. This group, however, is the one with young families and tend to be the larger portion of shoppers. Mainstream older groups will buy into the new items once they are out a while and word of mouth spreads the news.

Anyone with culinary talents will understand the importance of pairing products. Hesano offers some tips:

- With the new categories that are hot, you can pair them with the perimeter of the stores with fresh produce, lean meats and low fat dairy like yogurt and low-fat cheeses to maximize the healthy offerings.
- Tying in the healthy snacks with the craft beers makes for a very attractive combination.
- Any of the water items fit in with healthy offerings, but also exercise and special occasions like sporting events, BBQs, and the food items that go along with the events.
- Wines and craft beers are a great addition to any party. ■



Vision and Dental Coverage: The Gift to Your Employees that Keeps on Giving



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doctors can spot early signs of diabetes or certain cancers (such as intraocular melanoma or retinoblastoma) through a simple eye exam. Plus, every \$1 spent on preventive dental care saves \$4 in future treatment costs. You and your employees have the potential to save money now and down the road with preventive care and plans that cover it.

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2017 Group Retro Deadline is Still Ahead

CareWorksComp has already filed the 2017 traditional group rating program roster, but the 2017 group retro deadline is still ahead; the last day to submit the enrollment forms for 2017 is in January. We also have a timely ~ and time-sensitive ~ opportunity from our Unemployment department for a common-rating analysis, as well as good news from the state regarding workplace injuries.

UPCOMING DATES/DEADLINES:

- **January 3, 2017** - next premium installment due date.
- **January 24, 2017** - enrollment deadline for Group Retrospective Rating programs.
- **January 31, 2017** -
 - Deductible Program application deadline to begin on 7/1/17
 - Individual Retro rating application deadline to begin on 7/1/17
 - One Claim Program application deadline to begin on 7/1/17

WORKERS' COMPENSATION GROUP RETROSPECTIVE RATING INFORMATION

The enrollment deadline for Group Retrospective Rating is January 24th. In order to help businesses better understand various workers' compensation rating plan options, particularly Group Retro, CareWorksComp is offering a series of short 30 minute webinars.

Your members can reserve their webinar seat by visiting this link:

<https://attendee.gotowebinar.com/rt/1795163116993327106>

UNEMPLOYMENT UPDATES:

We have an opportunity from our Unemployment division which is time-sensitive. CareWorksComp is always looking for multiple strategies to reduce our customers' business expenses, and to that end we are offering an unemployment tax control opportunity which Ohio employers can consider only in the month of December, for a very low fee.

- The Ohio Department of Job and Family Services (ODJFS) recently sent 2017 annual tax notices to Ohio businesses. ODJFS allows commonly owned businesses (two or more companies operating under common ownership) to apply for a common/joint tax rate group for 2017 to reduce their unemployment tax liability. This strategy can be highly profitable for companies that qualify.
- CareWorksComp can complete a common/joint rating analysis to determine your amount of savings. In addition, customers taking advantage of the common/joint rating analysis will also benefit from a special reduced service fee (see the Service Agreement for details).

Since applications for common rate groupings must be filed with ODJFS no later than 12/31/16, we only have a very short time frame to finalize this agreement and complete the savings analysis. If you have any questions please contact Kammy Staton, our

Unemployment Manager, at (800) 837-3200 x 57165 or kammy.staton@careworkscorp.com.

DECLINE OF WORKPLACE INJURIES

In September 2016, the BWC's Division of Safety & Hygiene reported that Ohio has experienced nearly a 17% decline in workplace injuries between 2010 and 2014. This is almost double the national average of 8.6% for the same time period! Total injuries reported in BWC's system went from 105,568 to 95,802, even though there was a 7.5% growth in employment at the same time. The reason for this, in large part, is credited to the success of various safety programs offered by the Division of Safety & Hygiene, and the increase in the number of employers who take advantage of them.

"Ohio is becoming a leader in the workers' comp industry with an impressive offering of workplace safety programs and services, and the state is now exceeding the national trend of declining injuries," said BWC Administrator/CEO Sarah Morrison. "Ohio employers are recognizing the benefits of injury prevention and investing in a culture of safety, including partnering with BWC to make their workplaces safer."

To learn more you can visit www.bwc.ohio.gov and click on the "Safety Services" tab. ■

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Final SNAP Rule Sets New Standards for Participating Retailers



USDA
Supplemental
Nutrition
Assistance
Program

Putting Healthy Food Within Reach

■ BY KRISTEN CLOUD // THE SHELBY REPORT

U.S. Department of Agriculture (USDA) Secretary Tom Vilsack on Thursday announced final changes to increase access to healthy food choices for participants in the Supplemental Nutrition Assistance Program (SNAP), formerly known as food stamps. The provisions in the rule require SNAP-authorized retail establishments to offer a larger inventory and variety of healthy food options.

“This final rule balances the need to improve the healthy staple foods available for purchase at participating stores, while maintaining food access for SNAP recipients in underserved rural and urban areas,” said Vilsack. “We received many helpful comments on the proposed rule and have modified the final rule

in important ways to ensure that these dual goals are met. I am confident that this rule will ensure the retailers that participate in SNAP offer a variety of healthy foods for purchase and that SNAP recipients will continue to have access to the stores they need to be able to purchase food.”

The final rule provides updates to SNAP retailer eligibility criteria. Previously, a retailer could be authorized to participate in the program with a minimum inventory of 12 items. Now, the number of required food items is expanded to a minimum of 84. These changes are in keeping with the primary purpose of the program, according to USDA.

USDA says it extended the comment period for the proposed rule to ensure all interested parties had the opportunity to bring their voice to the final rule, and made

significant changes to respond to those comments. The final rule announced Thursday incorporates feedback from more than 1,200 comments received and ensures the new standards will balance commenters’ concerns, according to USDA.

In particular, in the final rule multiple-ingredient foods will continue to count toward retailer eligibility. In addition, the existing regulatory requirement that specifies the threshold of hot and cold prepared foods sold that makes a location an ineligible restaurant (rather than an eligible SNAP retailer) is more flexible than in the proposed rule. Now the requirement is nearly the same as the requirement that has been in place for some time with only a modest change to account for foods heated and consumed on site after purchase, USDA says.



Changes to the definition of accessory foods ensure that stores are not able to participate in SNAP by selling primarily snack foods. At the same time, the definition of variety has been expanded to make it easier for stores to meet the new requirements mandated by the Agricultural Act of 2014, and the number of each variety of staple food items retailers must have in stock has been halved as compared to the proposed rule from six to three.

In response to the final rule, Anna Ready, director of government relations for the National Association of Convenience Stores (NACS), says, "It's imperative that Americans in need have places where they can buy food. We are encouraged by what appears to be significant progress in the final rule, although we remain concerned that (Food and Nutrition Service, or FNS) is still trying to penalize retailers for sales of items to non-SNAP customers. We are going through the rule in detail to determine how it will impact convenience stores and the SNAP customers they serve.

"NACS is heartened that USDA removed several problematic provisions from the final rule, which would have made it impossible for tens of thousands of retailers to meet its requirement. Those provisions included a ban on multiple-ingredient items (such as vegetable beef stew), and an expanded definition of "accessory foods" that would have knocked out healthy grab-and-go items (such

as hummus and pretzel packs) from counting toward a retailer's stocking requirements. FNS has also changed the provision that retailers stock six of every SNAP item on shelves at all times and now will require three of every item to be on shelves.

"NACS remains concerned, however, that FNS has retained a modified provision tying retailer eligibility to sales of food to customers who don't use SNAP. NACS is also troubled by the provisions relating to variety which appear, at first glance, to inject substantial complexities into the program."

Tom Stenzel, president and CEO of the United Fresh Produce Association, issued the following statement on the final rule, "United Fresh Produce Association commends the USDA on its revised final rule to enhance retailer standards in the Supplemental Nutrition Assistance Program to increase healthier options for SNAP participants. The new retail standards will increase the variety and amount of fruits and vegetables available to SNAP customers while being sensitive to the concerns of convenience stores and other small food retail businesses. The rule ensures that SNAP retailers offer seven varieties of fruits and vegetables, with three units of each variety, for a total of 21. We believe that this is a win-win for SNAP families and retail stores.

"In reviewing the proposed rule, United Fresh had supported provisions to make more fruits and vegetables available to SNAP recipients, but also encouraged USDA to be sensitive to

regulatory burdens place on small retailers. We are working hard to assist convenience and small-footprint retailers in stocking and merchandising more fresh fruits and vegetables. In 2014, United Fresh formed a joint committee with the National Association of Convenience Stores and has worked in partnership with NACS to strengthen fresh and fresh-cut produce distribution supply chains to make it easier for convenience stores to offer a wider variety of high-quality and appealing fresh fruits and vegetables to their customers, including SNAP participants."

USDA says it has taken many steps in the last several years to strengthen SNAP and increase access to healthy foods. Recently, it sought retailer volunteers for a two-year, nationwide pilot to enable SNAP participants to purchase their groceries online. USDA also provided funding to incentivize participants in SNAP to purchase more healthy fruits and vegetables through the Food Insecurity Nutrition Incentive Program, increased farmers market participation in SNAP to improve access to fresh and nutritious food, and announced a purchase and delivery pilot, which is designed for nonprofits and government entities to improve access to groceries solely for homebound elderly and disabled SNAP participants.

SNAP serves approximately 45 million low-income people. Nearly half of SNAP participants are children, 10 percent are elderly and more than 40 percent of recipients live in households with earnings. ■



USDA Finalizes EBT Cards Photo Rule

Agency heeds NACS comments to protect access for SNAP beneficiaries



■ BY NACS ONLINE

In early December, the U.S. Department of Agriculture (USDA) issued its final rule for those states who are seeking to require photos on Electronic Benefit Transfer (EBT) cards used for Supplemental Nutrition Assistance Program (SNAP) benefits. In its rulemaking, the agency sets implementation requirements for those states requiring, or wishing to require, photographs on EBT cards, and seeks to ensure that individuals legally entitled to SNAP benefits are able to access those benefits, whether or not their photo appears on the EBT card.

During the public comment period, NACS filed comments on various aspects of the proposed rule, supporting its overall goal of ensuring SNAP beneficiaries can access their benefits. Convenience stores and other small neighborhood retail outlets play an essential role in SNAP and serve as “a fundamental access point in the Program,” as noted by

NACS. Several of the association’s members have experienced the confusion photo EBT card requirements can have on retailers and SNAP recipients.

NACS underlined the need for states to do thorough outreach to SNAP retailers, as well as require language on the photo EBT cards that states that “any user with valid PIN can use SNAP benefits on card and need not be pictured,” or similar alternative text approved by USDA. The final rule heeded NACS’ comments and will require states to incorporate such PIN authentication language.

Currently, Maine and Massachusetts require that EBT cards contain photo identification. USDA has been critical of the implementation and management of those two states’ programs as the programs have resulted in retailer confusion and SNAP beneficiaries being denied access to their benefits. Those states’ experiences spurred USDA to pursue a rulemaking on the topic in an attempt to provide clarity.

Under the final rule, states have the ability to require—or to allow on a voluntary basis per the beneficiary’s request—a photograph of one or more members of the beneficiary’s household on an EBT card used for SNAP benefits. Before a state can implement a photo requirement, each state must submit an implementation plan outlining specific steps the state

will take to ensure compliance with the regulations. Included in the implementation plan, states must perform outreach to SNAP retailers to ensure those retailers understand the statutory requirements associated with the photo EBT cards. USDA must approve a state’s plan before the state can proceed, and the approved states will be subjected to ongoing oversight by USDA.

USDA clarified in the final rule that state agencies must conduct sufficient education of clients and retailers, including retailers in contiguous areas, to inform them that the photo EBT cards remain interoperable and authorized retailers must accept EBT cards from all states as long as the user has a valid PIN.

Importantly, the final rule makes several small changes in response to NACS’ comments, including removing a provision that would have made SNAP retailers ask for explanations on why people were using multiple SNAP cards at one time. NACS explained in its comments that this practice could be interpreted as being discriminatory against SNAP beneficiaries and would be unlikely in helping reduce fraud and/or trafficking. The final rule does include language that if the retailer suspects fraud, that retailer shall report the individual to the USDA Fraud Hotline.

The final rule will go into effect on January 12, 2017. ■



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Underground Storage Tanks: What You Need to Know

The latest NACS Convenience Matters podcast looks at tank corrosion

■ BY NACS ONLINE

A 2016 report issued by the U.S. Environmental Protection Agency's (EPA) Office of Underground Storage Tanks found that many diesel fuel retailers have experienced excessive corrosion in their systems and that many more may not even know they have a problem.

In the latest NACS Convenience Matters podcast, Carolyn Hoskinson, director of EPA's Office of Underground Storage Tanks, and Mark Barolo, deputy director of EPA's Office of Underground Storage Tanks, discuss the agency's study, new tank regulations and the relationship between EPA and tank owners. EPA's Office of Underground Storage Tanks is responsible for ensuring that fuel retailers maintain their tank systems to prevent petroleum releases.

In "EPA and Tank Corrosion," cohosts John Eichberger and Donovan Woods of the Fuels Institute talk to Hoskinson and Barolo about the EPA report on corrosion in diesel storage tanks, underground storage tank regulations and priorities for the tanks program.

The episode can be downloaded on iTunes or Google Play by searching for "Convenience Matters." It is also available at nacsonline.com/podcasts.

A new podcast is released every week, focusing on topics related to convenience stores. Since its launch in February 2016, the program has been downloaded in more than 50 countries. ■

Here's What's Happening in Food

The Food Channel's Top Ten Food Trends for 2017 predict what's next in the world of food

■ BY NACS ONLINE

The Food Channel has released its take on the Top Ten Food Trends for 2017, the 29th year in which the editorial staff has looked into its culinary crystal ball to predict what's next in food. Based on research conducted in conjunction with CultureWaves and the International Food Futurists, the list identifies some of the significant changes expected to hit the food world.

"This year we see the interactions happening around people and food driving the trends, and they're starting to override the fascination with emerging flavors," said Kay Logsdon, editor of The Food Channel. "It's caused us to divide the trends into two groups for the first time ever, looking at those things you'll actually see on menus, as well as factors influencing what goes on menus from a broader lifestyle perspective."

FOOD TRENDS ON THE MENU:

- **Meats Out of the Mainstream:** As people dig into new and replacement proteins, they've begun asking what else is out there. New breeds and newly accessible meats will come into prominence.
- **Veggies as Center of the Plate:** Vegetables are moving into the limelight and the rest of the meal is now likely to be built around the veggies. It's not only new vegetables; it's new executions.
- **No More Waste:** As more people adopt sustainability, the standard has risen higher: food has to be grown "right," harvested "right," prepared "right," and anything left over needs to be disposed of in the "right" way.

- **New Cuisines:** Niche is getting more niche. It's no longer Northeast. Now it's coastal Northeast, or the Catskills. Hawaiian food differs from island to island, and the examples go on and on.
- **Ingredients as Condiments:** Restaurants are beginning to offer accompaniments to menu items that go beyond the traditional salt, pepper and ketchup.

FOOD TRENDS INFLUENCING THE MENU:

- **Trend Layered Upon Trend:** Menu descriptions have to hit several different touch points to get our attention. Innovation has started to be layered, with one idea on top of another.
- **The Language of Food:** Look beyond Farm2Table and at Dock2Dine, Seed2Glass, Farm2School, and maybe even Printer2Plate. Much of this is a reaction to our need to identify the source of our food.
- **Occasion Dining:** Meal plans are no longer centered on breakfast, lunch, dinner and snacking. We now tend to plan eating around occasions.
- **Pet Food:** Pets have been elevated to the status of family members. "Pet friendly" is the new normal, extending all the way to the previously forbidden restaurant territory.
- **Good Is the New "New":** Here's the new mantra: Stop focusing on making new things and instead pay more attention to taste. Make it good, as opposed to continually introducing something new.

To read the full story, visit www.FoodChannel.com. ■



U.S. Gas Prices On The Rise

The OPEC production deal has sent gasoline prices on an upward spike

■ BY NACS ONLINE

After relatively low gasoline prices across the country, pump prices are increasing as the cost of oil rises after the Organization of Petroleum Exporting Countries (OPEC) decided to keep production at its current levels, UPI reports. OPEC had previously agreed on its first output cut since 2008 at its recent meeting in Vienna.

AAA shows the national average cost for a gallon of regular unleaded gasoline hovered at \$2.18 yesterday—a nickel increase from last week and 14 cents above the same date in 2015.

“Markets reacted quickly to the production agreement with

crude oil gaining 12% and leading to increased retail prices [for gasoline],” AAA reported.

Regionally, trends showed a mixed bag for gasoline prices. In the West Coast region, pump prices actually declined, with California’s cost per gallon at \$2.66—a penny lower than a week ago and 3 cents below the same time last year. The Great Lakes states, which usually have the most movement for pump prices, lived up to their reputation by having the biggest price jumps in the United States.

“That is despite adequate supply in the region, which is likely to get a boost this week,” according to AAA. The biggest BP refinery in that region is finally running at

full capacity after suffering many disruptions this year.

Usually gasoline prices drop this time of year, and the national average price is 4 cents below a month ago. Patrick DeHaan, a senior analyst at GasBuddy.com, said that pump prices will probably have more movement come January when OPEC’s agreement goes into effect. “For now, oil markets have bid up oil prices in a fury believing the agreement, which comes into force in January, is exactly what’s needed to balance supply and demand,” he said. “I, however, believe this rally represents a balloon that’s filled with too much air and risks a correction (popping the balloon) that may be seen in due time.” ■

Governor John Kasich Signs Bill Blocking Cleveland's \$15 Minimum Wage Proposal

■ BY JEREMY PELZER // THE PLAIN DEALER

Ohio Governor John Kasich on Monday signed legislation blocking next year's special election vote on whether to raise Cleveland's minimum wage to \$15 per hour, according to his office.

Senate Bill 331 prohibits communities in the state from raising the minimum wage beyond the state's minimum wage rate, currently set at \$8.10 per hour. State lawmakers passed the bill earlier this month at the request of Cleveland city officials and others, who sought to forestall a special election on the wage hike next May.

Raise Up Cleveland, the group sponsoring the proposal with the backing of the Service Employees International Union, had aimed to get a \$15-per-hour minimum wage proposal on the Nov. 8 ballot. But Cleveland City Council held months of contentious hearings on the proposal, and the issue narrowly missed the ballot deadline, buying city officials and other opponents more time to try to quash the measure.

City Council President Kevin Kelley has said the proposal, if passed, would undermine the city's economic recovery.

Proponents of a minimum-

wage hike have said it has public support and would help the local economy by putting more money in the hands of poorer Clevelanders who are likely to spend it.

Senate Bill 331 also includes language that sets state standards for where pet stores can buy dogs and cats, bans bestiality in the state, limits the ability of communities to block the installation of new wireless microantennas, and prohibits poultry from running onto neighboring properties.

Kasich signed the bill without comment. ■



Amazon Reveals 'Checkout Free' Food Store

Amazon Go, opening early next year, to offer meal kits, essentials

■ BY JON SPRINGER

Amazon recently announced details of an ambitious new brick-and-mortar convenience store, to be known as Amazon Go, which it said would offer consumers grocery essentials, convenience items and prepared foods-to-go without requiring them to check out.

The 1,800-square-foot store, located in Seattle, is currently open to Amazon employees using the store in a beta test. It will open to the public early in 2017, the Seattle-based retailer said.

Amazon said the store would utilize proprietary technology allowing shoppers to take items from shelves and simply walk out with them to be billed later — a potentially big step toward meeting shopper demand for convenience while relieving Amazon the burden of costly “last-mile” fulfillment as it pursues a greater impact on food retailing.

“Our Just Walk Out technology automatically detects when products are taken from or returned to the shelves and keeps track of them in a virtual cart,” the company said in a release. “When you’re done shopping, you can just leave the store. Shortly after, we’ll charge your Amazon account and send you a receipt.”

Amazon Go — reportedly known inside the company as “Project X” — has been the topic of considerable speculation in recent months. Recent reports said the company was eyeing the potential to add as many as 2,000 such stores in the coming decade following a test period in major markets before 2018.

In a release, Amazon compared the technology allowing it to remove checkouts to that in a self-driving car — “computer vision, sensor fusion, and deep learning.” The news comes days after reports that rival Walmart had opened two 4,000-square-foot Pickup

with Fuel stores also built around more convenient shopping for essentials.

“Four years ago we asked ourselves: what if we could create a shopping experience with no lines and no checkout? Could we push the boundaries of computer vision and machine learning to create a store where customers could simply take what they want and go? Our answer to those questions is Amazon Go and Just Walk Out Shopping,” Amazon said.

Amazon Go will offer ready-to-eat breakfast, lunch, dinner, and snack options made fresh by our on-site chefs and local kitchens and bakeries. Grocery essentials include staples like bread and milk; artisan cheeses and locally made chocolates. The store will also feature meal kits with ingredients to make a prepare a meal at home in 30 minutes, and “special finds we’re excited to introduce to customers.” ■

Amazon Makes First Commercial Delivery Via Drone

The online retailer conducted its trial in Cambridge, England

■ BY NACS ONLINE

Recently, Amazon.com made a successful commercial delivery via drone in a rural part of the United Kingdom, The Wall Street Journal reports. The delivery of a Fire TV video-streaming device and popcorn traveled a few miles to its destination in 13 minutes.

The company released a video that showed the launch, monitoring platform where Amazon employees followed the takeoff, and landing pad on the customer’s yard. The delivery marks the start of Prime Air after several years of red tape. The initiative aims to deliver packages within half an hour.

“First-ever #AmazonPrimeAir customer delivery is in the books,” Amazon CEO Jeff Bezos tweeted after the drone dropped its package safely. Through a partnership with the U.K. government, Amazon had been exploring the possibility of drone delivery since last July.

Amazon will continue testing Prime Air within a five-square-mile area to dozens of customers seven days a week during daylight hours, as long as the weather permits. Items ordered for drone delivery cannot weigh more than five pounds. Customers within the test perimeters use an app to place orders.

Rural settings challenge delivery companies and online retailers because

of the higher cost and inefficiency of bringing goods to addresses not close together like urban areas. “It’s an interesting logistical concept, but not particularly viable in an urban environment,” said Ivan Hofmann, a transportation consultant and former FedEx executive.

Last month, Domino’s Pizza in New Zealand successfully delivered a pizza via drone. Earlier this year, 7-Eleven and Flirtey completed the first fully autonomous drone delivery to a customer’s residence in the United States, in Nevada. Google’s parent company also delivered Chipotle burritos on Virginia Tech’s campus this past fall. ■



Will More Lotteries Go Cashless?

Lottery tickets in many states require payment in cash, but some states are considering changing that to accept credit or debit cards

■ BY NACS ONLINE

In many states, you can pay for your gas, snacks and drinks at a convenience store with a credit or debit card, but you can't buy lottery tickets. Some states are looking into removing the cash-only payment option for lottery tickets, the Boston Globe reports.

According to the Rockefeller Institute of Government, lottery revenue has stagnated in many states, falling 16% between 2008 and 2015. The lower revenue has increased pressure on lottery officials to make buying tickets easier. Currently, fewer than half of the states

with lotteries let customers purchase tickets with credit cards.

"If lotteries do not adapt, I would argue they will continue to lose market share," said Michael Sweeney, executive director of the Massachusetts State Lottery.

But Massachusetts Treasurer Deborah Goldberg disagreed with changing how residents buy tickets. "I hope we are not going down the slippery slope of a cashless society in which more people are living on credit cards and getting into greater debt," she said.

The Michigan lottery has started offering retailers an extra 1% commission if they meet sales goals and let customers buy

tickets with plastic. The Pennsylvania lottery is testing even higher premiums to get merchants to allow for credit card purchases. In addition, other states are playing with online lottery games that accept credit cards.

"Lotteries across the country, maybe not surprisingly, have been slow to adapt to not only the changes in technology but also to the revolution that is being led by average men and women on the street, regardless of their demographic background and specifics of shopping through e-commerce and engaging in a cashless society," Sweeney said. ■

Play At The Pump Fails To Boost Lottery Sales

Sales have been lackluster for lottery games customers can play while filling up their cars

■ BY NACS ONLINE

Last January, the North Carolina Education Lottery helped c-stores make it more convenient for customers to play Cash 5, Mega Millions and Powerball by adding an option to play the lottery at the pump, News & Observer reports. The cloud-based payment platform, Play at the Pump, let customers swipe their debit or credit card (plus a \$1 transaction fee) while getting gas.

Developed by Linq3, Play at the Pump touted that it would interact with the 70% of customers who only get gas at convenience stores. "It's about convenience and security," said Matt Lovelle, chief operating officer for Linq3. "Families don't have time to go in the store."

But that added convenience hasn't made Play at the Pump popular in North Carolina. Nearly two years later, 208 gas stations have the option, out of approximately 6,330 locations in the state. When the Powerball jackpot ballooned to a record \$1.5 billion in January 2016, less than \$150,000 in sales were made at Play at the Pump, compared to more than \$86 million for regular tickets.

Part of the slowness in convenience store owners adapting to Play at the Pump is that lottery ticket sales bring customers inside the store. "The two lowest margin products in a convenience store are fuel and lottery tickets," said Jeff Lenard, NACS vice president of strategic industry initiatives. "You want to be mindful of

how you offer them, because they lead customers to other items."

"It's a decision that each retailer has to make," said Gary Harris, executive director of North Carolina Petroleum and Convenience Marketers. "Outside sales give retailers a smaller percentage than indoor sales. That's a disincentive." For example, retailers receive a 3% commission per sale for Play at the Pump transactions, so they must consider what they are losing in terms of ancillary sales for in-store lottery dollars.

"We sell convenience," Lenard said. "It's about a customer coming to your store and not someone else's. You've differentiated yourself, you've made yourself more convenient and you may have even taken pressure off of your gas price." ■



Anti-Tobacco Efforts Gains More Billionaire Support

Former New York City mayor commits \$360 million to raise tobacco taxes and other tobacco control initiatives

■ BY NACS ONLINE

With cigarette use declining globally, former New York City mayor and philanthropist Michael Bloomberg is deepening his campaign to fight tobacco use in the developing world, writes the Wall Street Journal.

Bloomberg is committing \$360 million to be used from 2017-2022 to help raise tobacco taxes, implement smoke-free laws and curb tobacco use in low- and middle-income countries, according to Bloomberg Philanthropies.

“Over the last 10 years, Bloomberg Philanthropies’ investment in tobacco control has contributed to a change in the global trajectory of tobacco use.

Global sales of tobacco plateaued in 2012 with about 200 billion fewer cigarettes sold in 2014 than in 2010. The program spans more than 110 countries targeting the world’s heaviest-smoking countries including China, India, Indonesia and Bangladesh,” notes the former mayor’s philanthropy.

Bloomberg didn’t hold back on curbing tobacco use and making it more expensive for New York City smokers to purchase product while he served as mayor. The Journal notes that Bloomberg’s administration “famously instituted” smoking bans, graphic ad campaigns and excise tax increases.

Meanwhile, Philip Morris International CEO Andre Calantzopoulos said in an

interview last week that there could be a day when the company stops selling traditional cigarettes altogether, reports the Journal.

“There will come a moment in time where I would say we have sufficient adoption of these alternative products...and sufficient awareness to start envisaging together with government a phase-out period for cigarettes, and I hope this time will come soon,” Calantzopoulos said. The news source notes that his comments come as PM launches its iQOS heat-not-burn tobacco product in the U.K., which internal studies show is potentially less harmful than cigarettes. PM is opening a store to sell the fountain-pen-size gadget in central London. ■

American Express Extends Emv Deadline

Merchants operating automatic fuel dispensers will have three additional years to upgrade their POS systems

■ BY NACS ONLINE

American Express will extend the effective date of its EMV fraud liability shift for U.S. fuel merchants by three years to October 2020. The extension will give U.S. fuel merchants increased flexibility in their fight against fraud by providing additional time to upgrade their automatic fuel dispenser systems to accept EMV chip cards. Starting October 2020, U.S. fuel merchants may be held liable for fraud chargebacks that result from payment transactions performed at automatic fuel dispensers if they have not

enabled these devices to accept EMV chip cards.

“American Express is committed to helping merchants fight fraud and supporting their efforts to manage the costs of upgrading to EMV,” said Jaromir Divilek, senior vice president of global network business for American Express, in a press release. “U.S. fuel merchants face unique circumstances, including complexity of the hardware upgrade and the process involved in making the updates necessary to accept EMV chip cards at automatic fuel dispensers. We want to ensure these merchants have the

time necessary to work through this process so they can upgrade their systems to accept EMV chip cards and enhance their security.”

American Express first announced its U.S. EMV roadmap in 2012. Since that time, the company has worked closely with its merchants, third-party processors and other partners to ensure they have the tools and resources necessary to upgrade their point-of-sale systems so they can accept EMV chip cards. American Express has also taken other steps to help U.S. merchants limit their fraud costs as they upgrade their POS systems. ■

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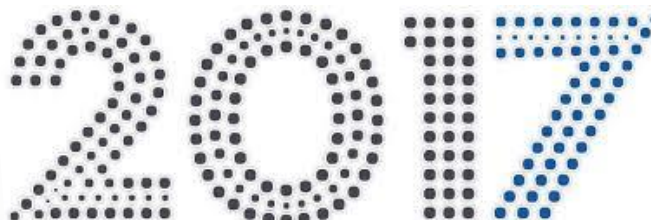
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Base Coinsurance: 100% (\$20 Member Copay each office visit
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Independent Food Retailers Association (Member of AFPD)



Frankenmuth ~ Michigan

	<u>Network</u>	<u>Non-Network</u>
Deductible	\$250 single \$500 family	\$ 500 single \$1,000 family
Coinsurance	80%	60%
Office Visit Copay - \$20		
Out-of-pocket Maximum = \$5,000 family		

REBT 3 (silver) RATES:**\$477.17 (s) \$967.57 (c) \$1,099.56 (f)**

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Deductible	\$1,500 single \$3,000 family	\$2,000 single \$4,000 family
Coinsurance	90%	60%
Office Visit Copay - \$15		
Out-of-pocket Maximum = \$5,000 family		

PLAN HD (silver) RATE**\$377.54 (s) \$765.56 (c) \$870.08 (f)**

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Indicates a supplier program that has been endorsed by AFPD

- M** Indicates supplier only available in MI
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- IL** Indicates supplier only available in IL

ASSOCIATIONS

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 Grocery Manufacturers Association . . . (202) 639-5900
 International Food Service Distributors Association (703) 532-9400
 National Association of Convenience Stores (NACS) (703) 684-3600
 National Grocers Association (202) 624-5300
 Western Michigan University Food Marketing Program (269) 3887-2132

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 LCA Financial LLC Sub of Lease Corp. of America (248) 743-5209
 Level One Bank (248) 737-1102
 Lincoln Financial Advisors. (248) 948-5124
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


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Luxco (313) 333-4637
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Freestore Foodbank (513) 482-4500
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Logan Counties (937) 325-8715
Second Harvest Food Bank of North Central Ohio
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JANUARY 7, 2017

AFPD'S 101ST ANNUAL TRADE DINNER & BALL

Join over 1,000 leaders in the food, beverage & petroleum industries at this one-and-only black tie gala. Delight in fine cuisine, dancing and entertainment and engage with colleagues and friends to celebrate the strength and vitality of AFPD and the members it serves.
Penna's of Sterling // Sterling Heights, MI

FEBRUARY 23, 2017

NEW! AFPD'S CHICAGO BUYING & SELLING SHOW

Announcing our newest show! Held in conjunction with Sherwood Food Distributors, let AFPD work hard to help you sell products and promotions!
Location TBA // Chicago, IL

FEBRUARY 25, 2017

NEW! AFPD'S CHICAGO TRADE DINNER & GALA

Enjoy fine cuisine, network, dance and enjoy live entertainment with more than 500 industry leaders. Sponsorship opportunities available.
Location TBA // Chicago, IL

APRIL 18, 2017

AFPD'S 33RD ANNUAL INNOVATIONS BUYING SHOW

AFPD's longest running trade show has retailers looking to fill their shelves for the spring and summer months. The Annual Innovations Buying Show is known for high-quality attendees, non-stop interaction and exhibitor satisfaction. Admission for AFPD members is free. Must be at least 21 years old to attend this show.
Suburban Collection Showplace // Novi, Michigan

JUNE 20, 2017

AFPD FOUNDATION'S 8TH ANNUAL SCHOLARSHIP LUNCHEON

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

publishers statement

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AFPD works closely with these associations:



REBATES



AFPD MEMBER EXCLUSIVE

Members with questions call the AFPD office at 1-800-666-6233



C-STORE GROWTH REBATE PROGRAM

C-STORE GROWTH REBATE PROGRAM:

- \$1.50 per case rebate after your sales grow 20% - 30% from your 2016 sales
- \$2.00 per case rebate after your sales grow 31% or more from your 2016 sales
- Based on total volume of PBC delivered cases of Muscle Milk product line
- Growth rebate will be paid from first growth case, if growth goal level is achieved
- Rebate checks will be sent out by AFPD *if* sales and growth program requirements are met and *after* the program period ends on December 31, 2017

QUALIFICATION REQUIREMENTS:

Muscle Milk products within AFPD rebate program must include distribution on the following SKU's: Genuine Chocolate, Genuine Vanilla, Genuine Strawberries N' Crème, Genuine Cookies N' Crème, Pro-Series 40 Chocolate, Pro-Series 40 Vanilla, Pro-Series 40 Banana Smoothie Strawberry Banana, and Smoothie Blueberry RTD beverages sold & delivered by PBC distributor to be eligible.

AFPD member must be in good standing with PBC and purchase products directly from PBC.

Muscle Milk Growth Rebate Program begins January 1, 2017, and goes through December 31, 2017.

9 FACING SHELF SET



To sign up for this program, please complete this form and fax to AFPD at (248) 671-9610 or email info@AFPDonline.org.

AFPD MEMBER ID#: _____ PEPSI CUSTOMER ID#: _____ DATE: _____

CONTACT NAME: _____ PHONE: _____

NAME OF STORE: _____

STORE LOCATION: (If you have multiple locations, attach store list)

ADDRESS: _____

CITY: _____ STATE: _____ ZIP: _____



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