

BottomLine



THE VOICE OF INDEPENDENT RETAILERS // VOL. 29, NO. 4 // APRIL 2018

Safety in the Stores

Whether it's a break-in, shooting or catastrophic event, do you have a safety plan?

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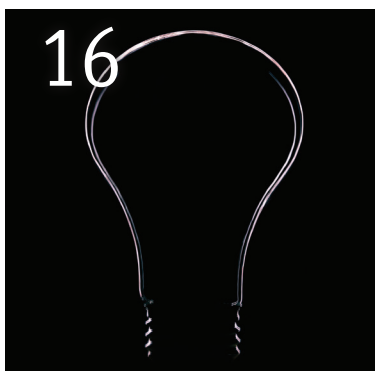
TOUR OF WINDY CITY RETAILERS

Facilitated by the Associated Food and Petroleum Dealers (AFPD) and led by president and CEO, Auday Arabo, a group of independent retailers from Michigan were given the opportunity to go to Chicago for a tour of a variety of "Windy City" retailers. The group toured these retailers early last month.



INAUGURAL GALA IN CHICAGO METRO

After 102 galas in Michigan, AFPD decided to host its first gala in Chicago Metro. "We wanted to showcase the Chicago area and really put the spotlight on those retailers," said Auday Arabo, president and CEO. "We wanted to acknowledge our presence in Chicago and build a stronger relationship with the Chicago members."



COVER STORY // SAFETY IN THE STORES

Whether it's a break-in, shooting or catastrophic event, do you have a safety plan? Ed Weglarz, director of Petroleum is charged with educating AFPD members on a variety of issues including store safety. In that role, he keeps abreast of latest threats as well as tips and tools to pass along.



chairman's message

PHIL KASSA // AFPD CHAIRMAN

AFPD is Personal to My Family and I

As AFPD Chairman serving in my second year, I always like to write about what is happening and trending in the industry and within the association. Last month, my uncle who was like my second father passed away. I wanted to write about why AFPD is so personal to my family and I. My family has been a proud member of AFD and now AFPD for 50 years. My dad and my uncle became members in 1968. Prior to 1968 my family ran a convenient store in Detroit. The store was burned down to the ground, and they rebuilt and reopened the store after the riots of 1967. The store turned out to be a gold mine after they reopened, but they needed an organization that would be the mouth piece for them, to talk to the hustlers that would threaten their business if they didn't comply with their so-called "demands," and AFD was there.

AFD introduced them to these "leaders" and my dad and uncle became a part of the community they were serving. It was AFD that initially helped bridge the divide and helped create the relationship. I bring this up now because my uncle, George Kassa, recently passed away, and he firmly believed in AFD. He was a devote Catholic, a family man, and a proud American. He also knew, in America, one voice would not be heard. However, a group with similar interests had a greater chance to be heard by those in power, whether it was local, state, national government or even amongst suppliers and other business interests. It is because of my dad and my uncle that we are members today.

As we opened each additional store, they made sure we became members right away. I have been a board member for over ten years and could not be more honored to serve. The industry has been good to me and my family through the years, and serving on the board helps me give back. I also get to see just how hard the staff at this organization really works for us. I guess you can say, I get the "behind the scenes" peek at what goes on and you would be amazed at all the issues they tackle that you never hear about. They do not blow their own horn or ring the fire alarm every time an issue comes up, because they want the members focused on their businesses. So, you know when you hear about an issue it is a real threat.

I see the respect the organization receives from local and state governments. I see how big retailers are joining our organization and a lot of the time they let AFPD take the lead on issues. I also see where some of these "Big Boys" feel threatened by AFPD, for example the Half Mile Rule. With the number of voices our organization has today, my uncle was right when he said one voice will never be heard, but there is always strength in numbers and together we will be heard loud and clear. For all of us who are members, be proud of our accomplishments, and look to a brighter future.

AFPD is embarking on some exciting times, so stay tuned for a name change that will give a better brand recognition. And for those who are not members, who do you have speaking on your behalf? Even the chains as big as they are use associations to carry the load! ■

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Jerry Crete	Convenience/Liquor Store Vice Chair, Ideal Party Stores, MI Region #2
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Mahasen Salaman	Business Development
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Tour of Windy City retailers

A tour of Chicago Metro retailers proves to be informational for Michigan retailers

■ BY ASHOURINA SLEWO // DENHA MEDIA GROUP

Facilitated by the Associated Food and Petroleum Dealers (AFPD) and led by president and CEO, Auday Arabo, a group of independent retailers from Michigan were given the opportunity to go to Chicago for a tour of a variety of “Windy City” retailers. The group toured these retailers early last month.

According to Arabo, the tour included a variety of stores, not just independent retailers. “We took them to eight different stores, each with different formats,” he explained. “We took them to independents, we took them to chains.”

With a major independent retail base that surpasses that of Michigan’s, these retailers took this touring opportunity to learn a great deal in hopes of bringing back with them the knowledge needed to continue their own growth.

“I thought the tour to the different stores was an eye-opening experience,” Phil Kassa, co-owner of family owned grocers, including Heartland Marketplace and AFPD chairman. “There are some great independent retailers in the Chicago area.”

“There were independents literally right across the street, walking distance from chains and the independents were dominating,” explained Arabo of the prevalent success of independent retailers in Chicago. “Their parking lots were full [and] their stores were packed, while the chains were dead.”

Obvious to the group was the emphasis on certain products over others and the different approaches that Chicago retailers took. Much of the emphasis was placed on fresh produce and perishables. “50 to 60% of their stores were perishables,” said Arabo.

“I think their huge perishable departments are the advantages they have over the everyday chains,” said Kassa. “They [have] huge fresh departments, produce, deli (with a lot of prepared foods), seafood, meat and a bakery. ...in all their departments, they cater to the ethnic customer. Their dry grocery departments were smaller than ours, but they were specialized.”

Many believe this focus on perishables is just one way in which independent retailers in Chicago are able to compete and win against big box or chain stores. The group found that while much of the focus was on perishables, the center store was also structured in a way that most stores would not think of doing.

According to Arabo, many center stores were structured in a way that catered to ethnic groups. “They actually had less emphasis on center stores and even the emphasis on the center store was ethnic,” he explained. “Whether it was a Hispanic store or Eastern European, Russian, Ukrainian, Italian, Greek, that’s what the focus is; 90% of all the independent retailers in Chicago metro focus on ethnic type stores and it just keeps growing.”

This ethnic flare is not so much a novel idea as it is a tool that has grown in popularity among independents who want to go head to head with big box stores.

According to Kassa, the ability to cater to certain ethnic groups equates to knowing one’s customer base. “For an example, we visited one retailer whose customers looked of Italian or Mediterranean descent, [they] had so many different Italian cheeses, many of which have never seen or heard of,” he said. “They had huge displays of 25 [pound] and 50 [pound] bags of rice, saying they are catering to the Indian consumer. They have a more diverse customer [base].”

According to Kassa, it is these specific offerings that allow for Chicago’s independents to stay on par with the chain stores. “What I took away from these retailers, is that you can survive the big chains and box stores if you specialize in something,” he said.

Kassa recognizes that there are differences, however, that make some things easier for Chicago retailers. Nonetheless, though, Kassa believes retailers in Michigan can do better at catering to specific crowds.

“One of the biggest difference between the two groups are roof tops. I think the Chicago retailers benefit from the number of people living in their marketing areas,” explained Kassa. “They also do a better job catering to their specific ethnic customer. We tend to cater more to a general customer.”

Coming out of this tour, Arabo hopes those that had the opportunity to attend will take what they have learned and incorporate it into their own business.

“It’s all about format, it’s all about how you go to market and has nothing to do with chains versus independents, if you really focus on what you do well as an independent,” explained Arabo. “The chains, as well as Amazon, can’t do a better job on commodities because of perishables.” ■

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Inaugural Gala in Chicago Metro

After 102 galas in Michigan, AFPD decided to host its first gala in Chicago Metro. “We wanted to showcase the Chicago area and really put the spotlight on those retailers,” said Auday Arabo, president and CEO. “We wanted to acknowledge our presence in Chicago and build a stronger relationship with the Chicago members.”

The gala was designed to celebrate the accomplishments of the Chicago retailers and celebrate the industry as a whole. The first Chicago event was deemed a success. “I was very impressed and pleased with the turnout of our first gala,” said Arabo. “We had close to 400 people attend.”

The Gala was held at Empress in Addison, Illinois about 40 minutes outside the city from 6:30 p.m. to midnight. “It was very similar to our Michigan Gala,” said Lisa Denha, event coordinator. “We had a casino, photos booths, Chicago hotdog stand, ice cream station, chip station, auction items and the Eddie Butts Band performed LIVE and was a big hit. They played Sinatra, Michael Jackson and some hip hop. Guests dressed in cocktail attire.”

AFPD hired a vendor from Michigan for one of the photo opportunities. “We drove out to Chicago and had two setups similar to what we did at the Trade Dinner and Ball at Penna’s,” said Raymond Lousia, Franchise Owner TAPSNAP™ Detroit. “The guests loved taking their photos on the red carpet before entering the event. They also enjoyed the green screen, which was sponsored by Lipari Foods, and were able to choose different Chicago themed backgrounds. They were happy to walk

away with a print of their photo as a memory of the event.”

“We were ecstatic,” said Arabo. “The food, the band and the facility were all great. It was an overall win.”

Bob Tzotzolis from Elgin Fresh Market says it should be an annual event. “It was awesome! Great turn out; the food was great,” he added saying, “I think everyone had a fun time. Everyone I brought had fun; they all mentioned that they will attend next year.”

He also enjoyed meeting retailers from out of state. “It was great seeing everyone out and not in a work atmosphere.”

There are now plans to go bigger and better every year. “It was a great first start,” said Arabo. Overall it was a success. “A lot of positive feedback,” said Denha. “We had great support from the Chicago Board.

Several board members attended the event. “I thought the gala was very well attended, [it] was a lot of fun,” said Jerry Crete, board member. “It seemed like everyone enjoyed themselves. The venue was nice, the food and service [were] very good.”

It was larger than what Crete expected for the first one. “I was hoping for 100 people at the most,” said Crete. “People were very positive about the event. People seemed to enjoy the gaming and the food. I think it would be well attended again as people really enjoyed it and many stayed late.”

The Chicago members enjoyed it. “Good turnout for it being a first event for an unknown Chicago association. My employees enjoyed the night out as a group,” said Stephanie Dremonas, Pete’s Fresh Market in Chicago. “It was what I expected. My team had fun. We don’t get to do things like

that often, especially with their significant others. Fun element with the gambling. Good to see people in a formal setting.”

“The only feedback that were about changes were just little things,” noted Arabo. “We need more silent auction items for the women who attend. Everyone loved it and said they would come back next year and tell their friends.”

“Currently there are 200 members and the list is growing. Some of the top independent grocers and retailers are based in Chicago,” said Arabo. “When you go into a new market, you have to jump in with both feet and that is exactly what we did in Chicago.”

Chicago has major independent supermarkets and to Arabo and the AFPD board, it was important to connect the Chicago base with what is going on in Michigan and Ohio. The trip served as an opportunity for retailers in Michigan and Ohio to see firsthand how businesses operate in Chicago. “They can learn and grow together,” said Arabo. “They have similar goals in growing in the age of big box and chains. This event allowed us to accomplish our goals of enhancing our relationships in Chicago.”

During the days in Chicago, members from different parts of the Midwest were able to bond. The various board members spent time together and found commonalities between the states. “There was great synergy and energy between the various retailers,” said Arabo.

“We also had a retreat at which the majority of the Executive Board and members from the Board of Governors were present.”

“We received such great feedback from people who attended,” said Denha. “So many people were able to develop relations.”

“It was good to hear that other retailers seemed to share a lot of the same issues,” said Crete.

AFPD is in the process of booking the event for next year.

“The venue they chose was beautiful, service was great, and the food was very good,” said Lousia. “The guests seemed to really be enjoying themselves. The band was great to listen to, but once the Casino Tables opened up I think that’s when they started to let loose and really have fun.”

“I had an opportunity to talk to so many nonmembers about our value and about joining -- suppliers and store



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owners,” said Denha. “It was [a] great mix of people.”

“It was kind of a mini-Michigan event,” she said. “Very successful. [The] board was very happy. It was a lot fun. Exceeded expectation of Chicago board and attendees.”

“This event was for a good cause,” said Dremonas. “As independents we need representation and this gave us enough funding to get a lobbyist to protect our interests as a collective group.”

“I’m sure planning an event from another city is challenging and as your first event, you never really know what to expect,” said Lousia. “I take my hats off to Auday, Lisa and the rest of the AFPD team for putting together an exceptional event. I have no doubt that this event will continue to grow year after year like it has here in Metro Detroit.”

Now AFPD is considering hosting a gala in the Cleveland Metro area to celebrate our Ohio retailers. Stay tuned. ■



petroleum news & views

EDWARD WEGLARZ // AFPD DIRECTOR, PETROLEUM

Commercializing Roadside Rest Areas?

With the advent of the “pothole” season the governmental bodies are scrounging for road repair dollars and have suggested disregarding federal law and allow commercial development of rest areas along Interstate highways. A move like this would seriously jeopardize thousands of businesses located at Interstate highway interchanges.

Despite its prohibition under current federal law, the Department of Transportation is being asked to move forward in drafting regulations that would allow rest area commercialization.

Some elected officials favor commercialization arguing that it would raise money for state treasuries, sorely in need of funds, at no cost to the motorist. However, a university study found 50% fewer businesses along interstates and toll roads where commercial rest areas were “grandfathered” before federal law was enacted. Buyers patronizing commercial rest areas will not spend money at similar businesses located at interchanges, thereby reducing the number of jobs, reducing tax revenue, with resulting higher prices for motorists. Comparing prices for fuel and convenience store items charged on the Illinois Tollway system, the Ohio Turnpike, the Pennsylvania

Turnpike, with prices charged for identical products at interstate highway interchange businesses is always an eye-opener! Tollway and Turnpike retail prices are significantly higher. The concession agreements to manage these operations have all been made with just a couple large multi-national corporations who are already in the concessions business. Little if any opportunity exists for the local little guy.

Federal agencies do not have the authority to grant a waiver of federal law. But many locales are desperate for funds and don’t want to raise taxes in an election year. There are over 14,000 gas stations and more than 11,000 convenience stores located at Interstate interchanges, along with 60,000 restaurants. Commercialized rest areas would effectively kill-off their ability to compete, by diluting the marketplace with more convenient access.

Development of commercialized rest areas requires significant resources to acquire land, increase parking, comply with environmental standards, and re-engineer exit and entry lanes to handle the increased traffic.

Legislation to make these changes has not been introduced in the present legislative sessions, but budget shortfalls don’t pre-empt any scheme that could appear to help increase state revenue. Educate your local representatives and Congressmen(women) about the shortsightedness of commercialization of rest areas. AFPD will continue to monitor this issue and oppose any proposal that will interfere with our member’s ability to compete. And, keep us informed if and when you hear any local information on the issue. ■



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michigan lottery report

ARIC NESBITT // MICHIGAN LOTTERY COMMISSIONER

New Fast Cash Instant-Win Draw Games Expected to Generate Excitement; Boost Sales

When the Fast Cash suite of games launched in July 2017, the Michigan Lottery expected them to generate excitement for players and boost sales for retailers. The Fast Cash games proved to be immensely popular with players and their performance has far exceeded our expectations.

In fact, the launch of Fast Cash in Michigan was the most successful launch of the games among the many states that currently offer these types of games. Since the games launched, sales have eclipsed budget

projections totaling more than \$66 million and players have won nearly \$47 million. To capitalize on the Fast Cash momentum, four new games are being launched in April:

TIC TAC CASH

Each \$2 ticket offers players a chance to win prizes ranging from \$2 up to \$300 and 20% of the Fast Cash progressive jackpot.

DIAMOND WILD TIME PROGRESSIVE

Each \$5 ticket offers players a chance to win prizes ranging from \$5 up to \$3,000 and 50% of the Fast Cash progressive jackpot.

50X THE CASH

Each \$10 ticket offers players a chance to win prizes ranging from \$10 up to \$5,000 and 100% of the Fast Cash progressive jackpot.

SMOKIN' HOT CASH

Each \$10 ticket offers players a chance to win prizes ranging from \$10 up to \$7,000 and 100% of the Fast Cash progressive jackpot.

Fast Cash games range in price from \$1 per play up to \$10 per play and print from terminals at Lottery retailers.

Fast Cash has also been a successful game for retailers. More than 99% of Fast Cash prizes may be claimed at Lottery retailers creating new opportunities for redemption commissions. Since Fast Cash launched, retailers have earned more than \$4.9 million in sales and redemption commissions.

About 97 cents of every dollar spent on Lottery tickets is returned to the state in the form of contributions to the state School Aid Fund, prizes to players and commissions to vendors and retailers. In the 2017 fiscal year, the Lottery's contribution to Michigan's public schools was a record \$924.1 million. Since it began in 1972, the Lottery has contributed more than \$21 billion to support public education in Michigan. For additional information, follow the Michigan Lottery on Facebook, Instagram, Twitter and online at www.michiganlottery.com. ■

INSTANT TICKETS // PULL TAB TICKETS

NEW INSTANT TICKETS:

On sale April 3rd:

- IG 254 – Cloud 9 – \$1
- IG 218 – Big Bucks – \$2
- IG 234 – Royal Win – \$10

INSTANT GAMES SET TO EXPIRE:

Expiring April 2nd:

- IG 725 – \$500 A Week For Life – \$1
- IG 726 – \$1,000 A Week For Life – \$2
- IG 727 – \$2,500 A Week For Life – \$5
- IG 728 – \$5,000 A Week For Life – \$10
- IG 750 – Triple Stars – \$3
- IG 758 – \$100 Grand Cashword – \$3
- IG 767 – Wheel of Fortune – \$2

Expiring May 7th:

- IG 731 – World Class Millions – \$30

NEW PULL TAB TICKETS:

On sale April 3rd:

- MI 507 – Brews on First – \$1
- MI 520 – Jumpin' Jack Cash – \$2

PULL TABS SET TO EXPIRE:

Expiring April 17th:

- IT 866 – Mega Money – \$5
- MI 552 – \$1,000,000 Casino – \$5

Expiring May 14th:

- MI 573 – Hit \$500 – \$1
- MI 574 – Nice Pair – 50¢

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

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Knowing your limits is always the best bet. Call the Michigan Problem Gambling Helpline for confidential help at 1-800-270-7117.





michigan lobbyist report

MATT MINER // CAPITOL STRATEGIES GROUP

Michigan Legislature Takes A Break Before Tackling Legislation That Affects AFPD Members

The legislative Spring Break is upon us in Lansing marking the halfway point of the spring session. The battle to codify the Half-Mile Rule into statute continues in the legislature, as well as the courtroom with several key meetings coming after the legislative break. The AFPD lobby team continues to work towards a vote in the house on Senate Bill 501 championed by Senator Rick Jones. If you haven't volunteered your voice to the cause, please do so. Our strength is in our grassroots network of small business owners, and every voice counts.

AFPD also continues to monitor several issues in the legislature. Here's a brief list of those issues pending before the legislature.

House Bill 5719 was introduced by Representative Curt VanderWall on March 14, 2018. This bill would retroactively

allow for a city, village, or township with less than 1000 people to grant an additional SDM license. This bill was referred to the House Regulatory Reform Committee. A hearing has yet to be scheduled.

House Bill 4507 was introduced by Representative Scott Dianda. This bill amends the Michigan Liquor Control Code to require, based on the approval date of the application, that the fees for the various types of licenses be prorated on a quarterly basis for a portion of the effective period of the license. If the application is for a license that will be effective for less than 9 months, the applicant or licensee would be required to pay a prorated license fee and to submit the prorated fee after the application is approved and on issuance of the license. A transfer license fee would have to be paid on issuance of the license. AFPD strongly supports this bill.

House Bill 5127 was introduced by Representative Triston Cole and was referred to the House Regulatory Reform Committee. This bill would diminish the square foot requirement for the SDM quota. AFPD is fighting to keep the current law in place and not water it down any further. ■



ohio liquor report

JIM V. CANEPA // OHIO DIVISION OF LIQUOR CONTROL

Outdoor Events in Ohio Require Vigilance When Serving Alcohol

We're finally starting to thaw out here in Ohio, and that means it's time for barbeques, parties, proms, graduations and more. While these are some of the most joyous occasions of the year, I want to take a moment point out a more serious side of these celebrations.

It is our job as members of the spiritous liquor industry to keep alcohol out of the hands of anyone under 21, and to never sell to someone who is overly intoxicated. It takes a village to ensure this doesn't happen, and it starts at the point of sale.

Educate and train your employees to prevent sales to anyone who is intoxicated or underage.

Selling alcohol is a privilege that comes with great responsibility. Help protect Ohio's communities by making sure employees know the law and understand the seriousness of practicing safe, legal and responsible alcohol sales. We can help by providing educational materials and other resources to help train employees. Information and resources are available on our website at www.com.ohio.gov/liqr.

Beyond the point of sale, this topic remains very important to my team and I all year round, and we're working to increase our

messaging to both our regulatory partners and the public. Recently, as part of Governor Kasich's State of the State address, we partnered with Prevention Action Alliance to host a community conversation surrounding the topics of underage drinking and overconsumption.

We heard from experts in the medical industry, parents, teenagers and community and school leaders. It was a very insightful conversation that was filled with a lot of good takeaways. A neurological doctor from Nationwide Children's Hospital detailed how a child's brain development could be affected by drinking, and community leaders shared insight with us about ways they're working to stop underage drinking and overconsumption in their communities. These topics even sparked some of our own discussion internally about how we can reach more audiences with this important message, and we're looking at how we can incorporate these ideas into a social responsibility campaign that we're developing.

Again, it takes a village, and we're working to build that village larger and larger to impact the most Ohioans possible. While we work to build these long-term plans, I again ask you to do your part right now and make sure alcohol doesn't land in the wrong hands. Review the laws and educate your teams about what their responsibilities are when it comes to sales. This is something we urge our retail partners to be doing all year round.

Ultimately, our goal is for all Ohioans to enjoy themselves responsibly no matter what time of the year. ■

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ohio lobbyist report

TERRY FLEMING // TC FLEMING & ASSOCIATES

Ohio Primary Races Heat Up

The Ohio General Assembly has a lot in common with the movie Groundhog Day, where Bill Murray keeps waking up every day to the same thing over and over. That describes the Ohio General Assembly, day after day and week after week for the past two months, the same thing over and over. In other words, no action. AFPD has a bill pending that simply would designate September as “We Card” month and it passed the House by a huge margin, but it’s been sitting in a Senate Committee for over a month. The Senate is upset with the House for not referring Senate Bills to House Committees, so the Senate is not moving House Bills forward. If you think this sounds like junior high, you’re right. AFPD testified on the We Card Bill and it was well received, so hopefully it will move some time after the May Primary Elections.

“This being a statewide election year, things are really starting to heat up as Democrats believe they can make huge gains in the legislature and even win the Governor’s office.”

As you might expect after the shooting in Florida and now in Maryland, there have been a number of bills introduced to have stricter gun laws. However, one Republican Representative went the opposite direction by suggesting that 18-year-old students be allowed to carry guns to school. An idea not met with enthusiasm by the other members. Abortion bills are still popular as two Republican Representatives have introduced a bill to ban all abortions in Ohio, the U.S. Supreme Court be damned. Another bill

introduced would deal with a minimum markup of cigarettes, this is one that AFPD will keep a close watch on.

This being a statewide election year, things are really starting to heat up as Democrats believe they can make huge gains in the legislature and even win the Governor’s office.

Because it’s a statewide election year and an open U.S. Senate race, Democrat Incumbent Sherrod Brown is ahead in all polls no matter who the Republican candidate is. The Republican candidate will most likely be Congressman Jim Rennacci, who had been running for Governor but is now facing a challenge from Cleveland businessman Mike Gibbons for the U.S. Senate race against Brown. All 16 Congressional seats are up and Republicans currently hold a 12-4 advantage but after the Pennsylvania race where a Democrat won a special election in a huge Republican district, Ohio Democrats believe they can pick up 3 or 4 seats.

There are 5 Democrats running for Governor and the favorite to win is Richard Cordray and if he does he’ll be the favorite to win in November as well. On the Republican side, Lt. Governor Mary Taylor is challenging heavy favorite Attorney General Mike DeWine but Taylor is running a very aggressive campaign and could surprise DeWine. Also up are Attorney General, Auditor, Secretary of State and State Treasurer, all currently held by term limited Republicans. Again, Democrats think they can win all four of these seats. In the General Assembly there are 17 Ohio Senate Seats up with Republican’s holding a commanding 24-9 edge. Democrat’s would need to win 10 or more seats to take over, while in the House the Margin is 66-33 Republican and with all 99 seats up the Democrat’s could cut into the margin but not likely to take control.

The bottom line for AFPD is to continue to represent its Ohio members and work to enact favorable legislation and regulations by working with whoever is in charge. You can help by contacting your representatives when hot button issues come up and by getting fellow food and petroleum dealers to join with you making AFPD a formidable force in Ohio politics. ■



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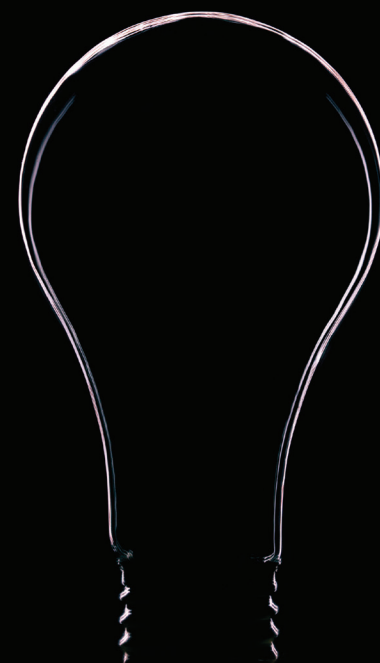
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SAFETY IN THE STORES



Whether it's a break-in, shooting or catastrophic event, do you have a safety plan?

Ed Weglarz, director of Petroleum is charged with educating AFPD members on a variety of issues including store safety. In that role, he keeps abreast of latest threats, as well as tips and tools to pass along.

He recently attended a safety course at the Michigan State Police Office in Lansing hosted by the Electric Infrastructure Security Council (EIS) that focused on a Black Sky event, which is described as a cataphoric event that could disrupt the electrical grid and disable U.S. electrical systems and mother boards on computers and cars, "and basically put us back to the stone age," said Weglarz.

The course focused on plans in place to survive during a Black Sky catastrophe.

"We discussed recovering from an earthquake to the geomagnetic disturbances, severe sunspots, hurricane and electromagnetic pulse," said Weglarz. "The real threat is an attack being implemented by a terrorist group more than a country attacking us. Essentially, a terrorist could explode the device in the air above a country and cause electrical components to fry."

If this happens, all electronic communication would be unavailable. Store owners need to think about how they would get a hold of employees. They need to consider how they will operate a business without computers. "The extent of damage could be the entire country or parts of it," said Weglarz. "If Midwest states were affected, would there be a mass exodus? Hospitals have backup generators usually supplied by diesel fuel that would last at most 48 hours. What happens after that?"

In a Black Sky event, natural gas pipelines would be down. "Long-term, people are considering solar wind power," said Weglarz. "A Hurricane wiped out Puerto Rico which has a marginal electrical system in place that wasn't maintained but a year later, only 50% of the Island is back to normal. It's just an example of what happens in such catastrophes."

This is the worst-case scenario, "and no one really knows the probability of this really happening," said Weglarz. "There are everyday safety issues that are more likely to occur and business owners need to have plans in place."

Today, store owners have to worry about more than just having an alarm system or the occasional shop lifter. Workplace safety entails a wide-range of issues. Workplace violence is on the rise. This is defined as any act or threat of physical violence, harassment, intimidation or other threatening disruptive behavior that occurs at the work site. It ranges from threats and verbal abuse to physical assaults and even homicide. It can affect and involve employees, clients, customers and visitors.

Active shooters are no longer rare news stories. "An active shooter is [an] individual actively engaged in killing or attempting to kill people in a confined and populated area; in most cases, active shooters use firearm(s) and there is no pattern or method to their selection of victims," said Michael Kinaschuk, Templar Life Safety vice president of training, referring to the U.S. Department of Homeland Security definition.

Kinaschuk is the retired Police Chief in Brighton, Assistant director of 911 at Livingston County, manager of homeland security and emergency management at Livingston County.

He is still very involved in active shooter training for both civilian and law enforcement, as well as a police academy firearms instructor.

"Retail businesses differ from other workplaces in terms of workplace safety," said Kinaschuk. "Retail businesses are at a higher risk than other work locations. Potential threats can be from former employees, current employees and those from the public."

The leading motive for workplace homicide is robbery. Occupations with the highest risk of fatal injury include police, security guards, retail establishments and managers or employees in settings where cash is readily available. Several factors may increase a worker's risk for workplace assault:

- Having contact with the public;
- Exchanging money;
- Delivering passengers, goods, or services;
- Having a mobile workplace such as a police cruiser;
- Working with unstable or volatile persons in healthcare, social services, or criminal justice;
- Working alone or in small numbers;
- Working late at night or early in the morning;
- Working in high-crime areas;
- Guarding valuable property or possessions; and
- Working in community-based settings

Weglarz also shares tips with member that includes having adequate lighting, “and not covering windows with too many store signs,” said Weglarz. “Police need to see inside the stores. You also need to do background checks on employees and evaluate how they would handle customers. Owners have to do their due diligence when hiring.”

This is especially important when it comes to dealing with hostile customers. “It takes two people to argue,” said Weglarz. “You can escalate the problem if you elevate your voice. Someone has to be in control of the transaction and it should be you the clerk who keeps the conversation civil and calm. Some customers just want to vent and if no one is arguing back, they will eventually stop.”

Alarm systems and panic button have been around for decades and are still a must. “If you are being held up, you need to hit the panic button to notify a central office and ultimately the police,” said Weglarz.

In some areas, bars on windows and double cylinder deadlocks on doors are essential. “Always check the most vulnerable place in your store, said Weglarz. “It can be the exit door. The double doors and rear doors are vulnerable areas and can be easily opened.”

Cameras have become standard operating equipment in stores and not only for store theft but to monitor employees. “Customers might bring a complaint or lawsuit and cameras could prove what really happened,” noted Weglarz.

In terms of store safety, it is also important to review insurance including liability, fire and burglary. “Cross those T’s and dot those I’s.”

Develop relationship with local police department. “Those guys are human beings, too. If you are nice to them, they will drive by [your] store and watch over things. You have personal relationships with police, you will know who to call.”

Stores owners should also know their vendors. The rear delivery door is vulnerable. “There are dishonest vendors,” said Weglarz. “You need to make sure when vendors come in they are not helping themselves to merchandise.”

One issue that service stations run into often is multiple deliveries. “They cannot run the business while checking in more than one delivering at a time,” said Weglarz. “They must be very strategic when it comes to delivery schedules. A dishonest vendor can easily not deliver the right amount of product or a customer can steal items while you are in the back checking in deliveries. You need a system in place.”

Weglarz and Kinaschuk are very much on the same page. Kinaschuk highlights physical protective measures that include:

- Install alarm systems, including panic buttons
- Consider video surveillance equipment or closed-circuit TV.
- Consider additional physical barriers such as bullet-resistant glass, deep service counters or pass-through windows.
- Ensure clear visibility of service and cash register areas by installing convex mirrors.
- Use bright, effective lighting.
- Employ adequate numbers of workers (adequate staffing).
- Provide drop safes to limit the amount of cash on hand. Keep a minimal amount of cash in registers during evenings and late-night hours.
- Instruct employees not to enter any location where they feel unsafe. Introduce a “buddy system” or provide an escort service or police assistance in potentially dangerous situations or at night.
- Report violent incidents to the local police promptly.

For more information about the catastrophe including a Black Sky Event, visit www.eiscouncil.org. ■

WORKPLACE SAFETY TIPS FOR OWNERS AND EMPLOYEES

Owners, employers and employees need to collaborate with each other to provide a safer environment by:

COME TO TERMS WITH REALITY

It can happen in your workplace. A perpetrator can be someone you know or a complete stranger. Living in denial is the riskiest strategy of all. Post-tragedy interviews prove the point: “I could never imagine it happening here,” you’ll often hear.

BE AWARE AND TEACH AWARENESS

Criminals use the element of surprise. By paying closer attention to unusual or suspicious behavior and challenging it, you can reconfigure the odds. Don’t be afraid to inquire or report, and make sure your employees aren’t afraid either. Be polite but assertive in challenging anyone acting unusual.

GET EXPERT ADVICE

Law enforcement officials are usually willing to offer suggestions and even courses, and private enterprises can teach and provide security. Find someone in your community who is a proven expert in workplace safety. What is safest and most effective isn’t always intuitive, but an expert will know what works best.

DEVELOP A PLAN

Make sure every employee understands what needs to happen should there be a crisis, whether by a violent person or a natural disaster. A written plan of action should be included in your policies and procedures manual. It is a good idea to vet this plan with your legal counsel.

DO THE DRILL

It isn’t enough to have a plan other can’t implement. Every quarter or at least every six months, alert your employees to a drill and practice it so people know what to do and where to go in case of specific emergencies.

FIND LEADERS WITHIN YOUR TEAM

These individuals can serve as captains to help coordinate and take additional responsibility in case of an emergency. Make workplace security a team effort.

SELF-DEFENSE AND SAFETY COURSES

Consider providing a basic self-defense and safety course to all employees. It’s an employee perk that will not only be appreciated but could potentially save lives.

TRAIN TRAIN TRAIN

Train all employees on how to respond to a plethora of situations such as robberies, retail fraud, disruptive customers, hostile situations, medical emergencies, accidents, fires, power outages, severe weather, active shooter, bomb threat, suspicious mail, hazardous materials and natural gas leak.

INVESTIGATE ALL VIOLENT INCIDENTS AND THREATS

Monitor trends in violent incidents by type or circumstance and institute corrective actions.

COMMUNICATE

Alert supervisors to any concerns about safety or security and report all incidents immediately in writing.

Provided by Michael Kinaschuk, Templar Life Safety



Valli Values Variety

■ BY ASHOURINA SLEWO // DENHA MEDIA GROUP

What started with a run of the mill produce store taking up no more than 2,500 square feet in Chicago, is now a household name in several neighborhoods throughout Illinois. Starting in the produce business because of his uncle, Lou Tenuta has been able to start and expand Valli Produce. Valli Produce now boasts six locations.

When it came to expanding the family business, Tenuta's uncle approached Tenuta, who now serves as the corporate officer of the Arlington Heights location, and his cousin Frank Chillelli. He wanted to join forces with Tenuta and Chillelli to open what would be known as Valli Produce.

"I was a mold maker and Frank was employed with UPS," explained Tenuta. "With no experience at all with produce, we decided to take a chance and learn something new. Our uncle taught us all about the business."

In an effort to aid in furthering Valli Produce's reach, the cousins spent every weekend working at the Chicago location, learning the tricks of the trade.

The first ever Valli Produce location came to fruition in 1989, taking residence in Arlington Heights.

"[It was] very difficult at the beginning, but with hard work and determination, we managed," explained Tenuta.

According to Tenuta, the variety in selections offered at Valli Produce is what sets the store apart from others. "We have [more than] 400 different produce items, more or less, depending on the season," said Tenuta. "We have a meat department that carries choice meats and fresh fish. Our deli department carries a large selection of meats and cheeses. We carry top brand names."

Valli Produce also carries a wide variety of imported groceries from around the world, including Italy, Greece, Spain, Mexico, India, Eastern Europe and the Middle East.



Valli Produce's spectrum of products makes them the go-to grocery store for any and all customers. "Valli caters to all customers, of all ages and nationalities," said Tenuta.

Over the course of 29 years, Tenuta and Chillelli have been able to expand their business substantially. The stores gradually grew in size, allowing for selections in each to grow as well. "Our stores vary in size. The smallest and original is located in Arlington Heights with 30,000 square feet," explained Tenuta. "Our two largest are Glendale Heights with 98,000 square feet and Rockford with 100,000 square feet."

According to Tenuta, what he enjoys the most about being in the retail business is the competition that most retailers find daunting. "What I like best about our business is the retail competition," said Tenuta. "Creating an aggressive ad and catering to different [ethnic] groups to win over all our customers."

Helping him stay ahead of the competition is AFPD. Through standing up for legislation or helping retailers save through rebate programs, Tenuta believes AFPD is just what the industry needs.

"They have vendor programs that help us save money, as well as perform community outreach initiatives," explained Tenuta.

Tenuta and Valli Produce have only been AFPD members for two years, but the benefits speak for themselves. According to Tenuta, AFPD serves as the voice that independent retailers like himself are sorely in need of.

"With AFPD, all independent retailers no longer have a whisper, but now have a larger unified voice," explained Tenuta. "Together all independent store owners, and suppliers now have AFPD to not only handle, but also represent us when it comes to government regulations and compliance issues. AFPD played a large part in the sugar tax elimination in Cook County." ■

RETAILER: VALLI PRODUCE

Location: Arlington Heights, Illinois

Founded: 1977

Employees: 700

AFPD Member Since: 2016

Slogan: "Eat produce, live healthy."



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sparkling water

my caps off to you

no calories
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The Benefits of A Trust Over Custodial Accounts And 529 Accounts

■ BY RANDALL A. DENHA, J.D., LL.M.

When parents and grandparents (or other generous benefactors) want to transfer wealth to a minor child, the primary decision they will face is whether to set up a Section 529 Plan, a custodial account under the Uniform Transfers to Minors Act (an UTMA account) or a trust for such child. Given certain limitations of 529 Plans and UTMA accounts, trusts may be the more attractive vehicle for gifting to minors.

SECTION 529 PLANS

Section 529 Plans are a tax-advantaged way to finance the costs of education, in that money contributed to and invested in such plans grows tax free, and withdrawals for “qualified” expenses (meaning expenses of tuition, room and board, books, and fees for college or graduate or vocational school) are free from federal income tax. In addition, under the new Tax Cuts and Jobs Act, an annual withdrawal of up to \$10,000 is permitted for tuition for K-12 schools. Although you can “front load” your contributions to a 529 Plan by making five years’ worth of annual exclusion gifts in one year (which means in 2018 you can contribute \$75,000, or, with your spouse, \$150,000), the funds can be used only for qualified education expenses. Therefore, if in the future the child needs the funds for other purposes, or if you overfunded the Plan so that less than all of the Plan’s assets are needed for qualified education expenses, the funds cannot be

utilized for another purpose without suffering a 10% penalty and the imposition of income tax on the account’s earnings. Additionally, the investment options within the Plan are limited to only those investments that the Plan provides.

UTMA ACCOUNTS

Many people find an UTMA account to be an easy way to give property to a minor child. The custodian may use the account to benefit the child in any way he or she sees fit (the assets in the account do not have to be used for only one purpose, such as education), and the custodian has full flexibility over how the account’s assets should be invested. In addition, UTMA accounts are relatively easy to set up. A major drawback, however, is that over time, the value of a child’s UTMA account could be quite substantial, and upon attaining age 21, the child would have full control and authority over the account. The assets in the child’s account would not be protected from creditors, and could limit certain planning options that otherwise would be available should the child subsequently, for example, be diagnosed as having special needs, or develop a drug or alcohol dependency. In addition, most donors who create UTMA accounts for their children name themselves as the custodians of the accounts, not realizing that by doing so, they have not removed the assets contributed to the UTMA accounts from their gross estate. Donors are often hard-pressed to find another individual

whom they trust to name as custodian of such an account.

TRUSTS

Similar to 529 Plans and UTMA accounts, donors can make annual exclusion gifts to trusts. Unlike a 529 Plan, the assets in the trust can be used for the benefit of the child for whom the trust was created for much broader purposes, and unlike an UTMA account, the trust can be structured to last for the child’s lifetime, or until whatever age the donor prefers (preferably one that is older than 23, when the child completes undergraduate studies and may be more responsible and financially savvy). In addition, so long as assets are held in the trust for the child, they should be protected from most creditors, and unlike with a 529 Plan, the trustees of the trust would have a wide range of investment options for the trust’s assets.

Possible trust options as vehicles for annual exclusion gifts include:

- **Crummey Trusts:** Crummey Trusts can be established for one or more beneficiaries of any age, and can last however long you set forth in the trust instrument. Each beneficiary must have a temporary right to withdraw a certain amount of each contribution made to the trust in order to qualify the contribution for the annual exclusion, and therefore must be issued a “Crummey” letter (notice of temporary right of withdrawal) each time a transfer

LEGALLY SPEAKING

Continued on page 24.



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GREAT LAKES WINE & SPIRITS //

Colosi Nero d'Avola; It is Sicily's Time!

Just like a lot of other consumer products, wine goes thru trends. Not just in terms of price (as in the trend towards premium wines), and not just in terms of varietal or types (as in red blends or roses), but also in terms of regions and countries. Recall the boom in Australian wines in the late 90's thru the mid '00s. And how about when Argentinian Malbec burst on the scene? We couldn't get them here fast enough. Most recently, the Provence rose boom (which led to a boom in rose wines in general). Based on some other trends--as in a dramatic increase in interest in wines from Europe--we are going to predict that the next big thing will be wines from Sicily.

Long the source for cheap and only decent wines--much of which was used to 'enhance' the less robust wines from the north--Sicily has gone thru a

paradigm shift over the past 20 years, with gobs and gobs of cool, interesting, quality wines being produced there now....and most of them are still inexpensive. The workhorse of the island's wines, and wines that are unique to Sicily are the Nero d'Avola wines. From simpler, slightly rustic versions to luscious, barrel-aged beauties--yet all displaying Nero d'Avola's rich, spicy character--there is something for every palate and pocketbook. Today's featured wine is a standout and an incredible value.

Colosi Nero d'Avola, DOC is a perfect example of its type: Deep, dark, ruby red; gorgeous forthcoming aromas of cherries, black olive and earth; dense, rich, concentrated palate with the cherry notes, enhanced by spice and cooked fruit. The ultimate pizza wine and again, lots of bang for the buck. ■



LEGALLY SPEAKING

Continued from page 22.

is made to the trust.

- **2503(c) Trusts:** This trust can be established only for a minor, can have only one beneficiary and does not require annual "Crummey" letters. When the minor child attains age 21, the trust must either terminate or provide the beneficiary with a temporary opportunity to withdraw all the trust assets. If the beneficiary does not

exercise this right to withdraw, the trust may continue for however long the trust instrument states. The trust can be as flexible as you want.

- **2642(c) Trusts:** Grandparents who would like to make gifts to a trust for their grandchildren, without having to use any of their exemption from the generation-skipping transfer tax, can make annual exclusion gifts to a 2642(c) trust. Similar to a 2503(c) trust, this trust must be for the benefit of only

one beneficiary, and the trust assets must be includible in the grandchild's estate. ■

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

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7 Ways to Improve Operations Without Sacrificing Worker Safety



HBR STAFF/
CSA IMAGES/
BW ARCHIVE
COLLECTION/
GETTY IMAGES

■ BY DAVID MICHAELS // HARVARD
BUSINESS REVIEW

When I ask corporate leaders why they are committed to preventing serious injuries and deaths among their workers, most say they care about their employees and don't want to see anyone hurt. They'll also note that "safety pays" in reducing costs, or admit they fear reputational damage following a significant incident at their company.

In my experience, these rationales rarely lead to significant changes in workplace safety and the prevention of serious injuries and deaths. Underneath it all, many business leaders have an implicit but unfounded belief that, while it is necessary to reduce workplace injury risk, there is a trade-off between profits and the expenditures necessary to keep workplaces safe. One example of this sticks in my mind.

During my years at OSHA, where I served as the Assistant

Secretary of Labor from 2009 through the beginning of 2017, I received several reports of safety system failures at DuPont facilities. I watched with concern as the company, under pressure from activist shareholders to increase profits, cut costs and let its safety program deteriorate. Needed repairs and upgrades were delayed, worker training postponed, and risk assessments overlooked. The culmination was an incident at an insecticide plant in LaPorte, Texas, where, as a result of a basic process safety management failure, an extremely toxic chemical—methyl mercaptan—was released and two workers were overcome. With inadequate equipment, others rushed in to save their colleagues. In all, four workers were killed.

We fined DuPont a few hundred thousand dollars—a high penalty for OSHA but petty cash for DuPont. To get management's attention, I issued a statement declaring that "these four preventable workplace

deaths and the very serious hazards we uncovered at this facility are evidence of a failed safety program."

It worked. CEO Ellen Kullman came to see me and promised a top to bottom review of the DuPont safety program. I was pleased with our meeting, feeling like she had made a real commitment. And then, less than two weeks later, she stepped down.

Her successor, Ed Breen, was quoted as saying, "as we confront a challenging environment, [Kullman] and the management team already have taken actions to accelerate cost reductions. Looking ahead, we will continue to drive productivity, and we plan to conduct a deep dive into the details of our cost structure and allocation of capital to ensure we deliver appropriate returns for shareholders."

When I read DuPont CEO Breen's words "accelerating cost reductions," my heart sank. I thought immediately of BP and the other industrial giants whose "accelerating cost reductions" had disastrous consequences. These kinds of statements speak to a leader's choice of values, and a failure to understand the relationships between a safe work environment and operational performance. They convey to workers what's really important, and they create ample context for inadequate safety focus lower down the organization.

It doesn't have to be this way. Companies can be successful and safe at the same time. The reality is that virtually all workplace



injuries are preventable, and safety management and operational excellence are intimately linked. Injuries and catastrophic events, in addition to being tragic, are evidence that production is not being managed correctly. Improved operational performance will result in fewer injuries.

Here are some steps CEOs, executives, and boards can take to accomplish just that.

START AT THE TOP

From the CEO down, the message should be, “We care about safety because we care about you — doing it right means no one gets hurt.” Take safety as seriously, if not more seriously, than anything else you do.

One former CEO who exemplifies this message is Jim Gallogly, who was hired to be CEO of LyondellBasell, one of the world’s largest plastics, chemicals and refining companies, in 2009. When Gallogly arrived, the firm was in bankruptcy; his job was to return it to profitability (which he did). At his first meeting with employees, however, he announced that he wasn’t going to begin by talking about the firm’s financial challenges. Instead, the new CEO wanted to focus on something far more important: his absolute commitment to safety. He subsequently included a report of the firm’s safety performance in every earnings call, too.

Aside from prioritizing safety with employees and investors, corporate leaders need to be familiar with the nature, extent, and potential of the major risks — and the risk mitigation plans — associated with their facilities. Many executives require every serious injury to be reported to

them immediately. At Cummins, Inc., for example, serious incidents are reported directly to the COO and communicated to business unit vice presidents as well. They are then reviewed by the company’s Manufacturing Leadership Council.

When operational staff knows that the C-suite will be on the receiving end of such reports, and that they will be analyzed in detail, it reminds mid-level management of the importance of risk reduction and injury prevention.

USE THE RIGHT INCENTIVES

The term “safety culture” is misleading because it suggests organizations have multiple cultures: one for safety, another for production, and perhaps others for quality and for sales. In reality, each company has its own organizational culture, and all too often, when production needs suddenly to increase, production takes precedence over safety.

At the safest, most successful companies, safety is what the firm does — and what the firm is at its core — not something that is separate from operations. In fact, a study of 19 manufacturing firms on quality, productivity, and economic performance, along with subjective data on how workers and managers felt about their safety program, found that:

“As safety deteriorates, product quality and plant performance, based on internal and external measures, suffers. There is more scrap, more rework, and employees are less involved. Such outcomes are in line with the core concepts of total quality management which would suggest that employees who do not feel safe in their jobs are not likely to do their jobs well...

Safety and operating performance measures should be viewed as in concert with each rather than as competing entities.”

Operations managers must get the message, though direct comments, performance reviews, and bonuses, that safety is a central part of their jobs. I have seen far too many employers who fail to penalize managers when their safety management systems are failing but their production numbers are good. LyondellBasell, for example, has a policy that makes it clear that safety is no less important than profits. According to Jim Gallogly, no matter how low the OSHA recordable injury rate, if there is a serious incident — a fire, a chemical release, a worker is seriously hurt — no manager gets a bonus.

DON'T BLAME WORKERS FOR INJURIES

Workers are humans and humans make mistakes. No matter the job, at some point a person will get tired, bored, or distracted. Because of this, errors are inevitable. Well-functioning safety programs understand this and have multiple backup systems to ensure that mistakes do not result in injuries or deaths.

It’s also worth remembering that serious events are almost always caused by multiple factors — not the actions of one person — and that the prevention of these events is most effective when many indicators are considered together.

The most effective path to preventing injuries is to consider human errors as the consequences,

7 WAYS TO IMPROVE

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7 WAYS TO IMPROVE

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rather than as causes, of operational failure. As James Reason, the organizational psychologist who authored the seminal book *Managing the Risks of Organizational Accidents*, wrote, “(w)hen an adverse event occurs, the important issue is not who blundered, but how and why the defenses failed.”

RETHINK HOW YOU THINK ABOUT INJURY RATES

Injury rates, often called “OSHA recordables” are important metrics, in that they reflect the very real experience of your workforce. At the same time, injury rates and reports of specific incidents are what are known as lagging indicators. While they identify problems that often need immediate attention, they do not adequately evaluate a firm’s safety and health management system.

This may be the opposite of what many CEOs hear from their safety professionals. For many years, it was a common belief that preventing minor injuries will also prevent the most serious ones. In fact, the causal chains that lead to most serious and fatal injuries are quite different than those leading to the majority of “OSHA recordable” injuries (#4 talks more about these). This is especially true in the high-risk sectors where a single event can be catastrophic. Famously, BP executives were on the Deepwater Horizon drilling rig the night before that horrific explosion, giving its workers an award for their low injury rate.

That said, you should set concrete goals for injury rates at

your company. But instead of focusing on a lower rate, I would recommend setting an aspirational goal of zero injuries (while making it clear that reporting injuries is an absolute requirement). The undesirable premise underlying the goal of a lower injury rate — versus aspiring to no injuries — is that it is OK for some workers to get hurt, as long as fewer get hurt than before.

FOCUS ON LEADING INDICATORS

To make substantial progress in injury prevention, companies must select a set of indicators that measure progress toward that firm’s chosen goals. These are called “leading indicators” because, unlike lagging indicators like recordable injuries, they are predictive of fatalities, serious injuries, or events that may have catastrophic consequences.

The measures could involve hazard identification or abatement, incident investigations, or the time it takes to close out of recommendations, among others. Each firm needs to select or develop its own, appropriate to its functions and products. Start with a small number and then add more as your program matures.

The pharmaceutical manufacturer Allergan, for example, tracks “good observations,” reports that include near misses, unsafe conditions, or suggestions for reducing risk. Beyond providing a mechanism for workers to alert management to problems, this metric encourages a continual focus on risk reduction. Good observations are a take-off point for another measure the company tracks: speed in which serious or high gravity hazards are addressed. Simply receiving

the observations is not enough, of course; eliminating the serious hazards are what is important.

Whatever the metrics, top managers should use them to measure the evolution of their safety management system (see #5 below), and they should be an integral component of managerial performance payments. The performance of senior executives at Dow Chemical, for example, is evaluated using leading safety indicators, not injury rates.

EMBRACE A SAFETY AND HEALTH MANAGEMENT SYSTEM

Managing for safety requires managers to implement a systemic process to find and fix workplace hazards before workers are hurt. Generically these programs are called Safety and Health Management Systems (SHMSs) or Injury and Illness Prevention Programs. They all involve an iterative, continual improvement process that have as their operating principle the Plan Do Check Act cycle (or the Plan Do Study Act cycle, sometimes called the “Deming Wheel”) widely in use today.

In order to be successful, an SHMS must involve support from leadership; worker participation (including the acting involvement of a union if one present in an organization); hazard identification, assessment, prevention and control; opportunities for education and training; and regular program evaluation and improvement.

SHMSs should also include protocols for investigating incidents that are sometimes called near

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Report: U.S. Chocolate Market to Surpass \$20 Billion by 2025

Market reached \$17.6 billion in 2016



■ ALYSE THOMPSON // CANDY INDUSTRY

The U.S. chocolate market is expected exceed \$20 billion by 2025, according to research by United Kingdom-based firm IndexBox.

The research firm noted the market reached \$17.6 billion in 2016, up \$819 million — or 5% — from 2015. This figure reflects total revenue of producers and importers and excludes logistics costs, retail marketing costs and retailers' margins. Overall, the U.S. chocolate market grew on average by 4.1% each year between 2008 and 2016.

Chocolate and confectionery consumption in the United States is expected to continue its upward trend, supported by population growth and rising purchasing power, along with increasing demand for premium chocolate and confectionery items. Furthermore, greater interest in healthy lifestyles continues to drive consumption of sugar-free, organic and dark chocolate.

However, an increase in production costs, which consequently led to a surge in consumer prices, and changes in consumer preferences toward products with lower sugar content are key factors constraining market performance.

As a whole, the market is projected to grow by 1.8% each year between 2016 to 2025, putting the expected market value at \$20.7 billion by 2025.

In 2016, the value of shipments in the industry reached \$16.6 billion, increasing at an average annual rate of 3.9% from 2008 to 2016, thanks to strong demand in the domestic market amid rising population and incomes, which, in turn, drive retail sales and food services.

Furthermore, chocolate and chocolate-type confectionery products made from purchased chocolate and not retailed at a manufacturing establishment accounted for more than 60% of U.S. chocolate and confectionery manufacturing. Other products

lagged behind in terms of volume and shares:

- Chocolate and chocolate-type confectionery products made from cacao beans — 10% of total output
- Chocolate coatings made from cacao beans — 8%
- Chocolate and chocolate-type confectionery products made from purchased chocolate retailed at manufacturing establishment — 7%

Nonetheless, chocolate and chocolate-type products made from purchased chocolate and retailed at a manufacturing facility grew by 14.5% each year between 2008 and 2016. The other categories experienced more modest paces of growth.

IndexBox also noted approximately 15% of chocolate and confectionery items consumed in 2016 were imports, up 8% from 2008. The total value of chocolate and confectionery imports reached \$2.7 billion, with Canada and Mexico being the main suppliers at \$1.4 billion and \$518 million, respectively. Germany and Belgium followed, each accounting for 5%.

Meanwhile, the United States exported \$1.6 billion in chocolate and confectionery products in 2016, accounting for 10% of U.S. chocolate and confectionery output. From 2007 to 2014, the U.S. chocolate and confectionery export value showed steady growth, rising from \$775 million in 2007.

Canada received 40% of the United States' chocolate and confectionery exports, followed by Mexico (13%), South Korea (4%), Japan (3%), the Philippines (3%) and Brazil (2%). ■



The American Love Affair with Coffee Continues

The number of U.S. residents downing a daily cup of joe reached its highest level in six years

■ BY NACS ONLINE

The percentage of Americans drinking coffee on a daily basis jumped to 62% last year, up from 57% in 2016, according to the NCA's 2017 National Coffee Drinking Trends (NCDT) consumption tracking report, released last week.

The increase brings past-day overall coffee consumption back above 2014 levels, reversing slow declines since 2013. Among the drivers behind the increase was soaring consumer enthusiasm for gourmet coffee varieties across most demographics. Another key driver was a robust increase in past-day coffee drinking among younger consumers.

"More of us are drinking coffee,

and younger consumers appear to be leading the charge," said Bill Murray, NCA president/CEO, in a press release. "A steadily growing taste for gourmet varieties is also driving a wider trend toward specialty beverages."

While the frequency of daily consumption continued to grow for all age groups, the most robust increase occurred among those between the ages of 13 and 18, whose daily consumption rose to 37% in 2017, from 31% in 2016, capping a 14-point increase over 2014's 23%. The 40 to 59-year-old group showed an 11-point uptick over last year – moving from 53% in 2016 to 64% in 2017 – but the increase essentially restored levels seen in 2014. Those 60-plus moved to 68% in 2017 from 64% last

year, while the 25 to 39 year olds increased from 60% to 63%, and the 18 to 24-year-old cohort edged up to 50% from 2016's 48%.

Clearly, consumer enthusiasm for gourmet varieties also drove the year's overall consumption increase. The 2017 results show the largest one-year increase in past-day espresso-based beverages in NCDT history – a jump from 18% to 24%.

In another NCDT record, more than half of all cups of coffee consumed in the past-day were gourmet – 59% in 2017 versus 46% in 2012. "Non-Espresso-Based Beverages," a new category for 2017 consisting of non-espresso, gourmet coffee-based beverages, made a strong debut in past-week consumption: Frozen Blended (14%), Cold Brew (11%), Nitrogen-infused (3%). ■

Foodservice No. 1 Driver for C-store Stops

A new survey by AlixPartners found that prepared foods and dispensed beverages top the list of consumer purchases in convenience stores

■ BY NACS ONLINE

Convenience stores should focus on foodservice, including healthy options, according to a new survey from AlixPartners, Chain Store Age reports. Foodservice (27%) came in first for what consumers bought at convenience stores, followed by packaged beverages (17%) and cigarettes (13%). Foodservice included prepared foods as well as hot, cold or frozen dispensed beverages.

Foodservice eating and purchase frequency has been increasing, with a compound annual growth rate of 13.2% since 2012. However, the survey recommended that retailers who offer more choices for breakfast, lunch and dinner will be best able to continue that growth. To that end, healthier foods will be necessary because 45.6% of consumers want "better for you" options.

Other findings from its Convenience-Store Consumer

Survey include that factors going into stopping at a convenience store for a meal are location (21%), price (18%) and food quality (14%). However, older consumers favor location and convenience, while Gen X and millennials point to price and food quality as deciding factors.

Consumers also like convenience stores that offer in-store dining areas, drive-thru windows and delivery, as well as self-checkout, mobile coupons and mobile loyalty programs. ■



FDA Begins Process to Regulate Tobacco Flavors, Premium Cigars

The agency is asking stakeholders to comment on premium cigar usage and its impact on public health

■ BY NACS ONLINE

The Food and Drug Administration (FDA) has released its third notice on potential tobacco regulations in as many weeks. On March 26th, FDA released an Advanced Notice of Proposed Rule Making (ANPRM) on the regulation of premium cigars. As part of its 2016 “deeming” rule, FDA expanded its definition of tobacco products to include premium cigars. To that end, FDA wants stakeholders to comment on how premium cigars are defined and used along with potential

impacts they may have on the public’s health.

The March 26th notice follows an ANPRM from FDA on a possible tobacco standard on flavors—including menthol—that was released on March 21st. FDA is asking for public comments on the impact fruit and menthol flavors have on tobacco products’ usage. In the notice, the FDA said it “may consider restrictions on the sale and distribution of flavored tobacco products.”

FDA, under the Family Smoking Prevention and Tobacco Control Act (also called the Tobacco Act), regulates the

manufacture, distribution and retail sales of tobacco products. Last July, FDA announced a comprehensive, multi-year tobacco and nicotine regulation plan to reduce tobacco related disease and death. An ANPRM is the first step in that long-term regulatory process.

As previously reported in the Daily, FDA also issued an ANPRM on the amount of nicotine in cigarettes on March 15th.

Comments on nicotine levels in tobacco, tobacco flavors, and premium cigars are due to FDA by June 14, 2018, June 19, 2018, and June 25, 2019, respectively. ■

Online Grocery Sales to Reach \$100 Billion by 2022

That will be the equivalent to every U.S. household spending \$850 online annually

■ BY NACS ONLINE

By 2022, 70% of consumers could be doing a portion of their food shopping online. But many food manufacturers and retailers say they aren’t prepared to meet this surge in demand.

This is all according to the “Digitally Engaged Food Shopper” analysis presented by a partnership between the Food Marketing Institute and Nielsen. The research looks at how food and beverage manufacturers as well as brick-and-mortar retailers can respond to the ever-growing digital grocery landscape.

“The grocery industry is

currently in the age of digital experimentation, where the roadmap on how to navigate and achieve real and profitable growth continues to evolve,” said Chris Morley, U.S. President of Fast Moving Consumer Goods and Retail at Nielsen. “While analytics will continue to be critical for retailers and manufacturers to understand the digitally engaged food shopper on a deeper level, a collaborative approach to balancing physical and digital sales strategies is the key to unlocking omnichannel success.”

It isn’t just Amazon leading the charge anymore with its purchase of Whole Foods: Walmart is

enhancing its grocery-delivery service to reach even more cities and Target has acquired an online same-day delivery platform. One big challenge? Shipping perishable items like meat and produce. Companies need to put the right measures in place to really make consumers feel comfortable ordering these items online.

Regardless, it’s a huge challenge for smaller grocery chains. They simply don’t have the resources to offer the convenience that today’s consumers want. However, don’t worry quite yet: 97% of groceries are still purchased in stores and many shoppers want to pick out their produce themselves. ■



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Lipari Foods Acquires Wisconsin-Based Jim's Cheese, LLC. Increasing Cheese Manufacturing Capabilities

On Monday, March 5th, Lipari Foods, a leading Midwest food distributor based in Warren, Michigan, announced the acquisition of the cheese cutting and packaging business of Jim's Cheese, LLC. of Waterloo, Wisconsin.

Jim's Cheese is known for its large selection of specialty, aged and cut out cheeses and has been supplying great Wisconsin cheese since 1955. This acquisition will be a great addition to Lipari Foods offering of quality products and will expand its manufacturing capabilities. This acquisition will operate under the JLM Manufacturing division of Lipari Foods.

Lipari's plan continues to be the

premier "perimeter of the store and specialty" distributor. Spiro Liras, Vice President of Manufacturing at JLM Manufacturing, says: "We are excited to team up with an established, service-driven company like Jim's Cheese. Adding their capabilities to all that Lipari and JLM offer means increased value for all of our customers."

ABOUT LIPARI FOODS, LLC

Lipari Foods was founded in 1963, the next step in the career of Jim Lipari, who began by delivering unique products from the back of his Buick station wagon. Today Lipari Foods is a leading independent "perimeter of the store" distributor in the Midwest,

delivering a wide range of quality bakery, dairy, deli, packaging, seafood, meat, specialty grocery, foodservice, confectionery and convenience food and beverage products to over 7,500 customers across 16 states.

ABOUT JIM'S CHEESE, LLC

Jim's Cheese has been distributing Wisconsin's Finest Cheese since 1955. Located in Waterloo, Wisconsin, the facility includes a cut and wrap operation, cheese waxing operation, gift box assembly, cold storage and corporate offices. Jim's Cheese started out with four wholesale customers and today services over 2,000 customers in 12 Midwest states. ■

7 WAYS TO IMPROVE

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misses or close calls. These incident investigations, conducted with the participation of managers, workers, and safety experts, examine the chain or root causes that led to the incident and then develop recommendations for preventing them in the future.

WELCOME A REGULATOR AS A "CHEAP CONSULTANT"

A visit from an OSHA inspector often triggers fear, if not panic, especially among inexperienced managers. But many OSHA inspections lead to substantial improvements in a firm's operations. I was amused to hear an executive at one of the nation's largest chemical manufacturers tell me that he looked at OSHA

inspections as an inexpensive consultant, since our fines were always less than he would have to pay an industrial hygienist to do that same inspection for him.

In fact, most firms actually benefit from OSHA inspections, and I'm not just saying this because I worked there. According to researchers David I. Levine and Michael W. Toffel, OSHA's random inspections of high hazard establishments result in a 9% reduction in injuries that triggered workers' compensation claims in the four years following the inspection. On average, each inspection reduced employer expenditures for wage replacement and medical costs by \$350,000. Further, not only do the OSHA inspections prevent injuries, "they cause no discernible damage to employers' ability to stay in

business and no reductions in sales or credit ratings... Nor did we identify any effects of workplace inspections on wages, total payroll, or employment."

Today and every day in the future, corporate leaders need to reassess what safety means and how their company can achieve it. They need to recognize that safety is a value proposition, that safety management and operational excellence are inextricably linked. If you ask the CEOs of companies who take this seriously, my bet is you won't hear the same old tired line that "safety is a priority." They understand that safety is not a priority — it is an essential precondition of their work. It is a fundamental component of their operating culture. Safety, ultimately, is at the core of what they do. ■



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SODA POP, WATER, JUICES & OTHER BEVERAGES

 Monster Energy Company ... 1-800-666-6233
 Muscle Milk 1-800-666-6233
 Lipton Rebate Program/Pepsi Beverages
..... Detroit  1-800-368-9945
..... Howell  1-800-878-8239
..... Pontiac  (248) 334-3512
..... Cleveland  (216) 252-7377
..... Twinsburg  (330) 963-5300

 Coca-Cola Refreshments *(Metro Detroit Program)*
..... Metro Detroit  (313) 868-2008
..... Belleville  (734) 397-2700
..... Port Huron  (810) 982-8501
..... Cleveland  (216) 690-2653

 Faygo Beverages, Inc.  (313) 925-1600
Absopure Water Company (734) 207-4906
Dr. Pepper Snapple Group/7UP (313) 937-3500
LXR Biotech, LLC (248) 836-4373

TOBACCO COMPANIES & PRODUCTS

8 Mile Smoke (844) 678-6453
Altria Client Services (513) 831-5510
R.J. Reynolds Tobacco Company (336) 741-0727

UNIFORMS, LINENS, WORK WEAR & SUPPLIES

 Detroit Chemical & Paper Supply /
1st Impressions (586) 558-8805
 Socks Galore Wholesale (248) 545-7625
 UniFirst Corporation . (888) 256-5255 ext. 232

UNEMPLOYMENT DEFENSE

 Packer & Associates (248) 348-5610

WASTE DISPOSAL & RECYCLING

 Midwest Recycling  *(American Red Cross boxes)*
..... (313) 304-9099

WINE & SPIRITS COMPANIES

 Benchmark Beverage Co. 1-800-666-6233
Cornerstone Wine Distributor (586) 839-2552
Diageo 1-800-462-6504
Heaven Hill Distilleries 1-800-348-1783
Luxco (313) 333-4637
Native Spirits Limited (602) 741-6119
Pernod-Ricard USA (248) 717-3177
Proximo Spirits (810) 278-0599
Remy Cointreau USA (248) 347-3731
Southern Glazer's Wine & Spirits of Michigan
..... (248) 698-1660
Vektor Vodka (602) 741-6119

WINE & SPIRITS DISTRIBUTORS

Great Lakes Wine & Spirits 1-888-860-3805
RNDC of Michigan 1-888-697-6424

FOOD RESCUE / FOOD BANKS

MICHIGAN

Feeding America West Michigan Food Bank
..... (616) 784-3250
Feeding America West Michigan Food Bank -
Benton Harbor (269) 983-7229
Feeding America West Michigan Food Bank -
Cadillac (231) 779-0056
Feeding America West Michigan Food Bank -
Ishpeming (906) 485-4988
Feeding America West Michigan Food Bank -
Sault Ste. Marie (906) 632-0348
Food Bank of Eastern Michigan (810) 239-4441
Food Bank of South Central Michigan .. (269) 964-3663
Food Gatherers (734) 761-2796
Forgotten Harvest (248) 967-1500
Gleaners Community Food Bank (866) GLE-ANER
Greater Lansing Food Bank (517) 908-3680
Kalamazoo Loaves & Fishes (269) 343-3663
The Manna Food Project (231) 347-8852
Western Upper Peninsula Food Bank ... (906) 482-5548

OHIO

Akron-Canton Regional Foodbank (330) 535-6900
Cleveland Foodbank (216) 738-2265
The Foodbank, Inc. (937) 461-0265
Freestore Foodbank (513) 482-4500
Mid-Ohio Foodbank (614) 274-7770
SE Ohio Foodbank & Kitchen (740) 767-4500
Second Harvest Food Bank of Clark, Champaign and
Logan Counties (937) 325-8715
Second Harvest Food Bank of North Central Ohio
..... (440) 960-2265
Second Harvest Food Bank of the Mahoning Valley
..... (330) 792-5522
Shared Harvest Foodbank (800) 352-3663
Toledo Northwestern Ohio Food Bank ... (419) 242-5000
West Ohio Food Bank (419) 222-7946

ILLINOIS

Central Illinois Foodbank (217) 522-4022
Eastern Illinois Foodbank (217) 328-3663
Greater Chicago Food Depository (773) 247-3663
Northern Illinois Foodbank (630) 443-6910
Peoria Area Food Bank (309) 671-3906
River Bend Foodbank (563) 345-6490
St. Louis Area Foodbank (314) 292-6262
Tri-State Foodbank (812) 425-0775





MAY 8, 2018

AFPD'S 34TH 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.

Burton Manor // Livonia, Michigan

JUNE 19, 2018

AFPD FOUNDATION'S 10TH 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, Ohio and Illinois. Help the AFPD Foundation invest in the leaders of tomorrow. Tickets and sponsorship opportunities available.

Detroit Athletic Club // Detroit, MI

JULY 18, 2018

AFPD'S 42ND ANNUAL MICHIGAN GOLF OPEN

A day on the course includes breakfast, lunch, 18 holes of golf and samples at every hole! Last year we sold out! Sponsorship opportunities are available.

Fox Hills Golf & Banquet Center // Plymouth, MI

SEPTEMBER 6, 2018

AFPD'S 20TH ANNUAL HOLIDAY FOOD & BEVERAGE BUYING SHOW

As Michigan's premiere holiday show, retailers and on- and off-premise licensees come from miles to see, sample and buy a wide variety of new products. Admission for AFPD members is free. Must be 21 years or older to attend this show.

Suburban Collection Showplace // Novi, MI

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HERE FOR YOURS.



Our Family® anchors a broad portfolio of private brand items currently provided to retailers like you.



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Experience unique flavor profiles from around the world



Natural and organic selections

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A full line of quality baby care



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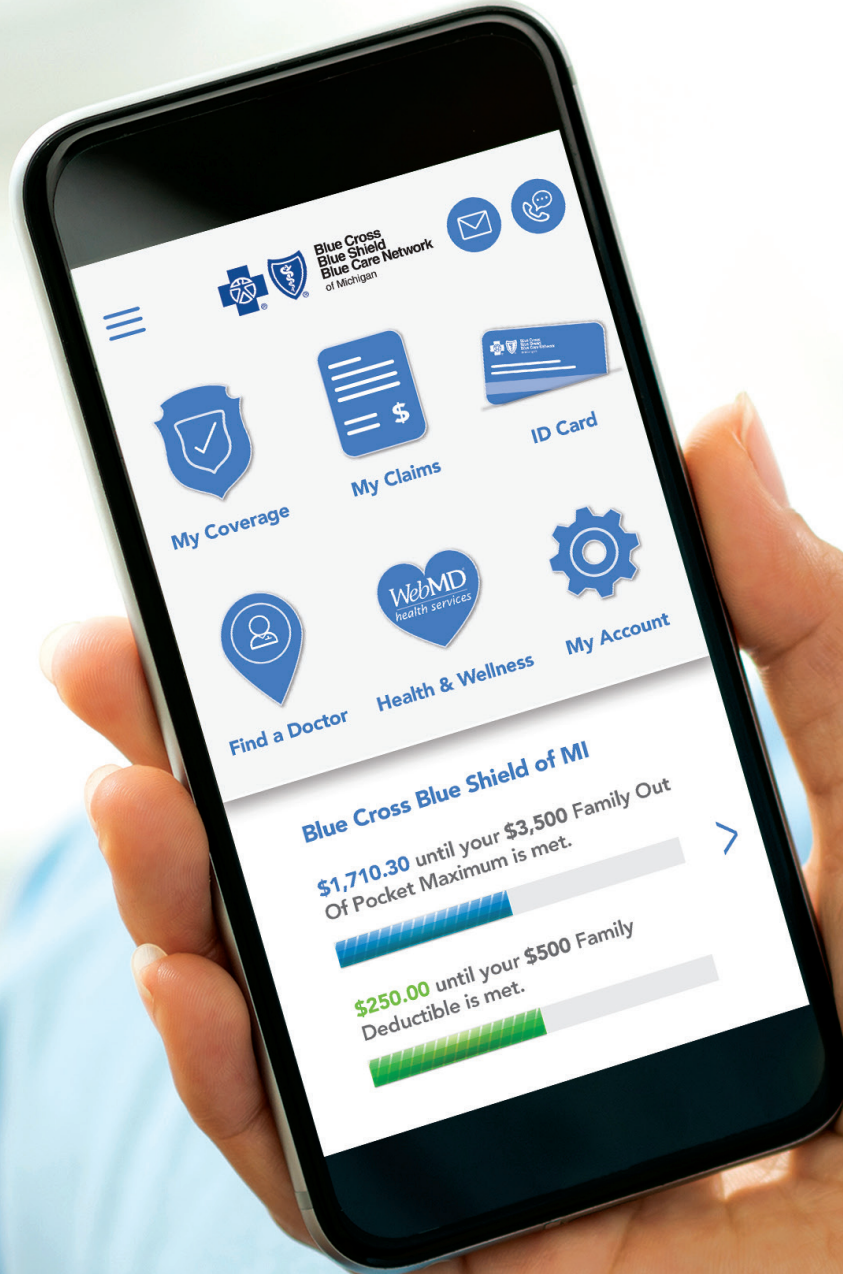
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