

BottomLine



THE VOICE OF MIDWEST INDEPENDENT RETAILERS // VOL. 30, NO. 5 // MAY 2019



**CBD: What You Need
to Know**

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BottomLine



THE VOICE OF MIDWEST INDEPENDENT RETAILERS
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features



TRADESHOW TAKEAWAYS

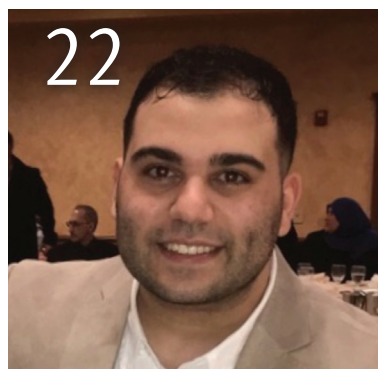
MIRA's three wholesaler partners S. Abraham and Sons, Inc, Team Sledd and McAneny Brothers just concluded their spring shows. Each of them had on display numerous programs and solutions that will give their customers the ability to compete and grow sales in an everchanging marketplace. Many of these programs are in the food service category, but are not limited to just foodservice.



COVER STORY //

CBD: WHAT YOU NEED TO KNOW

It's true that the 2018 Farm Bill legalized hemp production, but it doesn't give retailers total freedom to sell cannabidiol (CBD); the U.S. Food and Drug Administration (FDA) is citing lack of clarity and they are taking action.



KEEPING IT IN THE INDUSTRY

As the Midwest Independent Retailers Association (MIRA) continues to grow in the state of Ohio, the association has brought a new face on board that will further allow the association to make a positive impact for their members and leave a lasting impression in the state.



president's message

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

A Magic Bullet Does Exist

In an everchanging retail environment, so many retailers are reaching to find the next big thing. The new profit center for their business, something that will make them stand out and something to make them quick money with big margins. While so many in the world are going crazy over CBDs and marijuana and supplemental pills, we were forced to start writing about some of these non-traditional retail issues. Even some major pharmacies are raising the age for tobacco sales and some are even eliminating tobacco altogether and are starting to sell CBDs and other items instead.

In the past, I have written that a magic bullet does not exist. That hard work and finding your own niche was the best thing you can do to be successful. However, with the frenzy being caused by CBDs after the President signed the Farm Bill, we did our research and wanted you to share a few things with you.

While some think they will get rich quick off of medical and even recreational marijuana and now CBDs, the fact of the matter is all of this is a reach. None of this is proven through consumer demand, when supply becomes available on every corner. However, there IS a magic bullet that has now been proven to grow your business by double digits in every retail channel, and that money maker is prepared foods.

Every channel in the retail industry (grocery, liquor store, c-store, etc) has shown year over year growth from prepared foods and the profit margin is there! Something so simple, something that is in your face and on every corner, yet people keep eating it up and fueling your profits! It is no surprise that some of the best c-stores that offer prepared foods in Pennsylvania and surrounding states are being compared to McDonalds and other fast food giants by your everyday consumer. If you build it, they will come! Retailers like Plum Market keep opening up prepared food focused on a smaller footprint, because they work. People want to eat high quality food and consumers are willing to pay a premium, because the quality and variety is there and yet it's still less expensive than a restaurant.

The MIRA Board of Directors has never looked favorably on unregulated pills, CBDs or marijuana, because many are concerned about the long term harm to our communities, workforce and society in general and nothing has changed. We just wanted to shed some light on CBDs in this issue, because of all the calls we have been receiving lately. The key is knowing your state and local government regulations. Maybe I am old fashioned, but recently, a supplier member asked me about the legality of selling certain pills and products like CBDs and I asked him has he ever tried them himself? He quickly answered, "No, I have not. Why would I need them?" My response was simple, if they are too risky/dangerous for your own use, why would you sell them to your customers? This holds the same for retailers selling to your customers. You may smoke or you may drink spirits or beer or who knows, smoke marijuana, we are not here trying to pass judgement on anyone, but we are saying is PLEASE KNOW WHAT YOU ARE SELLING TO THE NEIGHBORHOODS YOUR SERVE! As family owned businesses, if you would not want your son or daughter to buy and use certain products, why in the world are you selling them in our neighborhood? If the sole answer is a quick dollar, there are other PROVEN ways to make money like with prepared foods. God bless & Happy Mother's Day to all the moms out there! ■

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petroleum news & views

EDWARD WEGLARZ // MIRA DIRECTOR, PETROLEUM

Springtime Outlook

Spring is here and it looks like gas prices are staying at the highest levels we've seen in quite a while. Adding to the higher prices is the change-over from Winter to Summer blends of gasoline as required by the USEPA.

Make your station a desirable place to visit, both inside and outside. Motorists prefer clean, well-lit stations.

Offer some specials inside the store on products and services that you offer. Promote those specials with POS at the pump and flyers at the cash register.

Customers make choices every day regarding where and when they are going to make a purchase. You need to be standing out from the pack and attract that motorist.

Ask your suppliers what specials they can co-op with you to promote or help with the advertising.

Provide incentives for your employees who sell the most specials. Think outside-the-box: it's a competitive world we are in.

Also, review your files to be sure you are completing the proper I-9 Forms when hiring new employees. Investigators are visiting retailers and asking for those documents on all hires. One location was assessed a \$35,000. fine for using an outdated form! Also, if you have underground storage tanks be sure you have the quarterly Class "B" inspection forms on file and on-site for an inspector to review upon an unannounced compliance check. And, just a reminder that the most recent four (4) months of original tobacco invoices must be immediately available for inspectors to review upon unannounced visits to your store! The inspectors will not wait for you to return to your store to unlock your office to provide the tobacco invoices. They will start confiscating your cigarette inventory. Save your self the trouble; have the original invoices immediately available.

Please review the information contained in MIRA's monthly magazine and read the weekly eblast to keep up-to-date on what's going on. ■



MIRA MERCHANT SERVICES



Exclusive credit card processing program for MIRA members. No matter how you want to accept payments, MIRA has a solution that will flawlessly fit your business needs!

Let us review 2 or 3 of your monthly statements and we will guarantee you savings or MIRA will pay your annual membership dues (one time only).



Payment Processing

We offer an array of payment processing solutions to help you grow your business and accept payments in-person.



Emerging Markets

Do you need to accept payments in a non-traditional way? We offer a wide array of customized solutions in emerging markets such as healthcare, education, rent, and business-to-business transactions.



Reporting

Our reporting system gives your business the ability to stay up-to-date with real-time reporting at your fingertips any time, any where - making it easy to manage your business.



eCommerce

Safe and secure solutions that allow your business to accept payments online with online shopping cart integrations.



Business Funding

We partner with a direct lender that provides funding to small businesses nationwide. Your business can receive loans, cash advances, or credit lines to help your business prosper.



Security

Protect your business and your customers. We make it a priority to educate you on how to reduce counterfeit and fraud through acceptance and best practices.

TO SIGN UP FOR THIS PROGRAM, CALL THE MIRA OFFICE AT (800) 666-6233 OR EMAIL INFO@MIRAMW.ORG

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MIRA MEMBER EXCLUSIVE



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All the time.

Details:

New & current customers are eligible for the following rebates:

- 2% Non-Tobacco/Non-Cigarette
- Additional 1% on Energy Supplements (Total of 3%)
- Additional 2% on Foodservice products (Total of 4%)
- Additional 2% on Supplies (Total of 4%)

Requirements:

Customer must purchase the following categories:

- Cigarettes
- OTP
- Energy Supplements
- Supplies

• Coffee (If offered by retail operator)

Customer needs to average \$3,500 in total weekly purchases

Customer needs to purchase 12 out of the 13 weeks per quarter

Customer must maintain good credit standing

• TOTAL VALUE TO YOU •

\$1,350

Estimated Rebate*
(Annual Total Paid Quarterly)

\$2,000

Est. MIRA Member
Program Savings

\$3,350

**Total Member Benefits
PER LOCATION**

* Based on \$1,000 non-tobacco purchases weekly

**For more information on Team Sledd, call the office at 800.333.0374
or E-mail Sheila Reilly at SReilly@TeamSledd.com**



c-store news & views

JIM GREEN // MIRA VICE PRESIDENT, PROGRAM DEVELOPMENT

Tradeshow Takeaways

MIRA's three wholesaler partners S. Abraham and Sons, Inc, Team Sledd and McAneny Brothers just concluded their spring shows. Each of them had on display numerous programs and solutions that will give their customers the ability to compete and grow sales in an everchanging marketplace. Many of these programs are in the food service category, but are not limited to just foodservice. With summer just around the corner, now is the perfect time to make some decisions on implementing for the summers season.

After attending these shows one quick takeaway is the Alligator Ice Program, which all three distributors offer. Summer is the absolute best time to feature this product. MIRA members can work with these distributors to create pump topper or window signs that attract customers to come into the store and enjoy a premium summer slush. Retailers can easily offer a 20oz. cup for \$1.69. With an estimated cost of 3¢ per ounce and 13¢ for cup and lid, retailers will make nearly 60% profit on each sale. MIRA also has a program with Alligator Ice, in which they will provide 6 free cases for all new retailers that purchase the equipment and begin selling the product.

Another easy to implement program offered by all three distributors is Bellarico's Pizza. This program is great for operators just getting started with food service and even more mature food service operators. It's a fully topped pizza that just needs to be heated and is ready to serve. They offer 7 different styles of pizza, Pepperoni, 5 Cheese, 4 Meat, Supreme, Buffalo Chicken, Veggie and Breakfast. Retailers can easily earn 50% - 60%. MIRA members can get into the program that includes all the equipment for \$995. One of the added benefits of this program is that the hot case can be used for other hot grab-n-go items like Advanced Pierre' Foods breakfast sandwiches, Big AZ Burgers and chicken sandwiches. All of which are stocked by these distributors. This gives each retailer the opportunity to have a solid offering for all day parts.



One program that drew a lot of attention at Team Sledd's Show was a self-serve check cashing kiosk, which can be a great foot traffic builder. Approximately one in four working Americans are underbanked and have need for a check cashing service. While the equipment typically costs around \$35,000, MIRA members will receive a discount. Most of this cost can be financed over 5 years. The operator makes approximately 1.6% on all checks and the provider guarantees the funds if the kiosk accepts the check. The real profit generator from this program is not the 1.6% you earn on all checks cashed. When a customer comes into your store and cashes a \$500 check and now has the money in their hands, they are more likely to spend a portion of that money in your store before leaving. They also do a detailed analysis of your market to ensure this program will be a good fit for your location prior to taking an order for the machine.

McAneny Brother's had on display an exceptional produce offering. They offer bulk produce and repack top items into small cases for convenience stores and small markets. Sales of produce in convenience stores totaled about \$242 million per year last year, according to Jeff Lenard, vice president of strategic industry initiatives, National Association of Convenience Stores. It is an example of new opportunities for convenience retailers. For MIRA members thinking about adding a produce offering in order to attract new customers, McAneny Brother's can be the perfect solution. ■



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Big Business Opportunities • Small Business Service

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SHIPPING
INTEGRITY

CATEGORY
MANAGEMENT

EDI DATA SUPPORT

PROMOTIONAL
TOOLS

SALES SUPPORT

MIRA rebate program details:

- Minimum order of \$800, must purchase weekly to qualify.
- We service PA, OH, MD & NY.
- 2% Non-tobacco / non cigarette rebate.
- Plus and extra 1% if purchasing energy supplements
- Plus an additional 2% if purchasing foodservice products
- Plus an additional 2% if purchasing supplies

Customer must purchase these categories to qualify:

- Cigarettes
- Smokeless & other tobacco
- Energy supplements
- Coffee

Subject to pre-qualification by McAneny Brothers



michigan lottery report

BRIAN O. NEILL // MICHIGAN LOTTERY COMMISSIONER

Money Match Instant Game Family Expected to Generate Player Interest; Boost Sales

The Michigan Lottery's instant games portfolio has performed at record levels for four years in a row. In 2015, Lottery instant game sales eclipsed \$1 billion for the first time with double-digit growth. Sales growth continued in 2016 and 2017 with double digit percentage growth year-over-year. Final results for 2018 show instant game sales grew an impressive 13% from 2017 to a record \$1.5 billion.

The instant games momentum has carried forward into 2019, with sales for the first half of the fiscal year up about 13% compared to the first six months of 2018. The Lottery is launching a new family of "Match" instant games in May to help maintain player interest and continue that sales momentum.

The "Match" instant games launch May 7th. Players may choose from a variety of price points: \$1, \$2, \$5, and \$10. The new games also offer players a range of top prizes. The games are:

- **\$5,000 Money Match** – A \$1 ticket with top prizes of \$5,000, and more than \$6 million in total prizes.
- **\$50,000 Money Match** – A \$2 ticket with top prizes of \$50,000, and more than \$20 million in total prizes.
- **\$500,000 Money Match** – A \$5 ticket with top prizes of \$500,000, and more than \$29 million in total prizes.
- **\$1,000,000 Money Match** – A \$10 ticket with top prizes of \$1 million, and more than \$54 million in total prizes.

We expect the variety of price points and prizes will make the "Match" family of games attractive to a large number of players and expand the already strong interest and purchases of instant games.

NEW FAST CASH GAMES LAUNCHING MAY 5TH

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.

To capitalize on the Fast Cash popularity, four new games are being launched on May 5th:

- **Bowling Bucks II** – Each \$1 ticket offers players a chance to win prizes ranging from \$1 up to \$100 and 10% of the Fast Cash progressive jackpot.
- **Whole Lotta \$100s** – Each \$2 ticket offers players a chance to win prizes ranging from \$2 up to \$500 and 20% of the Fast Cash progressive jackpot.
- **Doubler Wild Time Progressive** – Each \$10 ticket offers players a chance to win prizes ranging from \$10 up to \$6,000 and 100% of the Fast Cash progressive jackpot.
- **Jumbo Jackpot Slots** – Each \$20 ticket offers players a chance to win prizes ranging from \$20 up to \$10,000 and 100% of the Fast Cash progressive jackpot plus \$250,000.

Fast Cash also has 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 \$1.9 million in redemption commissions. ■

INSTANT TICKETS // PULL TAB TICKETS

NEW INSTANT TICKETS:

On sale April 30th:

- IG 298 – \$5,000 Money Match – \$1
- IG 299 – \$50,000 Money Match – \$2
- IG 300 – \$500,000 Money Match – \$5
- IG 301 – \$1,000,000 Money Match – \$10

INSTANT GAMES SET TO EXPIRE:

Expiring May 6th:

- IG 202 – \$2 Wild Time Series – \$2
- IG 216 – Crusin' – \$2
- IG 223 – Platinum Wild Time – \$10
- IG 786 – Cash in a Flash – \$2

Expiring June 3rd:

- IG 201 – Wild 1's – \$1
- IG 776 – Max Money – \$30

NEW PULL TAB TICKETS:

On sale April 30th:

- MI 542 – Lightning Cash – \$.50
- MI 550 – Mammoth Money – \$1

PULL TABS SET TO EXPIRE:

Expiring May 14th:

- MI 502 – \$30,000 Super Slots – \$5
- MI 512 – Lucky Loot Multiplier – \$2
- MI 597 – Bigfoot's Fortune – \$1
- MI 599 – \$15,000 Jackpot – \$2
- MI 581 – Win Pigs Fly – 50¢

Expiring June 6th:

- MI 506 – Neon Bars – \$.50

Expiring June 11th:

- MI 515 – Ms. Pac Man – \$1

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

THERE'S FUN IN EVERY ONE!

Players love Instant Games! There are dozens to choose from and millions in cash prizes. Last year, retailers earned \$109 million in commissions on Michigan Lottery instant tickets. So keep plenty in stock because what's fun for players means profits for you.

MICHIGAN LOTTERY INSTANT GAMES™

The collage features four individuals: a man with curly hair holding a 'CASHWORD' ticket, a woman holding a 'WILD TIME FORTUNE' ticket, a man holding a 'PLATINUM 7' ticket, and a woman holding a 'MICHIGAN WILD BINGO' ticket. Below them are several '\$500,000 Money Match' tickets with various prize amounts and a '\$1,000,000 Money Match' ticket. A '\$5,000 Money Match' ticket is also visible. The tickets are displayed in a way that shows their designs and prize amounts.

MEET YOUR MATCH WITH THE NEW *Money Match* INSTANT GAMES!

Over \$104 million in total prizes

Overall odds of winning \$5,000 Money Match: 1 in 4.78. Overall odds of winning \$50,000 Money Match: 1 in 4.62. Overall odds of winning \$500,000 Money Match: 1 in 4.13. Overall odds of winning \$1,000,000 Money Match: 1 in 3.78. 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

State Gasoline Tax

The Ohio General Assembly, after missing the deadline to pass the Transportation Budget HB62 due to differences between House and Senate, came to agreement on April 1st. After the conference committee put out a bill report, both houses then approved the report and sent it to Governor DeWine. Governor DeWine signed the bill into law on April 2nd with no line item vetoes, which is unusual as most Governors find at least one thing they don't agree with and exercise their veto power. Also very unusual was the fact that even though Republicans hold huge majorities in both Houses, 24-9 in Senate and 61-38 in House, they

didn't have enough Republican support to pass the bill. They needed Democrats in both Houses which is almost unheard of on budget bills.

Here's what's of interest to MIRA members: Effective July 1, 2019, the state gasoline tax will increase by 10.5¢ per gallon for a total of 38.5¢. Diesel gas will increase by 19¢ per gallon for a total of .47¢. Electric vehicles will pay an additional \$200 a year for registration fees and Hybrid vehicles an additional \$100 a year. CNG vehicles will be charged the gasoline tax equivalent. Also, the bill charges the Ohio Department of Agriculture with producing a sign that indicates the amount of tax paid at the pump at both state and federal levels. Additionally, county auditors must indicate how many of these signs they need to post on all gasoline pumps in their counties. There is no cost to service station owners and the owners can choose to put the signs on their front entrances, on the pump or on pump videos, if so equipped. It's not clear when these signs will be available as the Ohio Department of Agriculture has said they don't have money in the budget to produce these signs just yet.

It was thought the Governor would line item veto this language but he let it stand. ■





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Velvet Ice Cream Rebate Program



- New & current MIRA/Velvet customers receive a 3% quarterly rebate.
- Rebate checks are sent from MIRA.



TO SIGN UP FOR THIS PROGRAM, CALL THE MIRA OFFICE AT (800) 666-6233 OR EMAIL INFO@MIRAMW.ORG



ohio liquor report

JIM V. CANEPA // OHIO DIVISION OF LIQUOR CONTROL

Trade Practice Reminders

As Superintendent of the Division of Liquor Control (Division), I would like to take this opportunity to answer some recent stakeholder questions.

GLASSWARE

The Division has recently seen an increase in the number of questions received regarding the provision of glassware to retail permit holders. The Division is providing the following information to educate all members of Ohio's Three-Tier System.

Ohio's Tied House Law, R.C. 4301.24, prohibits a manufacturer or wholesale distributor from aiding or assisting a retail permit holder by "gift or loan of any money or property of any description or other valuable thing, or by giving premiums or rebates." It also prohibits the retail permit holder from receiving any such items. The Ohio Liquor Control Commission (Commission) has codified exceptions to the general Tied House prohibition, many of which are found at O.A.C. 4301:1-1-43. With regard to glassware, this rule states:

- No manufacturer or wholesale distributor of alcoholic beverages shall furnish advertising specialties or utilitarian specialties to any retail permit holder at less than their full cost, including glassware or other containers intended for the serving of alcohol beverages, except that:
- Trays, bar caddys, bar mats, matches, crumbers, stir sticks, menu cards, paper coasters, foam scrapers, olive picks, back bar display pieces, lighters, cigar cutters, T-shirts, hats, wine bottle seals, buckets, glassware or other containers intended for the serving of alcohol beverages, and other similar items, which bear a brand name or logo for any type of alcoholic beverage, may be furnished by the manufacturer or supplier free of charge to any retail permit holder. The cost of each item shall not exceed twenty-five dollars per item and at no cost to the wholesale permit holder. However, no manufacturer or supplier shall furnish to an individual retail permit holder more than \$25 worth of glassware or other containers intended for the serving of alcohol beverages at one time, and shall not furnish glassware to an individual retail permit holder more than twice per year. (Emphasis added.)

As such, a manufacturer or supplier may furnish up to \$25.00 worth of glassware to a retail permit holder, up to twice a year. The cost of the glassware cannot exceed \$25.00 per item. A manufacturer, wholesale distributor, or retail permit holder who furnishes or receives more than that, or who furnishes or receives items other than those specifically identified in the Commission's exceptions, would be in violation of the Tied House prohibition.

SPIRITUOUS LIQUOR SIZE REQUIREMENTS

R.C. 4301.19 prohibits the Division from selling spirituous liquor containers holding one-half pint or less except at retail through its Contract Liquor Agents. The exception to this prohibition is that the Division may sell 50 ml. sealed containers to permit holders authorized to sell spirituous liquor for on-premises consumption. What does this mean to manufacturers, brokers, and retail permit holders?

Manufacturers and brokers should not be soliciting retail permit holders to purchase products in containers of one-half pint (200 ml.) or less, with the exception of 50 ml. containers. Retail permit holders selling spirituous liquor for on-premises consumption are limited to purchasing containers holding 50 ml. or holding more than a half pint of spirituous liquor.

ADVERTISING

The Division frequently receives inquiries regarding permitted and prohibited forms of advertising. The Advertising Rule, Ohio Administrative Code 4301:1-1-44, is enacted by the Ohio Liquor Control Commission (Commission). This rule specifies what a permit holder may or may not do in advertising.

While a manufacturer, supplier, or wholesale distributor is prohibited from stating or giving the name or address of any permit holder where that manufacturer's, supplier's or wholesale distributor's products may be obtained or purchased, there is one exception. That information may be given in response to a direct inquiry from a consumer when the names of two or more unaffiliated retail permit holders are given. With regard to electronic advertising, posting that information directly on a website homepage is not sufficient to meet the requirement of an inquiry from a customer. The Division has repeatedly indicated, however, that a "Click Here for Where to Buy Our Products" type of button on a website, which takes the consumer to another page where the proper information is listed, is sufficient to equate to a direct inquiry from a consumer.



The Division has received additional inquiries regarding the applicability of the advertising rules and regulations to social media. While the Commission has been solicited to exempt social media types of advertising e.g. Facebook, Instagram, Twitter, from the prohibitions listed in the rule, the Commission has opted not to do so. Additionally, the Division notes that its federal counterpart, the Department of the Treasury, Tax and Trade Bureau (TTB) has likewise indicated that advertising of any sort, whether paid or free, social or otherwise, is subject to the same rules and regulations. (See TTB Industry Circular 2013-01, which may be found at https://www.ttb.gov/industry_circulars/archives/2013/13-01.html.) As such, permit holders are reminded that, regardless of the form of advertising, it must comply with the requirements of the rules.

STOCKING VS. ROTATION OF PRODUCT BY MANUFACTURERS, WHOLESALE DISTRIBUTORS, OR SUPPLIERS

It has come to the Division's attention that there may be some confusion as to what is permissible in Ohio with regard to the stocking or rotating of product. Simply stated, stocking a retail permit holder's shelves is prohibited. Rotating product for freshness is permissible under the limitations set out in O.A.C. 4301:1-1-43.

Stocking is defined at O.A.C. 4301:1-1-43(B)(5)(f) as "the refilling or replenishment of empty or partially empty shelves or displays." Rotation or rotating is defined in O.A.C. 4301:1-1-43(B)(5)(g) as "the rearrangement of alcoholic beverages within a pre-assigned space, moving the older containers to the front and the newer containers to the back, to ensure that the older containers sell first." The activities that qualify as rotating product are generally described in the rule, however, these activities do not include moving product from the storage area of a retail permit premises and placing it on the retail permit holder's shelves or in a cooler space. Also excluded would be the placement of product at a permit premises that doesn't have a stock room, such as a carry out or "beer cave." Once the product is delivered, it is the responsibility of the retail permit holder to place it where they want it for storage or sale, with the exception of rotating existing stock for freshness.

The facts and circumstances in a particular case will be the determining factors as to whether a violation exists. Every conceivable scenario related to the issue of permissible rotating activities, as opposed to prohibited stocking activities, cannot be addressed in a reminder such as this. The purpose of this reminder is merely to put all industry members on notice that the Division has the duty and obligation to enforce the liquor laws and rules as enacted, and fully intends to do so.

This duty includes issuing warnings or citations to manufacturers, wholesale distributors, and suppliers who engage in the stocking of retail permit holder's shelves and coolers. As an additional reminder, a manufacturer, supplier, or wholesale distributor cannot pay a third party to engage in prohibited activities on their behalf. Further, depending on the facts and circumstances, the retail permit holder at whose premises stocking activity is observed is also subject to warnings or citation. Finally, I would also like to note that if a manufacturer's, wholesale distributor's, or supplier's personnel wore a retail permit holder's employee uniforms or other work apparel to avoid detection while stocking shelves, they would be in violation of the rule. Citations will be issued if such activities come to light in an investigation.

REGISTERED SOLICITORS

Persons representing manufacturers, suppliers, brokers, brands, and wholesale distributors who are out in the marketplace, promoting products to retail permit holders and educating consumers about those products, are typically identified as a "Trade Marketing Professional," or "Brand Ambassador." These persons are employees or under contract with a trade marketing company, which solicits the purchase of beer and intoxicating liquor, and educates the public about those products. The Division is finding that many of these individuals are not registered as Solicitors with the Division. The Division registers the individuals, not the company that they work for. These individuals are required to pay a biennial \$50 fee and file an Application for Solicitor Registration (DLC Form 1504), found on the Division's website at https://www.com.ohio.gov/documents/LIQR_1504.pdf. Manufacturers, Suppliers, Brokers, and Wholesale Distributors are reminded that they are responsible for the people who are marketing their products and need to make sure they've complied with the registration requirement as well as the rest of Ohio law.

IN CONCLUSION

The purpose of this reminder is to educate and put all industry members on notice that the Division has the duty and obligation to enforce the liquor laws and rules as enacted. Violations of the above-mentioned requirements, or any other requirements under Ohio law, will result in citations. If you have questions about the above information, feel free to call Sharon Mull, Assistant Division Counsel, in the Division's Legal Section at (614) 644-2489.

All of the Ohio liquor laws and rules referenced above may be accessed via the Division's website at www.com.ohio.gov/liqr under "Resources."

Thank you for your efforts to ensure that your companies are in compliance with Ohio's liquor laws and rules. ■



A Plan for E-Cigarettes and Vaping Products

As detailed in the new draft guidance, “Modifications to Compliance Policy for certain Deemed Tobacco products,” the U.S. Food and Drug Administration (FDA) would bar gas stations as well as convenience stores from selling a majority of flavored electronic cigarettes.

“These restrictions,” says MIRA program developer Jim Green, “will be finalized and implemented over the course of the next few months. As a result, if minors are not restricted from entering or if those items are not sold in a separate location in the store that is restricted to minors, brick-and-mortar retailers will not be able to sell flavored electronic cigarettes other than tobacco, menthol, or mint.”

Receiving a number of requests from the public, the agency has extended the comment period by 15 days. The comment period ended on April 30th. The agency, says Green, believes the 15-day extension will “allow adequate time for additional comments to be submitted without significantly delaying the process to finalize the guidance.”

The law is clear in that retailers must check photo identifications of everyone younger than age 27 who attempts to purchase any tobacco product. They can only sell tobacco products to customers who are 18 or older.

E-cigarettes and vaping products are extremely popular among high school and middle school students, which is why Rite Aid has decided to stop selling the products, according to reports last month in the New York Times.

The pharmacy chain has

committed to phase out the products in its 2,400 stores, but will continue selling regular tobacco products, per the New York Times. CVS first curbed the sale of tobacco products in 2014, and Walgreens said they are open to a conversation about e-cigarettes and vaping products, per the New York Times.

The Food and Drug Administration formally released its proposal this past March to restrict the sale of flavored vape products, in the hopes of curbing their popularity among teens.

The report basically says that brick-and-mortar stores must either keep out everyone younger than 18 or keep their e-cigarette supplies in a separate room inaccessible to underage customers. Online retailers must use age-verification tools.

As stated in the background section of the new guidance program, the Family Smoking Prevention and Tobacco Control Act (Tobacco Control Act) (Public Law 111-31) granted FDA the authority to regulate the manufacture, marketing, and distribution of cigarettes, cigarette tobacco, roll-your-own (RYO) tobacco, and smokeless tobacco products to protect the public health and to reduce tobacco use by minors. The Tobacco Control Act also gave FDA the authority to issue regulations deeming other products that meet the statutory definition of a tobacco product to be subject to chapter IX of the Federal Food, Drug, and Cosmetic Act (FD&C Act) (21 U.S.C. 387 through 387u) (section 901(b) of the FD&C Act).

In accordance with that authority, on May 10, 2016, FDA

issued a final rule deeming all products that meet the statutory definition of a tobacco product, except accessories of deemed tobacco products, to be subject to FDA’s tobacco product authority. This included electronic nicotine delivery systems (ENDS), cigars, waterpipe (hookah) tobacco, pipe tobacco, nicotine gels, and dissolvables that were not already subject to the FD&C Act, and other tobacco products that may be developed in the future.

The e-cigarette industry is growing. “This category is expected to grow 15% to 20% per year through 2023,” said Green. The tobacco industry has seen a decline. “Cigarette volume declined approximately 4.5% in 2018 and is predicted to decline 4% to 5% a year through 2023.”

Cigarette volume has always been a foot traffic driver for the C-Store industry. “Given the cigarette decline our industry is facing coupled with being prevented from selling e-cigarettes will be detrimental to C-Stores operators,” said Green. “This new policy would prevent C-Stores from gaining their fair share of e-cig sales. This is especially troubling given the C-Store industry’s proven track record to be able to execute age verification.”

MIRA was one of various associations encouraging retailers to speak up and share their personal stories about how this ban would impact their businesses. In addition, the association asked retailers to detail to the FDA the measures they take to verify customers’ age as they work to comply with federal laws. ■

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CBD: What You Need to Know



It's true that the 2018 Farm Bill legalized hemp production, but it doesn't give retailers total freedom to sell cannabidiol (CBD); the U.S. Food and Drug Administration (FDA) is citing lack of clarity and they are taking action.

"The burgeoning market for hemp extract cannabidiol and marijuana products has become a thorn in the side of the U.S. Food & Drug Administration (FDA), as the line between dietary supplement and drug becomes fuzzier," noted Jim Green, program developer, MIRA. "The agency has been overwhelmed with the explosion of marijuana and hemp extract cannabidiol products flooding the marketplace."

Looks like they are doing something about that fact. Farmers, processors and institutions of higher learning who are interested in Michigan's newest agricultural crop – industrial hemp – will now have an opportunity to test the waters under the state's new Industrial Hemp Ag Pilot Program.

Last month, Governor Gretchen Whitmer and the Michigan Department of Agriculture and Rural Development (MDARD) launched the State of Michigan's Industrial Hemp Ag Pilot Program for the 2019 planting season to allow for the growth, cultivation and marketing of Michigan grown industrial hemp.

"Michigan is uniquely positioned to grow, process and manufacture industrial hemp. We are one of the nation's most agriculturally diverse states - growing 300 different commodities on a commercial basis - making it a natural fit," said Whitmer. "This emerging crop not only cultivates new opportunity for our farming community, but it also creates an avenue for new businesses to crop up across the state."

The 2018 federal Farm Bill authorizes the commercial production and processing of industrial hemp in the United States. The United States Department of Agriculture is in the process of implementing a national program with the intent to have it in place for the 2020 growing season. In the meantime, MDARD is utilizing authority in the 2014 Farm Bill for an Industrial Hemp Ag Pilot Program.

"Michigan's pilot program allows our farmers to explore the production and processing for hemp to determine whether or not this is a financially viable crop for them," said Gary McDowell, MDARD Director. "It also helps pave the way for Michigan growers as we move toward a permanent licensing program next year to identify and expand value-added hemp processing and new market prospects."

The 2014 Farm Bill permits an institute of higher learning or MDARD to grow industrial hemp for research purposes as part of an agricultural pilot program. If MDARD approves a hemp ag pilot program application, a person participating in the Industrial Hemp Ag Pilot Program will be required to obtain a license and enter into a research agreement with MDARD. Persons who comply with the terms of a research agreement will be considered by MDARD to be conducting research on behalf of the department as permitted under the 2014 Farm Bill.

Several states are highly regulating the sale of CBDs. In fact, in the state of Ohio, it is strictly prohibiting the sale of CBDs outside the 56 licensed medical marijuana dispensaries. This is written in the state's Medical Marijuana law. The regulators in Ohio claim that they have oversight of CBDs because the law doesn't distinguish between hemp from other cannabis plants.

In a statement from the Cincinnati health department this past February, it was cited that the Ohio Department of Agriculture has been working with local health departments and police departments across Ohio to embargo products containing CBD.

This embargo includes removing CBD products from retail establishments. However, there is a bill in the Ohio State Senate that would create an industrial Hemp Program decriminalizing both hemp production and CBD oil possession.

Meanwhile, in the city of Chicago, cannabis has been a hot seller, reportedly surpassing \$9.2 billion in revenue in 2017 – roughly \$3 billion more than diaper sales, according to a market research company focusing on cannabis research located in San Francisco.

C-Store retailers are closely monitoring cannabis sales watching new products like nonpsychoactive cannabis items; According to reports, beer and beverage companies such as Heineken USA, Constellations Brands and Coca Cola Co. are looking into cannabis infused drinks, while other companies are supporting cannabis candies.

Despite the chatter behind cannabis beer or marijuana beer, there's no such thing as beer that will get you high and buzzed.

"You cannot put marijuana in alcohol," emphatically states Alva Mather, aka the @alcohollawyer on Twitter.

Mather is a Philadelphia-based attorney who specializes in the highly regulated alcoholic beverage industry.

In 2018, she led a session at the California Craft Beer Summit titled "Beer and Cannabis: What You Can & Can't Do." Ever since cannabis legalization started



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gaining steam a few years ago, there's been a huge push in the beer industry to somehow incorporate the two by any means necessary.

Marketing and the use of specific language has left many consumers confused. Mather explains some of the ways breweries are claiming to offer cannabis beer.

As reported in the San Diego City Beat Mather noted, "There are people who are putting CBD, but hemp-based CBD, into beers, and other folks that are doing non-alcoholic THC beers, so there's no alcohol in it, but it tastes like a beer. Then obviously there's folks who put other hemp products, like hemp seeds or hemp oil, in beer. But in terms of a true combination of THC in alcohol, that's not allowed, nor will it ever be allowed."

THC gets you high. CBD does not. Both are compounds derived from the cannabis plants and share many similarities. However, if a brewery is claiming to make a beer with marijuana in it, they're misleading, breaking the law or taking some serious liberties with the public's perception of getting buzzed.

There are certain things retailers should know before investing in cannabis products. "Retailers risk fines and potential loss of business licenses needed in order to operate," said Green "if they sell the product illegally."

This is both an issue at the state level and federal level. "Retailers need to know both state laws and federal laws before they carry these products," said Green.

Attorney General William Barr said that he prefers Senator Cory Gardner's (R-CO) legislation on marijuana to the "intolerable" patchwork of state and federal laws that exists today. "Personally, I would still favor one uniform federal rule against marijuana, but if there is not sufficient consensus to obtain that, then I think the way to go is to permit a more federal approach, that states can make their own decisions within the framework of the federal law, and so we're not just ignoring the enforcement of federal law," he said.

Meanwhile the Denver Post reported that the Treasury Secretary Steven Mnuchin pledged to take a look at the House's SAFE Banking Act—a banking bill that would enable financial institutions to service cannabis businesses. While he said he's not familiar with the legislation, he acknowledged that the existing system—which leaves many marijuana companies operating on a largely cash-only basis—is a "significant issue."

As reported in Forbes, Senators Introduce SAFE Banking Act Companion Legislation. Senators Cory Gardner (R-CO) and Jeff Merkley (D-OR)—along with 20 other bipartisan cosponsors—introduced the

Secure and Fair Enforcement (SAFE) Banking Act to shield banks from punishment by federal regulators for maintaining accounts for state-approved cannabis businesses. The introduction of the bill comes two weeks after similar legislation cleared the House Financial Services Committee in a bipartisan vote of 45 to 15.

Illinois Governor hopes the legislature passes the Recreational Marijuana Bill, according to the Chicago Sun Times. Governor J.B. Pritzker hopes to get a recreational marijuana bill passed before the end of the spring legislative session as part of an ambitious first year plan. That leaves only about seven weeks for Pritzker to reach his benchmarks when it comes to legal pot.

"Everyone wants to be first to market and to capitalize on these products," said Green. "Demand for these products and the desire for retailers to provide them have overwhelmed the FDA's limited enforcement resources."

Meanwhile, Cowen Financial Services issued the Cannabis Tracker, a bi-weekly rolling update on cannabis legislation in individual states.

On March 29th, Michigan's Bureau of Marijuana Regulation (BMR) and the Michigan Dept. of Agriculture and Rural Development (MDARD) issued joint guidance regarding CBD and industrial hemp. The guidance follows FDA's stance banning hemp-derived CBD in food and dietary supplements. (Source: Michigan.gov)

In Illinois on April 3rd, the state's Senate Executive Committee approved a "shell bill" to legalize recreational marijuana by a vote of 12-4. However, 60 of 118 state representatives supported a March 21 resolution to slow down legalization. Additionally, the state Senate cleared a bill on April 4th that would permit banking services for cannabis. Another proposed bill would make medical marijuana permanently legal and would expand the list of qualifying conditions. (Source: Herald & Review)

Analysis: A recreational use bill is still expected to be introduced in April, but it is unclear whether it will get a vote before the session ends in late May.

In Indiana on April 8th, the state House of Representatives approved an amendment allowing people to smoke the flower of the hemp plant. The measure was added to a Senate bill legalizing industrial hemp, which now heads to a third reading vote in the House. (Source: Marijuana Moment)

In Ohio on March 28th, the state Senate unanimously cleared a bill (Senate Bill 57) that sets up a framework for regulating hemp in light of the state's recent crackdown on CBD. The bill now heads to the House for consideration. (Source: Cincinnati Enquirer) ■



Half A Century's Growth

■ BY ASHOURINA SLEWO // DENHA MEDIA GROUP

The Markham family found their spot in the petroleum industry nearly five decades ago when Randy and Betty Markham first started the family business in 1969 after they took over a gas station with full-service fuel and a two-bay garage.

Since opening the doors of their first gas station in 1969, the Markham family has worked diligently to grow and evolve with the industry. Over the last five decades, their gas station has snowballed into a much larger operation known as Markham Enterprises.

A number of ventures now exist under the umbrella of Markham Enterprises. From gas stations and liquor stores to Subway sandwich shops, the industry has opened up vastly for the Markham family.

"We own three of our own gas stations, car washes and three Booze Barns in Howell, Lansing, and Perry," said Mike Mitchell, Vice President of Markham Oil and Markham Enterprises. "One Subway, Markham Motors and U-Haul's. Randy is semi-retired and serves as president and Denise Markham is CEO and I am vice president."

In one gas station, the Markham family have a non-traditional presence as they have chosen to lease out the convenience store and gas station portion of the property.

"We own a Sunoco station that had a long-term tenant move out and left a very unique footprint. We lease the c-store portion but own and operate the Subway Franchise," explained Mitchell. "All three entities had an open floor plan and shared an entrance and exit. We built a wall separating the store added a new entrance and focused on using every bit of space to enhance the Booze Barn experience."

Due to this arrangement, the Markham family does not sell ancillary items such as cigarettes or lottery tickets.

"We have a very limited selection of pop juice and focus mainly on mixers," he said. "We also sell novelty items and gifts and have a Growler Station."

Through their diverse business ventures, the Markham family has had the opportunity to work with a diverse crowd of consumers. In fact, most members of the family would agree that their favorite part of their work is getting to interact with so many different people and being able to forge many long lasting and meaningful relationships.

"Every day brings new and interesting challenges for my cousin and I and our team," explained Mitchell. "I think we would all agree that customer interaction is our favorite. We enjoy especially the personal relationships made in the liquor stores."

While much has changed since the inception of the Markham family's business, one thing has remained consistent: their attention to the people important to their business – from their customers to their vendors.

"Our operations are completely different from our first store. What hasn't changed is the loyalty and relationships that we work very hard to maintain with our vendors customers and team members," explained Mitchell. "Our focus is 100 percent on our customers and helping them with their selection of beer wine and spirits. My son Dan Mitchell is the store manager and you will see him or John Chamberlain's smiling face when you visit the Booze Barn in Lansing."

Taking what they have learned over the course of their time in the industry, the Markham family strives to continue growing.

"Our future plans are to continue to grow in a calculated manner that allows us to continue and improve on what Randy and Betty started," said Mitchell.

Having learned a great deal, the family owned enterprise also looks to the Midwest Independent Retailers Association (MIRA) to keep them on pace with the rest of the industry as they have for the last several years.

"I am pleased to be part of such a hardworking diverse group of people that help us sort through the challenges of being an Independent retailer," explained Mitchell. "I don't agree with every position that MIRA takes but I do know without a doubt that every position they take is weighed out and discussed to do what is best for the Independent retailers as a whole."

Mitchell encourage other independent retailers to give the association a try and in turn reap the benefits of being a member.

"If you have a preconceived notion or are not a member you owe it to your profession and livelihood to get involved and see what is going on today," he said. "We need to stand together more than ever to protect our way of life." ■

RETAILER: MARKHAM ENTERPRISES

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MIRA MEMBER EXCLUSIVE



Keeping it in The Industry

■ BY ASHOURINA SLEWO // DENHA MEDIA GROUP

As the Midwest Independent Retailers Association (MIRA) continues to grow in the state of Ohio, the association has brought a new face on board that will further allow the association to make a positive impact for their members and leave a lasting impression in the state.

Mirroring the growth of their membership, MIRA has brought on individuals who will not only get the job done, but understand the industry and work every day to meet the needs of the ever-growing membership.

Bringing a lifetime of experience with him, AJ Abuhamdeh is the newest member of MIRA's staff as he takes on the role of Ohio Business Development. In his capacity as business developer, Abuhamdeh is tasked with working closely with the association's current members while simultaneously working to expand its membership.

"My position allows me to push MIRA, to show who we are and what we do as an organization," he explained. "My position is not just about increasing members, but to expand the knowledge of what we do as a whole to current members."

Having grown up working in his father's grocery store since around the age of 6, Abuhamdeh finds himself feeling right at home with MIRA and its members. Prior to joining MIRA's team, he was operating his own convenience store in Cleveland. As the owner of his own business, Abuhamdeh was also a member of MIRA.

With a Bachelor's in business management and marketing, the recent Franklin University graduate hopes to bring all of his prior experience and education into play in his new position.

Hitting the ground running, Abuhamdeh has not wasted any time as he has worked diligently since joining the staff in March.

"So far, I have been working on building customer relations whether that's out in the field or at tradeshow," he explained. "What I have been able to accomplish thus far is bringing more than 20 new members to MIRA this month alone."

It's not all about the number for Abuhamdeh, though. "Whenever I bring over a member, it does not feel as if I made a business transaction, I feel as we just brought in a new family member," he said.

Ambitious and motivated, MIRA's newest team member works each day with a few goals in mind to keep him on track as he



serves the membership.

"My goal is to spread awareness of the organization, especially what we do just on the government relations side, and compliance. I make sure to let every member know that we are the voice for the independent retailer, and without them, there is no us," Abuhamdeh explained. "We take what we do very seriously and in a very respectful manner to help each and every member of the organization out. Another goal I plan on reaching is bringing in more vendors to help accommodate the members we have here in Ohio, but also nationally."

The atmosphere of the workplace, says Abuhamdeh, is one rooted in team work. "I work with all staff, we tend to help each other out in all ways – I work a little closer with Ken Schulte, Jim Green and Auday Arabo."

In his short time working with the association, Abuhamdeh has found great satisfaction in the work he does and enjoys working to meet the needs of retailers like himself and beyond.

"I am glad to say it's been nothing but positive, whether I am dealing with vendors, members, or staff," he explained. "Everything just aligns very well and the one thing that caught my eye even before I became an employee is how well this organization functions and how family oriented it is in all aspects."

When it comes to the association, whether looking at it from a member's perspective or an employee's perspective, Abuhamdeh knows one thing for sure: the work that MIRA does is pivotal to ensuring members to continue to thrive.

"Everything I do at MIRA is important not only to the organization, but to the members first and foremost," he said. "We try and utilize all of our resources from the ground-up to keep this organization growing, while also helping our members grow and continue to be successful." ■

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CBD and Cannabis News Update

CBD and cannabis updates from the United States and around the globe

■ BY NACS ONLINE

U.S. FEDERAL ACTIVITY

- Congressional Committees Outline Plans for Marijuana Reform in 2019. The latest sign that House Democrats plan to prioritize marijuana reform legislation is a series of committee reports outlining cannabis-related issues various panels plan to tackle. The reports, compiled by the House Oversight and Reform Committee, are meant to “form a coherent blueprint for Congress to address issues of concern to working families across the country.” (Source: Marijuana Moment)
- State Financial Regulators Press Congress to Allow Marijuana Banking Access. The top financial regulators in 25 states and U.S. territories are joining together to pressure Congress to pass legislation allowing marijuana businesses to store their profits in banks. In a letter to House and Senate leadership, the regulators cite a lack of clarity by the federal government for how financial institutions can serve this industry, without the threat of forfeiture of assets or criminal penalties, which results in many transactions occurring in cash. (Source: Forbes)
- USDA Announces Alternative Importation Path for Hemp Seeds. USDA’s Agricultural Marketing Service (AMS) announced an alternative way for the safe importation of hemp seeds into the U.S., following requests from U.S. producers. Specifically, the release provides pathways for the importation of hemp seeds from Canada and other countries. (Source: USDA AMS)

U.S. STATE AND LOCAL ACTIVITY

- Los Angeles Sues Unlicensed Cannabis Dispensary, Seeking Millions. The city of Los Angeles is seeking millions in civil penalties from an unlicensed South L.A. cannabis dispensary accused of selling marijuana contaminated with pesticides, a move officials say is intended to crack down on widespread illegal pot sales. (Source: LA Times)
- Michigan Launches Hemp Farming. The Michigan Department of Agriculture and Rural Development began accepting applications on April 23rd from people interested in participating in an industrial hemp pilot project. The state’s pilot program will allow people to test the waters to see whether growing and processing industrial hemp is economically feasible. (Source: Detroit Free Press)
- Local South Dakota State’s Attorneys Comment on CBD. Following a press release issued by State Attorney General Jason Ravnsborg confirming that CBD oil remains illegal in South Dakota, several local state’s attorneys are making their own determinations. The state’s attorneys in Minnehaha and Lincoln County, for example, said that recent legislative changes have created a gap in the previous controlled substance statutory framework, leaving the legality of CBD oil products open to different interpretations. As such, these officials said they will continue to review all cases involving CBD oil on a case by case basis. The Pennington County state’s attorney, on the other hand, has stated that he won’t prosecute cases involving hemp and CBD oil. (Source: KSFY ABC; Rapid City Journal)

MISCELLANEOUS

- Fresh&Co. Offers Limited CBD-Infused Menu in NYC. New York-based salad and sandwich chain Fresh&Co. recently rolled out a limited time, CBD-infused “4/20” menu that includes a “half-baked salad” and “blazed beet sandwich” among its selections. New York officials aren’t amused with the offering, as the city decided to ban CBD from food products, giving retailers until July 1 to comply. (Source: Bloomberg)
 - Vitamin Shoppe to Sell Edible CBD Supplements. The Vitamin Shoppe started stocking its shelves with oral CBD soft gels and will start selling CBD drops by the end of April. It’s one of the first major national retailers to sell CBD supplements since Congress legalized the cannabis derivative in December. The move flies in the face of guidance from the FDA that prohibits companies from adding CBD to dietary supplements until the agency has a chance to write new rules regulating its sale. (Source: CNBC)
 - • Legalization of Marijuana Casts Doubt on Employee Drug Testing Model. With the increased legalization of marijuana, many businesses and politicians are reconsidering workplace drug testing. Though drug testing likely won’t disappear forever, experts predict the scope of testing will decrease—and they say the type of testing should change. (Source: Business Insider)
- \$3.4 Billion Cannabis Merger Is on the Horizon (Maybe). The Canadian cannabis company Canopy Growth—which is 38% owned by beer and spirits company Constellation Brands—bought the right to acquire Acreage Holdings only if recreational marijuana is legalized in the U.S. (Source: Axios) ■



SOI 2019: Half of the Industry Is a ‘10-Year-Old Business Model’

Evolve now or go the way of Blockbuster, c-store leaders caution

■ BY STEVE HOLTZ // CSP DAILY NEWS

CHICAGO, Ill. — Considering the big headline of the preliminary NACS State of the Industry data was a third year of record sales, the overall tone of the NACS SOI Summit in Chicago was one of caution. Sure, the industry just topped \$654 billion in sales, compared with \$601 billion the previous year, but there are concerns to consider at every turn.

Billy Milam presented the topline numbers with restrained exuberance. “In a world where [most other channels of retail] are down, our sales [per store per month] were up 9.9%, but our transactions were down 2.3%,” said Milam, chief operating officer for RaceTrac and head of the NACS Research Committee. “So, we’re selling more stuff to less people.”

Among the challenges, he noted:

TOP HEAVY: Between 2015 and 2019, half of the 20 largest chains in the industry have gone through some sort of merger or acquisition, consolidating a major portion of stores with the largest chains.

INDEPENDENT RETAILERS: The number of single-store operators declined by nearly 2,200 units in 2018, the first time in nine years that the channel didn’t grow.

SMALL CHAINS: The number of chains of four or more stores dropped by 155 companies, continuing a trend from the past decade. “Over the past four years, we’ve seen a 19% decline in the number of companies with four or more stores,” Milam said.

DOLLAR STORES: At the same time, dollar stores have grown steadily, from 23,421 units in 2012 to 31,620 in 2018, making it the fastest growing channel in retail, often targeting rural markets where

c-stores are the top player.

CREDIT-CARD FEES: Credit-card fees outpaced total industry profits (\$11.1 billion to \$11 billion, respectively) for the first time in four years.

AMAZON: With reports that Amazon intends to open 3,000 of its frictionless Go stores in the next three years, the online retailer threatens to become the fourth largest convenience chain in the country. “I know a lot of you think, I don’t need to worry about Amazon; they’re not coming for my market,” Milam said, “but they’re redefining the definition of convenience stores. ... The mindset of that customer is being retrained.”

Together, these challenges—what Milam frequently called “attacks” on the convenience channel—have created an S-curve in the trajectory of the industry, making now a key time for retailers to evolve.

“The ‘Cokes and smokes’ business model has crested,” said Charlie McIlvain as he led discussion of the category-specific data presented at the SOI Summit. The chairman and CEO of Coen Markets, Canonsburg, Pennsylvania, noted healthy transitions by the c-store channel into foodservice, which has grown its sales contribution to the channel by 6.58 percentage points from 2009 to 2018, while tobacco sales lost 2.05 points and beer dipped 1.91 points during the same period, according to CSX and NACS SOI data.

However, he noted that a large majority of that transition was led by top-quartile retailers, that is, those retailers who produced total sales in the top 25% of the channel.

Bottom-half retailers, meanwhile, are still clinging to tobacco and beer sales. “The bottom half is still [working with] a 10-year-old business model,” he said.

To that end, both Milam and McIlvain encouraged a paradigm shift for the industry to match the disruption that has become pervasive in the retail channel.

“Other channels of retail are getting product into [consumers’] hands in other ways. They don’t have to come to the store anymore,” Milam said. “There is a different expectation from our customers now than what we’ve seen in the past.”

Among the today-to-tomorrow paradigm shifts suggested during the summit were:

- From fuel provider to energy provider
- From commodity-driven business to service-driven business
- From limited interaction with consumers (less than four minutes) to best-in-class customer experience—destination that delivers convenience in products, food and services
- From offers and promotions—one-size-fits-all to tailored and personalized experiences and services
- From limited assortment (coffee, tobacco, etc.) to hyper-localized or differentiated assortment
- From traditional buying channels to omni channel, frictionless options

What happens if the industry does not evolve? McIlvain asked. He held up the specters of Radio Shack and Blockbuster Video, two chains that liquidated and disappeared, as primary examples of retailers that refused to change.

“We have a track record of being relevant and evolving,” he said, “but we cannot rest on our laurels.”

Steve Holtz is the online news director and beverage editor for CSP. He has been covering the convenience-store industry for more than a decade and the beverage category since 2004. ■



C-Store Shoppers Buying More Fresh Items

Stores are convenient places to pick up premade salads, soups and cut flowers



■ BY NACS ONLINE

Convenience stores have long been the perfect place to grab a sandwich and soda after filling up with fuel. But now shoppers have discovered that the little stores are an ideal source for fresh fruits and vegetables—and even a bouquet of flowers, reports CNBC.

Sales of produce in convenience stores totaled about \$242 million per year last year, according to Jeff Lenard, vice president of strategic industry initiatives, National Association of Convenience Stores. While this is small compared to the \$3 billion in produce sold at grocery and big box stores each year, it is an example of new opportunities for convenience retailers.

In early April, NACS released data showing that convenience stores experienced a 16th straight year of record in-store sales in 2018, with total sales surging 8.9% to \$654.3 billion. “The value

of convenience has never been higher,” said Lenard.

People, especially busy millennials, are keeping fewer foods in their pantry and reaching more often for prepared foods, even when dining at home. Shoppers with higher incomes are making fewer grocery trips, and millennials prefer to grab a ready-to-eat salad after work than go home, prepare a meal and then clean the kitchen.

For 20 years, the growth among large North American grocery chains has been just 2%, according to a recent McKinsey report. The consulting firm predicts that by 2026, \$200 billion to \$700 billion in grocery sales could move toward nontraditional channels, such as convenience stores. Amazon-owned Whole Foods recently launched Daily Shop, the grocer’s first “grab-and go” convenience outlet in an affluent part of New York, offering Whole Foods staples, prepared foods, fresh produce and flowers, plus self-check-out, from 6 a.m. until 11 p.m.

While products are changing, busy lifestyles aren’t, and consumers still want efficiency. A trip to a grocery or big box store averages about 40 minutes with the aim of stocking up for one to two weeks, but convenience store shopping is all about immediate consumption. The average time spent in a Wawa, Sheetz or Cumberland Farms is less than four minutes, said Lenard, and 83% of the items sold are consumed within the hour. Sixty-five percent are consumed immediately.

“With all the competition for convenience, including the internet, what convenience stores provide is they have [what you want] now,” said Lenard. “It’s not for tomorrow, it’s for today.”

Gas price is still the top reason people choose where to fuel up. Convenience stores sell about 80% of all gasoline in the United States, according to Nielsen. There was a 13.2% increase in fuel sales in 2018, which accounts for about 70% of total sales, according to NACS. Because gas prices have stayed below \$3 a gallon for several years, Lenard said, fewer people are picking where to buy gas based on price (59% down from 71% in 2015), and more people are choosing fuel stops based on the quality of its convenience store.

Carrying produce and perishables is new for convenience retailers. Determining how to order properly and not lose money is a challenge, which also may cause c-stores to raise prices. But consumers are willing to spend more at convenience stores than they would at a grocery because they view them as dissimilar experiences—one long-term and one short-term.

Profit margins at convenience stores are not that different than for grocery stores, said Lenard. Grocers’ margins are around 1%, and convenience store margins come in around 2%. “If there are higher prices, it’s because you generally don’t get a better deal on product when you’re buying it by the handful as opposed to the pallet,” he added. ■

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Tobacco Compliance: FDA Extends Comment Period

NACS continues to urge retailers to tell the agency how the e-cigarette plan would affect their stores



■ BY NACS ONLINE

The U.S. Food and Drug Administration (FDA) effectively banned gas stations and convenience stores from selling

most flavored electronic cigarettes under its new draft guidance, “Modifications to Compliance Policy for Certain Deemed Tobacco Products.”

The restrictions likely will be finalized and implemented over the next few months, meaning that brick-and-mortar retailers will be unable to sell flavored e-cigs other than tobacco, menthol or mint unless minors are restricted from entering the store or if those items are sold in a separate location in the store that minors are prohibited from entering.

Following requests from the public, the agency has extended the comment period by 15 days to end on April 30th.

The agency believes that a 15-day extension will allow adequate time for additional comments to be submitted without significantly delaying the process to finalize this guidance. The public may submit either electronic or written comments through April 30th. While NACS will be submitting comments on the industry’s behalf, it urges retailers to reach out to the FDA as well. Retailers are encouraged to share their personal stories about how the proposed ban would affect their stores and inform the FDA about the measures stores already take to verify the age of their customers and ensure that they comply with federal laws. ■

Another C-Store Consolidation Takes Shape

The trend is expected to continue as the industry grapples with the cost of growth

■ BY NACS ONLINE

Consolidation continues in the convenience store industry and isn’t expected to abate anytime soon, the Buffalo News reports, pointing to Noco Energy Corp.’s planned sale of 33 Noco Express c-stores and gas stations to Marathon Petroleum.

The c-store and fuel-retailing industry has seen a slew of big consolidations in recent years. In 2011, 188 stores in the Wilson Farms chain sold to 7-Eleven. In 2018, Marathon purchased 10 Express Mart chain locations, turning them into Speedway. Likewise, Marathon plans to rebrand the Noco stores as Speedway. A few months ago, Sunoco bought four gas stations from Schmitt Sales.

Between 2015 and 2019, half of the 20 largest chains in the industry have gone through some sort of merger or acquisition, consolidating a major portion of stores with the largest chains, according to data presented at the NACS 2019 State of the Industry Summit (SOI).

“I’m not sure that the trend will subside any time soon, nationally or across the state, but the business climate and the marketplace are driving things in this direction,” James Calvin, executive director of the New York Association of Convenience Stores, told the Buffalo News.

NACS SOI data show that c-stores in 2018 had their 16th straight year of record in-store sales. U.S. convenience stores sales overall surged 8.9% to

\$654.3 billion, led by a 13.2% increase in fuel sales, which account for 69.6% of total sales.

However, c-stores are still experiencing financial pressure, including rising labor costs, smaller operating margins and a rising demand for electric cars and more fuel-efficient vehicles. For some—especially mom-and-pop or family-operated stores—a buyout may be an attractive option.

“It seems as if every day, there are new regulations and new cost mandates that convenience stores have had to adapt to,” Calvin told the newspaper. “And that has continued to drive things in the direction of having a model with greater economies of scale in order to remain profitable.” ■



USDA, EPA, FDA Fight Food Waste

Federal interagency strategy focuses on six key areas to reduce food loss and waste throughout 2020

■ BY NACS ONLINE

Three federal agencies, the U.S. Department of Agriculture (USDA), the U.S. Environmental Protection Agency (EPA), and the U.S. Food and Drug Administration (FDA), have released a new strategy to fight food waste, according to Forbes.

The Winning on Reducing Food Waste Federal Interagency Strategy presents six key priority areas the three agencies will work on. For the next year, efforts will focus on increasing consumer education,

improving coordination and guidance and improving federal agency office waste reduction. Work also will be done to clarify issues around food safety, food date labels, and food donation. This newly released strategy is part of a Winning on Reducing Food Waste Initiative launched by the three agencies in October 2018.

“As the world’s population continues to grow to nearly 10 billion people by 2050 and the food systems continue to evolve, now is the time for action to educate consumers and businesses alike on the

need for food waste reduction,” said U.S. Agriculture Secretary Sonny Perdue. “Our nation’s agricultural abundance should be used to nourish those in need, not fill the trash.”

The strategy aims to reduce food lost and waste by 50% by 2030. In the United States, 30-40% of all available food goes uneaten through loss or waste. It’s the single largest type of waste in our daily trash.

Businesses can join the EPA’s Food Recovery Challenge and pledge to improve their sustainable food management practices. ■

Restaurant Sales Projected to Reach \$863 Billion

Nearly four in 10 operators plan to invest more in off-premises dining, according to the 2019 State of the Restaurant Industry report from the National Restaurant Association

■ BY NACS ONLINE

Restaurant industry sales are forecast to reach \$863 billion in 2019, according to the 2019 State of the Restaurant Industry report from the National Restaurant Association. The industry is forecasted to add 1.6 million new restaurant jobs by 2029.

When asked about the economy, restaurant operators are generally optimistic about business conditions. Roughly three in four operators gave ratings of “excellent” or “good” when asked to assess business conditions in the overall U.S. restaurant industry. However, operators are also acutely aware of competitive pressures, rising labor costs, a tighter labor market and a complex regulatory landscape that compounds pressure on business performance and revenue.

“The restaurant industry is on a continued

growth trajectory, driven by an expanding U.S. economy and positive consumer sentiment,” said Dawn Sweeney, president and CEO, in a press release. “2019 marks the association’s centennial anniversary, and the comprehensive analysis contained in this report provides a firm foundation for restaurant owners and operators to make decisions about the future of their businesses.”

Growing demand among consumers will make off-premises options important drivers across the industry in 2019. Thirty-eight percent of U.S. adults—including 50% of millennials—indicate they are more likely to have restaurant food delivered than they were two years ago. Other key takeaways surrounding off-premises and delivery include:

- Nearly four in 10 operators plan to invest more capital in expanding their off-premises business in 2019;
- Six in 10 family-dining, casual-dining and fast-casual operators say their

takeout sales are higher than they were two years ago.

- A solid majority of casual-dining (72%), family-dining (63%) and fast-casual operators (64%) say their delivery sales are higher than they were two years ago. Fewer than one in 10 say their delivery sales have declined.

“Consumer demand for greater convenience and speed will continue to accelerate, and restaurants are responding by adopting and incorporating more sophisticated layers of technology into day-to-day operations,” said Hudson Riehle, senior vice president of research and knowledge group for the association. “Operators across all restaurant segments will focus on building their business among millennials and younger consumers in the years ahead. To attract these digital natives, we can expect the majority of operators to get creative in offering personalized incentives, deals, loyalty programs and rewards through various digital channels.” ■



Toshiba Streamlines Shopping Experience for Michigan Grocer

Value Center Boosts Customer Satisfaction and Store Revenues with Toshiba Self-Checkout Systems



Toshiba Global Commerce Solutions, a global market share leader for integrated in-store retail solutions, is enhancing the customer experience for Value Center grocery shoppers.

Value Center's focus on customer experience has resulted in improved store revenues and operating efficiency for the Michigan grocer due to the deployment of Toshiba Self-Checkout Systems units at two store locations. Providing shoppers with a convenient and frictionless option for completing their purchases, Toshiba's self-service solutions already account for a significant portion of Value Center's transactions since being installed last September.

"Value Center Market is a

premium grocer in southeastern Michigan with great employees who genuinely care about our customers," Value Center Owner Ron Farida stated. "Toshiba's Self-Checkout System solutions have been very well received by our shoppers while significantly expediting their transactions. Before integrating Toshiba's self-service technology, we had a single express line, to expedite purchases, which accommodated three or four customers at any one time. With six Toshiba self-service systems, customers now complete their grocery purchase very quickly."

Serving as Value Center's express lanes, Toshiba's self-checkout systems are also immensely popular with store patrons who desire a self-service option. Toshiba self-checkout solutions further enable a more personal shopping journey while reducing checkout times by allowing Value Center customers more control and privacy at the point-of-purchase.

"We are excited about speeding up shopping trips for Value Center patrons via our self-checkout systems," said Bill Campbell, Toshiba Global Commerce Solutions vice president, Head of Americas. "Toshiba is constantly working with its clients to improve operational efficiency, enhance customer experiences and create a clear and compelling return on their investment."

Toshiba business partner, Great Lakes Data Systems facilitated the agreement

and technology integration. Great Lakes Data Systems' familiarity of Value Center's retail framework and existing technology needs coupled with Toshiba's best-in-class technology was instrumental in determining the installation's success.

ABOUT VALUE CENTER

Value Center Marketplace is a locally-owned family grocery store and market offering great values on the freshest high-quality foods and produce, with four locations throughout southeastern Michigan.

Value Center continually strives to offer the best produce and meats available, sourced straight from the local farmers at the Eastern Market. While at Value Center, shoppers understand they're supporting local farmers and suppliers while sure the items they purchase are always fresh. Value Center places its best food forward every day.

ABOUT TOSHIBA GLOBAL COMMERCE SOLUTIONS

Toshiba Global Commerce Solutions is a global market share leader in retail store technology and retail's first choice for integrated in-store solutions. Together with a global team of dedicated business partners, we achieve brilliant commerce by advancing the future of retail with innovative commerce solutions that enhance customer engagement, transform the in-store experience, and accelerate digital transformation. To learn more, visit www.toshibacommerce.com. ■

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UNFI Accelerates Supervalu Integration, Names National Leadership Team

■ BY THE SHELBY REPORT

United Natural Foods Inc. (UNFI) said on April 22nd that in order to accelerate its integration of Supervalu into one organization, it now will operate under a national UNFI leadership team. UNFI says the change will advance its execution of its long-term strategic objectives and short-term synergy, revenue and EBITDA growth objectives. UNFI completed the acquisition of Supervalu Inc. in October 2018.

As part of the personnel changes related to the unification plan, Sean Griffin will take on the expanded role of chief operating officer (COO) in addition to serving as CEO of Supervalu. Griffin will oversee all of UNFI's sales, services, operations, merchandising and retail functions. During his nine years with UNFI, Griffin has served in several senior leadership roles, including CEO from 2014-18. He has served as Supervalu CEO since October 2018. Prior to joining UNFI, Griffin was East Region headline president for Performance Food Group. He also has held various leadership roles with U.S. Foodservice, Alliant Foodservice and Sysco Corp.

"We feel very good about the work accomplished over the last six months to integrate UNFI and Supervalu, to align our people and to implement the necessary process and systems changes," said Steven Spinner, UNFI chairman



and CEO. "As such, we're now well positioned to accelerate our migration to one company. Sean is the ideal candidate to assume his previous role as our chief operating officer where he'll influence and guide sales and operations across our entire organization."

UNFI's executive team also includes: Chris Testa, president and chief marketing officer; Mike Zechmeister, CFO; Jill Sutton, chief legal officer, general counsel and corporate secretary; Danielle Benedict, chief human resources officer; Mike Stigers, EVP-fresh and CEO of Cub; Paul Green, chief supply chain officer; and Eric Dome, chief administrative officer and chief information officer.

NEW UNFI BOARD MEMBER NAMED

UNFI also has appointed James Muehlbauer to its board of directors, expanding its size to nine and adding expertise in strategic

objectives. Muehlbauer served as EVP and chief financial and administrative officer for The Valspar Corp from 2013-17. Before joining Valspar, Muehlbauer served as EVP and CFO of Best Buy Co. from 2007-13, SVP and CFO of Best Buy's domestic businesses from 2003-07 and VP and CFO of Musicland from 2002-03. Since 2011, Muehlbauer has served on the board of overseers for the Carlson School of Management at the University of Minnesota.

"Jim's extensive financial background with strong commercial and leadership skills will make him a valuable addition to our Board of Directors," Spinner said. "His knowledge and experience in broad strategic transitions and large-scale integration efforts directly aligns with the qualifications and expertise identified through our Board refreshment process." ■

A man with a beard and mustache, wearing a dark t-shirt with the 'Florentine' logo, stands in a commercial kitchen with his arms crossed. The background shows stainless steel kitchen equipment and a tiled floor.

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SODA POP, WATER, JUICES & OTHER BEVERAGES

 Coca-Cola Refreshments (Metro Detroit program)	
..... Metro Detroit M	(313) 868-2008
..... Belleville M	(734) 397-2700
..... Flint M	(810) 237-4000
..... Cleveland D	(216) 690-2653
 Faygo Beverages, Inc. M	(313) 925-1600
Alligator Ice	1-866-594-2867
Absopure Water Company	(734) 207-4906
Boom Boom Energy	(313) 722-2221
Monster Energy Company	1-800-666-6233
Pepsi Beverages	Detroit M 1-800-368-9945
..... Howell M	1-800-878-8239
..... Pontiac M	(248) 334-3512
..... Cleveland D	(216) 252-7377
..... Twinsburg D	(330) 963-5300

TOBACCO ALTERNATIVES

Grinds Coffee Pouches	(412) 414-3155
JUUL Labs	(415) 299-7341

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
 UniFirst Corporation	(888) 256-5255 ext. 232
Socks Galore Wholesale	(248) 545-7625

WASTE DISPOSAL & RECYCLING

 Midwest Recycling M D (Clothing recycle boxes)	(313) 304-9099
Commercial Waste Systems (Cardboard recycling buyers)	(219) 663-5678
Stamper Facility	(586) 228-6500

WINE & SPIRITS COMPANIES

 Benchmark Beverage Co.	1-800-666-6233
Broken Shed Distilleries	(914) 282-0457
Cornerstone Wine Distributor	(586) 839-2552
Heaven Hill Distilleries	1-800-348-1783
Luxco	(313) 333-4637
Proximo Spirits	(810) 278-0599
Remy Cointreau USA	(248) 347-3731
Vision Wine & Spirits	(312) 320-4445

WINE & SPIRITS DISTRIBUTORS

European Wine Imports of Ohio, LLC	(216) 426-0979
Great Lakes Wine & Spirits	1-888-860-3805
Imperial Beverage Co.	(269) 382-4200
Lagniappe Beverage	(773) 358-2344
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





JUNE 18, 2019

**MIDWEST INDEPENDENT RETAILERS
FOUNDATION'S 10TH ANNUAL
SCHOLARSHIP LUNCHEON**

Every year, the Midwest Independent Retailers Foundation awards academic scholarships in the amount of \$1,500 each to extraordinary and deserving students in Michigan, Ohio and Illinois. Help the MIR Foundation invest in the leaders of tomorrow. Tickets and sponsorship opportunities available. Special Keynote Speaker: 2-Time NBA Champion, Isiah Thomas, Detroit Pistons.

Detroit Athletic Club // Detroit, MI



JUNE 20, 2019

MIRA'S 14TH ANNUAL OHIO GOLF OUTING

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

Shale Creek Golf Club // Medina, OH



JULY 17, 2019

**MIRA'S 43RD 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 16, 2019

**MIRA'S 21ST ANNUAL HOLIDAY
FOOD & BEVERAGE BUYING SHOW**

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

Suburban Collection Showplace // Novi, MI

publishers statement

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