

Making The Business Case for Nutrition Standards

James Kwele: Hello everyone and welcome to today's webinar, The Business Case for Nutrition Standards, presented by The Food Trust and sponsored by The Kansas Department of Health and Environment.

Today's webinar is going to look at the intersection between healthy food and beverage options for consumers and increased sales, growth, and profits for businesses. We're going to present the business case for selling healthy, including the high cost of diet-related disease and its drain on our economy and productivity. We'll be talking about market research that demonstrates increasing demand for healthy food from consumers. We'll also be talking about strategies businesses can use to make a profit on healthier choices for their customers. Then we'll be giving you some talking points that can help you make the case to businesses and decision makers in your community that offering healthy options can benefit their bottom line. Finally, we're going to talk about some strategies that can be used to help build demand and support robust sales of healthy options.

My name is James Kwele and I'm leading today's webinar with my colleague, Deb Benzel. A little bit about myself, I serve as a program manager at The Food Trust, where I develop and manage programs spanning a variety of areas including early childhood nutrition, farm to table and community health. Deb Benzel serves as The Food Trust Associate Director for Community Food Systems. She leads the agency's regional food systems initiatives, including farm to institution and farmers market programming here at The Food Trust.

A little bit about The Food Trust and our work. We are based in Philadelphia, Pennsylvania. We work throughout the region and nationally to ensure that everyone has access to healthy affordable food and information to make healthy decisions. We fulfill our mission in a variety of ways. We work to increase access to healthy foods, make nutritious foods more affordable, promote healthy food choices and good nutrition, and we also advocate for better food policies.

We use a comprehensive approach through which we work to expand access to healthier foods in underserved communities through a variety of programs including working to increase supermarkets in underserved areas and working with small and corner stores to help them stock healthier items. We have a strong farmers market program here in Philadelphia. We also work to increase awareness and knowledge to help folks make healthier decisions through nutrition education in schools and community and youth engagements. Then finally, we help to make healthier food more affordable by advocating for federal nutrition programs, incentive programs, and innovative distribution strategies.

As many of you already know, The Food Trust provides consulting and technical assistance services throughout the United States. Through this work we help public and private organizations benefit from our knowledge base and work to replicate our programs and expand access to healthier affordable foods. Through our partnership with The Kansas Department of Health and Environment we are available to provide technical assistance to our CDRR and 1422 grantees through next week, June 29th. This is the end of the grant period. If you haven't already done so, we really do encourage you to reach out and take advantage of this TA opportunity that is available to you free of charge. Our TA team, as you can see here, is composed of nine individuals. We represent different departments throughout the organization. We have different

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areas of expertise ranging from community engagement, to community food systems, to rural food access issues.

Please, reach out to us. We look forward to hearing from you. You can reach out to Karen Shore at kshore@thefoodtrust.org to receive technical assistance or to be connected with somebody else on the team.

All right, let's get started with today's webinar, The Business Case for Nutrition Standards. On the previous two webinars in the series, we covered the basics of nutrition standards and we also talked about implementation strategies. Today we're going to delve into the business case for nutrition standards, or really to put it in another way, the business case for selling and serving healthier food options.

We know that without access to affordable and healthy foods the risk of diet-related disease increases. We see on this slide, we know that one in four Americans has heart disease. One in three Americans has high blood pressure. Sixty-four percent of the workforce is overweight or over obese. Fifty percent of company profits go towards health care costs. The annual cost of obesity among full-time employees is \$73 billion. This is a valid argument that's really important for us to be aware of. But that said, as we work to increase access to healthy food in our communities we really need to acknowledge that the return on investment, in terms of lowering rates of diet-related disease and increasing the portion of the workforce that is a healthy weight and decreasing health care costs related to obesity, they're all long-term returns. Many of the businesses and decision makers that you'll be working with to implement standards actually may be small businesses and operations that don't provide healthcare benefits to their employees. It's really important for us to be aware of these statistics, but also not to necessarily use them as we make the case to small business owners and operations in our community because this doesn't necessarily impact them. Some of them it may, the hospital systems and what not.

Today in terms of the business case, what we really want to focus in on is two things. One is increasing the body of research that points to the growing demand among consumers for fresh and healthy foods. We know that every major food manufacturer, be it Nabisco or General Mills, grocery store companies like Aldi or the big stores like Target and Walmart that are now selling groceries, and even restaurant chains, they've all really responded to this reality and are offering products and menu items that appeal to customers who are interested in eating healthier and staying fit. The food industry actually refers to the healthier options with the acronym BFY, which stands for Better For You.

We do know that sales for traditional food items and menu items do remain strong. But it's really interesting to note that nearly three-fourths of sales growth is incurring with the Better For You products among the largest food and beverage companies. That's where most of the growth is happening, is with the healthier food options.

Additionally, 75 percent of consumers say that consuming a healthy nutritious diet is important in how they achieve a healthy lifestyle. We know that consumers are really embracing eating healthy.

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Additionally, 60 percent of consumers report they are influenced by healthfulness when buying food and beverages.

This doesn't just refer to consumers in general. We also know that convenience stores are places that we normally will think are really only offering junk foods, sodas, and unhealthy foods. But the convenience store shopper or the small store shopper, 75 percent of them say they are eating healthier than they used to. This is also a demographic that's really interested in healthier options.

The business case is really talking about the intersection between these two ideas. We know that the good news is that serving healthier food and providing healthier options is good for business. It can be. Businesses who offer healthier options are able to appeal to the increasing share of consumers who are concerned with health and wellness, and by doing so they're able to grow their bottom line.

As many of you know, The Food Trust leads a program in Philadelphia called the Healthy Corner Store Initiatives. We've had a lot of success with not only getting healthier products in the corner stores and underserved areas, but also with supporting corner store owners and growing their sales. This is a great quote from one of our longtime corner store owners, who really said it best. "As long as you can make money, why not offer healthier items?" That's what our owners are finding, that you can still make a profit while providing healthier food for the community.

Now that we understand that there's increasing demand for healthy food and that business owners can make a profit by offering healthy foods, let's talk about some of the barriers for selling or serving healthier options. One is just the interest or capacity to offer healthier foods. Sometimes, it's just a barrier in terms of the perception that consumers or customers in their community may not want these items or they may not be interested. So they're worried about not being able to make money on these new products. There's also often a supplier-retailer gap. There are definitely issues related to distribution and being able to get healthier foods into stores. We'll be talking about that later on and some possible solutions to address that. There's also a number of skills that are required for certain healthy products, particularly produce, in terms of storing and merchandising. Produce is the type of thing that is a really great opportunity. The profit margins can be high, but you have to do it the right way. If you don't it can really be disastrous in terms of the produce going bad and losing money. We also know the small business owners are busy. They often have infrastructure limitations and thin profit margins. Their revenues might just barely be matching their expenses.

Let's talk a little bit about some recruitment tips and strategies that are helpful as you go out into the community and work to get business owners and decision makers on board with offering healthy options. Just some really practical tips. Make sure that you prepare in advance. You want to think about the owner's perspective, think about the decision maker's perspective. Have your case outlined and laid out. We also find it's really helpful to visit during off-peak hours. Don't go in during the lunch rush or the morning rush. Try to find those times where things have sort of slowed down and they actually have the time to speak with you. Really, really important is to have an easy ask. You need to know what you're asking for. You need to make it clear that you're not asking them to change the whole inventory and take everything unhealthy out and only sell

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healthy items. Have a really easy ask. With us, in Philadelphia, we ask owners to just add four items, two items in two different categories. It could be two items in the beverage category and two items in the produce category. Or it could be two items in the canned food category and two items in the pantry grocery category. Have a really specific and easy ask that makes it easy for the person in charge or the business owner to get involved and it's not going to be this difficult thing that they can't imagine doing. It's going to be really simple. It's going to be easy.

If you have stories or examples, success stories, definitely share those. One thing that we find helpful is we have folks who've been in the program, who've been successful with this, and sharing with their permission of course, their contact information so that business owners can reach out to them and get a different perspective from a peer about how it's worked out. We mentioned this before, of course, consider the business owner's perspective. Address their concerns and really look at it as an opportunity to build a relationship with the store owner. Learn about what their concerns are, learn about what they're already doing. Definitely, if you see something positive, point that out. Then you want to have a follow-up plan. One thing that our retailer associates mentioned when I spoke with them is that it's very rare that a business owner or a corner store owner will say yes to the first time. They often need to go back two or three times. That's okay. That first time is just an introduction where you're talking about it and you don't need a definite 'yes' on that first visit. You come back. They recommend following up within a two-week period, making sure that you visit the store multiple times, but within a two-week period so that you don't fall off of the business owner's radar.

It's really great also to come with some promotional materials, whether it's a postcard or a flyer, and have that business case up in front. As you can see on this flier, it says, "Sell healthy food and make a profit." That is going to really appeal to the business owner or the decision maker. That is what they are concerned about. That is what's important to them. Make sure that you're making it clear that this is about helping them sell healthy food and make a profit at the same time.

As you make the case, here are some really important talking points. New products, menu items, and more varieties do attract new customers and get more foot traffic into the store, the restaurant, or whatever it is. Offering something unique really helps the business stand out, so doing something different, they're doing something unique. It's a really great way to set themselves apart from other businesses. Healthy foods have the opportunity to really yield high-profit margins. It's also an opportunity for these business owners to join a network and a growing number of folk across, whether it's a county, the state, the country, who are committed to providing customers with fresh healthy foods and making a profit. We found that with our corner store owners here in Philadelphia, making a profit is really of course, their priority and the most important thing for them. They also value being able to provide healthier food for the community. They feel proud to be part of the network across the city that's helping to provide healthier food and making the community a healthier place and make good money while doing all that.

A few potential recruitment scenarios that we often run into. One, the owner or the decision maker just flat out doesn't believe that healthy products or menu items will sell. You can explain that this sort of work has been going on and that the product does sell once in the store,

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especially if it's marketed and placed properly. Some work does need to go into it, but if it's done the right way, the product will sell. If they're concerned about produce, we'll talk about this in a little bit, produce is not for everybody. Not every store has the infrastructure set up to do produce. They can also sell nonperishable items. Whole grain cereals, whole grain bread, healthier canned products, and beverages are really great entry points. Snack foods that are healthier. You also, of course, want to explain that the program is going to educate consumers through social marketing, which is going to make the consumers more likely to buy healthier products. The owner or the decision maker may not know how or what healthy items to stock on a menu. We encourage you to be that person who can provide them with guidance and technical assistance, in terms of their set up and their infrastructure. What are some good products that they can start off with or they can add to the menu?

Also, a lot of times the owner may not know where to source healthier products, ingredients, or fresh produce. Again, that's where you can come in and provide some guidance and some strategies to help them out with that. Sometimes we find that the corner store owner believes that enough healthy options are already being offered. At that point, it's important to go through the store and try to do an inventory with them. Maybe they are offering enough. But if you feel that they're not, make the case. Point out where the gap is and what products they can start offering. Limited space can often be a challenge. We'll talk about that a little bit more in terms of how they can make the best use of the space that they have and add variety and add healthier products to that space. Then the lack of refrigeration or fridge space is also sometimes a concern. Again, if they have refrigeration, you can provide assistance with making the best of the refrigeration space that they have, or perhaps helping them find access to resources in the community where they can get refrigeration.

Once you have your business owner or a store owner or a decision maker on board, it's really important to provide them with the support that they need to succeed and to build demand for healthier options.

Some of the things that a business owner is going to need support with. We've talked about some of these already. Choosing the healthier items to sell or serve, buying and handling particularly with fruits and vegetables, figuring out distribution and how to tap into existing systems, and then, all the strategies surrounding pricing and promotions such as value added, advertising, engaging customers to really build demand for healthier options. We're going to talk in more detailed later on.

I'm going to hand it over to Deb and she's going to talk a little bit more about cafeteria and restaurant strategies because thus far, the presentation has really focused more on retail settings. She's going to talk with us about that.

Deb Benzel: Good afternoon everyone. It's nice to be with everybody today. James mentioned my name is Deb Benzel and in my role here at The Food Trust I work on our local and regional food systems work. What that has meant for me over the years is the ability to do a lot of farm to institution work, learn to untangle how it is people buy food, why they buy the foods that they do, and what the supply chains look like. So, when we talk about supply chains, we really mean all the way from the farm all the way to the consumer, with everybody in between. I'm going to

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talk a little bit more about distribution later, but for now, we're going to talk about non-retail settings and making the business case in new arenas like restaurants and cafeterias.

There's a bunch of different strategies any one of you can take in if you're facilitating work in your communities or you're working with other partners to do so. One of the great jumping off points is with the menu makeover. You might do this by working with a chef or a dietetic provider on site just to think about some incremental changes over time. How can we do more to promote freshness, bring more fresh and healthy items to the menu? How can we do little things like tweak the names of menu items just to make it seem more exciting, particularly if you're working in a cafeteria where perhaps youth are being served? We all know that kids like fun names for things in the school environment, for example. We also want to build excitement about new items. Perhaps, if you are in a hospital or institutional setting and you really want folks to enjoy more fruits and vegetables, really increase their consumption, and perhaps the salad bar isn't a piece of infrastructure that you have, maybe you can pull out a table and have a make your own salad day or a gourmet salad day or something like that. Its all about promotion and getting people excited. Then finally, you have to think a lot about pricing strategies. A lot of purchasers have concerns that healthier foods are going to be more expensive to their bottom line. And much like retailers, the average food industry player, whether it's a restaurant or cafeteria or a caterer of any kind, we always say that they're not working in whole dollars. These are folks who are making a profit on fractions of a penny and you better believe they know how to count every single penny.

These are just a few examples of simple incremental changes that can be made just to increase the healthy value a little bit more. Most of us are probably familiar with all the changes that have come to school meals in the past several of years. As school nutrition directors have rolled things out across the country, these are the kinds of changes they've made, things like moving from fried chicken nuggets to baked chicken nuggets, moving towards whole grain items here and there.

In addition to that, cafeterias and restaurants are implementing a bunch of other kinds of foods that they believe will be appealing to customers. But there are ways in which restaurant operators and cafeteria managers can find out what those items should be. Whether it's a grab-and-go item like a salad or a fruit cup, whether it's changing up the sides and a la carte items that are offered in a cafeteria, or whether it's making an adjustment to recipes, really getting down right at the base of actually putting ingredients together. Making these changes ought to be incremental. Getting buy-in from the constituent if, possible, is important. If you're talking about, for example, a cafeteria that's located in a government building or a school or a preschool or a hospital or a higher ed institution you'd like to make changes, things like staff surveys can go really a long way to telling you what the readiness is of the culture in the community to make these changes. It's great to understand a lot about the population at hand and the kinds of foods that they like so you know where to start. Typically, when we're talking about changes, sweeping changes are typically not a great idea. A colleague of mine, who is a nutrition services director at a hospital in our region for years said, "Yeah, you know, I just slowly started to increase the price of soda over the years, so people didn't notice it right away. At the same time, we made the water free." Over time, over a three to five year period, they saw their sodas sales drop

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dramatically and folks just went for the water instead. Its these small changes over time that can really help make a big difference.

A bunch of other considerations around costs and things of that nature for concessions and snack bars is just taking the time to prepare the staff for these changes. Often times, we think about healthier foods and we go straight to thinking about fresh foods. For folks working in cafeterias and restaurants, that might not be part of what they do. A lot of folks work from pre-prepared items. They work from canned items. Foods service people may need training and support to be able to break down a whole product or understand how to hold it correctly. All those things are important. The other important thing to remember too is if you're looking at buy-in from a bunch of different levels, particularly if we're thinking about say like an institutional cafeteria, buy-in from the top to the bottom is important. You want the folks who are preparing the food to see that they're really invested in serving healthier items. The folks at the top, they're going to be thinking about their bottom line. Doing things like tracking purchases, tracking what's been consumed, what's been thrown away, where there is cost savings, most importantly. Because if you're doing it smart, there are going to be cost savings. These are things you want to keep in mind as you're guiding folks and they're making changes to their menus and their offerings in all of these different kinds of settings. I also want to mention too, I meant to mention a slide back. Let me just back up for a sec.

We talked about things like reducing sodium. We talked about buy-in. I wanted to just mention too, the city of Philadelphia works really closely with a bunch of Asian restaurants in the city to figure out how to reduce sodium in those kinds of restaurants. They didn't just say, "We want you to reduce your sodium level by 50 percent." They worked really closely with them to say, "What's possible? What do you think is possible so that your customers will still come to you and purchase foods?" But that, "We'll make a dent in reducing sodium so that we can begin to tackle things like reducing the risk of stroke and hypertension." I just wanted to mention that as well, that idea of partnering really closely with the business owner to get their input and feedback to make transitions as smooth as possible. At this point, I'm going to hand it back over to James.

James: Great. We know that some of you are also working, in addition to working with cafeterias, retail outlets, and hospitals, some of you are also working with concession stands and snack bars, for example at recreational facilities. I did want to share this really great study that relates to that out of the University of Iowa. It was a few years ago, the Muskie Boosters, which I believe is a high school team, had concession stands, which were a huge source of profit or income for the school district. They do like \$90,000 worth of sales in a year. They decided that they were going to add some more healthy options to their product mix. They added eight different healthy items including apples, carrots and dip, chicken sandwiches, granola bars, pickles, soft pretzels, string cheese, and trail mix. They also substituted canola oil for coconut oil in the popcorn. They swapped the cheese in the nachos. They still use the nachos cheese, but they took the trans fats out. They also took the trans fat out of products like hotdogs. Well, they didn't take it out themselves. They bought hotdogs and nacho cheese without trans fat. Then they advertised these offerings and marketed them with the slogan, "Great taste, more variety." Their results were really great. They continued to see that the traditional items that you get at a concession stand still continued to do well. But they also saw a lot of growth, in terms of people

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being happy that these healthier items are being offered, especially for children in the community, and really good sales. It was an overall increase of three or four percent in profits for that year that they implemented these healthier standards.

The Cornell Food and Brand Lab analysed the results, analysed the data from the sales, and they made this list of recommendations based off of that study. For concession stands and snack bars, they found really the sweet spot is to add five to ten new healthy items to your concession menu. They found that variety really makes it easier for customers to find something that they like. If you're only adding one or two items, you're going to miss some folks because they may not like those one or two items. But you want to have a good variety so that you can capture everybody to have something on the menu that's healthy that appeals to them, things like granola bars, it could be fresh fruits, string cheese, mixed nuts etcetera. You don't need to remove the less healthy options. You absolutely can, but you don't need to. But it's really important to think about how you can make those less healthy options healthier by using healthier ingredients and preparation methods. Instead of frying, baking, using products that have healthy fats instead of saturated fats.

Now we want to turn back to a little bit more detail in terms of retail settings. The Food Trust has a really helpful guide called the Sell Healthy Guide. At the end of the presentation there's a list of resources and links to articles and the Sell Healthy Guide is included in that. We encourage everyone with working with retail settings in your community to ask for the presentation. Go ahead and download that. It has a lot of really wonderful talking points and resources that help small stores and convenience store owners sell healthy food and increase their sales. We're going to talk through a few of the strategies that are from the Sell Healthy Guide.

As a corner store or a convenience store or a small store embarks upon offering healthier options, the first step is to figure out what they're going to offer. What are they going to add to their product mix? There are a few items that are pretty much good for everybody and some other items that require some more thought and preparation before incorporating. The two really great options for almost every store, whether it's the store that sells primarily snack foods or a fuel retailer or a store that's maybe a little bit larger and also sells groceries, the two major things that we find that are really great to incorporate are healthier beverages like water, 100 percent juice and low-fat milk, and snack displays. These are really good and easy entry points for most retailers. In terms of grab-and-go, grab-and-go are things like fruit salads or green salads, just things that are pre-prepared and that folks can grab that are healthy and go with. They are really great usually for retailers who also sell groceries, then possibly for those smaller retailers that mostly sell snack food and fuel retailers. Usually, this works out best if it's a high performing store.

In terms of whole produce, again those stores that are already selling groceries, produce is great to add to the mix in those stores. For the other stores, the smaller ones, the fuel retailers, the ones that are mostly selling just snack food, produce is probably not the best entry point. It's probably something that once they've had some success with some snack items or beverages, then they can look at adding produce. We'll talk about this in a little bit more detail, but produce really takes some more preparation, some more skills. It's absolutely doable, but you would hate for a store to start with something that doesn't work out and they don't feel good about joining this

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movement. You want them to start with an easy win and something that's going to work out well and is pretty much guaranteed to work out well.

Value added again is similar to grab-and-go. And value added can be great for those stores that have a little bit more capacity. The great thing about value added is that the profit margins in value added are much, much higher than pretty much anything else in the store. When we talk about value added, we're really talking about taking something like basic products, like fruits and vegetables, and increasing the value and the price by adding something extra or by processing it in some way. It could be a salad cup. It could be a smoothie. It could be a yogurt parfait. And your value added products really help to diversify your product's mix. They cater to the grab-and-go customers or customers who are really just coming in to grab something and leave. As I mentioned, they have the higher profit margins. It's also a great way to reduce food waste by using up ripe produce that needs to be used right away.

So let's talk a little bit about buying and handling fresh produce for those stores that already are doing this and maybe they need more help with it. They need more support for those stores who are looking to add fruits and vegetables to their product mix. Some tips in terms of the process that you need to go through when buying and handling, first is to purchase. One thing that's really important to understand is that prices for produce are based on supply and demand. So they really vary from day to day. They're not going to be constant. They vary from season to season. So it's best to, if possible, buy things in season. We generally find of course that produce that is found in season and locally grown is most affordable. When the owner gets the delivery or picks up their product, it's very, very important to inspect it and do that on an ongoing basis to look out for spoiled produce. The spoiled produce begets more spoiled produce, so you really want to remove those products and throw it away. Also, they don't want that product to be on their shelves because customers are not going to really want to purchase anything else. Even if there are good products on the shelf, they're not going to want to purchase it because it's next to something that's moldy and going bad. Rotating is really, really important. You want to train your business owners on the importance of rotating to maintain freshness.

So these are really great mantras in terms of how to display produce. One is pile it high and watch it fly. It's really important to keep displays full. It's more eye catching. It's more appealing. And then, of course, any doubt throw it out. If things don't look good, just get rid of them. That's one of the realities of stocking produce. There will be some spoilage. There will be some products that just have to be let go. We call it shrink and it's just the reality of selling produce.

Some other display tips that you want to share with your partners in your community who are selling produce, it is really important to have price tags or full baskets, as we mentioned before.

It's great to have displays with baskets that are tilted. You want to put your shorter shelf life items more at eye level and your longer shelf life items below that.

Here is a picture of a sample refrigerator. So you can see that you don't have to have refrigeration to sell produce. It's ideal to have it, but things are going to last longer if they're refrigerated. But you can without. A really best practice for how you display in a refrigerator, put your healthy

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beverages, fruit salads and yogurts at the top, then rows of fresh produce. You want to clearly mark fresh produce and sale items with bright price cards to bring more attention to them and then put your heavy items on the bottom shelf.

Now in terms of pricing and markup, particularly when it comes to produce, these are some terms and terminologies that you'll want to become familiar with. These are really important to know and understand as you sort of approach business owners. If you speak to them in their language, what you're offering and what you want them to get involved with is going to be more appealing to them.

And then some common mark-up percentages for different items in the store. For canned goods usually in small stores, it can vary across regions and across stores. Usually grocery store mark-ups may be lower because they're getting lower prices. They're purchasing greater quantity. But for canned goods, the mark-up is usually 15 to 20 percent. For fresh produce, the mark-up is a lot higher, 30 to 60 percent. Then on those value added items, the smoothies, the fruit salads, things like that, the mark-ups tends to be 100 to 150 percent.

Both the layout and design for both stores and cafeterias is really important. We talked about this before with the concepts of choice architecture. We talked about this in the first webinar on nutrition standards. But again, just think about those hot spots. Think about those areas where people's eyes and movements are going to take them and think about putting the healthier options in those spots.

All right, I'm going to hand it over to Deb and she's going to talk a little bit about distribution.

Deb: Thanks, James. Okay, so we've been talking a lot about small stores over the past few minutes and I wanted to just pause for a moment and say what we mean when we say small store. We've been giving a lot of examples of what's going on here in Philadelphia. By small store, we definitely mean the bodega and the corner store that you will find in any major urban center. But we also do mean convenience stores, as well as fuel-based retail, and rural groceries as well, smaller, more independent stores or even rural groceries that aren't necessarily tiny, but are isolated in terms of being surrounded by a big town or several big towns or perhaps there are only a couple of roads that intersect nearby. The reason that we put all these small stores together is they tend to face similar challenges when it comes to stocking their shelves with healthy foods. But as we're talking about small stores, I'm going to encourage you all to keep in mind all of these other venues in which you're hoping to make change, so concessions and cafeterias. Because at the end of the day, if you are a purchaser that doesn't have a lot of buying power, you're going to face some of these similar challenges with respect to distribution systems that are in place. Smaller schools might face some of these challenges. Childcare has a lot of trouble because they don't have a lot of purchasing power. So just keep in mind these other venues as well, the different kinds of small store purchasing models. And I'm just going to run through these.

Most folks are most intimately familiar with food distributors. These food distributors are those trucks we see on the road every single day. Food distributors might specialize in one particular area. They might be a produce distributor. They might do just milk. Often times, stores and big

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grocery stores work with what we call broad liners. These are companies that have a full-service line of products, everything from paper goods to bananas to health products and things of that nature. Those are your typical distributors, your Ciscos, your US Foods, and all the other mid-tier distributors that tend to be pretty regionalized. You also have redistributors. And what we mean by that are those folks who purchase from a big distributor and then go back out and sell it again. Sometimes that happens if you've got really a smaller scale distributor that's buying perhaps from a big guy and then going and selling to smaller customers. And the reason that might happen is to help with the economies of scale. We're going to talk about that in a minute.

There is also a group of folks that we like to call jobbers. Well, they are actually called jobbers. And that is often the man with the van that we think about. And this tends to be more of an urban scenario where there's a lot of entrepreneurship among folks, but I like to think of jobbers in the following way. You might have a group of small stores that tend to all buy from the same guy, let's call him Mike. What Mike does is he goes around to different wholesalers, whether its cash and carry wholesalers or he goes through a produce terminal market to get a bunch of produce. He buys on behalf of other stores and he sells it back to them. Sometimes these are very informal networks of distribution. Other times, these folks are a little bit more formalized in terms of how they're working with stores, but they play a really, really critical role in serving small stores because they will do things sometimes like break cases. And so if there is a store that doesn't need an entire case of cucumbers for example, they might be able to split it up and work on that more on a one to one level with the business.

There's also what we call direct distribution. And I like to think of that in two ways. One, you've got direct distribution to stores that we like to think about sometimes as the Frito Lay truck. For the most part, you won't have a produce distributor that will go to a small store to drop off a very small amount of produce to be sold, but the big chip and soda companies have no problem bringing their vans or their trucks right up to the stores. And they do that because they want to be able to merchandise that product. So they come in, they set up the end cap, they do all of that. That's one form of direct distribution. The other way that we want to think about direct distribution are for those companies that are what we call vertically integrated. Often times, when we're thinking about vertical integration, that might be the case for certain grocery stores that control their supply chains from top to bottom. They have their own distributors. The company has their own warehouses. This is especially true of the big convenience store chains like your 7/11s and your other national convenience store chains. And often times your larger grocery store chains can do that. That's very cost effective for them, but it's not realistic for most midsized to small sized companies.

The other ways that small stores purchase is with supercenters. Costco and Sam's' Club are a great way for store owners to save a little bit on bulk purchasing while being able to get quantities that work for them. It's not ideal. They're not getting the best pricing. But that's definitely one thing we definitely observe. And they may also buy directly from another retailer. We know that this is truer of urban models, but for small stores in the urban model, they go to the grocery store and they will buy directly off the shelves. And you can imagine what they might do with the pricing. We'll talk about that again in a moment.

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There's also what we call produce terminal markets or wholesale produce markets. There are about eight to ten big produce terminal markets in the country. They're just like they sound like. They are enormous warehouses featuring any and every kind of produce that you could think about. Some, often times, they're made up of independent businesses within that big terminal market. Some of them might deliver, but they tend to do delivery and distribution just to really big accounts. Often, what you have is the store owner driving to a produce terminal, picking up his case of mangoes and his case of lettuce and then going on his way. And that's what's called operator driven logistics and we'll talk about that in the moment as well.

There's also your cash and carry wholesaler. That would be a warehouse in which the storeowner might walk in and they will pick up. Perhaps they need their cereals for their WIC customers. They might also get cans of soup. Often times that allows store owners to break cases in those cash and carry places and they can buy whole cases as well. It's called cash and carry because typically credit isn't allowed. You come in, you shop, and they tend to be member based for businesses only. That's just a brief overview. There are a lot of different ways people purchase. I should also mention too, in a lot of cases store owners use multiple methods to get the products that they need that you see here.

When we think about what makes it really difficult for smaller stores and smaller purchasers to stock healthy items, what we're really talking about is purchasing power. Most big distributors have minimum order requirements. If a store can't meet those minimum order requirements, whether it's a \$500 requirements or a \$40,000 requirements, they're going to face delivery fees. They might not be able to tap into discounts. And in some cases, they might just not order at all. That puts the onus of the burden back on the store owner to figure out how they're going to get those products in.

Just as we talked about, methods that we reviewed. If your store owners are buying from retailers or your Costco or in other ways, the prices on those products are going to be higher. Unfortunately, that pricing tends to get passed on to the consumer, which is not ideal when we're talking about low access populations that don't necessarily have a lot of extra money to spend. It's very time consuming for store operators to have to purchase in multiple ways. If you think about it, if you are owning your own store, you would want to be able to potentially pick up the phone, call one produce distributor, order everything from your paper towels to your shampoo to your tomatoes, and call it a day. Because every single time you get a delivery, every time you have to leave the store, every time you have to sign another invoice, refuse a delivery, do all those things, it's time and energy. As we know, small store operators typically serve every single function in a store. It's not like the big grocery store where you might have an accounting department, you have a human resources department, you have people dedicated to ordering. The small store owner does it all and that can be really challenging for them.

The other thing is, James alluded to this, is being able to maintain a quality of fresh foods. If you're working with the distributor or a wholesaler and you're forced to buy large quantities at a time, these products may not be turning over quite as quickly as you want. Then you're in a situation where you're not able to have as much fresh as you want. The other thing that happens is, for some of these folks, if they are able to get a distributor to come, if it's not a very big order, they're not going to drop off fresh produce three times a week, which is kind of ideal. They're

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probably only going to drop off once. The store owner might get their delivery on a Monday because they know they want to be stocked and ready to go because they have a really busy day on Wednesday. But by Thursday, maybe that lettuce, maybe those greens and the peaches aren't looking so great.

These are just some of the things that really are challenging for stores, to say nothing of maintaining WIC compliance, particularly in states where there's a real push to carry and stock fresh produce at all times. That can be very difficult. And with the lack of buying power, stores may be working with wholesalers that just may not have WIC approved items readily available all the time. That's just something else you want to keep in mind.

What does all this mean to the consumer and for the suppliers? There are these gaps that exist. It ends up failing both ends of the supply chain, creating a negative feedback loop that can be really, really difficult to change. If you are a customer and you walk into a small store, perhaps you see there's a whole part of a shelf that's empty. Maybe you expected to go in and find the beans that you usually want or you walk over to the dairy case and it just doesn't have that low fat yogurt you're looking for or the low sugar yogurt that you're looking for. You're going to create a perception that the store can't serve you or that they don't care about you. Then the store owner is going to experience a decrease in sales. Then he's not going to order it as much. He's going to have an even more difficult time meeting that delivery minimum. He's going to have to resort to less efficient means to get products into the store, which is more time and energy for him, which means more cost that has to get passed on to the customers in one form or another.

But all is not lost. We'll be talking about some barriers, but we're going to talk about some really interesting models in a moment too. We've pretty much covered the barriers these small stores face. It's all about economies of scale. At the end of the day, our conventional food distribution system just isn't really set up to serve stores that can't purchase on a large scale. As James mentioned, store owners often are willing, but they just can't walk into this system. They don't have the time or resources or energy to figure out how to create a new model while generating revenue at the same time. Their suppliers just might not be cut out to get them what they need for a whole bunch of reasons. We talked about minimum delivery orders. I know that, for example, there are two main larger distributors in Kansas. Rural grocery stores in Kansas have a very difficult time ordering from both of those distributors because they have very high minimum delivery orders. I want to say one of them is on the order of \$38,000 per order, which can be really, really high. That kind of gets in the way. We also talked about things like infrastructure and lack of refrigeration.

The other thing that we didn't talk about so much yet is what is healthy. As you are working and providing technical assistance in the field, or your partners are, or if you're setting up your policy guidelines or incentive programs or whatever it is you end up taking away from all of this, thinking about what healthy means to any particular community is important. For some folks, that might mean more fresh produce. For other folks, it might mean smaller size containers of Coca Cola. It could really be anything at all and you're going to have to figure out what it means to any particular community based on who they are and what their norms are.

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The other big barrier is, and this is getting a little in the weeds, is what's called the last mile. Often times, what we have are distribution systems that permit trucks and all different kinds of vans and other distribution systems to get out and deliver food. The most expensive part of the supply chain is literally the last couple of miles that a truck has to go. It tends to be the most time consuming. When we're thinking about, for example, I always think of New York City. New York City is incredibly tight and dense and you've got a truck that came all the way from, I don't know, let's say Chicago to do a big delivery. Right up until they entered the city they were making great time in the truck. You can only imagine how expensive it is to go that last half mile to get to the bodega and drop things off. The time, energy and resources, zoning, parking tickets, you name it, all can get in the way. If there isn't a real large purchase that's happening or the transaction is not suitable enough, folks just simply won't make those deliveries. That's really, really challenging. That's definitely true of urban and rural stores. That last smile is a big deal.

How do we bridge this gap, given that we know that the conventional system doesn't necessarily suit smaller buyers of any kind? There are some great success stories from the field and I just wanted to highlight a couple today. The Food Trust had the opportunity to do a national campaign with distribution systems last year with support from the Robert Wood Johnson Foundation. We spent a lot of time talking to stakeholders from across the country. We talked to the store operators. We talked to distribution companies, wholesalers, manufacturers, the whole gamut. We learned about a really, really great collaboration between Jetro Cash and Carry and Mango Grocery and Meat Market, which is located in the Bronx. There's a picture on the right. That picture on the right is a fresh end cap display in Mango Grocery. What they've been able to do is work together. Jetro, the cash and carry, actually provides technical assistance to the stores on how to display products. They work with them on getting products that they think they really want in their wholesale operation. They create rebate programs for stores that buy from them. The stores are really incentivized to go shop there. They receive technical assistance and it's a very win-win situation. It's a very unusual situation, but it's one in which no one is losing money and everyone is getting the thing that they need. The store is getting the capacity building that they need by learning about what products they should be bringing, how they should be storing and displaying them. The wholesaler is getting increased business, which is exactly what they want.

Another example I wanted to bring up was Chester's Thriftway. You can see that it's a larger grocery store. They're in rural Oregon, and I mean rural. What their challenge was, even though it looks like a larger grocery store, they have, just like a lot of other grocery stores, have a hard time turning over their produce. They realized that they had a large walk-in cooler and they had a couple of smaller grocers within a reasonable driving distance. What they did is they started working with the produce distributor, which is called Charlie's Produce. And they said, "Hey, we're going to start ordering a whole bunch more produce. Can you do a better pricing for me? And can you start dropping off for me three times a week? Because I am going to have other small stores come pick up from me. Or we can occasionally take it out to them to help them stock their stores." They basically became a little mini hub themselves to help support other stores fit their needs around produce. And it helped Thriftway to be able to get more frequent, fresher, better priced deliveries while they were able to better serve the community around them. That might sound surprising. You might think, "Weren't these stores in competition?" But they aren't really. What they did was create a new way for stores to access healthy items.

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The other thing that we realized when we wrapped up our research last year is that we need store owners and the public health community and distributors and suppliers really to understand more about what's really going on. A few of the recommendations that came out of the project that we had last year, the big one was research. Store owners said, "We think consumers want to buy more healthy products, but we want to know what and what demographics? Are there young people in my community? Are there older people in my community? What is the race and ethnicity of my community? Does that mean I should be stocking certain products? What is the overall knowledge? What's the income level of my community?" Store owners certainly have a sense of that. They tend to know the folks in their neighborhood, but they might not know all those little pieces. If they are able to work with the local health department or somebody else to get a little bit more information about who their customers are, that could really go a long way towards helping them make decisions about how they stock and be really strategic about it so they can minimize losses. We also talked about the need for timelines of profitability. We talk about healthy store incentive programs and having folks do things differently. Store owners want to know, "How long will it take for me to be profitable, though?" One thing we learned is that research around that will be really, really helpful. And factors affecting how and where people shop. We talked about demographics, but also understanding a little bit more about when people shop, where they shop, what foot traffic looks like, things like that will be really helpfully to store operators.

Another thing that we talked about, that came out of this research, is thinking about policy on every level. If we think about policy leaders potentially, locally we might think about things like city-led tax breaks, whether that would be subsidized licensing for store operators that are involved in a healthy corner store or a healthy food initiative, business tax credits, and that sort of thing. On the state level, we might think about lowering or removing sales tax from food to level the playing field on pricing. I know enough about Kansas to know that folks are not shopping necessarily in their local market. They're going across state lines to avoid the sales tax. I know that's a real trouble to your independent store operators in the state. Certainly, that's one thing that we think about. That would help increase consumer demand. The state could also think about how they might help support healthy food initiatives and small stores, whether it's through state funding or through creating a tax revenue generator through legislation.

On the federal level, we talked a lot with the stakeholder groups about thinking about potential administrative barriers that stores face when they want to accept SNAP or WIC benefits. That's not necessarily like legislative policy, but what are the administrative barriers that keep stores from tapping into these programs, which were important to bring in low-income consumers. That's a really, really important revenue to stores. So what's the paperwork getting in the way there? We also talked about the need on the federal level for Healthy Food Financing dollars to support new models and partnerships and to support small stores as they are trying to do more. The Healthy Food Financing dollars are going in that direction to a degree, but often times they're intended for slightly bigger operations.

Corporate policy, internal policies that larger businesses might want to think about. If you think about your big Wal Mart, they might be in the process of putting smaller businesses out of business, but could they possibly set some of their charitable dollars aside to help support the

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small store initiative? Are there equipment manufacturers that could sponsor a healthy small store initiative? Things like that. Corporations have a role to play as well in partnering with other stores.

Finally, the big thing is capacity building. That's why you're all here today. You want to learn how to better support these folks and implement policies that you all come up with. We learn from small store operators and from distributors that they would love more opportunities to network with one another. As we talked about, small store operators are very, very busy. They also don't have time to get away from what they're doing. Any moment away from the store is potentially lost revenue, but they do go to trade shows. Start thinking about opportunities to talk about healthy foods and healthy stocking in those environments. Going to where those small store operators are is really important. We also want to think about training for small stores to improve operations. We talked a lot about that this afternoon as well as turn-key healthy food programs. If there's a small chain of convenience stores, perhaps they want to try to roll out a whole set of procedures and an easy systemized way for stores to just tap into a new way of purchasing, even if it's just one or two items. They get a set of rules, a set of guidelines rather than say, "This is where you should put the bananas. This is how many bananas you should put out and here is the way you should market it." Turn-key solutions that are simple and efficient for store operators to implement and get going. Thinking about these supplier and retail trade shows, whether it's a food show or otherwise, bringing other diverse stakeholders to those events, public health stakeholders, food access groups and things like that. Getting people all in the same room at the same time at a place where store owners and distributors will already be was another recommendation that we had.

I'm going to let James just wrap up and then we'll be ready to take some questions.

James: Hello everyone. Again, as we pointed out earlier, we do have some resources and links here at the end of the presentation. They are hyperlinks. When Katie sends out the link to the webinar you'll be able to click this and read through some further information if you're interested. The first slide here is some articles that are highlighting the Better For You industry trends. Then we also have a number of resources here including our Sell Healthy Guide and a number of other reports and resources that you can take a look at to help support your work in your community.

With that, we would like to take questions, either through the text box or over the... [end of audio]