





# The Lego Legacy of 2017

By: Leslie Sarasin, President and CEO, Food Marketing Institute

When my college freshman son was a youngster, he loved Legos – a passion I indulged because it was both constructive and instructive. Lego-play taught the value of perseverance, following directions (sometimes learned negatively) and the joy of creativity. But perhaps the even greater life-lesson that Legos provided was offering tangible proof that big accomplishments are actually the accumulative effect of many, many coordinated small steps. I can only hope these lessons have not only served him, but have been reinforced by his first semester collegiate experience.



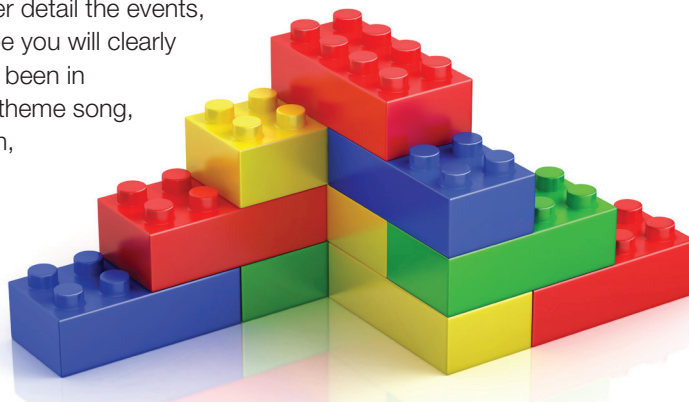
2017 has been a year of big accomplishments for FMI, but something of a Lego-experience since these huge achievements are the sum of many, many small steps and tiny pieces coming together. Over the next few pages, FMI will offer a step by step, department by department review of the past 12 months. This report is intended to help you better see the way the pieces fit together and how smaller developments in one department contributed to the overall successes experienced in 2017.

Here are the categories offering just a taste of what the pages that follow cover in much more detail:

- **Advocacy** – The dozens of 2017 government relations victories - swipe fees, menu labeling, no BAT tax, labor, beverage tax repeal, weights and measures...are the result of years of shoe leather from FMI members and staff, and illustrate the truth of Steve Jobs' observation: "If you really look closely, most overnight successes took a long time." On other advocacy fronts, the industry and FMI garnered much positive press regarding the Trading Partner Alliance initiative to reduce consumer confusion about Product Code Date Labels.
- **Resources** – From highly technical FSMA implementation guidance to webinars on trends in customer transparency expectations, FMI produced a bevy of industry information assets in 2017. These include hosting 12 live educational events, publishing 14 research reports covering consumer trends and industry operations, presenting 49 webinars on critical industry topics, delivering a dozen issue alerts and holding hundreds of conference calls assessing industry dispositions and shaping advocacy direction.
- **Relationship building/Networking** – While education and information gathering is often the initial allure of calls, events, and webinars, one of the primary benefits FMI offers is bringing peers, colleagues, trading partners and industry service providers together. The contacts and connections FMI fosters become the cohesive bond that helps our industry work better.
- **Operations** – At its financial core, the food retail industry relies upon operational excellence and improved supply chain efficiencies to help manage its margins. In 2017, through workshops, surveys, and interviews FMI identified and examined the top emerging issues anticipated to carry the greatest industry impact in the next three years. This exercise was undertaken to provide our members with the advance information they need to revise their operating models in ways that will better seize the opportunities and manage the challenges the future holds.

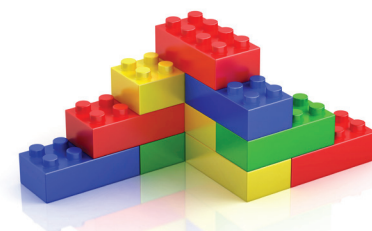
In between all the words my colleagues will use in describing in greater detail the events, programs, developments and resources provided this past year, I hope you will clearly hear the substantial recurring echo of how valuable a partner FMI has been in helping you achieve your 2017 goals. As they say in *The Lego Movie* theme song, "Everything is awesome, everything is cool when you're part of a team, everything is awesome, when we're living our dream."

*Leslie G. Sarasin*



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# Celebrating 2017 Legislative, Regulatory, Judicial Success and Laying the Groundwork for the Future

By: Jennifer Hatcher, Chief Public Policy Officer, Senior Vice President, Government and Public Affairs, Food Marketing Institute

The end of the calendar year is a logical time for reflection. It allows the chance to analyze our successes, look at additional opportunities for the upcoming year and evaluate ways we can continue to build on our achievements. FMI and its members have a number of successes to be proud of this year – a testament to laying the groundwork and continuing faithfully down a path in spite of evidence of a successful outcome.

Many of the victories we celebrate today were made possible by your company's participation in our coordinated efforts. These advocacy achievements took a lot of work and would not have been considered possible just a short year ago. While tax reform is probably the most significant legislative item for 2017, the broad range of legislative and regulatory items that FMI and the industry were able to influence – both offensively and defensively – demonstrates the diverse portfolio of issues FMI covers and bears all the unique characteristics of a heavily regulated industry. When folks on Capitol Hill ask about our broad interests, I tell them, “We chase pennies!”

Our **2017 wins** (complete list included) were possible due to the hundreds of congressional office visits, store visits, emails and phone calls you made to educate lawmakers on the significance of their actions. Our efforts to explain the importance of protecting the 2010 debit card reforms resulted in House Financial Services Committee Chairman, Jeb Hensarling, removing repeal language in his financial reform legislation after more than 90 members of Congress weighed in, prompted by our advocacy. Food retail's efforts helped kill the onerous border adjustment tax (BAT) before serious debate about tax reform even got underway. Not only was it not included in any of the draft legislation considered in Congress, leadership and the Trump administration also explicitly excluded it from their September 'Big Six' framework. Many observers expected that LIFO would be on the chopping block during tax reform, but years of hard work by food retailers and wholesalers educating Members of Congress about the impact of repeal on the industry and consumers paid off – LIFO was untouched. And it was FMI Independent Operators who raised and championed the ability for companies operating in trusts for estate tax purposes to also be able to benefit from the pass-through rate reforms in the tax bill. Again, showing the importance of well-timed and well-placed advocacy!

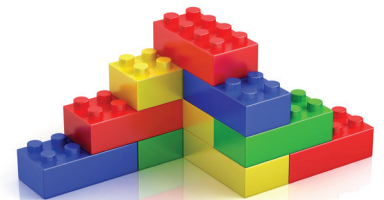
“If you really look closely, most overnight successes took a long time.”  
— Steve Jobs

We initiated down-to-the-wire litigation to prevent the USDA from releasing sensitive SNAP store-level sales data and have prevented the sensitive data release for almost a year. While court action proceeds, we look for a legislative fix. We have advocated for and achieved more time and more clarity to implement FDA's menu labeling rule (and developed an **implementation guide** for

members), which led to the Administration's providing a one-year compliance extension and re-opening the rule to receive input and make adjustments. While the overtime rule's salary threshold (\$47,476+) was struck down by the courts, the time FMI spent shadowing store managers and learning detailed examples from you to provide to the Department of Labor and the White House's Office of Management and Budget kept a change to the duties test from even being considered.

As you will see from our list, the same kinds of examples are important for advancing or defeating state and local initiatives too – from tare weight changes to the imposition of or preemption from beverage taxes to varying SNAP restrictions.

These are just a handful of our 2017 achievements, but they tell a story of months (and even years) of investment in shoe leather, building relationships and a proactive membership of companies that understand the importance of participating in the policy process. We look forward to building on this list of achievements to help your companies do what you do best: sell safe, quality and affordable groceries in communities across the country.





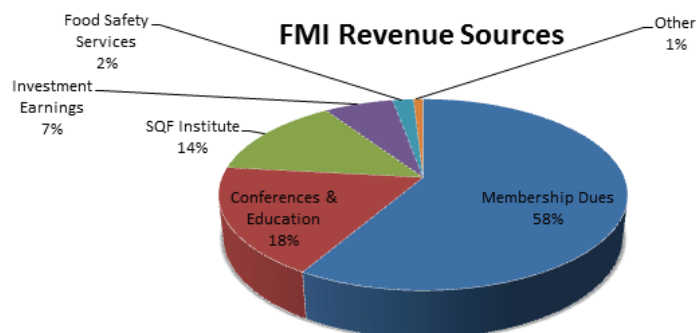
# Answers to 3 Simple Questions about FMI's Finance and Administration

By: Sam DiCarlo, Chief Financial Officer & Senior Vice President, Administration, Food Marketing Institute

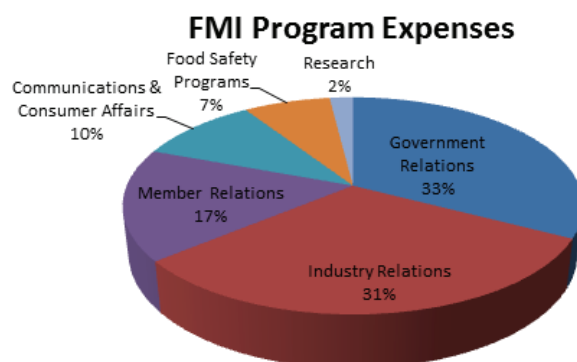
The infinitely complex game of baseball can actually be reduced to three simple components; hit the ball, throw the ball and catch the ball. Likewise, finance can be very complicated, but it too can be reduced to the answer to three simple questions: Where does our income come from? What is the money spent on? What does the subsequent bottom line look like?

Let's look first at FMI's income question for 2017. Providing the food retail industry with the myriad services and products requires human and financial resources. Funding those resources requires resources, and like all well run business endeavors, FMI seeks to diversify its revenue streams.

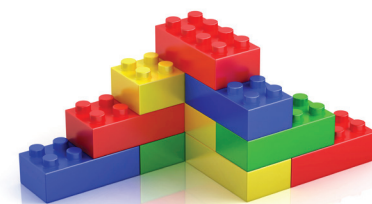
The graph below illustrates that while membership dues provide the majority of funding for FMI, 40 percent of its revenue is derived elsewhere. Conferences and education, fees from **Safe Quality Food Institute (SQFI)** services and investment earnings make up the majority of FMI's non-dues revenue.



Next, let's turn our attention to FMI program expenses and the graph below shows how FMI distributed and administered its funds in service of the food retail industry. A third of FMI's program expenditures are government relations oriented and last year were utilized in advocating on behalf of food retailers regarding the national legislative and regulatory issues that were of priority concern and interest to the industry. A little less than a third of FMI's budget is engaged in our industry relations initiatives, programs and resource development. The remaining third supports FMI's work in member relations, communications and consumer affairs, food safety and research.



That brings us to the all-important bottom-line question and here we have good news. After paying for all the services, programs and products in 2017, FMI will run a surplus. Although FMI is considered a "Not-for-Profit" entity, it is important that we employ sound business practices, such as avoiding prolonged periods of operating deficits. 2017 will be the 8th consecutive year FMI finishes with an operating surplus. In a time when the food retail industry is facing unprecedented change, including numerous business consolidations, it is wise to remain on sound financial footing. FMI's accumulated surplus will serve as a secure funding source as FMI prepares to address the emerging industry needs that the future will no doubt bring.





# 2017: A Quest to Improve Food Safety

By: Hilary Thesmar, PhD, RD, Chief Food and Product Safety Officer and Vice President, Food Safety Programs

Creating a company culture of food safety is challenging, but sustaining it once it is established requires even more commitment. Whether a company is taking small steps or huge strides in cultivating an environment in which food safety reigns supreme, FMI was there to help in 2017.

FMI's **Center for Retail Food Safety and Defense** supported FMI members' commitment to sell safe food to customers by providing regulatory and technical support, developing relevant training resources and guides, and fostering relationships with an expanding food safety network. A food safety practitioner's work never ends, so FMI aims to advance science and technology, develop innovative food safety solutions and increase adoption of industry best practices.

Each year, FMI's Food Protection Committee (FPC) establishes initiatives that serve as the focus of the committee's work for the year. Its initiatives focused on dealing with new regulations, managing recurring food safety problems and tackling basic cleaning and sanitation practices in constantly busy store environments.

## 2017 FOOD SAFETY INITIATIVES:

### FSMA Implementation and Compliance

FSMA remains a priority as compliance dates became effective for several FSMA rules. Since the FDA began FSMA inspections this year, FMI Food Safety and Government Relations teams have continued to prepare members for **FSMA implementation** by providing training, hosting webinars, offering technical support and developing tools and resources to assist retailers and wholesalers to better understand the FSMA rules to work toward compliance.

FMI continued to work closely with the Food Safety Preventive Controls Alliance, a public-private alliance of key industry, academic and government stakeholders, to deliver effective training and solutions to retailers that assist with their FSMA compliance.

### Menu Labeling Implementation

FPC provided technical support on the **Menu Labeling Implementation Guide** to assist retailers with implementing menu labeling and with submitting comments to the FDA about a delay in enforcement until May of 2018.

## RECALLS

Retailers are experts in recall execution. Undeclared allergens are the leading cause of U.S. food recalls and retailers are affected by supplier initiated recalls and recalls from foods prepared in store. For this reason, in **September 2017**, the FMI Foundation awarded a research grant to the Food Allergy Research and Resource Program at the University of Nebraska – Lincoln to identify the root causes of allergen labeling errors and provide guidance on ways to mitigate undeclared allergen recalls.

## LISTERIA PREVENTION AND CONTROL AT RETAIL

*Listeria* prevention continues to be a priority for the entire food industry because of the public health risk of the bacteria and the consequences of regulatory actions. Building on the **FMI Listeria Action Plans** and the previous research funded by the FMI Foundation, the workgroup examined the role of sanitary design in *Listeria* prevention based on research and industry best practices.

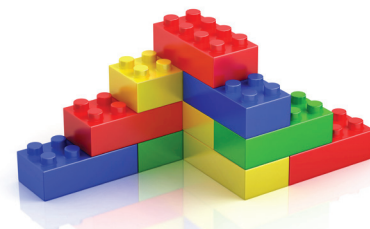
### Cleaning and Sanitation Practices

Food safety is dependent on mastering the basics. Implementation of effective cleaning and sanitation programs is essential to establishing a strong food safety foundation. FMI continues to work with industry partners to identify innovative tools and technology for cleaning and sanitation.

## RECOGNIZING THE INNOVATORS:

FMI also demonstrated its commitment to the advancement of food safety by presenting the first annual FMI **Food Safety Innovation Award** in conjunction with the International Food Protection Training Institute to recognize companies that have made an innovative contribution or commitment to food safety.

Retailers and wholesalers remain committed to preventing food safety contamination, developing strategic partnerships and utilizing innovative technologies—continuing our perpetual quest of enriching lives by selling safe and nutritious food to feed families across the world.





# Meeting Members Where They Are

By Dagmar Farr, Chief Member Relations Officer and Senior Vice President, Membership and Education

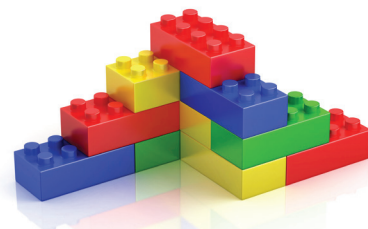
*On the road again.* This phrase embodies the commitment of FMI staff to meet our members where they operate in order to share FMI programming and to learn what we can do to serve them better. FMI staff wrapped up a successful 2017 with more than 120 in-person member visits.

To enhance this high-touch tactic, members now have FMI staff account managers who will contact them throughout the year. Called **My FMI**, this program enhances existing relationships members have with staff and ensures members receive individual attention and get maximum benefit for their membership dollars.

Another engagement tool FMI supports is **share groups**. Non-competing members come together in specialized forums and engage in issue-specific dialogue. This year, 10 share groups with a total of 76 members among them, convened 18 in-person meetings and two virtual meetings.

An engaged FMI Board was instrumental in assisting FMI staff to successfully recruit 10 new retail/wholesale members and 76 new associate members this year. The **Universities and Colleges membership category**, begun in 2016, has welcomed four universities into the membership fold: Cornell University, Niagara University, Saint Joseph's University and the University of Southern California.

When we're not on the road, we're updating FMI members through monthly newsletters, the **FMI website**, and social media efforts to ensure you have the information you need on programs, resources and initiatives in order to maximize your membership.





# FMI Education Programs Evolve with the Industry

By: Carol Abel, Vice President of Education, Food Marketing Institute

In much the same way that shoppers no longer interact with stores as they once did, FMI members want different ways to learn. They seek experiences that will help them master practical tools, exposure to trends with insights they can apply quickly and connections with potential partners and resources that can help them solve challenges. To address these new ways our members consume information, in 2017 we instituted a number of changes to FMI education programs.

For many years the **Midwinter Executive Conference** has been the most highly-valued and strategically focused FMI event. But just as every successful store must continue to innovate and respond to customer needs, we knew we had to adjust. A number of responsive changes were made to Midwinter in 2017, including shortening the event by a day, putting a renewed focus on opportunities for insights on major industry trends with added education sessions and providing additional chances to collaborate with partners during more **Strategic Executive Exchange** appointments. With record-setting attendance and highly positive attendee feedback, the results validated the changes.

We continue to hear our members express concern about workforce and talent development. As the industry has changed, talent needs have changed and strategic leadership at all levels is more important than ever. A completely revamped **Future Leaders eXperience** provides at least a couple of pieces to the talent challenge puzzle. Future Leaders was restructured as an immersive, experiential and interactive learning laboratory in which teams of emerging leaders from multiple companies and multiple functions work together to practice the hands-on skills necessary for today's food retail leaders. Teams learned about fostering peak performance, translating trends, strategic response and more. Along the way attendees made lasting connections with colleagues from across the country. Once again results proved the value of the new format: more than 80 percent of attendees predicted improvements would result from their participation; and company executives shared stories of associates who were inspired to try new approaches to some existing challenges.

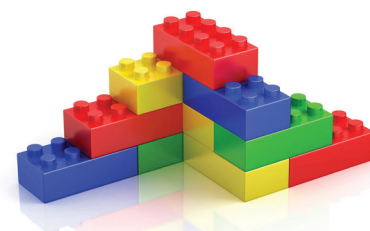
Not every company or individual needs the same type of support for talent development. Some need more fundamental support that provides academic underpinning to expand everyday skills developed on the job. That's where the **Retail Management Certificate Program** (RMC) can help. The RMC was developed by the Western Association of Food Chains over fifteen years ago and is supported nationally by FMI. In 2017, FMI helped expand this community college-based, eight-credit course program to thirteen new community colleges, and associates of FMI members in Illinois, Maryland, North Carolina, Ohio, Tennessee, Virginia and Wisconsin began building their effectiveness.

We also evolved our event addressing omnichannel into a new format, **Grocerytalk**, in conjunction with the hosts of **Shoptalk**. The opportunity for food retail e-commerce and marketing professionals to learn and interact with other retail and brands is a valuable offering for an omnichannel team.

For the asset protection community, we will join forces with the National Retail Federation (NRF) for a combined annual conference in 2018. Under the NRF PROTECT conference banner, **NRF PROTECT 2018** will be "brought to you by NRF and FMI," to the benefit of the retail asset protection, risk, and food safety professionals.

Not all members can spare the time for multi-day conferences, and some topics are so timely and important that they need to be communicated immediately. In these cases webinars are a quick delivery mechanism to share new insights with broad audiences. In 2017 FMI nearly tripled the number of webinars available to our members on everything from consumer trends to food defense and from digital capability-building to private brands.

As we move into 2018, we will continue to employ new learning techniques to make existing events even more relevant, to consider new formats that support quick learning or rapid application, and to help our members see what is coming to best prepare themselves and their teams.







# The Freshest Source for Information

By: Rick Stein, Vice President, Fresh, Food Marketing Institute

Food retailers understand that the fresh experience is dictated by the new expectations of a more engaged consumer, so it's important for FMI to keep its finger on the pulse of the shopper, helping food retailers navigate consumers' demands – and aspirations – for their produce, meat, seafood, bakery and foodservice items.

In order to better know our audience and the environment, our organization commissioned notable research across the fresh departments:

**Power of Produce:** Produce, a category that outpaces total store sales at \$63 billion, increased in dollars 3.3 percent and grew in volume 2.6 percent over the 52 weeks ending March 19, 2017. The analysis identified the catalysts for growth and increased trips as primarily due to produce purchases among Millennial shoppers and purchases of more value-added, organic and branded items. We presented the research at NY Produce Show, Southeastern Produce Council and at the Amsterdam Produce show. The content will support the keynote speech at the annual SEPC meeting in March 2018.

**Power of Fresh Prepared/Foodservice:** The analysis explored ways retailers can become a prepared foods destination, much like a restaurant, which will help drive trips when the shopper did not plan to make a grocery visit as well as prompt trips among secondary or new shoppers. The report also explored, with a presentation by Time Food Solutions (TFS), use of digital to attract consumers to their foodservice offerings. TFS showed the group how best to present prepared recipes on their respective digital platforms.

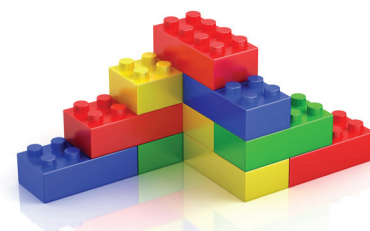
**Top Trends in Fresh:** The exploration with research partner IRI found that retailers that implement identified strategies in response to the following trends will succeed in driving growth in 2017 and beyond: Holistic Health; Social and Cultural Alignment; Atomization of Personalization; Hyperlocalization; and Customization to the New Consumerism. As a compendium, IRI also produced a white paper that summarizes the webinar information (available on demand via **FMI's webinar recordings**).

**Power of Meat:** Presented at the Annual Meat Conference and in partnership with the North American Meat Institute, the analysis found that during the deflationary environment, price relief is driving a greater willingness for experimentation and premium product purchases among consumers.

FMI recognizes that it's not just trends that shape the market. Since the regulatory and legislative environments influence the grocery landscape, FMI's government relations and food safety teams work together closely with our fresh community on issues such as chain restaurant menu labeling, catfish imports regulation and implementation of the Food Safety Modernization Act (FSMA).

Ultimately, the FMI fresh community serves as the brain trust for our research and strategic endeavors, embracing the ideas among the participating 20 retailers and 40 suppliers and third-party providers. With FMI serving as its conduit, the fresh community now has an advisory seat on the Pork Board Retail Advisory group and on the Monsanto Veg Seed Industry Advisory Council. The community also offers best practices and directives, as evidenced by the FMI Seafood Committee's publication of a **Best Practices to Prevent Seafood Fraud** white paper, which resulted from a collaborative effort among our members and industry stakeholders. The paper will be presented at the 2018 Seafood Expo in Boston in March.

In 2017, FMI's research demonstrated that fresh is well-positioned to align business operations with rising shopper trends. And, as the pulse of our community grows in strength among companies and stakeholders, it will help food retail keep pace with the evolving consumer. These industry collaborations and efforts will continue to yield needed intellectual property, and FMI will remain the freshest source of information.





# Digital Transformation Takes Food Retail By Storm in 2017

By: Pat Walsh, Chief Business Development Officer, and Vice President of Supply Chain, Food Marketing Institute

The digitally engaged food shopper will fundamentally change the way food is bought and sold, more so than driverless trucks or delivery drones. The needs and behaviors of these shoppers will require food retailers and manufacturers to reinvent their strategies, business models and capabilities from the ground up.

The grocery industry is at a critical tipping point. In January 2017, Nielsen and FMI embarked on a multi-year initiative to explore this unprecedented digital transformation. Initial findings from FMI's *The Digitally Engaged Food Shopper* study demonstrated that shoppers are already highly engaged with purchasing food online; however, retailers and manufacturers have yet to develop profitable e-commerce strategies that meet today's consumer expectations.

Here are key findings of *The Digitally Engaged Food Shopper* report:

- **Multi-channel shopping:** More shoppers are buying more of their groceries across channels.
- **Digital Experimentation:** Grocery retailers and manufacturers are meaningfully experimenting with business models and technologies to find their way online. However, the road to success has not been paved.
- **Grocery Saturation:** Grocery shopping will reach digital maturity and saturation faster than other industries before, such as publishing or banking.
- **Center Store Migration:** Center store categories are already migrating online and this migration is expected to continue.
- **Young and Digital:** Younger, newer and more engaged digital shoppers adopt grocery related digital technologies more quickly and will hasten the expansion of digital grocery shopping further.
- **Broad Transformation:** This digital transformation also extends itself into the areas of asset protection, cyber security, etc.

Within the next ten years, according to the study, online food shopping will reach saturation in the United States far faster than any other industry. And, center store products will likely shift to online shopping models faster than other departments in store.

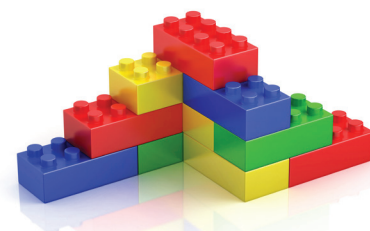
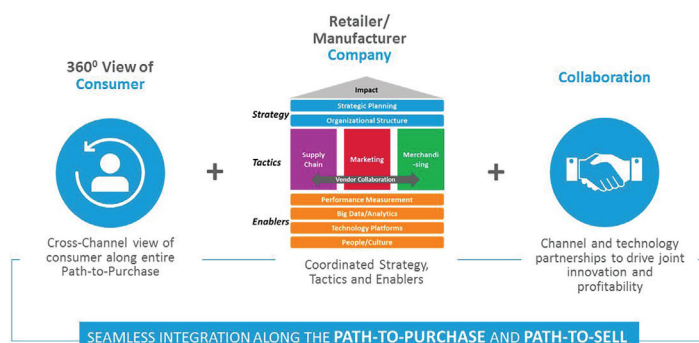
Consequently, retailers will have to fundamentally reconfigure the layout and role of brick-and-mortar stores to meet the expectations of the digitally engaged food shopper. As with any change, the path forward begins with sound strategy. FMI is poised to provide companies and trading partners the tools to address this strategic challenge and opportunity through an online **assessment tool**.

The assessment will evaluate a store's current digital capabilities, and help shape strategies your company can use to implement a digital transformation.

For more on *The Digitally Engaged Food Shopper*, visit [FMI.org/DigitalShopper](http://FMI.org/DigitalShopper).

## THE PATH TO DIGITAL TRANSFORMATION AND COLLABORATION

### INTEGRATION ACHIEVED BY DEVELOPING AND COORDINATING THREE CORE COMPETENCIES





# Emerging Issues: Identifying Challenges to Food Retailing

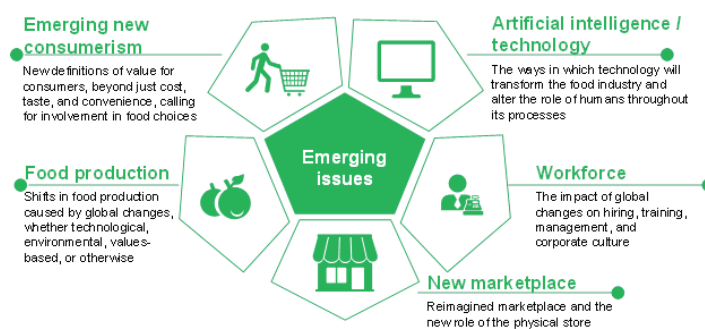
By: Mark Baum, Chief Collaboration Officer, Food Marketing Institute

Change and disruption are no strangers to the food retailing industry. Over the past 25 years, new players—from so called “category killers,” to discounters and online retailers—have entered the ‘grocery market’ and broadened the definition of food retail. Despite increasing competition, the traditional grocers who remain have proven repeatedly that they can survive and thrive by constantly improving operationally and leveraging a deep personal connection to their customers. Today, however, disruption is occurring at an unprecedented speed, and food retailers of all shapes and sizes will have to address these new challenges. But in a business with a constant battle over pennies on the dollar, it is often difficult to find the time to look up from the day-to-day operations of the business and see what’s coming in the next few years.

This is where FMI adds significant value to its members and their trading partners. Through our *Emerging Issues* initiative, we identify issues that have the greatest potential to affect the food industry in the next three to five years. With the help of our strategic partners at Oliver Wyman, we have gathered insights and will be sharing perspectives from focus groups, breakout sessions with the FMI Board of Directors, a survey of our members, and interviews with forward-looking executives in the food retailing industry. We share these findings with you so that in your pursuit of excellence you can focus on the now, while also being able to look up and ahead.

In addition, this initiative will help inform FMI’s Strategic Plan and set its agenda for future programs and services. Having identified the highest priority emerging issues, FMI will determine how best to leverage its core services to deliver value to its members, whether through government relations, food safety, thought leadership on total store collaboration, or by acting as the voice of food retail.

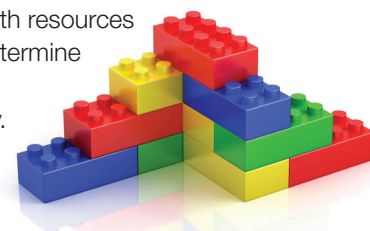
After synthesizing findings from external research and internal focus groups, FMI has identified five major categories of emerging issues: new consumerism, artificial intelligence/technology, workforce, new marketplace, and food production:



These issues are far-reaching and intertwined. The future presents new obstacles, but it also presents opportunities for those who are able to identify and help to shape those changes, early on. Food retailers have already noted that consumer preferences are changing, and they have begun to implement plans to respond to the new product choices and services their customers demand. More so than changing assortment, however, the way the new consumer shops is changing faster and in significant ways, forcing food retailers to reimagine industry boundaries, the role of technology and best uses of their brick-and-mortar assets.

The demand for omni-channel retail and constant technological advancement will change the way companies operate, with competitive advantages going to those with strong data and analytics capabilities. As a result, food retailers will compete more against other industries to attract new talent, not only to support traditional workforce roles but also to meet these newer technical demands. Finally, in the new era of both globalization and localization, food retailers must keep the issue of food safety top-of-mind, and this area will become even more challenging and complex in the years ahead.

As we have worked through the process of identifying these issues, we have also considered how the issues will impact our agenda going forward. Look for us to leverage our core services to provide you with resources and education that will help you determine the path forward to respond to the disruption in the food retail industry.



# Final Jeopardy!: Navigating Disruption in Food Retail

By: Sue Wilkinson, Senior Director, Information Service & Research, Food Marketing Institute

Raise your hand if you're a fan of the long-running TV show Jeopardy! Isn't it satisfying when you can answer the question, especially if the contestants are stumped? Considering all the disruption today in the food industry, don't we wish we had the answers to all of today's challenges?

As the food industry makes its way through this time of change, the Voice of Food Retail at FMI continues to identify emerging issues, determine consumer trends, and benchmark industry operations that provide insights to FMI members as they navigate uncharted territory.

Our emerging issues work this year identified five areas that we believe will have an impact on the food industry in the next three to five years. We will continue to work with the FMI Board of Directors to prioritize these issues and determine FMI's role moving forward.

The emerging issues are:

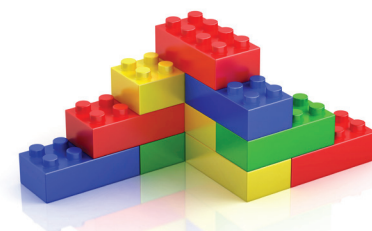
- **Emerging new consumerism** - New definitions of value for consumers, beyond cost, taste, and convenience, calling for involvement in food choices;
- **Artificial intelligence/technology** - The ways in which technology will transform the food industry and alter the role of humans throughout its processes;
- **Workforce** - The impact of global changes on hiring, training, management and corporate culture;
- **New marketplace** - Reimagined marketplace and the new role of the physical store; and
- **Food production** - Shifts in food production caused by global changes, whether technological, environmental, values-based, or otherwise.

There is no doubt these emerging issues will inform the ongoing research we conduct on consumer trends and industry operations.

This year FMI released **14 research reports** on a range of topics including **the digitally engaged food shopper**; **consumers' demand for transparency** when making food choices; and consumer attitudes about shopping for **produce**, **retail foodservice**, **meat**, **private brands** and **family meals**. On the operations side, we delved into **what keeps grocers up at night**; compiled a collection of **metrics** to benchmark business operations; shared the best ways to reduce **unsaleables**, revealed how retailers contribute to **health and wellness**, assembled **growth strategies for GM & HBC**; provided **supply chain benchmarking** metrics; and listed the benefits of **supplier diversity**.

In addition, there are **webinars**, **website portals**, **blogs** and **videos** to help you digest this wealth of research.

As you make your way through how best to interact with today's consumer and how to use supply chain best practices, FMI's research is available to make you the winner in the Jeopardy! game of food retail - providing the answers so your stores remain competitive and relevant.





# Transparency, Research and A Visit to The Ukraine: Private Brands in 2017

By: Doug Baker, Vice President, Private Brands & Technology, Food Marketing Institute

The private brands work FMI performed in 2017 focused on transparency, research and exploring lessons learned and opportunities from other countries. While perhaps not as catchy as Julius Caesar's "Veni, vidi, vici - We came, we saw, we conquered," there is some truth to the notion that last year, we learned, we got clear, we explored new opportunities.

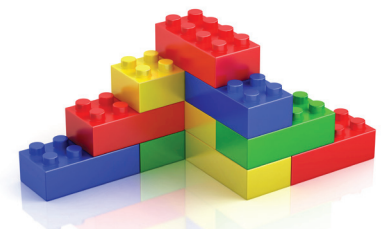
On the transparency front, private brands saw both benefits and challenges from some of the big topics facing the food retail industry. Although we received some relief on the timing of Nutrition Labeling and Education Act implementation and have most of the debate around GMO labeling legislation behind us, there remains work to be done on both fronts. The **Private Brands Group Leadership Council** quickly adopted the mantra, "A delay is only beneficial if you take advantage of it. Otherwise, it quickly becomes a deadline once again." Additionally, the Council formed a special task force to focus on the voluntary industry initiative, **SmartLabel™**. This task force will explore various options to move the initiative forward within the food retail industry and to our customers. The new **SmartLabel™ Implementation Recommendations** has been added to FMI.org to help companies implementing the transparency initiative to get started and think through obstacles and process.

The Research & Education subcommittee of the Council embarked on a new white paper that explores clean label trends, diving deeper into best practices and benefits of introducing this strategy as well as some key things to consider when building a program. This research will be completed in 2018. After significant positive feedback on the **Power of Private Brands** research, the group started working on year two with a new chapter, "From the Industry," and delivered key findings at the Private Brand D.C. Summit. Although private brands are back in growth mode after a couple of flat years, most gains are coming from non-traditional channels. The additional chapters of the report, "From the Consumer," "From the Industry," and "Trends" will be released over the first half of 2018 and the full report will be available on FMI.org.

Lastly, the Council held the 3<sup>rd</sup> Annual Private Brand D.C. Summit in October with a number of key industry topics for the attendees to explore and discuss. Back by popular demand was our "meet the retailer" segment featuring Denmark retailer, Dagrofa's Michael Rehbak. Michael, director of private brands, shared the evolution of moving from a "private label" program to a "private brand" program and how it helped them compete more effectively with new food discount retailers.

Summit attendees also discussed Council research projects focused on clean label, Power of Private Brands – From the Industry, and Category Management "2.1." To round out the experience attendees visited the historic Ukraine Embassy for a reception and learned more about the Ukrainian Brands Summit. In addition to experiencing food and culture from a different country, attendees had the opportunity to spend time with both the Ukraine Ambassador to the U.S. and the Ukrainian Minister of Finance.

As the food retail industry faces challenges from omnichannel, emerging technologies, workforce changes and more, private brands can play an important role in supporting a food retail company by establishing and strengthening its brand. Our work this past year is helping companies face these challenges head on.





# Food Retail as a Social Network

By: Heather Garlich, Senior Director, Media and Public Relations, Food Marketing Institute

I admit it: I take photos of my food. As a communicator, I enjoy sharing my latest culinary feat or a white tablecloth experience so my friends and social media followers can connect over every enjoyable morsel I eat or each gastronaut-esque adventure I execute in my home kitchen. Food relates to our senses, it supports our bodies and our minds, and it also reflects the unique culture and personality of the individual cooking it or eating it – or even Instagramming it. Food retailers are embracing their roles as arbiters and curators of these food experiences, so we recognize the need to challenge FMI's ways of communicating the priority issues of food retail to better depict our members' dynamic marketplaces.

## VISUALLY ENGAGING OUR AUDIENCE

FMI's 2017 efforts to enhance its website so that it serves as a reflection of the evolving food retail industry was a priority for our external communications. We produced an engaging information architecture that supports FMI strategic goals and creates an environment that is valuable for members and motivates non-members to join FMI. We established FMI's digital presence as a bold expression of the Voice of Food Retail that offers engaging visitor experiences and anticipates visitors' needs by providing accessible information, resources or calls to action located in intuitive categories. We broadened the FMI association brand to be inclusive and welcoming to members and non-members. By paying rapt attention to our interview research findings, we discovered our website audience falls within three descriptions of issue-based, network-based and learner-based visitors. The new website's traffic generates a notable mix of 24 percent retailer/wholesaler members, 33 percent associate members and 43 percent non-members, signaling just how important FMI is to stakeholders and outside audiences beyond our valued membership base.

We successfully executed our fourth annual in-store photography shoot with a supporting member company to enhance our own photo archive, digital communications channels and marketing efforts. We agree that it's much more authentic to leverage real people and situations in our photography assets.

We continue to emphasize the future of shopping and customer communications by prioritizing our *Digitally Engaged Shopper* project with Nielsen. We worked closely together with these notable research partners to develop the narrative that ultimately

served our Web experience and online assessment. We secured a CNBC exclusive interview that provided a springboard for conversations that were later realized by the Amazon/Whole Foods deal announcement, yielding more than 300 media hits after the news broke.

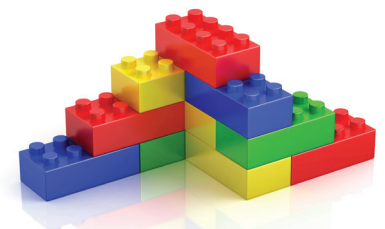
## TUNING AND BROADCASTING OUR CHANNELS

We tell and contribute to stories regarding the food retail industry via multiple channels. Notably, we garnered more than 2,200 FMI media mentions this year and we continue to grow the quality of our coverage in the business press, discussing omnichannel, supply chain and other relevant trends that demonstrate the viability of the future of food retailing.

In tracking the most popular 2017 blog topics opened by FMI members this year, we find the blogs that offered true application and case study earned top spots. Of the more than 220 blog posts published this year, the top topics of interest included descriptions of the store manager award winners; a blog on ways stores are employing social media strategies; new technologies that are affecting our industry; the influence of the millennial shopper; and the top findings from the *Power of Fresh Prepared Foods*.

Respecting the emotional connection to food, we produced more human interest pieces to support our brand via our blog and social media channels. For example, we personified leadership qualities by producing videos featuring prominent food retail and FMI executives to promote our *FMI Future Leaders eXperience* professional development event. Our videos garnered more than 5,200 views on the subjects of mentorship, teams, career advice, storytelling, personal brand reputation and stepping out of one's comfort zone. Video continues to be a major component for all of our public relations strategies.

We recognize food retail as a real-time social network; our members have the opportunity to communicate, engage and share across audiences both physically and virtually each day. In turn, we urge you to connect with us on social media via *Twitter, Facebook, Instagram* and *LinkedIn*.





# Adjusting our Optics on the Consumer

By David Fikes, Vice President, Communications & Consumer/Community Affairs

Photographers rely on a number of techniques to guide our eyes to the true subject matter of the picture. Framing, lighting, and focus are all tools skilled photographers engage to help sharpen our attention, direct our gaze and better recognize their vision.

Without a doubt, the way we see food retail is changing; the industry landscape has broadened, the lighting has shifted, and rapid movements have made most everything a bit blurrier. These changes are requiring savvy food retailers to adjust viewpoints, fine tune lenses, and widen apertures in order to keep the customer the meaningful focus of the food retail picture. FMI's 2017 work in clarifying shopper expectations of transparency, addressing consumer concerns and highlighting community service helped better frame the food retail picture and sharpened industry focus on the customer's craving of personalized service.

## A CLEARLY DEFINED LABEL

In February, FMI and GMA announced an industry-wide call for volunteer adoption of two sets of product code date labeling language to streamline the range of code date labels now in use down to two. This effort reflects the attempt to reduce consumer label confusion that can lead to food waste. The recommended guidance calls for "Best If Used By" to be utilized on labels for shelf stable items, when the date is for communicating quality issues, and "Use By" for those limited items when material degradation of product performance is a consideration.

This initiative is part of a larger drive to bring transparency and greater clarity to consumers about the products they purchase. This point is made clear in two documents related to the Product Code Date Labeling initiative that were released in 2017. The first, [a white paper](#), offers general background, context and resources regarding the date-label initiative. The [second document](#) provides specific and detailed implementation guidance for manufacturers and retailers in adopting the voluntary industry standard nomenclature for Product Code Date Labels. Both documents are free to download [here](#).

## ALIGNING OUR SIGHTS WITH THOSE OF THE CONSUMER

In the face of activist pressure for food retailers to adopt a single set of animal welfare standards pertaining to broiler chickens, FMI's Board of Directors recently approved a policy endorsing the competitive value of having a variety of animal welfare standards.

The board upheld that these standards must operate in accord with the five animal freedoms, must remain current with ongoing scientific study and must enable retailers to represent the values of their customers. Just as retailers seek to provide their customers with product choices that align with the shoppers' values, food retailers seek to have choices among various standards, from which they may choose those best aligning with company values, customer choice and market viability.

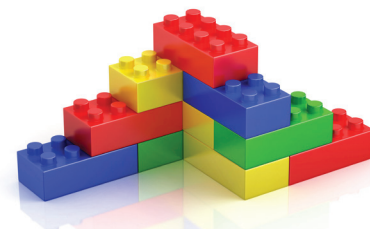
## PERSPECTIVE FROM OUR TRUSTED ADVISORS

The wide ranging topics discussed by the Consumer Affairs and Communications Council this year included, but were not limited to: the FMI Foundation's third [National Family Meals Month™](#) campaign; [Retail Contributions to Health and Wellness](#); FMI trends research, such as [U.S. Grocery Shopper Trends and U.S. Food Retailing Industry Speaks](#); animal welfare and sustainability issues concerning broiler chickens and cage-free eggs; product code date labeling; media and ethics discussions; emerging issues input; fostering talent in the food retail industry; government and regulatory updates specific to menu labeling, Supplemental Nutrition Assistance Program; the concept of politicized products under the new Administration; and broader issues like international labor rights.

## CHRONICLING THE STORIES OF GROCERS DOING GOOD

FMI again hosted our annual [Community Outreach Awards](#) as a means of recognizing the key community involvement aspect of the noble cause of food retail. We congratulate our 2017 award recipients:

- [Skogen's Festival Foods' Turkey Trot](#) – Neighborhood Health Improvement Program category
- [Hy-Vee, Inc. Hurricane Relief](#) - Programs Addressing Food Insecurity category
- [Family Fare's, a SpartanNash company](#), Culinary Discovery Camps and Restaurant Camps – Youth Developments Program Winner
- [Smart & Final's Grab & Go Food Drives](#), "People's Pick" Social Media category





# The Future Is Now: Food Retail Establishments Becoming Health and Wellness Destinations

By: Sue Borra, RD, Chief Health and Wellness Officer for FMI and Executive Director of the FMI Foundation

While food trends may change as quickly as your Instagram feed refreshes, health and wellness in food retail continues to grow into a mainstay in food purchase decisions. Food retailers report the top two trends they believe will most positively impact sales and profits are, first, consumers' desire to place health and wellness as a value over price or brand loyalty (82 percent) and, second, consumers' desire to use their food choices to manage and avoid health issues (77 percent). (*FMI Speaks 2017*)

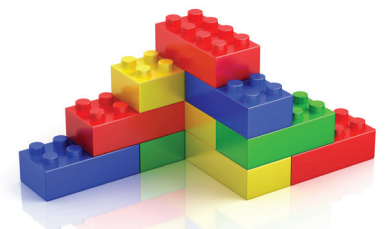
Food retailers see their role as serving as a key health and wellness partner for the communities they serve, and currently almost 90 percent of supermarkets have established health and wellness programs for customers, employees, or both, up from 54 percent just three years ago. FMI's *Report on Retailer Contributions to Health & Wellness 2017* identified that 81 percent of respondents view supermarket health and wellness as a significant business growth opportunity and they identify retail registered dietitians as the most effective promotion vehicle of health and wellness activities in their stores. In addition, developing a FMI community of corporate retail dietitians is a priority to assist FMI members in meeting the health and wellness needs of their customers.

The *FMI Health and Wellness Council* is developing a series of white papers to provide best practices and case examples for integrating health and wellness programming into key departments in food retail. The first is focused on fresh food retail departments including meat, seafood, produce, deli, and fresh prepared. This report will delve into key elements of success, profitable partnerships and resources, and the future of health and wellness in fresh.

The Council also embraced *National Family Meals Month™* in September as an important health and wellness program for food retailers. Simply focusing attention on the importance of family meals and offering meal solutions results in improving the nutrition, health and wellbeing of families along with enhancing customer store loyalty.

Trust and transparency are at the forefront of the health and wellness emerging issues list with topics like clean labeling, implementing menu labeling, communicating on the new nutrition facts panel and introducing the new *SmartLabel™* program being top priorities.

All these health and wellness efforts by food retailers have resulted in 45 percent of consumers seeing their primary store as their ally in wellness. (*FMI Trends 2017*) This trend will continue to grow as retailers offer more healthy choices in both products and services and consumers will count on their food retailers as a trusted resource. *FMI's Center for Food Retail Health and Wellness* delivers resources and tools to help members meet the needs of today's shopper.







# FMI Foundation Sets New Records in Fundraising, Family Meals, Research and Scholarships

By: Susan Borra, RD, Chief Health and Wellness Officer for FMI and Executive Director of the FMI Foundation

## RECORDS SET IN FUNDRAISING

2017 was a record-setting year for the **FMI Foundation**. In January, the Foundation launched a completely re-designed fundraising event that included a lively cooking competition designed to accentuate the FUN in Fundraising and celebrate the good grocers do to support family meals.

The new event, called **Stir It Up!**, was enjoyed by more than 450 retailers and suppliers at **FMI's Midwinter Executive Conference** who took advantage of networking with colleagues and tasting all the delicious family meals. And most importantly, the FMI Foundation raised a record-setting \$1,032,000 to support food safety, nutrition and health programming, including support of the National Family Meals Month™ campaign.

## RECORDS SET FOR NATIONAL FAMILY MEALS MONTH

**National Family Meals Month** (NFMM) in September 2017 also set new records. Almost 200 companies and organizations have participated to date, including 78 retailers, 30 suppliers and 71 community collaborators.

In addition, two new reports provide additional rationale and examples to encourage organizations to get involved in the campaign:

- **The Power of Family Meals** white paper, which examines consumers' desire for more family meals and the opportunity for retailers to help consumers achieve them; and
- **Best Practices and Excellence in National Family Meals Month Programming Guide** highlights participation of allies and gives ideas on ways to celebrate National Family Meals Month.

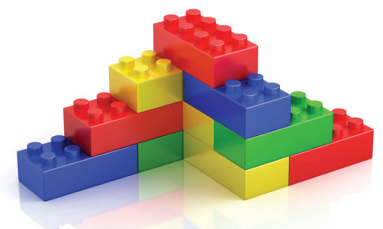
The Foundation also developed new resources for this year's campaign:

- **New Industry-Facing website** – The NFMM website was redesigned in 2017 to draw more attention to the assets available for NFMM, especially the Retailer and Manufacturer Toolkits and Best Practices Guide.
- **New infographics** – The NFMM stats were updated and given a new look for 2017.
- **Infographics translated into Spanish** – According to 2016 research from Nielsen, Hispanic shoppers are 30 percent more likely than average to say that eating more meals together as a family at home is important.
- **Food Safety for Family Meals: Modifying Recipes to Include Food Safety Instructions** – Developed in collaboration with the Partnership for Food Safety Education, the goal of this project is to improve consumer food safety practices and behaviors at home by including specific food safety instructions in recipes.

## RECORDS SET IN INITIATING RESEARCH

The Foundation initiated three research projects in 2017 to advance the nutrition, health and food safety needs of the customers served by the retail food industry.

- **Consumer Understanding of Production Practices in Animal Agriculture:** This is the pilot research study for the Unified Voice program, a project to proactively create an environment of trust in the food and consumer goods industries. The Foundation initiated and provided the seed money for a consumer behavior economic study to explore consumer understanding and attitudes on the topics of cage-free eggs and slow-growing broiler production. Additional funds for this research were raised from the Foundation for Food and Agriculture Research and the Animal Agriculture Alliance. The grant was awarded to Dr. Jayson Lusk, a food and agricultural economist at Purdue University, and the research was fielded in the fall of 2017. The results will be available in early 2018, and the report will be submitted to a peer-review journal for publication.





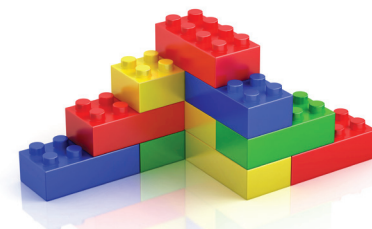
## FMI Foundation Sets New Records in Fundraising, Family Meals, Research and Scholarships *continued*

- **Reducing Allergen Labeling Recalls by Finding the Root Cause:** Undeclared allergens are the leading cause of U.S. food recalls and the Foundation awarded a research grant to the Food Allergy Research and Resource Program (FARRP) at the University of Nebraska – Lincoln, to identify the root causes of allergen labeling errors and provide guidance on how to mitigate undeclared allergen recalls. Dr. Stephen Taylor, Ph.D., the lead researcher on the project, presented his preliminary research findings for conference attendees at the **SQF International Conference** in Dallas, Texas, which emphasized greater record keeping standards on behalf of regulators, manufacturers, suppliers, wholesalers and retailers. By the completion of the project, FARRP will submit a best practices whitepaper to the FMI Foundation, and submit a paper for peer-reviewed publication.
- **The Importance of Family Meals – A Meta Analysis:** The Foundation is funding a meta-analysis research project to evaluate existing studies of family meals to identify the various nutrition, social, emotional and cognitive benefits of family meal time. Dr. Shannon Robson, MPH, RD, at the University of Delaware is the lead principal author of this research review that will be submitted for publication in early 2018.

### RECORDS SET IN ATTRACTING STUDENTS TO THE FOUNDATION'S SCHOLARSHIP PROGRAM

**The Food Safety Auditing Scholarship and Education Travel Grant** awards a \$3,000 scholarship and an all-expense paid trip to the **Safe Quality Food Institute International Conference** to 10 university food and agriculture science students. This year, the Foundation received the most applicants ever—83 total, including 13 Undergraduates, 40 Masters students, and 30 Doctoral candidates from 36 different universities in North America.

The FMI Foundation thanks all who generously supported the work we do to bolster the safety of the food supply and assist consumers in matters of health and nutrition.





# The Expanding Universe: Food Retail Keeps Pace With an Evolving Definition of Sustainability

By: Andy Harig, Senior Director, Tax, Trade & Sustainability, Food Marketing Institute

FMI held its first Sustainability Summit in Minneapolis during the summer of 2008; this year's event – held in Nashville under the auspices of the FMI-GMA Trading Partner Alliance (TPA) – marked the end of a full decade of work and focus on the issue. If we compare the agenda for that original, low-key affair with that of 2017, it is hard to believe the conference was devoted to the same subject. The definition of sustainability has evolved enormously over the past decade, expanding into the broader concept of **corporate social responsibility** (CSR). When we talk today about sustainable supply chains, it doesn't just cover the environmental and energy issues at the core of FMI's early work on the topic, but also areas like human/labor rights, sustainable sourcing, animal welfare, and food waste.

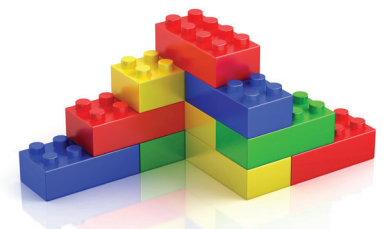
Food retailers have worked diligently to keep pace with this evolving definition, and FMI's efforts to support the industry's leadership reflects the diversity of the topics covered. The Sustainability Executive Committee (SEC) – comprised of sustainability professionals from over 20 FMI member companies – ventured into broader territory in 2017 and played an important role in two significant efforts:

- The TPA's establishment of **uniform date labeling language**; and
- The development of the FMI **Board Broiler Welfare Statement**.

The fact that the SEC shared in these efforts with members of FMI's Food Safety, Supply Chain and Communications Committees reflects the changes we've seen in many of our companies and in the broader business community. Sustainability can no longer stand as a solitary silo within a company; it demands collaboration and commitment across all departments. The expanding breadth of the issue can also be seen in the diverse set of organizations that asked to learn about the industry's stance and role in sustainability. FMI staff gave presentations on CSR topics at conferences hosted by the **Society for Nutrition Education and Behavior**, the **International Food Technologists**, and **ProFoodTech**, to cite just a few.

Of course, addressing the ongoing challenge of food waste remains at the core of FMI's sustainability efforts and in 2017, we continued our collaboration with the **Grocery Manufacturers Association** and **National Restaurant Association** as founders of the **Food Waste Reduction Alliance** (FWRA). The highlight of this year's FWRA agenda was an April food waste workshop attended by more than 30 companies at the Greater Chicago Area Food Bank. The eight-hour session included in-depth case studies for all three industries before breaking out into in-depth industry-focused discussion groups that led the participants to a host of new ideas to take back to their companies. This workshop was so successful that we hope to repeat it in 2018.

There is no doubt that keeping up with the expanding definition of sustainability has challenged the industry and will continue to do so for the foreseeable future. But the energy and engagement of FMI's membership exemplified Peter Drucker's claim that, "Management is doing things right; leadership is doing the right things."





# SQFI: Shifting Food Safety Initiatives from Reactive to Proactive in 2017

By: Robert L. Garfield, Senior Vice President, SQFI

Culture can be defined as the “personality of an organization” and measuring personality is not an easy task. Establishing a company-wide positive food safety culture requires obtaining the necessary management commitment to courageously confront decades-old practices and change baked-in behaviors and values.

The Food Safety Modernization Act (FSMA) shifted the food safety mindset from reactive to proactive. **SQFI** has responded by making changes and updates in 2017 to help companies nurture a food safety culture that is preemptive and positive.

## SQF CODE EDITION 8

This year, SQFI proudly launched the SQF Code Edition 8. With the release of the upgraded program the goal was to redesign the Food Safety and Quality Code to fit the needs of the operation and industry sectors, update system elements and Good Industry Practices and focus on the latest food safety issues and regulatory requirements, and build the quality elements to address continuous improvement. SQFI evolved from one big standard to seven distinct industry specific programs and eliminated its Level categories. With the release of the upgraded program, we provide our stakeholders with relevant and robust resources to address the changing regulatory and food safety landscape and take the scope of our food safety and quality programs to the next level.

One major modification to the SQF Code is our approach to food quality certification. The Edition 8 Quality Program is formally Level 3 and although sites must remain certified to the SQF Food Safety Code related to their industry, the outcome of the quality audit does not affect the score or rating of the food safety audit. We have changed the scoring of the quality audit to just pass or fail, and also incorporated feedback from both retailers and suppliers to make the program more robust.

## SQF FOOD SAFETY CODE FOR FOOD RETAIL

SQFI announced its newest certification program, the SQF Food Safety Code for Food Retail. The certificate is designed for retail and wholesale grocers wanting another layer of brand protection to help ensure they are properly protecting consumers. The program covers the system elements, as well as Good Retail Practices for retail, wholesale and grocery. The program outlines a review at the corporate and store level with an option to participate in a multi-site program.

## REFINING COMMUNICATION TACTICS

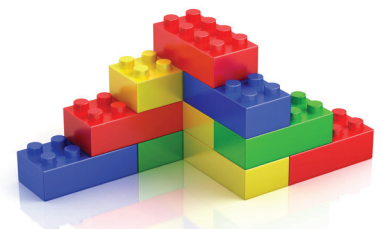
With the vast and ever-increasing number of events, training classes, program developments, and educational resources being developed and hosted by SQFI, we found it was necessary to re-think our primary communication strategy for 2017 to achieve greater visibility with stakeholders and create a better experience for customers. To meet this goal, SQFI implemented a monthly newsletter that consolidates our events and information and facilitates a thought-leadership exchange in the food safety, quality and ethical sourcing industries. As a result, our new communication strategy experienced a 19 percent increase in member engagement.

## FOOD SAFETY AROUND THE GLOBE

Today’s consumer wants to buy both local **and** global products, expects more diverse product offerings, and obtains their food through a variety of different channels. Protecting the supply chain has never been more crucial than it is today, and with increased regulatory and government rules and regulations, implementing the SQF Program has never been more important to your business. The SQF Program is a global standard that is truly farm to fork.

SQFI’s international outreach included travel to Guadalajara, Mexico to exhibit and present at Expo ANTAD & Alimentaria and our Supplier Seminar Series trip to Japan, Taiwan and Australia. During our journeys abroad, we met with regional retailers, suppliers, government officials, and other food safety professionals to discuss the impact of FSMA’s Foreign Supplier Verification, the future of food safety, and recent program developments at SQFI.

More information can be found on [www.sqfi.com](http://www.sqfi.com).



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