



DeCA

Your Commissary ... It's Worth the Trip!

Defense Commissary Agency

Valued Benefit of a Global Force

Industry Presentation

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Driving sales and footsteps to resale

Improving sales through focus on the Customer and the Business

Commissary Store Brand and assortment progress to date

Improved pricing initiatives and image items

Signage and promotions

Immediate initiatives to improve operations and bring patrons into the commissaries:

- Make the commissary an integral part of the community through installation leadership engagement and active listening
- Military Star Card (MSC) program
- Coupon savings cross promotion with NEXCOM
- DeCA/Exchange sales & merchandising meeting
- Establish “baggerless” lanes
- Adjust operating hours/days to increase convenience

- Increase use of variable pricing to make savings more consistent across the store and improve price perception
- Identify “image” items that attract patrons to shop and price items competitively
- Continue to aggressively introduce Commissary Store Brand to lower the basket cost of shopping at the Commissary
- Expand natural and organic items selection at top stores
- Sell commissary gift cards in exchanges and exchange gift cards in commissaries
- To improve shelf in-stocks, test new stocking model using Navy Exchange employees to stock shelves at Little Creek commissary



- Build sales and maintain the relevance of the commissary benefit
- Reaffirm "customer first" principles that make commissaries a valued benefit
- Enhance stakeholder collaboration
- Enhance collaboration and partnering with military resale community to leverage our combined strengths
- Improve our technological capabilities to ensure we have the right products at the right price on well-stocked shelves
- Collaborate with industry – develop joint plan focusing on retail's best practices for bringing customers back to military resale



Increase foot traffic and reverse declining sales trend

- 98% product availability through improved stocking capabilities
- Continue rollout of CSB items
- Competitive pricing of image items
- Expand our selection of natural and organic product offerings
- Cross promotions with exchanges
- Improve use of social media



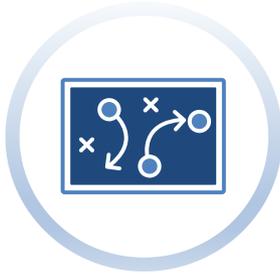
Maintain baseline patron savings percentage

- Ensure savings stays consistent with baseline through variable pricing initiatives and improved, mutually beneficial working relationships with our vendors



Increase Customer Service ratings

- Focus will be on Commissary Customer Service Survey – supplemented with other third party satisfaction measurements



Develop business processes to support a P&L mindset

- Improve emphasis on ensuring fair, sustainable relationships that enhance performance for our vendors and drive savings for both patrons and taxpayers
- Fully implement variable pricing
- Establish a retail-based accounting system that recognizes revenue/margin generation and ensures auditability



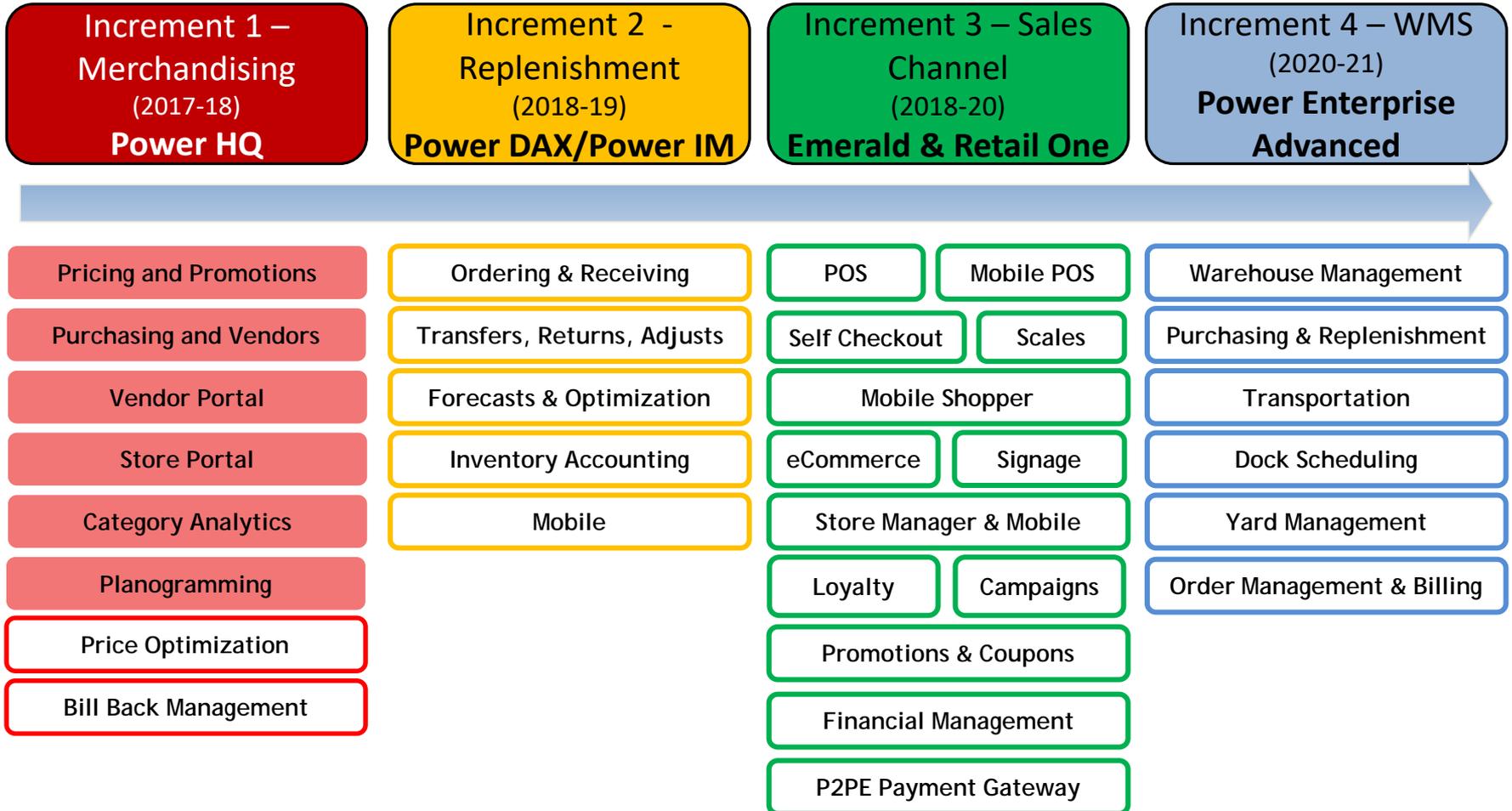
Improve data analytics and technology platforms

- Improve data analytics capabilities by maximizing our item movement data and leveraging our customer relationship management
- Replace legacy IT systems to improve business processes



Optimizing resale and point of sale processes

- Deploy Commissary Advanced Resale Transaction System Replacement Modernization, optimizing our Point of Sale to enhance convenience and increase additional capabilities

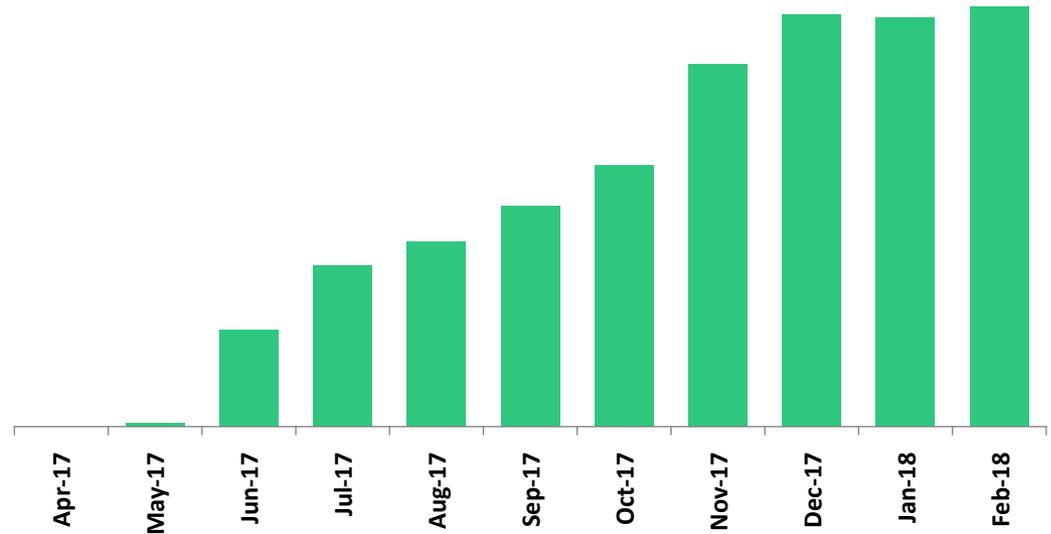


- Proof of concept pilot will bring DeCA’s operational model in line with commercial industry and enable DeCA to make the data driven decisions regarding space allocation, item assortment, and inventory levels necessary to compete and win
- Deploy Increment 2 of EBS (Store Replenishment Suite)
- Features Power DAX and Power IM applications
 - Store specific planograms
 - Order optimization with support for numerous replenishment parameters
 - Real-time perpetual inventory including sale, transfer, return & adjustment
 - Inventory management and replenishment automation that ensures the right product is available to meet demand
- Reset dates: April 22 – 24, 2018

Significant accomplishments to date

- More than 15M+ units and \$31M+ in sales since CSB launch
- 430+ items currently available – another 100+ coming soon
- New items to be released this quarter and will continue in the immediate future
- Very positive customer reactions to quality and savings

Private label sales showing strong growth



Significant accomplishments to date

Have built category strategies, creating space for the introduction of our Commissary Store Brand on the shelf and rationalizing assortments

Will have reset over 100 categories by end of April, covering nearly 18k items

Seeing above-average performance in most categories addressed thus far

Reducing cost of goods enables increased promotional opportunities to drive footsteps



Path forward

Currently renewing and refreshing our wave 1 category assortments and agreements

We will begin wave 3 process shortly, including identifying which categories to include

Once all our categories have been reviewed, we will transition to a category refresh cycle

Suppliers are encouraged to put forward product proposals for consideration during these refresh cycles

Significant accomplishments to date

- Significant number of items variably priced across the store
 - Includes over 430 Commissary Store Brand items
- Created process and conducted pricing category reviews to improve price perception
- Identified and prepared to price "image" items that shape customer price perception



Forward focus on pricing

- Primary consideration across all strategies is maintaining customer baseline savings
- Continue to enhance pricing sophistication by leveraging pricing technology
- Aggressively developing variable pricing strategies that will expand variable pricing to additional items
- Variably pricing frequently purchased "image" items that are price sensitive for customers to ensure competitive prices
- Monitoring customer responses & making adjustments

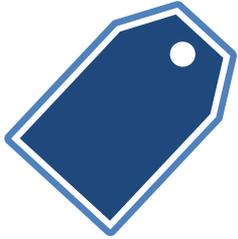


Image Items: 'Your Everyday Savings'

"Image" items are those products that our patrons buy frequently and to which our patrons are most price sensitive. Competitive pricing on these items will help both DeCA and vendors.

We are identifying the right "Image Items" for our patrons. We would like to work with you to lower prices on the identified items to drive sales growth and value perceptions.

This will be great for our patrons as well as for both of our businesses

- Will give us the opportunity to lower prices on some of the items our patrons buy most
- Will improve our price perception and ultimately help bring patrons back to the store

We are in the process of addressing the many executional considerations needed to ensure this is rolled out successfully

Dangler



Button



Shelf Tag



Banner



Rack Card



Front



Back



Promos

Majority of promotions non-negotiated

Majority of promotions negotiated (Joint Business Planning)

Signage Assortment



Undergoing redesign

Signage Accuracy

Tag prices often incorrect due to variable pricing + non-negotiated promos

Negotiated promotions will be able to reflect accurate prices

% in-line promos w/ signage

Currently fewer in-line promos

Plan to increase the number of planned in-line promos



Introduce official in-aisle promotions



Align pricing periods and display periods



Run shorter, deeper promos



Run some DeCA funded promos, starting with Commissary Store Brand



Streamline decision process to put forward the most effective promotions for patrons

Opportunities to collaborate

- Data Sharing – leveraging available data from all to increase shopping across military resale
- Enable targeted messaging & social media sharing
- Pilot opportunities
- Military Star Card
- Gift cards sold across military resale

Promotions

- April - Month of the Military Child
- May - Military Appreciation Month
- June - Healthy Lifestyle
- August - Back to School
- October - “DeCA/Exchanges Cares” (supporting deployed members)
- November - Veterans Day Commemoration
- December - Pay your MILITARY STAR Card bill
- January (2019) – Resolutions & Family Fit Lifestyle
- Sidewalk Sales Throughout the Year
- "Complimentary" –vs- "Competitive" Promotions



Partnering for success

- Collaborative business planning
- Open lines of communication
- Transparency



Driving benefit for the patron and the business forward

- Ensure that shelves are fully stocked
- Provide high demand items at competitive prices
- Innovate with industry – bring your ideas!

Approaching the future with optimism!



DeCA

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Questions?

Thank you