

‘Focused on Our MISSION’

Semper Fit and Exchange Services
Division Deputy
Director, Business
Operations and Chief
Operating Officer,
Cindy Whitman Lacy

In the past decade, the Marine Corps Exchange (MCX) has transformed from what Chief Operating Officer (COO) and Deputy Director Cindy Whitman Lacy described as “small, decentralized operations” into an enterprise that is more than the sum of its parts.

Now, as the organization transitions through a new phase of change, Whitman Lacy opens the book on MCX’s reimagining of its customer-facing operations, and the quantum-leap reconfiguration of its supply chain behind the scenes.

For MCX executives, business seems as exciting and expeditionary as the customers they serve. Patrons, meanwhile, marvel at how the MCX’s rebranded and refreshed stores get it so “just right” for them.

ON THE SECRETS TO MCX’S SALES SUCCESS ...

For fiscal 2012, cooperative effort sales finished up 4.06 percent, which includes gas, vending and fast food. Our merchandise sales were up 5.12 percent compared to the retail industry, which was up 4.12 percent as reported by the National Retail Federation (NRF). The U.S. Census Compounded Annual Growth Rate (CAGR) for the retail industry from years 2007 to 2012 was 2.37 percent. MCX CAGR for the same time period was 4.24 percent. MCX has consistently outpaced industry revenue performance. Additionally, we hit our increased profit projection and continued to provide a 24.2-percent shopping basket savings to the patron. We are extremely proud of that.

The components of our business — such as how we buy and how we have branded our stores — have transformed and matured aggressively, which would be significant for any organization. Moreover, these changes were implemented during a time of dramatic change in the external retail environment. Customers changed shopping behaviors during tough economic times, and multi-channel competition increased dramatically. The extensive changes we’ve made in our buying infrastructure, and through our branding capitalization, have proven to insulate us from the dramatic “outside the gate” economic downtrends of the past.

ON REBRANDED STORES’ GIANT LEAPS ...

Branding has increased our outside draw penetration and expanded our patron base. Our branded Main Stores for 2012 were trending up an average of 12.13 percent while the remaining unbranded Main Stores (MCAS Iwakuni, Japan; MCRD San Diego, Calif.; and MCBH Kaneohe Bay, Hawaii) were basically flat to last year. Our Main Store customer count

‘Our Main Store customer count has increased 64 percent since 2006, while our average transaction has increased 61 percent.’

— Chief Operating Officer, Deputy Director, Business Operations, Semper Fit and Exchange Services Division Cindy Whitman Lacy

has increased 64 percent since 2006, while our average transaction has increased 61 percent.

We are not as far along with executing our Marine Mart recapitalization master plan; only 10 of 90 Marine Marts are branded. However, we are seeing the same successful results as our branded Main Stores. Our branded Marine Marts were trending up an average of 7.5 percent while the Marine Marts that have not renovated to our brand standard were showing an average decline of 5.43 percent. Our Marine Mart customer count has increased 6.3 percent since 2006 while our average transaction has increased 54 percent.

ON PREPARING FOR TOMORROW’S SHOPPERS AND SHOPPING BEHAVIORS ...

We are now at another crossroad, preparing ourselves for yet another difficult environment of tomorrow. We have realized the initial benefits of our

branding and grand openings at the majority of our Main Stores, and for the first time in five years, we will not have any Main Store grand openings in 2013. We will, instead, be transitioning into the sustainment and refresh mode, ensuring our stores uphold the brand integrity as they age. We also are seeing new changes in shopping behavior that is resulting in declines in the sales of tobacco and alcohol products. Lastly, force drawdowns will shrink our eligible patron base and impact recruit sales.

To that end, we know 2013 and 2014 top-line sales increases will be challenging. We are planning a conservative 3.2-percent increase in merchandise sales



Whitman Lacy



Sales in the MCX’s branded main stores, such as MCB Camp Pendleton, Calif., shown here, during 2012 were trending up an average of 12.13 percent.

MCX PHOTOS

for 2013. In line with that, we are focusing on optimizing Selling, General and Administrative (SG&A) expenses, and also on efficiencies within our organization in areas that have not matured or transformed as aggressively as our customer-facing initiatives.

ON NEW OPPORTUNITIES FOR EFFICIENCIES ...

We still have a great opportunity to improve our payroll and staffing efficiency. We have implemented new scheduling software that will again transform how we allocate resources to service our customers. This will not only enable us to optimize payroll, but we will also ensure the optimal support coverage to our patrons. This will require a culture shift with our store managers, as they manage this process very differently than the previous conventional method.

It is also more important than ever to ensure that we are positioned as a value-driven retailer and that our customers perceive that value. We have developed a distinct value program called "Xtreme Value." This program offers 60 key items and brands that are important to our customer at the best possible price. We know these items are not priced lower anywhere else.

For the first half of 2013, sales are slightly up as we expected and planned. We will continue to keep pushing forward with all our improvement initiatives that will help improve profit, all while offering our best price possible in an environment where top-line sales increases will have to be earned by driving foot steps into the stores.

ON BRAND LEADERSHIP ...

Being a brand leader and delivering a branded customer experience continues to be a top priority, and our work is not yet complete. Branding is woven into every fabric of an organization, and the MCX culture has shifted to weaving the brand into everything we do, with the customer at the center of all we do; whether aggressively recapitalizing our stores to ensure a consistent look; implementing a new technology to support delivering a great store experience; or focusing on branded service by empowering associates to make the right decisions for our customers. It is also about ensuring consistency of execution at the stores that results in the customer finding what they are looking for, every time, at a great price they feel good about.

To that end, we have developed a strategy to align and integrate training to support the operational strategy and execution expectations. We are looking at new ways to deliver communication and training via web, task management, and even mobile applications.

Our Customer Satisfaction scores have hit a new high, which is fabulous. However, we know that as we need to continue to improve and push that score higher, store execution details will matter. According to the 2012 American Customer Satisfaction Index (ACSI) survey, MCX customers have the highest expectations of all services. Hitting those expectations is not just a tall order — it's our responsibility.

There are many challenges looming on the horizon, like reduction in troop strength and changing shopping behaviors. Our vision for the future is to stay the course and stay focused on our mission; to provide

relevant products and services Marines and families need and desire, below market price or at cost, to support their household and financial health. That may mean doing things differently in the future, and we are not too proud to make difficult decisions for the best delivery of that capability.

ON MCX'S MULTI-FACETED 'TRANSFORMATION' PLAN ...

If you pause and look at MCX over the past 10 years, we have been transforming from small, decentralized operations to an enterprise leveraging the synergies of the total organization. The last 10 years were focused on the front of the house, the touch points visible to customers and associates. The next phase of transformation is behind the customer-facing operation, specifically in our supply chain. It's focusing on a holistic supply chain view across merchandising, logistics and store operations and truly understanding the benefit of each stakeholder.

We will no longer make decisions where the risk and reward is not weighed across enterprise disciplines to the benefit of the organization as a whole. That has, and will, require many changes in business processes at headquarters, in stores and with our vendor partners. We are focused on providing information and training to all stakeholders when they are impacted. As we navigate through challenging times with budgets and troop reductions, we HAVE to be willing to change, and to make decisions to protect sustainment of the results that have been achieved.

ON CURRENT PRIORITIES FOR THE MCX ...

Shopping behaviors are changing. Whether it's a Marine using his phone to do competitive shopping, or "showrooming," we have to make the store experience more compelling than online purchasing is easy. Our future strategies with mobile applications will focus on driving sales into the stores and providing tools to help the associate close the sale while the customer is there.

Continuing to build customer advocacy through genuine dialogue on Facebook will remain a focus this year. We increased our unique web visits in 2012 by 79 percent and increased our Facebook fans by 720 percent. We have found that gamification is a great attraction to the young Marine and an excellent way to engage them. We are excited about launching a new e-gift card initiative this year as well.

Another major focus is cultivating and hiring talent aligned to brand culture and developing future leaders who are passionate about service. We are designing processes to ensure we recruit talent to deliver experiences in line with our brand. We are focusing on making a customer for life, whether that is for their four-year enlistment — or beyond, in their retirement years. Empowering all associates



A patron at MCB Camp Pendleton, Calif.'s grand opening told Whitman Lacy, shown flanked here by George Ladd (left) and CW04 Anthony Cisneros, USMC, head of retail and Business Operations executive at the installation, respectively, "Thank you, thank you ... the Marine Corps understands the value of the exchange benefit and does it right."

at all levels to make the right decisions for problem resolution will deliver a great service experience and keep customers coming back.

ON PROUD MOMENTS OF THE PAST YEAR ...

It is difficult to walk through our MCX stores and not feel a tremendous sense of pride. Our brand transcends the brick and mortar, the logo, and catch phrases. It is about the essence of the experience, the fantastic employees we have servicing our customers, and knowing what we do makes a difference in servicemembers' lives. At the grand opening of our MCB Camp Pendleton, Calif., MCX, a customer came running up to me pumping my hand up and down saying, "Thank you, thank you ... the Marine Corps understands the value of the exchange benefit and does it right."

We have instilled new discipline in how we execute space allocation for merchandise. This optimizes the right assortment based on customer demand. We implemented a tier-one assortment-planning tool that will provide a new level of sophistication to how we assort our stores, all with the end goal of ensuring we have what our customers want in the right size. We want to ensure the customer finds what they were looking for, and that the experience makes them smile.

This year, we have been able to expand our branding across all lines of business operations within the Marine Corps, and capitalize on synergistic opportunities that are unique to our organizational construct. You will see new branding in our lodges and in our barber shops that is different, but yet consistent with our MCX branding, also denoting "pride."

ON THE CULTURE OF THE MCX ...

MCX understands change. We embrace opportunity during challenging times to evolve and emerge stronger. It is what we have done in the past, and it is what we do best. I know, with certainty, this is possible because of the amazing talent and passion of our MCX associates. MCX will be on point, for today and tomorrow.

—E and C NEWS