

Keeping Marines

MCX Merchandising Branch Head Cheryl Lemmon

'Fueled, Prepped and Supplied'



Lemmon

Since being promoted to her current position about a year ago, Cheryl Lemmon, merchandising branch head of the Business and Support Services Division (BSSD) — the body that oversees the Marine Corps Exchange (MCX) — has furthered an approach to reach sales goals, at least in part, by driving topline sales through innovation and response to customer needs. Keeping an open ear to needs and wants, Lemmon and her team continue to strategize communications and marketing to further push the sales envelope. In this exclusive interview, she tells how that sales strategy will be furthered in 2019.

signment luxury handbag business and indirect furniture operations at MCAS Cherry Point, N.C., MCB Camp Lejeune, N.C., and soon-to-be MCAS Iwakuni, Japan, have improved profitability and productivity of those businesses.

Aside from changing customer demands, in 2018 we had key vendor partners in active wear, which is a very important business for us, who saw greater industry demand that limited their

supply, leading to product allocations. While the business is strong, it was not the growth category we had planned — but one we hope to leverage in 2019. Retail price and margin compression in electronics technology categories are continually eroding our profit and topline. As a result, we will continue to optimize assortments with customer demand.

For the MCX to reach its goals, it will continue to apply a two-pronged approach at its stores, including at HBMC Henderson Hall, JB Myer-Henderson Hall, Va. (shown here): driving topline sales through innovation and response to customer needs as well as a strong emphasis on driving bottom-line profitability. MCX PHOTOS

E and C News: What are the strategies and techniques that you will employ in reaching these sales goals throughout the new fiscal year?

E and C News: As you open fiscal 2019, what are some of the challenges that you face as you strive to generate solid sales during the new fiscal year?

Cheryl Lemmon: As we look at fiscal year 2019 and frankly into 2020, we are faced with a unique set of challenges. While as a government retail entity, we have always had to balance between growth of the business and providing solid value and returns to our Marines and their families, moving forward, we are doubling our efforts in innovation and designing our new customer experience.

It is clear: we cannot hope to succeed if we don't continue to innovate and build out resale offerings that provide real value to our customers.

As part of this innovation, we are highly focused on designing a truly unified customer experience. We've spent the past year digging into what "e-commerce" means to the Marines, especially those living and working on base — what categories they want to buy online, what they want delivered instead of picking up in store, etc. We believe that the findings from this work will give us great insights to develop a unified experience that will allow us to create a solution that lets us compete where we can win, without building an expensive or unprofitable infrastructure for traditional e-commerce.

We continue to see our traditional main store business challenged, and we have to find new businesses or profitable alternatives to align to our customers' changing desires.

A couple of categories that come to mind are designer handbags and furniture. Where we see sales loss in high-margin categories, we have re-imagined the business and are even willing to find third-party vendor partners where that business is their core competency and expertise. Our con-



Lemmon: To reach our goals, we will continue to apply our two-pronged approach: driving topline sales through innovation and response to customer needs as well as a strong emphasis on driving bottom-line profitability. We are highly focused on our communication strategy and marketing efforts — moving from the traditional push of direct mail circulars to a digital customer engagement model.

Topline sales growth this year continues focusing on executing against the insights we have gained from our customers, from offering the brands they love like Grunt Style, Nine Line, 5.11, etc., to developing unique product solutions like our Field Day Kit, which contains everything they need to pass Field Day inspection.

One major initiative over the past few years has been to improve in-stock on our shelves. We have been able to improve on-hand inventory in the store, on the shelf and available when customers need it. Improvement has come from planogram disciplines and process, maturation of our regional distribution centers (RDC) using STOW replenishment to improve overall turnover, and continuing to implement our 5S program for managing back-room inventory.*

* One major initiative MCX launched in 2017 is "STOW," which relates to positioning product in regional distribution centers (RDC) to improve in-stocks and customer satisfaction.

"5S" disciplines (based on the Japanese "sort," "set in order," "shine," "standardize" and "sustain" methodology) are used to organize a work space for efficiency and effectiveness by identifying and storing items used, maintaining the area and items, and sustaining the new order.

Store presentation and communication are ways that the MCX will alert customers that they have the best price on merchandise that they want to buy. A display like this one at MCB Camp Pendleton, Calif., can go a long way to help patrons make the right purchasing choices.

FY19 Merchandising Plans/MCX

The intention of the 5S program is to reduce the “holes on the shelf” within the four walls of the store to improve stocking efficiency, improve inventory visibility, improve payroll productivity, and improve associate morale.

We are coming off another strong year, with improved net profit over the previous year’s performance as the result of smarter cost of goods management and disciplined payroll and expense optimization. Our bottom-line efforts will focus on managing our store staffing through our proprietary staffing tool, and evolving vendor score cards throughout our supply chain focusing on performance management using metrics and key performance indicators (KPIs). Efficiency upstream enables a productive and optimized store environment for both associates and customers.

E and C News: *Programs based on collaborating with current partners on planning, forecasting and replenishment, aimed at streamlining the supply chain to provide maximum benefit to your customers, are recently much in the news. Does MCX focus on or find special value in such programs? If so, how do they work for you?*

Lemmon: The Marine Corps has entered into a Memorandum of Understanding (MOU) with the Army & Air Force Exchange Service (AAFES); the Navy Exchange Service Command (NEXCOM), the Coast Guard Exchange (CGX) and the Defense Commissary Agency (DeCA). This is not necessarily a new concept; it’s just formalizing the vendor opportunity roadmap and collaboration process.

Holistic forecasting and synergistic buying of the same national brands and private-label merchandise drives a consistent customer experience where it makes sense, improves sell-through, lessens exposure to aged and obsolete residual inventory, and drives down acquisition costs through aggregated demand sharing.

In the past, the Exchanges coordinated private-

Topline sales growth in 2019 is highly steeped in offering the brands that customers want in their local stores, including these flip-flops at MCAS Miramar, Calif.



During the past few years, improving in-stock rates on the shelf — including at the previous incarnation of the MCAS Iwakuni, Japan, Exchange (shown here) — has been a major MCX initiative.



label assortments with regard to Exchange Select, so this is only enhancing an already established working collaboration between the military resale communities. MCX finds great value in these initiatives.

E and C News: *What must the stores themselves do to work in synergy with headquarters to generate excitement on a local level?*

Lemmon: Our approach to projects has been to ideate with a team of representatives that include both headquarters and store subject matter experts. We also have a shared unifying goal that will always inextricably link headquarters and the stores: providing solutions to build our connection and relevancy to the mission of the U.S. Marine Corps.

Within creating a great experience, we continue to increase our retail entertainment events in coordination with print circulars to generate excitement at store level for promotional vehicles.

In 2018, we repeated a very successful campaign from 2017: “Go Elfin Wild.” This event had key items on sale and created excitement in the main stores with “selfie” stations and contests for the best-dressed elf. The event brought excitement with customers as well as with associates.

Based on the success of this event, we are coordinating with the local marketing teams at each command to plan additional events throughout 2019.

E and C News: *Do you have any new programs in place, or soon to be in place, that you can tell us about that you believe will help you reach your sales goals?*

Lemmon: This year, we are going to clarify our value story and offering for both our associates and customers. We have great value to offer and it’s not always evident or clearly understood.

There are multiple layers to this initiative. Using price survey data and trip driver insights from our partnership with Nielsen, we will continually update our “Extreme” value items and, no kidding, be the best price — and then shout that out in communication and store presentation.

It’s also ensuring that associates are armed with store program scripts to ensure they are communicating and conversa-



The new MCAS Iwakuni, Japan, store is slated for a March opening.

tionally sharing this information with customers. Then, within our “Retail Experience of the Future” work, we will visually display and communicate value within store merchandising and signage.

E and C News: *A year from now, where do you hope to be sales-wise?*

Lemmon: Protecting our healthy Morale, Welfare and Recreation (MWR) dividend is a top priority for the Marine Corps, and that starts with stabilizing and sustaining our topline sales and bottom-line profitability at a minimum.

Assuming we don’t have any significant changes to end-strength or authorized patron populations, we have key product categories that we will continue to leverage. There isn’t going to be a huge growth surge unless the environment changes, so we need to focus on multiple incremental opportunities and tapping into organic growth with new initiatives.

We continue to focus on the outdoor/active lifestyle that will positively impact topline sales in apparel and footwear. We see major growth from our customers in the natural and organic segment of the consumables business, partnering with several key suppliers of food and beverage in this segment. Our customers also continue to request more variety in organic and natural options for ready-to-eat (RTE) meals. Many of our Marine customers eat up to two meals a day in our Marine Marts, since they are located next to many barracks and training locations. Healthy, convenient food-to-go is going to expand for 2019, partnering with our clubs and other direct food operations to prepare fresh food and heat-and-eat meals.

Regardless, by focusing on Marines, the mission of Marines, keeping them “Fueled, Prepped and Supplied,” we are confident we will achieve our goals in 2019.

—E and C NEWS