

## New Flagship, E-commerce Stoke

CGX Chief Merchandising Officer Samantha Bishop

# Coast Guard Excitement

**S**amantha Bishop has been the Coast Guard Exchange (CGX) chief merchandising officer (CMO) for the past two-and-a-half years, and during this time, the exchange system has had to withstand not only a fiercely competitive retail environment, but also weather disturbances and even a government shutdown as it has pressed forward — and it has managed not just to survive, but to thrive, during this very trying period. In this exclusive interview, Bishop talks about new opportunities, and how communication might be one of the keys to furthering these successes.

**E and C News:** As you open fiscal 2019, how will you strive to generate solid sales during the new fiscal year?

**Samantha Bishop:** For this year, our primary focus is on the opening of our new store in Centreville, Va. — situated on the western portion of the D.C. beltway. This is going to be a flagship location, containing over 40,000 square feet of selling space, and will be the largest footprint for a Coast Guard Exchange (CGX) store to date. We're planning around \$9 million in sales for 2019 and are targeting a grand opening date for late July.

We are very excited about this new opportunity, but with any expansion there are some growing pains. With our small buying team, expanding our vendor partners and categories to accommodate such a greater footprint has been quite a job.

For CGX, this is a unique location, and we will be purchasing new product for Centreville that we have not previously carried in our other stores. Seeking out those resources and developing relationships has been a challenge; but our sister services have been very supportive in helping us to make those initial contacts, and we are relishing the excitement that comes with building something totally new.

I also see this as an additional benefit in the opportunity to expand these “new” vendors and categories beyond

Shopping was heavy during the 2018 holiday season at CGX Borinquen, Puerto Rico.

Centreville into our growing e-commerce platform. Later this spring, we will be rolling out ship-from-store — so we see these new products as being not only available to our Centreville patrons, but now available to all “Coasties” through our shopCGX.com platform.

Our top targeted growth areas are men's furnishings, designer sunglasses, pet supplies, and higher-end electronics products. Some other interesting additions will be a new control label wine program that we are very excited about, and the addition of extended sizes in women's apparel. This store will have our first Homeland Blend & Brew coffee shop featuring Proudly Brewed by Starbucks Coffee. We see this as a great opportunity to test these and other programs for possible expansion into other CGX store locations.

We are excited about the new store and hope all our vendor partners and sister exchanges will be able to join us for the opening!

**E and C News:** At Centreville, will you be doing other special things besides those you've mentioned? Will you be having any “stores in store” or that sort of concept?

**Bishop:** We are going a bit in the opposite direction — embracing the opportunity to work with small vendors and to have a bit more flexibility for in and out as we develop the businesses



Bishop



CGX Chief Merchandising Officer Samantha Bishop says “Girls’ Night Out” events are “huge” for CGX. Ten stores, including this one at Petaluma, Calif., participated. CGX PHOTOS



On "Bring Your Child to Work Day," Coast Guard Petty Officer 1st Class Pelton held an impromptu reading lesson for her daughter at CGX Seattle.

and learn the customers' needs.

In our cosmetics department, instead of a primary focus on the large traditional brand names, we are looking to create a little bit more of a Sephora concept, with a bigger presence of smaller niche vendors. We will still have the brands our customers know and love, Estée Lauder, Clinique, etc. — but we want to be able to be nimble and have the space to promote smaller boutique or organic and natural lines that are trending with younger consumers.

It's pretty much the same in apparel as well. You won't see much private label, (mainly because of our size) or fixtured shops showcasing department store brands. You will see labels that can be spotted in specialty stores and boutiques. We have been working for over a year with Doneger, our fashion-forecasting group in New York, trying to find some unique things that are a little bit out of the ordinary from what we do in our other locations.

Our sister services have such wonderful stores in that market. We are trying to differentiate ourselves a little bit, and not carry all the same brands, we want to add to the military exchange patrons' options — not repeat them.

### **E and C News:** Why was Centreville selected as a location?

**Bishop:** Prior to my current role as CMO, we hired an outside consulting group to assist us in finding a location that was somewhat underserved by military resale but had a decent size authorized-patron population. We had several different options, but in the end focused on this Northern Virginia corridor. The proximity to our Coast Guard Headquarters in Washington and with the new arrival of DHS offices to that campus made this

also an obvious location. We felt that there was a lot of opportunity in the area, and that it wasn't necessarily oversaturated.

### **E and C News:** What are some of the challenges you're running into?

**Bishop:** Of all the challenges we face in being a smaller organization, the one that seems to come up most often as we grow and expand is the lack of a distribution center. As of fall 2017, most of our hardlines and consumables have been converted to auto replenishment, and keeping our in-stock rate up is a constant struggle. In addition, a lot of our stores have very small back-stock areas that require us to take smaller deliveries more frequently, and freight costs for us are at an all-time high. To help improve the in-stock rate, we are working with the Army & Air Force Exchange Service to do more forecasting and projections for the product that we partner-purchase through their distribution centers. That has definitely helped, especially with a lot of our large bulk issue items for the new recruits coming out of Cape

May and the cadets at the Coast Guard Academy.

On the freight side, that has been a challenge as well, but our planning and analytics team is working with logistics to find creative and cost-saving alternatives. We're always working to optimize our supply chain in any way possible. Being small is one of our greatest strengths, if we can react quickly, but not having a distribution center causes a lot of heartburn.

We are going to be launching a tracking tool this summer to help with communication and product flow. It is an automated system called CSC Help. The store teams can report any out-of-stocks, inventory errors, or frustrated freight, in an electronic manner, so it allows us to push notifications to the proper teams and monitor response time. Hopefully, this tool will make it easier for the stores to notify us of these errors and help with a quick resolution. Of course, the overall goal is to better our in-stock rates for our customers.

Obviously one of our biggest challenges is helping our smaller brick-and-mortar locations keep profitable and competitive in this new digital environment. We are looking to launch a new program for our brick-and-mortar stores to incentivize and to send customers to ShopCGX.com. Our CGX store associates are some of the most attentive and helpful in retail, and we will really need their assistance in telling our customers that we are growing our online presence, and we have the products that they are looking for. This will help our customers in the remote small convenience locations expand beyond the walls that they are currently standing within.

In many of our small locations, we also are launching "local" food and gift product selections. We've done it in about 15 locations, and we'll expand that for 2019. We feel that the local items are a good addition and add something new and exciting to a location which might have a very core assortment. As for response, it has been terrific, with products in the local food and gift category up 80 percent to when we launched it in 2017.

### **E and C News:** On getting the word out on ShopCGX.com, will there be signage in the store, maybe in the customer service area, in addition to word of mouth of the associates to encourage interest?

**Bishop:** A long-term concept is to do some sort of an "order here" kiosk, and that is in development. In the interim, we are looking to do a collaboration with the Store Operations team. In May, we are testing business cards that store associates can give customers with the ShopCGX.com logo and a special promotional online code for free shipping or prizes, and we are going to incentivize the associates for their referral. There has been a lot of interest from our Command about trying to use our store associates as ambassadors to tell our shopCGX.com story — so more to come!

### **E and C News:** What strategies and techniques will you employ in reaching your sales goals throughout the new fiscal year?

**Bishop:** Since we have so many small-footprint stores, consumables is our bread-and-butter business; and we do continue to struggle to grow in that environment. We've been hit hard by the Department of Defense (DoD) tobacco price increase from March 2017. Our footsteps are still down. Drinks and food were both down 5.2 percent for 2018.

We're constantly looking for new products, and innovations, and hopefully, we can turn that trend around in 2019.

A major challenge that we can't seem to overcome, especially in our smaller doors — and I know some of the other exchanges have struggled with this as well — is the need for fresh and healthy products. We are constantly looking for a channel to get products in to meet these needs, and in some cases, we have had to get a little creative. We have partnered with some local restaurants to bring in fresh entrees for resale. We've partnered with Coast Guard galleys in several locations, and we've been successful in having them provide fresh salads and sandwiches.

In one instance, we had to get really creative. We had an office in a remote location that was looking for something a little out of the ordinary, and we developed an event where we sold Chick-fil-A sandwiches and salads there once a month.

We are trying to be innovative, but I know that "fresh and healthy" continues to be a struggle for everyone, especially where we don't have the needed footsteps to turn the product.

In early 2018, we made some changes to our

spirits pricing at our top doors that yielded some great results. We raised some of our everyday prices, so we could become a little more promotional on the monthly specials. Also, mandated endcaps calling out this promotional strategy have seen good cross-category purchases and add-on items. Spirits has been a slightly down-trending category for us, but despite having some shipping issues in fourth quarter 2018, our spirits sales overall were up 4.3 percent.

We'll continue to roll out this pricing to additional doors in 2019, as well as some other pricing changes we are testing in our wine category. Wine has been down-trending for us for several years. One of the major reasons for that is the ever-growing competition from assortment and pricing, from grocery to "Total Wine" – everyone's prices are getting sharper, and we need to react.

We are planned flat for wine in 2019, but we are testing a lot of different pricing structures, and I have high hopes that we can turn that business around. Any sales increase in wine, spirits, or beer could really move the needle for us as a company, so we are constantly focusing in on those.

In sports nutrition, we're planning about a 4-percent increase for 2019, and the year-over-year growth for that category has been consistent for about five years now. Products like Bang sports drinks, and Lenny and Larry's cookies and bars, are pulling some of the dollars from our more traditional food and drink business. The trend here continues to hold, and we see solid growth.

We will be debuting this category in our Centreville store in a big way. And I think that will drive some of the 2019 success.

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

**Bishop:** That is part of the challenge in any retail environment, but communication obviously



Stocking local sports team gear has been a successful CGX tactic. The Otto Graham CGX in Cleveland had lots of local team apparel on hand for sports fans at its grand reopening in June 2018.

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— Coast Guard Exchange CMO **Samantha Bishop**

is key. I think that sometimes in a world of constant group emails and texts, we really need to find ways to connect a little bit more one-on-one. That isn't easy, and it certainly wasn't for us in 2018.

Last year, we had planned to bring in the field to our first store manager seminar in several years, but it had to be postponed due to Hurricane Florence. We are rescheduling that for October 2019.

Then in January, we were looking to kick off intensive deep-dive meetings with our regional management teams in our Chesapeake offices, and the government shutdown happened. We still held the meetings remotely, and these 360-degree focused meetings covered every aspect of the business. Not only was merchandising there, but IT, LP, and finance were involved as well.

With this team collaboration we analyze and look at all opportunities for sales, to curb expenses, look at any growth opportunities ... Unfortunately, the shutdown happened, so we couldn't have that face-to-face connection, but the meetings were very beneficial just the same.

I think when we talk about the synergy between headquarters and the field, one of the great things about CGX's being smaller in size is that we can react fast and develop ideas for things we want to

execute in the field very quickly. I feel that that is one of our core competencies as a company.

The field does a great job putting together very local-centric events on their bases, and as a team we develop and execute them rather quickly. Last year, we did several VIP events in stores, tent sales, and regional book signings, just to name a few. We do a "Girls' Night Out" event in September which is huge for us. Ten stores participated this year; and it is

a staff and customer favorite. And for the 2018 Holiday season, we added an added a gift-giving event geared more to the guys as well.

I love the fact that in working here, we can be agile; and if we have an idea, there are very few layers to execute it. We can react fast.

Regarding promoting all those VIP events, the e-commerce division recently took over the responsibility for all social media. One of our big initiatives this year is to expand our social media presence. We are looking to do more active postings, feature store activities, and customer interactions at a local level.

With stores and headquarters, having a single vision is key. And our management here has certainly tried to do that and develop the team. In the end, all of us should be asking what we can do to satisfy and impact our customers and their experience.

**E and C News:** Are there any other new programs to mention that you haven't already talked about?

**Bishop:** Let's talk about my favorite subject — e-commerce growth — because that is one of the biggest focuses for our buying and store teams. We are pushing e-commerce growth on two fronts.

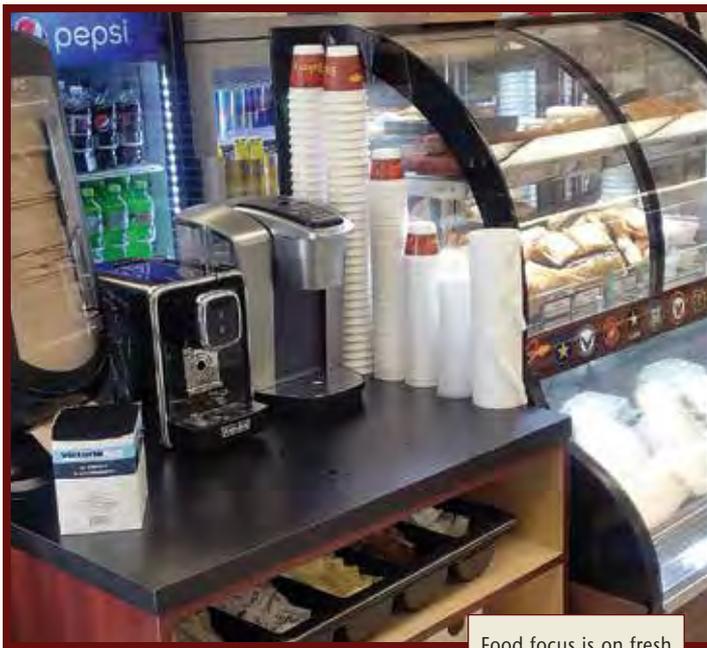
First, we are working to intensify our statement in national brands. We'll never be Amazon, so we feel an approach focused on the brands where exchanges offer competitive pricing and value makes the most sense for us.

We are looking to partner with any growing brands where there is a high value proposition. With the limited assortment that we have right now, this is a key to success. We've had great launch relationships with Bose, The North Face, Vera Bradley and Nike, and those are types of brands where the customer sees the value versus outside the gate.

Our second goal for growth is that we have plans to position our ShopCGX.com as the "boutique" of military exchange e-commerce sites — that's the buzzword we are currently over-using!

We want to take advantage of being smaller in size and being quickly able to test unique lines and connect to our customers in different ways.

There are several programs the e-commerce



Food focus is on fresh and healthy ... and quick in the Grab 'n Go section at CGX Opa-locka, Fla.



The Mobile Support Exchange (MSE) provides versatility and the capability to create pop-up events such as souvenir support for the Coast Guard Cutter Diligence (WMEC-616) during the 2018 Wilmington, N.C., Azalea Festival.

team is developing for 2019 to accomplish these.

We are launching “buyers’ picks,” having the buyers focus on picking some items that they are excited about and talking about how they selected them in the market. Hopefully this will focus us in a little more on connecting with the younger customer and really hitting those emerging trends.

We’re also very excited to be developing our Coast Guard Local program. This involves virtual pop-up shops online that feature local gifts, artisan crafts, and specialty items that have connections with popular Coast Guard duty stations. We are anticipating things like salmon from Kodiak, Alaska, Cape May, New Jersey honey, and local goat milk soaps from the Yorktown, Virginia, area.

We’re combining the “shop local” trend online with nostalgia for past duty stations. When you are stationed somewhere, you can order a local gift to send to a family member; and after you’ve moved on, you can fondly remember favorite items that you purchased when you were there.

**E and C News:** So a lot appears to depend on e-commerce.

**Bishop:** Doesn’t it everywhere these days? The e-commerce division was brought into the Merchandising Team in March of last year, and there has been a whirlwind of welcome activity. We started out with just one person, but then hired Hope Thompson, who is now our E-commerce director, from within the Merchandising Team. She has been amazing. In the past 10 months, Hope has managed to assemble a phenomenal production and design team and stand up a whole new fulfillment center warehouse in Cleveland, Ohio. We now have a full-time staff of seven, and we are adding a few additional team members in 2019.

And we have had major growth: 2018 sales were almost \$900,000; and 2017 sales were under \$400,000, so we have seen about 125-percent

growth. Hope did not have a full team in place until October, so it was a fourth-quarter boom.

In another major e-commerce development last year, our partnership with the Coast Guard Uniform Distribution Center (UDC) kicked off in February. We are facilitating and managing their web presence. It turned out \$2.2 million in sales of uniforms last year — 24,000 orders. Obviously, those are for product that is housed and shipped from the UDC facility; but you can see, with 24,000 orders, how much virtual traffic it provided us at ShopCGX.com.

In August, our mobile platform became operational. That was very exciting, as we needed some help in enhancing the customer experience; our mobile platform had been weak, and difficult to use. Hope and her team committed themselves to smoothing out all the rough edges!

This year, our goal is over \$2 million, which will make ShopCGX.com our sixth largest storefront when you exclude alcohol and tobacco. We have some challenges; we’re finding that to improve the customer journey, there are some functional changes to the web site that need to be made. Hope’s team is working closely with our IT staff to make that happen. From search engine optimization to receiving a thank-you follow up — they are going through the entire process to make the experience simple and pain-free.

We are very lucky to have the e-commerce team in place and they are blending so well with our great merchandising team — the merger has been such a positive one. Between e-commerce and Centreville — well, I hope we’re not putting too many eggs in those baskets, but that’s where the excitement is for us in 2019!

**E and C News:** You mentioned how the government shutdown impacted your deep-dive conference. How did the shutdown affect sales?

**Bishop:** We were down almost 12 percent for

shutdown. They came to us with different ideas for donations, and financial support for promotions, and it was overwhelming. I think it was just another great example of how our community comes together in times of need.

**E and C News:** And the shutdown came only a few months after the stores in Puerto Rico had finally recovered from 2017’s Hurricane Maria.

**Bishop:** 2018 was a very tough year, and to be honest, I am glad that it is over, because it was one of our toughest times I can remember, profitability-wise. It just seemed we faced struggles that were beyond our control. We were still feeling the effects of the tobacco price increases, and then Hurricane Florence came through, and caused a lot of turmoil. The freight increases last year were quite large, and then there was the shutdown.

I am glad that 2019 is here, so we can have a fresh beginning. There are good things on the horizon, and we’re off to a good start.

**E and C News:** Is there anything more that you would like to add?

**Bishop:** I really would like to thank our vendors and other military resale partners for reaching out to us and offering help during the shutdown. With everyone reaching out with so many donations, and with our vendors and military resale partners reaching out to help, just the fact that everyone was concerned about our customers and thinking about the many ways in which they could support us really meant a lot.

With the new store and e-commerce, 2019 has a bright future! We are still finalizing 2019 plans as we speak, but we are projecting about a 5-percent sales growth — and I think this year will be a great one! The buying team is one of the most creative and hard working out there, and I know they are going to provide the maximum benefits available for our customers.

—E and C NEWS