



Milks

# Partners in Transformation

**T**homas E. Milks, who has served as director of the Defense Commissary Agency's (DeCA) European Region since late 2007, has a unique perspective based on his experiences during his past 30-plus years in the commissary business.

When Milks took over the reins of the region nearly two years ago, he was tasked with leading DeCA Europe through one of the most interesting periods in its history, as it witnessed a massive military transformation on the Continent that is continuing to this day. Even with fewer stores under his purview, sales and transaction counts continue to be strong.

In early June, Milks spoke to E&C News about a variety of subjects, from the numerous initiatives that DeCA Europe has set in motion, including award-winning nutrition education partnerships and cooperative efforts with exchange resale partners, to the challenges the region continues to face as fiscal 2009 enters its fourth quarter.

**E&C News:** You are approaching your second anniversary as DeCA Europe director in September. Looking back over the past year, what accomplishments has the region made during this year, and what challenges does it continue to face?

**Thomas E. Milks:** It has been an extremely busy and productive year for DeCA Europe. Our innovative staff is always coming up with new, "outside the box" ideas, and it is exciting to watch those ideas develop and be executed. Most of the great ideas we decided to pursue have exceeded expectations. I give credit for that to the staff and field for paying attention to detail during implementation. We have a lot of veteran operators in Europe who do a great job of focusing on the customer.

One of these ideas is transportation sharing. This is a major cooperative effort between DeCA Europe and the Army & Air Force Exchange Service (AAFES), and involves the sharing of transportation assets to increase delivery frequency and reduce costs. This was discussed at the headquarters level between DeCA and AAFES as a joint venture that might be a viable program for both parties.

We began testing in January 2009 with perishable deliveries to Turkey using DeCA trucks, and the test has been so successful we will soon expand to other areas south of the Alps. Additionally, we are nearing an agreement for backhauling pallets from the U.K. using AAFES transportation. We expect our relationship to grow strong as we work to solve similar problems.

Another of these ideas is the cooperative efforts with Department of Defense Dependent Schools (DoDDS), which began in 2008, when DeCA Europe and the Kaiserslautern, Germany, district DoDDS forged a partnership promoting improved dietary habits, increasing

awareness of monetary and health benefits of commissary shopping and home cooking.

The DeCA home economist provides DoDDS with materials and expertise related to DeCA's "It's Your Choice, Make it Healthy" campaign; DoDDS teachers incorporate nutrition education and key messages from the "Dietary Guidelines for Americans" across their sixth grade curriculum; and the Vogelweh, Germany, commissary serves as a destination for study trips where students put into practice the nutrition concepts learned in class.

The partnership program, the first of its kind, began in the Kaiserslautern schools and has been so well received by teachers, students and parents, that several successful spin-off activities have occurred and parent involvement has increased dramatically. Volunteers from the local command lead a student-based "Walk to Iraq and Back" program during lunch and recess periods. The on-post credit union has begun a partnership program to teach students financial basics, including the "healthy savings" to be had at the commissary. Students and parents are more conscious of buying and eating more healthy foods and lowering their body mass index. The grades in the participating class improved in both math and science, proving the correlation between nutri-



Celebrating 50 years of service at the Kaiserslautern Cold Storage (KCS) facility, DeCA Europe Director Thomas Milks (center) leads the way with the first cut of the official cake. Helping hands are (left to right) Terry Batenhorst, chief of operations, DeCA Europe; Austin Romesburg, chief of the Kaiserslautern, Germany, Central Distribution Center (CDC); Jessica Rubel, the newest Kaiserslautern CDD employee; and Peter Mayer, the employee with the longest time at the CDC with 45 years of service.

tion and grades.

This partnership was so outstanding it won two major international awards: the American Association for Health Education's Blue Apple Award for exceptional commitment to health education, and the Military Child Education Coalition's Pete Taylor Partnership of Excellence Award.

Another opportunity came in the form of an environmental initiative started at headquarters. We procured environmentally friendly reusable bags that generated over \$600,000 in sales. As

they gained in popularity, we were able to reduce our paper and plastic bag usage over \$500,000 on an annualized basis. We saved additional government funds by reducing our shipping and handling costs on both types of bags.

Other popular environmentally friendly products in our stores are compact fluorescent light bulbs and earth-friendly cleaning supplies, paper and plastics.

Finally, in DeCA's annual Commissary Customer Satisfaction Survey (CCSS), DeCA Europe made significant inroads in customer perception of all aspects of our business. Each of the 14 areas surveyed in fiscal 2008 improved from prior year scores.

**E&C News:** DeCA Europe's fiscal 2009 sales have grown 6 percent. What do you attribute this increase

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DeCA Europe Director Thomas Milks gives career advice to a group of store employees on graduation day from training class.



# DeCA EUROPE Q&A



Steve Armbruster (left) DeCA Europe marketing chief, enjoys serving soldiers from the Landstuhl, Germany, Regional Medical Center during the annual appreciation day provided by the Fisher House Foundation, the European Chapter of the American Logistics Association (ALA) and DeCA Europe. As many as 800 employees, patients and Fisher House residents come through the lunch line each year.

to and what is the outlook for the remainder of the fiscal year?

**Milks:** I believe the truly remarkable part of the sales story is that our gains were achieved even in the face of the re-stationing effort in Europe, through which we closed 10 stores and lost one NEXMart in the last two years. Our total transactions are up just over 3 percent, while a same-store comparison shows transactions are up 7.75 percent. That tells us we have real growth.

We believe this is due to our proactive efforts to take the very best care of our customers, increase product assortment, keep a strong in-stock position, improve services and keep our customers informed. Additionally, we use strong category management practices and pay close attention to the demographics of the different communities we serve.

We had several new and exciting opportunities available for our customers. From January through May, we added the headquarters theme "Every Day is Mom's Day" to our regular bi-weekly promotional package. These selected items keep our hard-working moms in mind.

During the DeCA kickoff of the promotion, Philip E. Sakowitz Jr., DeCA director and chief executive officer (CEO), was in Kaiserslautern at the Vogelweh commissary, where he was able to do an Armed Forces Network (AFN) television spot and news piece, radio interview and Stars and Stripes interview all in one day, most of which were used around the world in support of the promotion.

We continue to actively promote club packs in our stores through regular promotions and special one-time events tailored to our larger facilities. The most recent event, the "March Madness" club pack sale, involved 21 stores on March 28-29, 2009. Stores took full advantage of the 280 line items offered, tailoring their individual product selection to local demographics.

**E&C News:** Can you tell us how the "New Item" marketing campaign worked out in your stores during the past year?

**Milks:** Several things were done to increase customer awareness of new products in DeCA stores as part of an aggressive campaign to increase sales.

Bright red and yellow "new item" arrows are used on shelves to indicate the placement of a new item for 30 days after stocking. These arrows run perpendicular to the shelf, making them easy to spot as you walk along an aisle. At the beginning of the campaign, we even had some small, stick-on arrows placed on hundreds of fresh meat packs to teach customers to look for the signs in the aisles. Some of our stores used the larger red arrows to indicate the presence of a new meat item. The DeCA headquarters meat manager instructor, Jack Fowler, saw these in the Ramstein AB, Germany, commissary and commented how great he thought the idea was.

In addition, a two-page monthly new product listing and newsletter was created by our public affairs office, in conjunction with our marketing branch. This publication is sent electronically to all DeCA Europe stores, field activities and region personnel; all vendor representatives; all installation public affairs offices; AFN and Stars and Stripes and a variety of other email addresses. It also gets posted on all European pages of [www.commissaries.com](http://www.commissaries.com), under consumer information. From that, a link is included in the electronic responses to "Your Action Line" customer queries from Europe, and once a month into [twitter.com/DeCAEurope](http://twitter.com/DeCAEurope) which began in March.

At the Ramstein AB commissary, the new product listing is enlarged and posted at the main entrance.

The new product publication and red arrows began around the same time in January 2008 and have proven quite effective. Customers receiving the link via an Action Line response often tell us they have added it to their "favorites."

**E&C News:** Last year, you told us that you were impressed with patrons' warm reception to the inclusion of various meat cuts — including vacuum-packed Angus beef products. In light of the current economic situation and euro/American dollar fluctuations, have your patrons continued to show their enthusiasm for these cuts of meat versus what they can buy on the local economy?

**Milks:** Our Central Meat Processing Plant (CMPP) staff is constantly looking for and creating new products for our

customers. Sales of \$1.06 million were generated by four new items offered from the plant over the last year — natural Angus rib-eye steak, rib-eye roast, top-loin steak, and spiced pork spareribs.

In April, three more natural Angus items were added: chuck roast, chuck steak and ground chuck. All of the natural Angus products are merchandised together in the meat counters and attract attention with a bright green label designed especially for them. In spite of their higher price, they sell well because people are becoming more concerned with what they eat and the source of their food.

In February, we introduced commercial vacuum packages of bison steaks, burger patties, ground meat and hot dogs to the grocery department. That information was placed in the February new product publication which caught the attention of Stars and Stripes and the resulting article quickly raised customer interest: \$68,675 in sales and 11,107 units sold through April 17.

Shopping patterns in Europe indicate most customers purchase fresh beef and pork products from the commissary, not from the local economy, where no American beef is available for grocery store sale. Our CMPP continually has strong sales for fresh beef and pork.

This preference for American beef, plus the currency exchange factor,

**Milks:** While the transformation in Europe has seen thousands of servicemen and women return to the States accompanied by the closure of 17 bases and three NEXMarts in recent years, the overall number of cases and pounds shipped has remained steady and even increased in some categories.

While the transformation continues, it has slowed with only two facilities — Neubreucke, Germany, and RAF Fairford, England — set to close this fiscal year. We expect sales in Europe to remain steady with the population remaining near current levels until DoD determines the number of active brigades to remain in Europe.

**E&C News:** We noticed that the region has recently conducted a number of case-lot sales at larger installations. What were the origins of this strategy, and has it paid off?

**Milks:** The number of case-lot sale locations was reduced to 30 stores in Europe beginning in 2008 to better concentrate our efforts and resources in areas with the highest customer base. The sales now take place mostly at hub stores with the physical capacity and personnel resources to do the sales justice. They can draw additional personnel from their surrounding stores to support the effort.

Stores win by reducing the amount of labor to prepare for the sales and customers win by knowing the very biggest



Location counts in DeCA Europe. Thomas Milks (left), the region's director, discusses requirements in Bavaria with Terry Batenhorst, chief of operations.

resulted in our meat plant moving 58,000 more pounds of product the first quarter of this year than it did last year in the same period.

The meat plant is the sole source of products being sold to AAFES for downrange support in Kuwait and Iraq. An increase of 13 percent in downrange goods has been shipped in fiscal 2009 compared to the same period in fiscal 2008, for a total of \$2.29 million worth of goods shipped.

**E&C News:** Although all DeCA regions have faced issues related to the global repositioning of the military, your region has had to weather a major burden of these issues. How has the region handled the troop movements that have already occurred, and what does the picture look like in the future?

offerings will be at the biggest stores.

Additionally, our Germersheim, Germany, Central Distribution Center (CDC) enjoys streamlined product pull and shipping. We've also paid close attention to the dates on which we hold the sales and adjust them to make the most sense. All stores and their dates for the sale are well advertised ahead of time.

We feel the move has paid off in operational savings and customer savings. The stores that play can each offer shoppers a much wider selection at their individual locations. Case quantities brought in for the events have increased since the change was implemented and we see this continuing.

**E&C News:** Please tell us a little about recent successful store openings in your region, and what future-oriented concepts they bring to patrons in your

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# DeCA EUROPE Q&A

region? Last year you told us about new stores at NS Rota, Spain, and Grafenwoehr, Germany. With a year under their belts, how have these commissaries fared since opening?

**Milks:** Grafenwoehr and Rota are the most recent new stores opened in DeCA Europe, in 2007. Both stores have exceeded expectations.

Grafenwoehr's sales are up 66 percent over 2008 through February 2009. While a sales migration from Vilseck, Germany, and troop deployments affected fiscal 2008 sales, when viewed as a complex, sales for both stores (Vilseck and Grafenwoehr) show a 64 percent increase over fiscal 2008. Viewed by its relative efficiency through the measure of unit cost — that is, how much it cost the store to generate \$1 of sales — Grafenwoehr is 19-percent cheaper to run this year over last.

Rota shows similar success with sales up 8 percent over last year and its unit cost down 11 percent.

Our upcoming store openings include Livorno, Italy [which opened June 5], and Chièvres, Belgium, later in 2009.

**E&C News:** Please tell us about any other major new store openings that are on the horizon for your region.

**Milks:** A major project of great interest in Europe is the enormous task of renovating the Ramstein AB commissary. Europe's busiest commissary, this facility topped the \$5-million mark in monthly sales in March, the first time a non-U.S. commissary achieved that mark.

The current approved plan is to renovate the existing building. This project is programmed for fiscal 2010. The design in April was at the 35-percent stage and progressing. The renovation will include an expanded sales area, centralized deli and bakery operations and many new, energy-efficient systems.

A new commissary is programmed for fiscal year 2011 in Ansbach, Germany. At a cost of approximately \$21 million, the new facility will replace a World War II airplane hangar that actually dates from 1937, or a few years prior to the war. The facility was last renovated in 1974.

The RAF Alconbury, England, commissary will be going through an equipment upgrade and minor construction repairs resulting in a more modern store with a combined deli and bakery, new energy-efficient lighting and refrigeration.

**E&C News:** DeCA Europe's stores are now fully engaged in the agency's produce procurement program. How did the transition go and how are patrons responding?

**Milks:** Following the produce model established in the U.S. by DeCA headquarters, more than two years ago, DeCA Europe stores transitioned from the use of the Defense Logistics Agency (DLA) for produce procurement to central suppliers under DeCA contracts for produce. One central source of supply was initially developed for Germany and the stores within its geographic

proximity. After that area was operating efficiently, we used the lessons learned to implement two additional contracted suppliers: one for the United Kingdom and one for Italy.

The patrons have responded positively and the produce managers feel product quality has been better and more consistent. Customer service from the contracted produce suppliers is excellent.

One obvious advantage of this system is we know who we are dealing with on a long-term basis, allowing for enhanced communications. We have a better exchange of ideas and expectations. Another advantage is that all stores within each area have similar pricing.

The business relationship has continued to grow and we are now working with each of the suppliers on weekly promotions where special prices on seasonal or promotional items are offered to all stores in a contracted area at the same time. This solidifies DeCA's image of quality and consistency among our customers who travel between installations.

After having been on the system of centrally contracted produce suppliers for two years, none of our store operators would want to revert to the prior system. Essentially, it provides support similar to that provided by our CDCs where we get consistency, high fill rates, quality, and price control along with a win-win proposition for both DeCA and the supplier.

Photos: Gerri Young, DeCA Europe



DeCA Europe Director Thomas Milks (center) and Kay Blakley, DeCA home economist (left), share a laugh with Susan Hargis, principal, Kaiserslautern, Germany, Middle School, in a discussion regarding a successful joint partnership.

**E&C News:** Where does the region stand with organic produce?

**Milks:** To satisfy customer requests, DeCA Europe introduced 17 pre-packaged organic produce items at the end of January, beginning with six test stores in Germany. Based on the acceptance of those items, the program was expanded almost immediately to a list of 37 items and made available to other DeCA Europe stores with a demand.

To date, the basic items such as peppers, broccoli, red and white seedless grapes, tomatoes, cucumbers, carrots and potatoes have been the best sellers, accounting for about 80 percent of sales.

Fifteen commissaries, reaching as far as Cairo, Egypt, now offer these organic items.

The program has been successful in answering the call of those patrons wishing to go 100-percent organic and should have a lasting effect on patron satisfaction.

**E&C News:** As far as region personnel, you have told us that one of your major goals is to prepare store personnel to become future managers and leaders. Please tell us about any plans and programs you might have that will continue to lead the region to success in meeting that goal.

**Milks:** DeCA has an intense and vested interest in identifying and developing its future leaders. In recognition of that, the agency is investing heavily



DeCA Europe Director Thomas Milks (left) receives a special clock from Henry Brower, account manager, S&K Sales Co., for the region's fiscal 2008 support of the SkilCraft (National Industries for the Blind) Ability One program.

in training.

In addition to long-established training courses for department managers and store management conducted at region and headquarters level, the organization has recently placed emphasis on higher-level, long-term development programs. Among those are the Lean Six Sigma black belt and green belt training; executive leadership development; the war colleges; and training with industry programs, all focusing on broadening of managerial skills as well as developing analytical skills. DeCA Europe has 19 people currently involved in green belt training and projects.

We also are strong supporters of the agency's CLASS initiative. This effort — Commissary Levels of Authorized Standard Services — brings together the brightest and most experienced operators in each of the six major in-store departments from across all DeCA regions. They bring their expertise together to determine optimum levels of service each department should be able to provide under various budget scenarios. Current economic conditions dictate we take a realistic view toward the possibility that fiscal changes may be in our future, and this program is aimed at

preparing for that event. DeCA Europe is represented on this panel of decision-makers with 17 subject matter experts.

DeCA also recently revitalized the mentoring program for seasoned managers to guide junior members of management toward achieving their stated career goals.

I strongly believe that in the long term, all these efforts combined will create a more educated, experienced and dedicated workforce able to take over where the many retirement-eligible career DeCA employees leave off.

**E&C News:** Broker resale service companies and distributors have traditionally played a significant role in DeCA Europe. What are some of your thoughts on the role played by that community on the DeCA team?

**Milks:** It is a team effort between DeCA Europe, the vendors and the stores. We work together as a close unit for the good of the customers and the communities. The vendors are key players in new product introductions, store resets and execution of promotional activities. They are instrumental in the success of grand openings and contribute in many ways to maximizing sales.

Members of the vendor community are key players in the annual Landstuhl, Germany, Hospital Appreciation Day held each May in conjunction with the Fisher House Foundation. Hundreds of hospital personnel, patients and Fisher House guests and staff are invited for a free cookout on Landstuhl grounds. This event simply could not take place without the vendors' financial and physical support.

Of special note is one of our produce suppliers, Wasgau from Pirmasens, Germany. This company has become one of our best partners, supporting our stores with demos, training and special prices. Additionally, they have gone all-out to support major homecomings, the annual American Women's Activities, Germany (AWAG) conference, the organic produce introduction and more.

**E&C News:** Do you have any thoughts or messages that you would like to convey to store and zone management out in the field, and to those who deliver the benefit in your region?

**Milks:** DeCA headquarters gives us great support which enables us to concentrate on the field. We have a great team, and we all work together to make the experience better for our shoppers.

The focus is on creating value for the customer. We have raised the standard for excellence, and the whole team has responded with enthusiasm. Merchandising has come up with lots of creative ideas, and the industry has jumped on board and supported us wholeheartedly.

I believe in walking the walk. As leaders, we need to spend more time developing our people. We are doing that. At the same time, we need to ask more of our people. If you aren't improving, you are falling behind. We need people who want to keep improving.

If you know of any, send them my way!

—E&C News