



Marines: Mission First!

Cindy Whitman Lacy, Director, Marine Corps Business and Support Services Division



As the Marine Corps Exchange (MCX) completes its 120th year, it is engaging business disruption head-on with bold decisions, agility and a careful focus on long-term objectives. In this exclusive interview, Cindy Whitman Lacy, director of the Marine Corps Business and Support Services Division and the MCX, describes how the MCX is executing its plan to build a sustainable future while meeting Corps' expectations and the needs of "Core Marines."



MCX is undergoing main store refresh projects during 2017 at MCAS Cherry Point, N.C.; MCB Quantico, Va.; MCAS New River, N.C.; MCLB Albany, Ga.; MCAGCC Twentynine Palms, Calif.; MCB Camp Lejeune, N.C.; and MCRD Parris Island, S.C., shown here.

E and C News:
What are the MCX's strategic goals and where does it stand for fiscal 2017?

Cindy Whitman Lacy: As with much of the retail industry, and our sister services, we have been experiencing challenges in top-line sales. However, in our strategic plan that was launched in 2016, we began laying

the foundation to create a sustainable future. This included a focus on improving our selling, general and administrative (SGA) expenses through transformational efficiencies, business modernization with mobile and digital solutions, and brand and customer centricity. This plan helped position us well for the challenges we've been facing in our top-line revenue growth.

Additionally, as we began focusing more on our Core Marine (18-24 year olds), we have been making strategic shifts to better meet their needs, including a focus on Troop Stores, Marine Marts, and other venues outside of the big-box stores. We have invested heavily in understanding this audience, and are preparing to prototype new solutions in 2017 and 2018.

E and C News:
What have been the high points and challenges for MCX during the past year?

Whitman Lacy: In 2016, although top-line sales were challenged, we had our most profitable year in five years, with increases in gross margin and net profit. This led to a net profit increase of \$4.5 million on \$14.7

million less in merchandise sales. The value to our patrons was an astounding dividend to morale, welfare and recreation (MWR) of over \$44 million.

Our challenge during the past year, as with other retailers, is finding a way to remain competitive and relevant, especially against low-price-point online retailers. We have realized that our competi-

tive advantage is being able to meet our Marines where they live and where they work. Thus, we have continued to build out the branding of MCX both at the large store — with continuous recapitalization and refresh — as well as expanding our reach with Marine Marts and Troop Stores.

Shopping in our stores needs to be more compelling, as well as convenient, to compete against online retailers. These efforts are paying off with our branded Marine Marts showing statistically significant differences in both sales per square foot and customer satisfaction over our non-branded stores.

Staying the course of investing in infrastructure in this fiscal environment is not easy. To facilitate this discipline and commitment, we implemented "GoRPM," a geo-spatial integrated database that provides complete insight to the condition of our facilities and lays out the five-year sustainment costs for both appropriated (APF) and non-appropriated (NAF) funds. Equally important, this tool's "hot map" feature illustrates the concentration of Marine traffic during daytime and nighttime hours to help us make better-informed decisions on placement of services and programs.

Many companies make the mistake of playing for the short game by pulling equity out of their sustainment funds. We are committed to the long game, and as such, creating sustainment and profitable growth will require much discipline and commitment.

E and C News:
What are your 2017 transactions and sales projections by division?

Whitman Lacy: Overall, year to date through July, transactions are actually trending up slightly compared to last year, although merchandise sales are down slightly, indicating solid foot traffic but lower spend

per transaction. We are seeing positive trends in logo and military clothing sales; however, we are

flat in consumables and hardlines. As with much of the retail industry, we are continuing to see declines in the softlines categories.

With our strategic focus on the Core Marine, we are seeing growth in Marine Mart sales, especially in the area of prepared foods and food bars, where we project an increase of over 25 percent for fiscal 2017.

Indirect name-brand food operations are also trending up 3 percent. For our direct-run food operations, we see a positive trend in 2017, and with the pending implementation of a new food point of sale (POS), the opportunity to expand to mobile ordering/payment, curbside pickup, and delivery is on the near horizon.

E and C News:
Looking to 2018, where do you see the MCX headed?

Whitman Lacy: We need to focus on innovating our delivery model with a focus on value, convenience and meeting the needs of the next generation of Marines.

Over the years, we have expected them to shop on our terms. Well, those days are gone, and we need to enable them to shop on THEIR terms.

We have been doing extensive customer immersion research and analysis on this group to understand what's important to them and how they like to shop. Our "Retail Experience Innovation" project continues to enlighten us, and we are working toward distilling this information and making it actionable to target this specific customer and support mission readiness.

As part of this innovation program, we are focused on developing a strong digital communication and delivery capability. We currently have two test initiatives underway utilizing mobile apps to connect to our customers.

The first is a partnership with a third party focused on our recruits and newest generation of Marines. Through this app, we have been able to not only engage in meaningful content delivery to the recruits — as well as their friends and families — but have created a revenue stream through the offering of eGift cards for parents and friends to send to their new recruit/Marine. This project has allowed us a unique "Apple-like" strategy of developing relationships with our customers at the earliest possible phase of their journey. This pilot has proven exceptionally successful, with well over 1,000 gift cards sold in the first few months of the program, clearly capturing pent-up demand.

Our internally developed Rally app will be the true test of self-organizing for recreation. The capability will allow the Marine to set up a profile with recreational interests and find like-minded Marines. This will keep unit cohesion without the expectation of Marine Corps Community Services (MCCS) "ownership" of all Marines' recreation needs. With our unique organizational construct of having all exchange and recreation under a single organization, we are positioned to capitalize on this service with revenue generation through sponsorship and non-intrusive MCX promotional opportunities after we launch and test.

E and C News:
Are any workforce, store footprint or store hours changes planned?

Whitman Lacy: In this tough fiscal climate with reduced discretionary spend for operational expenses, it is imperative we reduce costs in payroll,

our most controllable expense.

We have shifted focus from scheduling to employee availability to scheduling to the customer demand, resulting in reduced staffing in unproductive hours and improving customer service at the times when customers actually shop. Minimum staffing models and metrics for hourly sales productivity have been developed by store to support this strategic shift in staffing.



Cindy Whitman Lacy and David Raley, program manager for the MCX's Marketing Branch, review story boards on floor "reflows" and adjustments to space allocation based on sales trends and the Core Marine demographic.

E and C News:
Where does MCX stand with new stores and renovated stores?

Whitman Lacy: Currently, MCX is undergoing main store refresh projects at MCAS Cherry Point, N.C.; MCB Quantico, Va., and

MCAS New River, N.C., with additional refreshes slated in 2017 for MCLB Albany, Ga.; MCRD Parris Island, S.C.; MCAGCC Twentynine Palms, Calif., and MCB Camp Lejeune, N.C.

In addition to our seven- and 14-year refresh cycle, we have been working a series of floor "reflows" where we are adjusting the space allocation based on sales trends. Over the past year, we have reset Marine Marts that are not yet programmed for a refresh and other stores such as the Elmore MCX at MCB Camp Allen, Va.; HBMC Henderson Hall, Va.; and MCRD San Diego, Calif.

MCAS Iwakuni, Japan, is seeing significant growth in order to support the Defense Policy Review Initiatives (DPRI) efforts and base population growth, including a new main store and Marine Mart, as well as renovations to the North Side Marine Mart.

Even in this tough economic and budget environment, we are committed to taking care of our facilities, and consistently escrowing for seven- and 14-year refreshes.

E and C News:
How is MCX working with the other exchange systems downrange?

Whitman Lacy: We are the only service to have an active duty Military Occupational Specialty (MOS) capability in our structure. We have a strong partnership with the Army & Air Force

Exchange Service (AAFES), which enables us to use their infrastructure while deploying MCCS Marines in harm's way. We work together in building inventories, planning logistics, and training our MCCS Marines on how to use AAFES systems.

We have been partnering continuously with AAFES since the war started. Our joint operations in Kuwait, Iraq and Afghanistan have ensured our Marines have access to an exchange almost anywhere they go.

Over time, our MCCS Marines have perfected our Warrior Express Service-Teams (WES-T), which are mobile MCXs that can service remote combat outposts and forward-operating bases (FOB).

Our lessons learned in combat helped us transition to new locations without a glitch. We have collaborated with AAFES in order to open our first store in Australia last year, and we will soon be opening a store in Norway through our partnership with AAFES.

It should be noted that the professional bond between our MCCS Marines and the deployment team at AAFES has ensured success. When we ask to open a store, we have never been told "no," no matter how challenging. We work together to find solutions to make it happen.

E and C News:
What new merchandising programs/other initiatives is MCX planning to roll out?

Whitman Lacy: With the roll-out of a replenishment capability at our Regional Distribution Centers (RDCs), we will be moving closer to a just-in-time inventory management goal and reducing the volume of back stock in our stores.

Last year, our distribution facilities also began holding event merchandise upstream until the date that the stores needed it to set up for each sale event. This service, and our new interactive and robust Event Tracking tool, are geared toward improving our event preparedness in stores. Combined with the ability to quickly respond and replenish from the centralized stock in the RDCs, both prep for and recovery from sales events will be enhanced.

In addition to driving healthy, productive sales, we are also shifting our strategies to exit underperforming brands more quickly and invest those dollars in new brands. In fall 2018, specifically in softlines, we will be launching Nomades — a jewelry company owned by military spouses — Aimee Kestenberg handbags, Harley-Davidson boots, ladies 511 Tactical, Johnny O and Kabu, to name a few.

Additionally, as part of our transformation effort and focus on talent management, we are developing tailored position-based training and clear career paths so that our associates can visualize their future with our organization, whether they stay at a single base or move from base to base with their spouses.

E and C News:
As the time grows nearer for the deployment of the Veterans online shopping benefit, how is MCX preparing?

Whitman Lacy: As firm believers in the motto "Once a Marine, always a Marine," and in support of our "Marine for Life" program, we are thrilled with this new benefit!

Currently, our online shopping capability is provided in partnership with AAFES for the Exchange online and by the Navy Exchange Service Command (NEXCOM) for uniform support.

We have been actively engaged and supportive of the effort from its inception and will continue to be so in the future. Recognizing the service of our Marines by restoring this benefit to those who have so honorably served is a welcome program and a gesture that will mean a lot to these Marines.

E and C News:
How are exchange cooperative efforts progressing?

Whitman Lacy: We have coined the phrase "cooperative efforts" in our resale system, but the fact of the matter is our collective resale teams now continuously engage in

ways to find efficiencies.

Whether it is through product development, leveraged volume buys of private label, distribution, online capabilities, MilStar capabilities or shared knowledge, our teams are always actively and aggressively seeking initiatives that are financial advantages and make good business sense.

E and C News:
What is your philosophy on delivering a benefit while at the same time operating a business?

Whitman Lacy: It is always about Marines, mission first. Without a healthy business model and solid financials, we will lose our ability to deliver high-level customer experience and innovate for the future.

We never confuse these two parts of the equation. Without margin, there is no mission. Our role for the Marine Corps in meeting mission is making Marines' lives easier by providing what they need in a convenient location and being a positive funding source to our MWR programs. This can only be accomplished with businesses that operate at a healthy and sustainable level.

E and C News:
Any additional thoughts?

Whitman Lacy: Our organization is facing significant headwinds with internal and external business disruptions. Playing for the long game means

bold decisions and a different approach.

We commit to invest to grow, and invest to win. As we drive our new strategic plan in 2018, we will focus on customer obsession backed by high-velocity decision making and being agile in our implementation.

I can think of no higher calling than serving Marines and their families. The Marine Corps has two main goals: to make Marines and to win battles. It does so with a small, efficient force that excels by being bold and unconventional.

We, too, will embody the Marine Corps fighting spirit as we navigate toward innovation, building strong businesses for tomorrow, and empowering our incredible workforce for success.

—E AND C NEWS