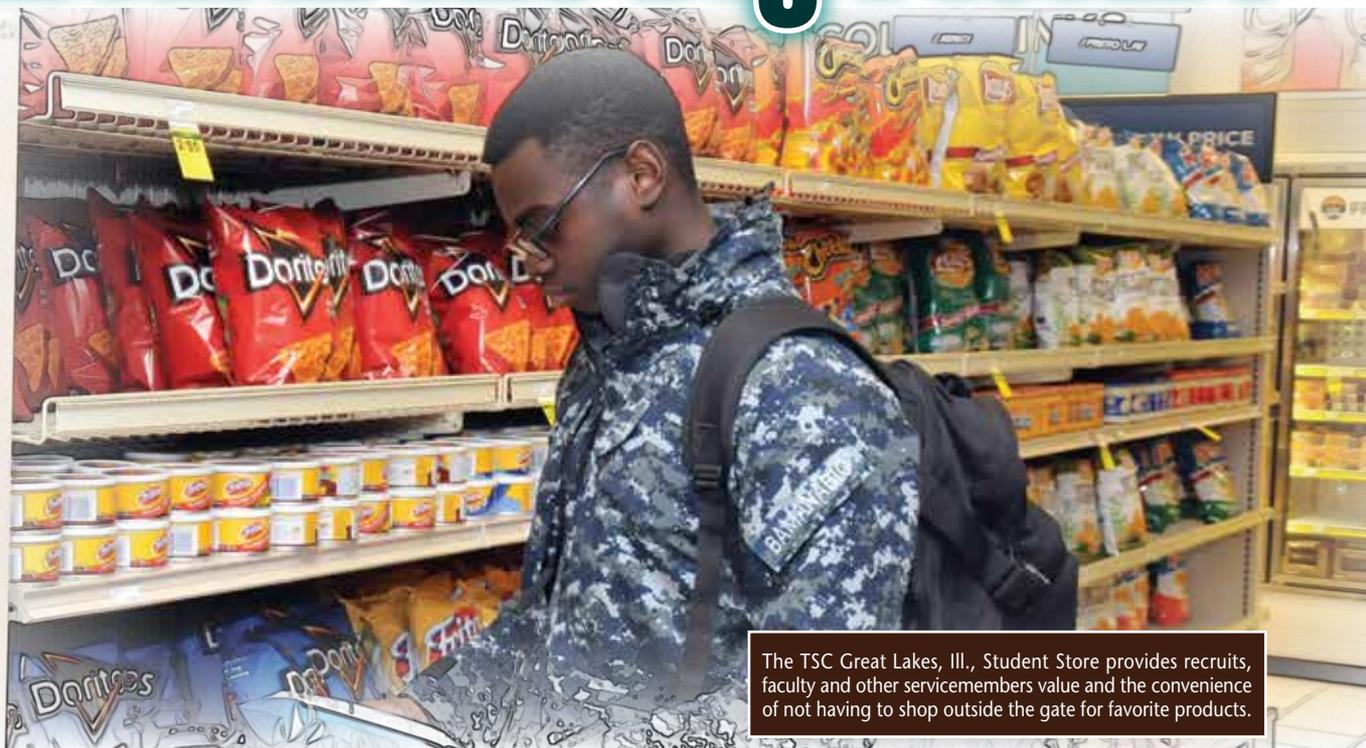
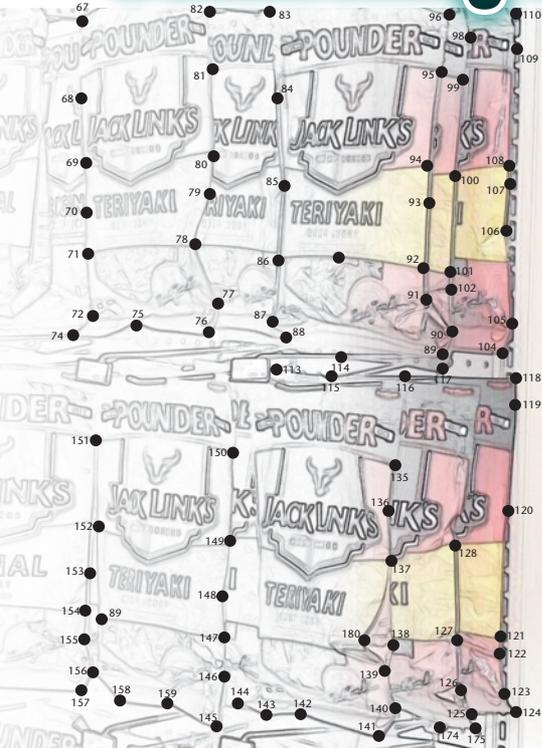


# Connecting the Dots for The Big Picture



The TSC Great Lakes, Ill., Student Store provides recruits, faculty and other servicemembers value and the convenience of not having to shop outside the gate for favorite products.

**P**at Igoe, long-time vice president/general merchandise manager (VP/GMM) of Consumables for the Navy Exchange Service Command (NEXCOM), has a vision for the remainder of fiscal 2017 and into 2018. It includes a list of priorities that she believes she and her Consumables team can fulfill as the second quarter moves along ...

**E and C News:** Changes in retailing have put more of a focus than ever upon consumables, or so it seems. Looking at the big picture, what are your priorities for your categories in 2017?



Igoe

**Pat Igoe:** The “Big Picture” and priorities for 2017 are best described as “Connect the Dots”: Our goal is to connect store experiences with merchandising functions and to the Navy community. These elements have great synergistic effect and drive customer loyalty.

**BIG PICTURE PRIORITIES FOR 2017:**

- “Elevate” our communication of value and Navy values.
- “Drive” added newness and increase exclusive brands and products.
- “Right Product,” right time, right place.
- “Personalize” and localize our customer experience.
- “Strengthen” our emotional connection with our patron.

**STRATEGIC EVOLUTION:**

- **Assortment/Brand Rationalization:** Greater brand and assortment clarity, reduce fringe assortments.
- **Marketing/Communication Evolution:** Strengthen digital and social communication while continu-

ing to evolve traditional marketing, with the goal of personalizing communication with the customer.

- Stronger Business/Resource Focus.
- Develop Greater Flexibility.
- **End-to-End Customer Experience:** “the customer journey.”

**SPECIFIC PRODUCT PRIORITIES:**

- **Significant Expansion of Healthy, Natural and Organics:** These are the • fastest-growing categories within Consumables including snacks, food, personal care, sports nutrition, vitamins and pet. We anticipate exponential growth in 2017 and 2018.
- **Beauty Care in fiscal 2016 was up 8.2 percent:** Natural and organics were a significant part of that growth. Top-performing categories were skin care, facial, hand and body and specialty bath.
- **Snack sales in 2016 were up 2 percent:** Healthy snack planograms launched in September 2016, and immediately, the category gained a 60-percent increase. Healthy big bag is a focus for 2017.
- **Launch of Home Wellness/Cleaning Supplies program in the back half of 2016:** Brands include Honest Company, Mrs. Meyers, Seventh Generation and Method. We are adding additional stores to these planograms and anticipate 20-percent growth in 2017.
- **Vitamins sales increased 8 percent in 2016.**
- **Sports Nutrition:** Natural protein powders sales increased 20 percent, and nutrition bars sales again increased in double digits in 2016. Continued strong growth is planned in 2017 with new flavors, and specialty bars are the keys. We launched several new suppliers in the fourth quarter of 2016, including Fit Joy, OptiBar, Krave

and Think Thin.

Other priority categories in 2017 include pet, candy, children’s reading and arts and crafts categories. We launched five Crayola Concept Shops last year and completed two additional shops in early 2017.

Impulse business is very key in Consumables. We added front-end impulse fixtures to our Mini-Mart stores in the past 18 months. We launched 40 stores in 2016 with a \$1.5 million incremental lift in affected categories.

Other impulse programs that are key in 2017 include our clip strip program. Products are high margin and high impulse. The average margin is 38 percent. We ended 2016 with a 7.5-percent increase to the prior year and anticipate 2017 to gain an additional 5 percent in this program.

We launched a “Dollar Program” in fourth quarter 2016. It experienced significant growth in first quarter 2017, and we plan for continued growth in the remainder of 2017.

Low Price Guarantee is a key program for us, our promise to our patron that we will have the best price in town on their weekly shopping list items. We have identified 500 key shopping list items you will find on most everyone’s weekly shopping list in household, infant and personal care categories. We priced these items to ensure we are the best price anywhere!

We know our customers are busy. We value their time and every gallon of gas that goes into completing their weekly chores. We want our customers to be confident that we have their most important shopping list items at the best price.

**E and C News:** Are there any new ways of doing business or supply-chain efforts that are changing how your division goes to market?



Sports Nutrition, shown here at Little Creek Exchange, JEB Little Creek-Fort Story, Va., is among NEXCOM's fastest-growing categories.

NEXCOM PHOTOS

**Igoe:** We have many ongoing supply chain initiatives. We have several key suppliers that assist us with category management analysis. We are focused heavily on partnering with our Logistics department on analyzing freight costs to find the best ways to save on shipping with new vendors.

We have partnered with the industry in the beverage, wine and spirit categories to assist with assortment rationalization and planogram development. The industry has been very supportive in the "category captain" role. We are always pleased to have category management specialists join us in business reviews.

We are always interested in consumer packaged goods (CPG) learning labs and have attended many. They are always beneficial sessions.

Assortment rationalization is a major business strategy for us in 2017. Our goal is to edit the product assortment, giving greater clarity to product offering and making it easier for the customer to shop. The intent is not simply to cut, but to prioritize investment in top selling/core products and new items. It is important to help the customer "deselect" and get the items on their shopping list sooner and give them more time to look at other categories in the store.

We continue to work with distribution and industry to shorten the supply chain and build system efficiencies.

Assortment optimization and space utilization are key to providing an easy shopping experience for the customer and improving sales. In addition, assortment rationalization and space utilization reduces labor, transportation and product costs, improves cash flow and reduces markdowns.

Customers have so many shopping options, it is important to be flexible and nimble in space planning. Square footage efficiency brings quicker turns, greater profits and the ability to react to newness and business trends.

**E and C News:** *What categories are you expecting to be strong in 2017 and what are their plan goals?*

**Igoe:** The key categories in 2017 include:

**Candy:** Seasonal business will experience big growth. Valentine's Day and Easter sales showed increases of 34 percent and 18 percent, respectively. Single candy bar sales will continue to grow with new small-store impulse fixtures. Single candy bar sales have shown an increase of 4 percent. We continue to grow our private label snack program, North Star

Trading Co., with 2017 sales expected to generate approximately \$1.7 million.

**Food:** Including healthy snacks and meat snacks, both are expected to grow 20 percent.

**Water:** We launched our private label enhanced water, North Star Trading Co., in July 2016. We anticipate annual sales of \$1.2 million.

**Ready-to-Drink (RTD) Coffee:** We anticipate double-digit increases in sales in 2017.

**Craft Beer:** The craft beer business continues to grow. We expect an approximately 5-percent sales

lift this year.

**Import Beer:** The import beer business sales are coming back. We expect a sales lift this year.

**Spirits:** Spirits sales continue to do well, with brown spirits sales doing particularly well. Bourbons, small batch bourbon, scotch and cognac sales are doing well. Vodka still is our largest class, and sales continue to increase 3 percent to 5 percent.

**Wine:** Wine sales are doing well. We have seen significant increases in red blends, Prosecco, cabernets, sauvignon blanc and premium box.

**Health Aids:** Smoking cessation product sales continue to grow. We anticipate this to be a \$1-million business in 2017.

**Personal Care:** Spa appliances are doing very well. We anticipate an 8-percent-to-10-percent sales increase in spa appliances. We anticipate a 5.5-percent increase in sales from the men's zone, personal wash and hair care.

**Men's Grooming:** The shave and men's grooming category has been a tough business with the decline in the recruit population. We anticipate an increase in the recruit population this year and have high hopes for a major sales increase in the men's shave categories.

**Greeting Cards:** Expanding the breadth of assortment and store locations for Papyrus greeting card products has helped stem the overall sales decrease in this category. We anticipate sales of this line of greeting cards will continue to grow.

**Pets:** We continue to expand premium pet food categories. We recently added Merrick and Natural Balance, and we are looking at additional partnerships. We continue to push the overall supplies category, expand pet treat sales and focus heavily on one-time buys (OTB) for clip strips and shippers of high-margin items, such as pet toys.

**Sports Nutrition/Vitamins:** As we talked about previously, vitamin sales continue to grow. We believe vitamin sales will increase 5 percent or more in 2017. Vitamins are a particularly key department, as the average basket with vitamins included totals more than \$75.

**Beauty Care:** We anticipate 9.1-percent sales growth, with the drivers being natural organics and specialty bath skin care.

**Home Care:** We anticipate a 6.1-percent increase in sales, with the Low Price Guarantee and Dollar Programs driving this anticipated growth.

As we discussed previously, natural and organic products will experience double-digit growth in 2017.

**E and C News:** *What are you looking for from suppliers in terms of timing, promotions and building in-store excitement for consumables in 2017?*

**Igoe:** We work approximately four months out for the various holidays, such as Halloween, Veterans Day and Navy Blue Holiday, for most categories. For our seasonal categories, we work approximately 10 months out for the various holiday events.

The "impulse" business is huge for us! Our monthly endcap program generates more than \$90 million annually. Buyers negotiate, buy and manage inventory by specific endcap locations, so we are very focused on the productivity of this space. We always are seeking monthly endcap deals. Most of our monthly endcap promotions are planogrammed to maximize sell-through.

Summer tent events are very key to the Consumables business, particularly in our flagship stores: the Pearl Harbor Exchange, JB Pearl Harbor-Hickam, Hawaii; NS Norfolk, Va., and NB San Diego, Calif. We are looking for great opportunistic buys for tents and promotional pads. We are doing more with opportunistic buys. We recognized that off-price retailers create a lot of excitement with the "treasure hunt" concept, and we are actively seeking great close-out opportunities.

Store events are a big focus for us. We have Pet Week in our stores now. Our larger stores invite the local SPCA to the event to offer pet adoption opportunities. We have big pet food sampling offers and offer many drawings and giveaways. Big excitement draws footsteps and definitely draws more items in the basket, while store events drive customer loyalty.

We have major events in our stores during "A-Better-You" promotions, including appearances by body builders and nutrition experts, and we hold blood pressure screenings.

We are always seeking store excitement, and we want to extend this opportunity to our supplies.

**E and C News:** *Fresh-to-go and hot-to-go foods are trending. What's next for NEXCOM in this space?*

**Igoe:** Suppliers continue to refine their ingredient lists, so it is very exciting to see so many more options for our customer.

As we discussed, we are expanding our healthy snack planogram. Healthy snack big bag sales are doing very well, and our price points are very competitive. Big bags (i.e., 1-lb. bags) do very well. We are expanding our healthy snacks small bag programs, and our meat snacks business is very strong and is being expanded.

Our private label North Star Trading Co. snack program continues to evolve. We have added new item sizes and mixes. Our more traditional chip program is doing well. Frito-Lay is a great partner, as they are very focused on supporting our Navy families.

**E and C News:** *Change is sweeping convenience. What is NEXCOM planning next in this regard?*

**Igoe:** We are planning some concept shops but are not ready to provide details yet. Be assured there will be a big focus on healthy food options.

—E and C NEWS