

NEXCOM Ships Stores



SERVING AND SUPPORTING OUR SAILORS AFLOAT

Sales per sailor in ships stores are up even though the number of these stores and the size of the ships' complements are generally smaller — and NEXCOM has adapted technologies to changing environments and tastes.

Producing just under \$60 million in sales during fiscal 2017, the Navy Exchange Service Command's (NEXCOM) Ships Stores Program continues to evolve, even though the number of vessels and sailors aboard them has shrunk in recent decades.

Bruce Neubeck, the program's vice president (VP), reported that in fiscal 2017, the program's total sales were \$59.2 million, with \$53.6 million of that amount deriving from retail store sales and \$5.6 million generated from vending.

Although those sales represented a drop of about \$1.5 million — approximately 2.5 percent — from the previous year, Neubeck said that the number of ships stores has been reduced dramatically over the past 30 years, with crew sizes on the remaining platforms much smaller than they had been.

"During the past three decades, the number of ships stores has shrunk from 352 to 133, but with sales per Sailor doubling to about \$1,000," he noted. "Unfortunately, with the reduction in Navy ships and the support network, our tasks to resupply ships and support operations in remote locations are more challenging than ever."

To address these logistical challenges, Neubeck said, "We have started to leverage NEXCOM's worldwide distribution capabilities, and place contracting officials in ports of call that can assist the ships with local procurement."

He explained that more than 70 percent of the "fast-movers" sold in the ships stores homeported in Japan and Guam are being sold and delivered by NEXCOM. "That capability has significantly shortened the procurement cycle, and provides assurance that the ships can be ready on short notice."

Neubeck told *E and C News* that this support is expected to be expanded to the 5th and 6th Fleets this fall, with product deliveries through Souda Bay, Crete, and Bahrain.

"Much like prime vendors in the past, NEXCOM will be offering the top 125-175 top sellers to ships operating in those fleets," he stated.

ASSORTMENT

Currently, Neubeck said the Ships Store Program has 5,800 SKUs active in its system, which "may be somewhat misleading," because more than half of them support the ships store ashore in NSF Diego Garcia.

"That store acts as the NEX and commissary for the 3,500 islanders," he explained. "Generally, the ships order from an SKU population of 1,500, and include the top-sellers in the consumable, health and beauty, electronics, beverage, uniform items

and sundries categories."

While chocolate, chips, cookies, coffee and energy drinks remain Sailor favorites, afloat stores are mirroring other civilian store trends.

Neubeck related that in ships stores, "We continue to see more interest in the 'healthy and natural' food category. Nuts, trail mixes, beverages and other grab-and-go offerings are expanding."

However, afloat stores experience unique challenges when it comes to stocking these products.

"Shelf life and storeroom capacity are two of the most critical considerations when loading out for local operations and long deployments," Neubeck said. "The current contracts from which the ships order have numerous healthy snacks to choose from. These include a variety of nuts, nutrition bars, juices and other single-serve choices. Unfortunately, most ships do not have refrigerated storerooms available to extend the shelf life of products. Therefore, fresh foods or products with close expirations need to be consumed in the first weeks of operations."

"Further, resupply of these items is a near-impossible exercise, as foreign vendors and the supply chain are not capable of shipping short-dated products quickly to ensure freshness."

INNOVATIONS

The Ships Stores Program, has continued to innovate in its assortments, store décor and services.

"For the past few years, the Ships Store Program has focused on initiatives that leverage the NEXCOM's brand and OCONUS logistics" Neubeck said. "Nearly 70 percent of all ships stores have been 'branded' by the Ships Store Program. Stores display a heritage wall that includes some history about the naming or mission of the ship. Additionally, the color scheme and shelving are installed to give the store a professional look, with products displayed ... by category."

"The 'new look' created by the branding initiative has boosted sales per Sailor by offering a fresh, welcoming appearance that invites Sailors back to shop more frequently."

The program VP said "probably the most significant innovation over the past 10 years" is the growth in coffee bars on the large decks.

"Partnering with Starbucks, 15 ships now serve Starbucks products on a daily basis," he said. "Those

sales account for almost 20 percent of all profits in the fleet. We anticipate continued growth in the future as new ships are commissioned and as the Navy leaders recognize the enhanced quality of life with this retail outlet available."

Shipboard services have also innovated. "In the last decade we reviewed, tested and cleared ozone laundering technology into the shipboard laundry process to provide better cleaning and sanitation with reduced cost of chemicals," Neubeck explained.

Looking to the future, Neubeck said the Navy and NEXCOM are excited to see the results of the complete rollout of the Retail Operations Management, version 3 (ROMIII) retail operating system, which is slated to be completed in January 2019.

The "system automates much of their financial transactions, and communicates the results electronically to the Defense Finance and Accounting Service (DFAS) and others," he explained.

Currently in development, according to Neubeck, is a concept of operations for a Micro Market aboard ship, which converts a bank of shipboard vending machines to a self-checkout convenience store.

"With the reduction of Sailors to run the S-3 Divisions, we need to look to new business practices to help keep the retail operations viable in the fleets," he noted. "These retail outlets will afford the Sailors the opportunity to shop for low-cost consumables most of the day without the need of a full-time store operator."

"I took the opportunity to read my two predecessors' responses from interviews *E and C News* conducted with Lou Caputo and Charles Vaughan in April 1991 and May 2004, respectively," the program VP said. "Not surprisingly, our Ships Store Program's mission remains the same: 'Serving and supporting our Sailors afloat with quality products and services.'"

"Despite the challenges of 'doing more with less,' the Ships Store Program is delivering on that promise."

—E and C NEWS

For ships store best sellers, see www.eandcnews.com



Neubeck

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— Bruce Neubeck, Vice President, NEXCOM Ships Store Program

NEXCOM Ships Stores

Food

NEXCOM Ships Stores FY17 Top Sellers Food and Health and Beauty Care (HBC) By Unit Volume

Health and Beauty Care (HBC)

Item	Unit Volume
1) Mars Snickers Bar	448,956
2) Mars M&M's with Peanuts	357,792
3) Mars Twix Bar (single, 1.79 oz.)	320,868
4) Hershey's Reese's Peanut Butter Cup	320,184
5) Hershey's Kit Kat Bar	284,304
6) Hershey's Cookies 'N Crème Bar (1.54 oz.)	269,680
7) Mars Bars	198,036
8) Frito-Lay Flamin' Hot Funyuns (0.75 oz.)	191,776
9) Nestlé Butterfinger Bar (1.9 oz.)	185,220
10) Hershey's Milk Chocolate with Almonds	173,928
11) Nestlé Crunch Bar	172,912
12) Frito-Lay Munchies Flamin' Hot Cheese Mix	168,122
13) Wrigley's Skittles Original Fruit Chews	162,884
14) Wrigley's Starburst Original Fruit Chews	158,876
15) Mars Milky Way (single)	155,492
16) Mars 3 Musketeers Bar	143,820
17) Nestlé Baby Ruth Bar	142,512
18) Frito-Lay Assorted Vending Chips	137,396
19) Frito-Lay Doritos Spicy Nacho Chips	136,680
20) Frito-Lay Funyuns (0.75 oz.)	133,152

Note: Ferrero acquired Nestlé USA's confectionery brands in January 2018.

Item	Unit Volume
1) Kiwi Shine Shoe Polish Kit	12,114
2) Listerine Mint Mouthwash (250 ML)	8,484
3) Head & Shoulders Classic Shampoo (13.5 oz.)	8,256
4) Colgate Plus Full Head Toothbrush (medium)	7,896
5) Lady Vamp Bath Sponge (large)	7,572
6) Oral-B Indicator Toothbrush (soft)	7,362
7) Old Spice Original Deodorant	6,984
8) Ultra Brite Regular Toothpaste (6 oz.)	6,600
9) Mach 3 Triple-Blade Razor	6,540
10) Colgate Plus Toothpaste*	6,336
11) Oral-B Dental Floss (mint)	6,072
12) Crest Extra Whitening Toothpaste (6.2 oz.)	6,024
13) Q-tips (170 count)	5,880
14) Old Spice High-Endurance Deodorant (2.25 oz.)	5,508
15) Oral-B Dental Floss (30 count)	5,506
16) Old Spice Hair and Body High-Endurance Body Wash (18 oz.)	5,492
17) Colgate Plus Toothbrush	5,460
18) Colgate Plus Toothpaste*	5,340
19) Tinactin Foot Powder (spray)	5,127
20) Old Spice High-Endurance Pure Sport Body Wash (18 oz.)	4,998

* Different SKUs.

Source: NEXCOM