

# LEARNING Leads to Patron Service



Schmid



Choosing school supplies can be fun and help students start off the academic year on the right track, as these shoppers at the Kaiserslautern Military Community Center (KMCC) BX/PX hope.

Homework is a vital part of any educational effort, and preparing for the Back-To-School (BTS) selling season is no exception. Army & Air Force Exchange Service (AAFES) Buyer Bob Schmid has been a diligent student of the sales and marketing process, and explains that in order to earn top marks, the exchange service studied its past performance and has made adjustments accordingly.

With well over a year under his belt in the role of AAFES stationery buyer, Schmid shares his perspective of how the various elements of the job have made the grade. “As we gain experience and maintain stability in the key positions, the roles are becoming more clearly defined. The role of the buyer is evolving into the person most responsible for the execution of the assort-

ment, planograms and marketing,” he said, “while the planning, allocation and replenishment (PAR) team concentrates on keeping the distribution centers and stores in stock and, at the same time, maintaining the discipline to manage the inventory. This process will very quickly improve the overall sales and gross profit results.”

Change brings challenges, and the evolution of planning, allocation and replenishment (PAR) was no exception. “This past year has been a learning year, both for PAR teams and the Sales Directorate,” Schmid believes.

“Dealing with the challenge of redefining our assortments while assuring that every item in the assortment was properly entered into the system to allow stores to both buy and receive the assortment, and eventually be automatically replenished, has been very time-consuming,” he said. “As the process smoothes out, the buying team will be able to better react to market trends and service the stores’ and customers’ needs.”

## SELLING SEASON

At AAFES, the BTS season kicked off with the stores setting their seasonal areas by July 1, according to Schmid, in order to prepare for the first week of BTS advertising (week 29). “We then promote heavily every week up to and including Labor Day. After reviewing last year’s sales results, we have actually shortened the BTS selling season by two weeks.

“Based on last year’s results, we appeared to stay in business on all major categories, with the exception of binders/notebooks,” he reported. “Additional BTS shippers have been planned to stay in business up through the first week of September in this category.”

## CROSS-MERCHANDISING

Retailers are taking a wider view of what can be merchandised during BTS season. “Another big sales increase potential is identifying and merchandising



Back-To-School (BTS) items are merchandised in colorful displays, such as the ones shown here at the Randolph AFB BX at JB San Antonio, Texas.

AAFES PHOTO



# AAFES Back-To-School (BTS)

non-school supply items that are on the BTS school lists such as sandwich bags, facial tissue and hand sanitizer,” Schmid explained. “The key items from consumables that can be cross-merchandised were included in our BTS message to the stores.”

## PROMOTIONS

“Promotions are really themed to let the customer know that we have the items on the BTS lists in depth and at prices that will meet or beat competition,” he pointed out. “No gimmick ads or promos are necessary; we planned to have what our customers’ children need to begin the school year.

“Filler paper/writing instruments/crayons/binders and notebooks were included in our shippers and one-time buys,” Schmid reported.

## KEY SKUS

The 25 key BTS SKUs that stores need to carry for 2010, in order to dovetail with local school requirements, contain a wide variety of the most popular school supplies. Many of the items on this list are from Mead, according to Schmid, led by two filler paper SKUs, Wide Rule and College Rule. These were followed by a Mead wide-ruled 70-count themebook, Mead 3 in.-by-5 in. index cards, and a Mead 70-count college-ruled themebook.

Sixth on the key SKU list was Paper Mate Pen Medium Black, 10-Pack; followed by Crayola Crayons, 24-Count, Regular; Sharpie Marker, Black, 2-Pack;

Dixon #2 Pencils, 10-count, Yellow; and Top Flight Two-Pocket Portfolio with Tang fasteners. Next was a Mead Memo Notebook, 4 Colors, 5 in.-by-3 in., 60 count; Top Flight Two-Pocket Portfolio (no Tang fasteners); and Mead Composition Book, wide ruled.

Next were Mead P/S Envelope LG#10 SE 45C; ruler, 12-in., Wooden; Mead Five Star Portfolio 4-Pocket Assorted; Mead Composition Book Marble Floures; and Mead Writing Tablet, 9 in.-by-6 in., Wide Ruled. Rounding out the category were Paper Mate Foohy Pencil Sharpener; Crayola Colored Pencils Long; Bic Mechanical Pencil, 5-pack; Elmer’s School Glue, 4-oz.; Avery Binder, Durable View; Top Flight Portfolio with Tang Fasteners; and Sanford Highlighter Pocket, Yellow, 2-pack.

## INVENTORY MANAGEMENT

“Because of our lead times to our OCONUS facilities, we took one last look at the stores needs and finalized our buys the first week of June,” he said. “The retail game today is like the old game ‘hot potato,’ with inventory being the potato. Like the game, no one wants to hold onto inventory and the loser is the one holding the inventory at the end of the game.”

## CLEARANCE AREA

“As we cleaned up our assortments in preparation of auto-replenishment, we identified many items that needed to be removed from our planograms and



marked down,” Schmid noted.

When asked what he’d like to say to store managers and sales area managers (SAMS), he replied, “A big part of our BTS 2010 sales push needs to be the clearing of this inventory. A clearance area properly signed and displayed has to be a big part of the BTS floor plan,” Schmid recommended, “and these items will be monitored and marked down as sales dictate.”

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## MAPPING PROCESS

On the first day, the team spent the morning being trained on the “Value Stream Mapping Process,” a function that identifies the flow of the product, information, and people and processes involved.

They then headed over to the NAB Little Creek, NEX, where they began walking the entire process of the product, from the shelf back to the manufacturer. From the NEX sales floor, the team proceeded to the store’s back room and the receiving area where they gained an understanding of what happens when the product arrives on a truck from the Northeast Distribution Center (NEDC) in Norfolk, Va.

After a tour of the NEX, the group went to the NEDC to learn where the merchandise orders are generated and how the product flows through the receiving and put-away process.

“Walking through the NEDC allowed all of us to see where the product was stored, how it was shipped, how often an associate had to touch the product and how many man-hours it cost to process it,” said Kerns.

## “CURRENT STATE”

The next morning, the team tackled the process of mapping the movement of the Gillette Fusion cartridge through the entire supply chain. A “current state” map was created for every step in the process, while identifying the associated labor hours, information flow, and item “push” or “pull” status.



## “IDEAL STATE”

Utilizing metrics quantifying variables such as “effort time,” the “current state” map determined there was a 45-day lead time, from the time the item was requested until the time it reached the NEX. The associated labor minutes showed that 19 people touched the product at some point for a total of 3,840 effort minutes.

With the “current state” map complete, the team then created an “ideal state” map to define a new process, with the assumption that there were no other boundaries or roadblocks, and that anything was possible.

## “FUTURE STATE”

From that point, the team worked on a “future state” map that would show what could be accomplished within a one-to-two-year period, taking into consideration any constraints. The “future state” scenario was able to pinpoint opportunities leading to a savings of 38 days total lead time, down from 45 to 7.4, and an 82-percent reduction in effort time, from 3,480 minutes to 640 minutes.

According to NEXCOM, one of the changes that will be implemented in support of this initiative is that planogram facings and stock models at store level will be adjusted to support the lower

“future state” lead time.

Turner added, “Once the ‘future state’ map becomes a reality, there will be a reduction of \$710,000 in inventory at the NEDC and supported NEXs, in the health and beauty categories based on this effort.”

NEXCOM, Procter & Gamble, and, ultimately, Navy Exchange patrons, all stand to benefit from this process. “Procter & Gamble will get a more predictable replenishment schedule and the NEXs won’t have too much or too little inventory at any given time,” said Kerns.

Efficiencies of this type typically facilitate faster and better stocking of shelves and can lead to opportunities for greater patron savings.

## ACTION PLAN

The final step the team undertook was to build an action plan to get NEXCOM to the “ideal state” map. Turner is designated as the “owner” of the action plan and is tasked with ensuring all due dates are followed up on and completed. The group is also slated to continue to study where NEXCOM can go to further improve efficiencies.

“Procter & Gamble really supported this initiative by providing the necessary personnel to ensure the success of this event,” said Turner. “NEXCOM was one of the very first North American retailers that Procter & Gamble has partnered with for this type of collaborative process review. We are very excited about the efficiencies we can achieve because of this meeting.”

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The Navy Exchange Service Command (NEXCOM) and vendor partner Procter & Gamble followed a single health and beauty care (HBC) product from one end of the supply chain to the other, in their joint supply chain loss analysis project, to identify opportunities for efficiencies and cost savings.