

Subcommittee Chair Speaks to Preserving Quality of Benefits

• WASHINGTON

On Oct. 28, as he received the American Logistics Association's Distinguished Service Award, House Armed Services Committee (HASC) Military Personnel Subcommittee Chairman Joe Heck (R-Nev.) spoke to leaders and members from among the military resale supplier community about why he believes commissaries and exchanges should endure, and why he thinks a measure of change might help them do just that.

Prefacing his remarks by saying, "Unfortunately, I think a lot of you in this room ... are unsung in what goes on in our military system," the chairman also pointed to an imbalance in the perception of the relative importance of personnel and hardware budgets. "Everybody talks about the weapons systems — the F35, the littoral combat ship, all the big budget ... kinds of things — people don't understand that if you don't have a person behind that piece of equipment, that piece of equipment really doesn't do you any good."

Although it was not the forum to go into greater

detail on issues he thought might threaten the commissary system's future viability, the Army Reserve brigadier general said, "Quite honestly we need to make some changes to the commissary system that makes them more efficient, gives them some flexibility to act a little bit more like a private sector grocery store."

With regard to these topics, the Subcommittee Chairman said that in recent weeks, "We just had two roundtable discussions," one with Defense Commissary Agency (DeCA) leadership and another with the Boston Consulting Group (BCG) in the wake of the completion of BCG's study, "to talk about the path forward."

Although pilot programs and plans related to variable pricing,



HASC Military Personnel Subcommittee Chairman Joe Heck (R-Nev.) speaks to members of the military resale supplier community about the need for efficiencies but without diminishing the quality of the benefit that servicemembers expect and deserve.

private label, NAF conversion of the DeCA workforce, and even possible privatization studies (see *E and C News* 10/15) that were contained in the 2016 National Defense Authorization Act (NDAA) that was headed to the President's desk for signature in mid-November, are among initiatives that BCG has suggested that commissaries pursue, Heck, for his part, emphasized that maintaining savings and quality of service are key to any new programs that DeCA officials might seek to implement. "The underlying thing we've stressed," to DeCA leadership and BCG, "and to the Subcommittee, is that in doing so, they cannot diminish the benefit."

Commissary advocates have
—Continued on page 32, HASC

Commissaries' FY 2015 Sales Reflect Troop Drawdown

• FORT LEE

Although the size of the active duty force declined in fiscal 2015, and in spite of the net loss of two stores over the fiscal year, Defense Commissary Agency (DeCA) patrons continued to testify with their pocketbooks about the popularity of the benefit, making more than \$5.5 billion in purchases during the recently concluded fiscal year. This total was about 2 percent down for the year, reflecting a 1.8 percent decline in active duty servicemembers from Oct. 1, 2014, to Oct. 1, 2015.

Bucking the downtrend were meat category sales, which actually increased 2.95 percent for the year, attesting to the high level of importance patrons attach to this classification, whether along with, or in spite of, rises in meat prices in 2015.

The fiscal year got off to a solid start at the beginning of fiscal 2015, another contrast with 2014, when the customer base suffered a severe ding from the federal shutdown that had kicked off that fiscal year. Instead, commissaries recorded double-digit sales increases early on, but as the fiscal year went on, pressure on the existence of the benefit from the Defense Department (DoD), continued troop drawdowns, a dramatic slowdown at West Coast ports and product shortages and embargoes overseas, combined to put a drag on sales through the remainder of the year.

Final figures for fiscal 2015 showed total sales of \$5.51 billion, which fell 2.05-percent short of the \$5.625 billion in sales generated during the previous fiscal year.

On this subject, DeCA Director Joseph H. Jeu told members of the military resale community, "When you look at the three years, between the fur-

—Continued on page 32, DeCA Sales



PHOTO: TAMMY REED, DeCA

A commissary butcher brings out the latest cuts of meat at Fort Belvoir, Va. Overall, meat sales were a bright spot for the agency, with \$487.35 million in sales, a nearly 3-percent increase.

DeCA Coupon Redemptions Dip

• FORT LEE

According to fiscal 2015 figures provided by the Defense Commissary Agency (DeCA), the quantity of paper and non-Commissary Rewards Card digital coupons redeemed by patrons in the agency's worldwide network of commissaries fell for the fifth consecutive year, but the value of these coupons increased, mirroring civilian retail trends and continued personnel decreases among the military service branches.

Digital coupon use via the Commissary Rewards Card also declined in terms of redemptions, total savings, and total savings per coupon, although DeCA's Reward Card share increased slightly.

Supplemental Nutrition Assistance Program (SNAP) — also known as Food Stamps — and Women, Infants and Children (WIC) transactions in commissaries also dropped for the second and third years in a row, respectively.

DeCA shoppers redeemed a total of nearly 74 million paper and non-Commissary Rewards Card digital coupons during fiscal 2015, a 17.01-percent dropoff from the 89.16 million redeemed in fiscal 2014. Total DeCA coupon dollar savings dropped to \$71.84 million in fiscal 2015, a 14.21-percent decrease from \$83.74 million during the prior year (see chart, p. 32).

According to Inmar Inc., the commissary coupon business is mirroring what is happening in civilian retail, where customers are, in general, clipping coupons less frequently than before because there are fewer coupons available on the market. The company — which processes coupons for DeCA and produces a variety of coupon trend reports — found that in 2014, coupon distribution declined by 2.9 percent.

According to DeCA, on average, 180 coupons are offered on the coupon selec-

—Continued on page 32, DeCA Coupons

AAFES CLEAR CREEK SHOPPING CENTER OPENS

• FORT HOOD

The new Clear Creek Shopping Center at Fort Hood, Texas, brings a modern shopping experience, complete with a strong national brand presence, up-to-date amenities, and a new food court.

(For details, see page 12.)



long charged that the reforms proposed in recent years by DoD were budget-driven and conceived with little or no regard to maintaining patron savings, much less to the functional realities of the resale and morale, welfare and recreation (MWR) ecosystems. In that regard, Heck said that the Subcommittee has emphasized “that they can’t look at this — and I’m not looking at it — as a cost-saving measure ... I’m looking at it from [the perspective of] ‘how do we make sure the benefit is sustainable and worthwhile?’”

The chairman continued, “If we happen to find a couple of pennies of savings in there while we do it, great, but that should not be the driving factor.”

As to the pressures on the benefit, the Chairman said, “We face challenges, there’s no question about it: We face physical challenges with decreasing resources, and we have to make sure we are using them wisely to best support our military infrastructure. However, Heck once again reiterated the importance of preserving the benefit. “That means we’ve got to look at how to be more efficient, how we can try to squeeze a little more out of that penny, but we’ve got to do it without diminishing the quality

of the benefit that our servicemembers expect and quite honestly deserve.

“And so that’s my commitment to the men and women in uniform as Chairman of the Military Personnel Subcommittee,” he said, “and that’s my commitment to all of you, as those who help maintain those benefits.”

BENEFICIARY

Speaking as a beneficiary himself, Heck said, “You don’t get to recruit and retain the best and the brightest unless you offer them services that will entice them to want to sign on that dotted line, raise their right hand, volunteer to pick up a weapon and deploy somewhere in the world.”

When those types of benefits are threatened, he said, “I take it personally, and not because it’s not only going to diminish our ability to have a ready, capable fighting force, but ... I’m a beneficiary that uses all these things.” The chairman also added that his wife still drives “once a month 35 miles over to the commissary at Nellis AFB, Nev.”

An important part of those services, Heck said, “are the benefits that you all in this room provide.

When you talk to servicemembers and veterans, they say the exchange, commissary, MWR, and Veterans Canteens are critical components of the programs and the benefit package that allow us to get the best and the brightest to want to put on a uniform.”

Harkening back to his grocery store roots, when he worked himself through college, spending Saturdays at the grocery store where his father, who later became a regional supervisor, worked, Heck, a native of Jamaica, N.Y., said, “I grew up in the grocery business, so ... I kind of have a little bit of an understanding of how the grocery system works, and there are things that we can do in the commissary system that mimic what we can do in the private sector system that will allow us to maintain a benefit and increased opportunities for our servicemembers. So again, those in the commissary side of the house, don’t approach this with fear and trepidation; approach this from the perspective of there’s a lot of opportunities that will be coming forward that will allow us to actually safeguard the benefit, make the benefit better and make sure that our service men and women are protected.”

lough, the government shutdown, plus all the stores we closed overseas — like Heidelberg, Mannheim, Bitburg, Schweinfurt, Bamberg in Germany — and the closure of Fort McPherson, Ga. — have impacted our sales ... At the same time, there has been a lot of negative press on the commissary, in the reduction in funding, or the reduction in the number of hours, the number of days, plus, a potential privatization.”

To turn sales around, JEU said DeCA’s rallying cry for fiscal 2016 is, “Let’s get back to basics.” The DeCA director said the agency would target a 3-percent sales increase for fiscal 2016.

To that end, the director said there are “four dif-

ferent things we must do. The first one is to provide outstanding customer service.” Secondly, he said, “We have to focus on pricing and savings and promotions. ... Obviously, we have great pressure in providing 30-percent savings. But when you look at this one facet, what is the reason for coming to commissaries? They say low prices. Therefore, we must maintain the price advantage that we have today.” The third, he said, is “stock status.” ... and the fourth, he said, is the implementation of the DeCA Enterprise Business System (EBS), “which will be replacing 14 business legacy systems we already have.”

For more, see www.eandcnews.com.

tion page. The offers can and have ranged from 25 cents up to \$10.

SNAP, WIC

Supplemental Nutrition Assistance Program (SNAP, formerly known as “Food Stamps”) transactions in DeCA commissaries fell for the second consecutive year, to 750,853, a 6.76-percent drop from the 805,325 transactions that took place during the prior year.

Those using the SNAP program saved \$79.55 million on their purchases during fiscal 2015, a nearly 7-percent drop from fiscal 2014. WIC program transactions fell for the third consecutive year in DeCA stores, to 1.28 million in fiscal 2015, an 8.44-percent drop from fiscal 2014’s nearly 1.4 million tally. WIC dollar volume also fell for the third consecutive year, with fiscal 2015’s \$23.98 million dipping 6.15 percent from fiscal 2014. Dollars per WIC transaction, however, increased 2.52 percent to \$18.73 in fiscal 2015.

For more, see www.eandcnews.com.

**DeCA Coupon Redemptions
(Paper and Non-Commissary Rewards Card)**

| | FY 2015 | FY 2014 | Difference |
|----------------------------|-----------------|-----------------|------------|
| Redemptions | 74.00 million | 89.16 million | -17.01% |
| Total Savings | \$71.84 million | \$83.74 million | -14.21% |
| Savings Per Coupon | \$0.97 | \$0.94 | +3.19% |
| Share of Total Redemptions | 96.49% | 97.01% | -0.52% |

**DeCA Digital Coupon Redemptions and Savings
(Commissary Rewards Card)**

| | FY 2015 | FY 2014 | Difference |
|----------------------------|----------------|----------------|------------|
| Redemptions | 2.69 million | 2.75 million | -2.24% |
| Total Savings | \$2.78 million | \$3.52 million | -21.18% |
| Savings Per Coupon | \$1.03 | \$1.28 | -19.53% |
| Downloaded | 22.6 million | 23.09 million | -2.13% |
| Share of Total Redemptions | 3.50% | 3.22% | +8.70% |

Source: DeCA

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AAFES Clear Creek Grand Opening Stirs Business at ‘The Great Place’

• FORT HOOD, Texas

On Oct. 1, the Army & Air Force Exchange Service (AAFES) cut the ribbon on its brand-new Clear Creek Shopping Center, bringing a modern shopping experience — complete with a strong national brand presence — to this military community.

The shopping center — a new construction that is positioned across the street from the old Clear Creek building, a facility dating from 1976 — unites the replacement main store, a mall and a food court together under one roof.

Softlines, hardlines, consumables and dining have all had major upgrades, and every department has the latest in signage and hot brand presences.

In softlines, the new main store “concept shop,” lineup now includes store-in-store shops featuring leading softlines brands such as Michael Kors, Ralph Lauren and Bobbi Brown. A special AAFES-designed BE FIT section, meanwhile, is stocked with athletic wear for men and women from name brands such as Under Armour, Nike and adidas.

For families, the bright, inviting childrenswear section showcases fashionable kids clothing at affordable prices: various articles of clothing are priced at \$5; two for \$15; and at \$10, \$15 and \$20 price points.

The PowerZone has been amped up with concept shops showcasing the latest Apple, Sony and Bose products.

Shoppers can find more national names in the mall, including GameStop, GNC, It’sugar, MAC Cosmetics, Sally Beauty Supply, and Starbucks, that give the mall a modern look and feel.

Besides the main store and mall, military shoppers can also enjoy the site’s new food court. Diners seeking alternatives to base dining facilities have several options to choose from, including Arby’s, Smoothie King, Charleys Philly Steaks, Boston Market and The Den by Denny’s, as well as constantly evolving on-the-go offerings at the Express.

GUEST SPEAKERS

“This truly is a “Great Place”; we at ‘Team Exchange’ are so proud that we can make this an even greater place,” Exchange Director and Chief Executive Officer (CEO) Tom Shull told the assembled members of the community before the doors opened on the 270,000-square-foot shopping center. “This is dedicated to you,” he added.

Col. Joseph P. “JP” McGee, USA, Fort Hood deputy commander of support, First Cavalry Division, told the crowd he believed the new shopping center would have a lasting impact on the community. “As we gather here today, it is easy to foresee all this PX will mean to Soldiers and their families,” he said. “It is easy to imagine the countless wonderful memories that will be made here.”

If opening day sales are any indication, memories have already begun to be made at the new venue. According to an AAFES spokesman, grand opening day sales for the entire shopping center were \$564,588, which was 161 percent above the prior year’s Oct. 1 volume. Grand-opening day sales for the main store were \$399,170, which was 148 percent above last year.

SHOPPER REACTION

Enthusiastic shoppers made their own grand-opening memories, some by arriving at 1 a.m. to be among the first patrons inside the shopping center, which was built using \$47 million of earnings from patrons’ purchases in Exchange stores. By the time the ribbon was cut, hundreds of Soldiers, military families and retirees were waiting in a line that stretched around the building.

Nilsa King, whose husband retired from the Army 20 years ago, was the



Helping to cut the ribbon during the Oct. 1 ceremony ushering in the new Clear Creek Shopping Center at Fort Hood, Texas, were (from left) Sgt. Maj. Leroy Gadson Jr., USA, acting Fort Hood Garrison sergeant major; Col. Todd Fox, USA, Fort Hood garrison commander; Col. Joseph P. “JP” McGee, USA, deputy commanding general—Support, First Cavalry Division; Fort Hood military spouse Giselle Frazier and Spc. Gilbert Frazier, USA; Cpl. Michael Garavuso, USA, with spouse Sara Garavuso and their son, Ryder; Tom Shull, Exchange director and chief executive officer (CEO); Chief Master Sgt. Sean Applegate, USAF, Exchange senior enlisted advisor; Paula Gunderson, Exchange general manager (GM); and Michael Immler, Exchange deputy director.



On Oct. 1, the new Clear Creek Shopping Center at Fort Hood, Texas, welcomed its first customers. Some had waited on a line for hours to be among the first patrons to enter the store.
AAFES PHOTOS

first shopper in line, arriving more than eight hours ahead of the opening.

“I’ve never been the very first customer anywhere before, so I thought I’d come check it out,” King said. “I’m not looking for anything special, but I’m sure I’ll find something. It’s an exciting day for us.”

The BE FIT section was a hit with Pfc. Damon Fort, USA, a computer/detection systems repairer with the 115th Brigade Support Battalion, 1st Armored Brigade Combat Team, 1st Cavalry Division. “The BE FIT area is really nice — definitely an upgrade from what we’re used to,” Fort said, adding that he was especially impressed by the wide selection of weights and other fitness products available in this part of the store.

Military spouse Sandra Ramirez shopped on grand-opening day, checking out the Exchange’s selection of name-brand handbags and accessories. “I’m going to look for a Coach wallet,” said Ramirez, whose family has been at Fort Hood for three years. “My husband owes me a wallet for my birthday.”

Feven Armstrong, whose husband is medically retired from the Army, made the MAC cosmetics store her first stop. “MAC is my favorite — I’m so glad it’s here,” Armstrong said, noting that she would drive more than an hour from her home in Killeen, Texas, to the nearest MAC in Austin. “The entire shopping center is just beautiful. I can’t wait to see the whole thing.”

THE BIG DAY

The crowds shopping the store on opening day delighted Exchange General Manager (GM) Paula Gunderson, whose team had worked long and hard to prepare for the big event.

“The Fort Hood community has waited a long time for this,” she said, looking back on the facility’s groundbreaking in June 2013. “2015 is the ‘Year of the Customer.’ This shopping center is proof of the Exchange’s commitment to taking care of the Fort Hood community and of family serving family.”

For Gunderson, seeing the community enjoy the store, mall and food court was worth the wait. “I hope the community enjoys this new shopping center, not just today, but for years to come,” she said.



Customers visit the Clear Creek store's new state-of-the-art PowerZone.

OTHER BASE EXCHANGES

The installation's Warrior Way site has furniture and concessions operations, and the spokesman said that furniture is scheduled to move to the old Clear Creek site next summer. The Exchange will retain parts of the Warrior Way building for concessions and food, including among them GNC, Firestone, Charley's Grilled Subs and Dominos Pizza. Fort Hood will take possession of the rest of the space, part of which will be converted into a morale, welfare and recreation (MWR) fitness center and warehouse space.

A traditional barber shop and Halloween store remain operational at the former Clear Creek site, which, in addition to furniture, will also house a Military Clothing Store, alterations and embroidery, as well as a barber and a variety of name-brand concessions. Fort Hood will convert the remaining space to accommodate administrative and warehouse functions, the spokesman said.

Nelson to Succeed Howard as AAFES COO in Fall 2016

• DALLAS

In a move which provides a glimpse into the future makeup of its headquarters executive staff, the Army & Air Force Exchange Service (AAFES) has confirmed that Samuel “Dave” Nelson will succeed Michael Howard as its chief operating officer (COO) upon Howard’s retirement in September 2016.

Nelson is currently AAFES Central Region senior vice president (SVP), and has been serving in that position since Feb. 1, 2013. In September of next year, his official title is slated to be executive vice president and chief operating officer. Howard will retire as president and chief operating officer.

NELSON

Nelson, who has been with AAFES since 1984, had previously served as Western Region vice president (VP) before shifting to the VP position in the Real Estate Division in June 2010. He was named SVP of that division in May 2011.

His prior AAFES management roles, both Stateside and in Europe, have run the gamut of store and regional supervisory responsibilities and include area manager, retail manager, general manager (GM), and sales and merchandise manager.

HOWARD

Howard has been the Exchange COO since October 2006, and he has held the president’s position

since the summer of 2014.

His ascent within the Exchange ranks, like that of his predecessor Marilyn Iverson, demonstrates to many at the Exchange that a path to senior management is possible for associates who begin their AAFES careers at the entry level. Howard commenced his career with the exchange service in 1972 as a part-time custodial worker at the Lowry AFB, Colo., Troop Store. He eventually served in a variety of positions there, including custodian, warehouse worker, reorder associate, cashier checker, and sales associate.

Howard started his management career after receiving his degree in accounting and finance from the University of Colorado in 1977 as a supervisory accounting technician at Fort Leonard Wood, Mo. In 1980, he was the operations manager at McChord AFB, Wash., later becoming the McChord AFB Exchange’s sales and merchandise manager.

His first European experience came in 1983, as sales and merchandise manager at Hanau, Germany, later moving on to the Frankfurt, Germany, Exchange as assistant main store manager.

Howard returned Stateside in 1987, where he was the main store manager at March AFB, Calif. In 1992, he returned to McChord AFB as its main store manager, and he next moved on to Peterson AFB, Colo., as its GM. In 2001, he became the exchange service’s Eastern Region area manager, based in

Columbia, S.C.

In 2003, Howard came here to AAFES headquarters as the vice president of the Real Estate Directorate, and he continued his headquarters experience as project director for Retek, a position he assumed in 2004. Later that year, he became the exchange service’s chief information officer (CIO), and then its chief financial officer (CFO) in February 2006.

Howard was the recipient of an American Logistics Association Lifetime Achievement Award in 2012. In accepting the award he said he felt honored “to be recognized for what we love to do, and that is taking care of the soldiers and airmen around the world who protect our freedom — nothing is more important than that,” he noted.



Nelson



Howard