

Connecting the Dots ...

NEXCOM Executive Vice President, Global Chief Merchandising and Marketing Officer Rich Honiball



Honiball

It's About the Total Experience

Coming off a challenging retail environment in fiscal 2018, Rich Honiball, the Navy Exchange Service Command's (NEXCOM) executive vice president (EVP) and global chief merchandising and marketing officer (GCMMO), looks at the current retail landscape and acknowledges that NEXCOM is no different from any other retailer, with customers buying less; and when they do buy, they are making more educated purchases. But NEXCOM differs from other retailers in that it is engaged with a discerning eye to NEX shoppers' wants and needs, as Navy Exchanges are more connected to their customers and their needs than ever before. In this exclusive interview, Honiball goes over NEXCOM's current retail objectives, looking at both the challenges and opportunities that await the exchange service command during the new fiscal year.

E and C News: As you open fiscal 2019, what are some of the challenges that you face as you strive to generate solid sales during the new fiscal year?

Rich Honiball: We face the same challenges that all retailers face: customers are buying less stuff. They are seeking greater value, looking more at experiences and expect to be able to shop when, where and how they want 24/7.

After the conversations about channels, it really isn't about one channel (stores, web, mobile) over another, it's about a total experience. Customers may want to get a text alerting them to a sale, look at the item on mobile, do research online, then go into the store and buy it.

Tailoring our assortments, personalizing our messaging and allowing customers to craft their own "journey" through the NEX is challenging, but it is an exciting challenge, and one we have been building tools, strategies and resources for over the last several years as we have seen the shifts.

I think the other challenge is really communicating the value of our products and services and the overall value of the benefit that we offer. I am confident that we really offer a better value than the outside-the-gate retailers in most of our products, but we are looking at new ways to better communicate that.

We are proud of programs like our "Low Price Guarantee," which ensures that the top several hundred items that customers buy week in and week out are cheaper than the competition, even before factoring in no sales tax.

Now, as we face these challenges, which can be daunting especially in the environment that we are in, I think we have reason to be encouraged. I recently attended a meeting at the National Retail Foundation (NRF) with fellow CMOs, and many brands were lamenting their struggles in attracting younger customers to their brands.

We have this customer already coming in, and we are seeing strong growth in our Student and Fleet stores, where we have tailored our assortments with more value-oriented apparel, the latest electronics and more healthy food and beverage options.

We are able to better connect and communicate with this audience today than we were a couple of years ago with more personalized emails, mobile/texts, social media and even with video on several of our bases and online.

We know that our core loyal customer continues to shop us more, spending less per item as we offer greater value, but making more trips per year. We

have a team, both at headquarters and in the field, which cares deeply about our customers and our mission to serve. So that gives us a good base to build off of.

E and C News: What are the strategies and techniques that you will employ in reaching these sales goals throughout the new fiscal year?

Honiball: First, focus on our most loyal customers and find new ways to thank and reward them. Last year, we started sending out birthday cards to those customers who share that important date with us.

Over 30 percent of those who get a reward in the mail come in to shop, and we get notes all the time from those who really appreciate the gesture. These customers understand and appreciate the benefits that we offer, and they are our foundation.

Second, while we have the "Early Arrivers" coming into our stores, we are working to connect more with them ... not "market" to them necessarily, but to engage with them and be of service throughout their journey.

We are their first uniform, their first haircut, their first phone call home. Our goal isn't to sell them stuff they don't need; we aren't a typical retailer in that sense. Instead, we are working to be a greater source of information,

NEXCOM has made a significant effort during the past year to add more healthy options to its food assortment, adding more "ready-to-go" items and more natural and organic products to the selection, including at NS Norfolk, Va. (shown here).



NEXCOM continues to expand its private brand programs — including this assortment at NS Norfolk, Va. — and expects to see significant growth in its apparel categories this year.

NEXCOM PHOTOS



Generation Z's younger Sailors enjoy NEXCOM's gaming and other interactive events, such as this video game tournament held at the TSC Great Lakes Student Store, Ill.

providing them content about how to budget, employ healthy eating habits and take care of their uniform ... and when it is time for them to buy something, we want to earn their loyalty.

We have invested in our website and continue to do so. For all the talk that brick and mortar is dead, 67 percent of Generation Z — which is the generation now joining the military — PREFER shopping in stores!

Young Sailors like our gaming and other interactive events, and families love coming in when we have events for kids, product demonstrations and other types of activities.

We are continually working on this in-store experience and how we can elevate it and make it more fun and engaging, while also as frictionless as possible. Yes, we want customers to shop at the NEX, but we are more than just a store; and helping customers in every way possible, whether it is a quick trip or one where they need to get a haircut, have a sandwich, attend an event, browse around ... we are continually working on improving this experience.

Finally, from an overarching perspective, the work we have done and continue to do to engage with, learn from, listen to and react to our customers is paying off.

We have established a "white glove" team that proactively listens to and works with our customers. Yes, sometimes that means fixing issues that come up from time to time; but really, it is digging deep to understand how we can get better.

I will say it like this: we have a very engaged chief executive officer (CEO) — retired Rear Adm. Robert Bianchi, SC, USN — who takes every customer comment and letter personally. If something hits his desk, it hits mine (or the appropriate person's) with a request for action and a report back.

He takes our mission to our customers that personally; we all do. We say internally, "Pretend like this just hit the CEO's desk and act accordingly," and it empowers our teams to make a difference.

Sales will be built on new products, staying in stock and creating a better shopping experience

... and many stores can say that they offer that. Loyalty is built by going above and beyond, and that is how we will grow this year.

E and C News: Programs based on collaborating with current partners on planning, forecasting and replenishment, aimed at streamlining the supply chain to provide maximum benefit to your customers, are recently much in the news. Does NEXCOM focus on or find special value in such programs? If so, how do they work for you?

Honiball: Great question. A couple of years ago, we started to work on optimizing both our end-to-end supply chain as well as our in-store assortments. Actually, that is not accurate; we have been doing it since 1946, but a couple of years ago we started using new tools to help get us to a new place.

Product doesn't sell if it is in a warehouse, on a truck, or in a back room, so getting this end-to-end process right is extremely important. We've made progress over the last few years, but we need to continue to improve, and collaboration with our key vendor partners is critical.

We have a third-party partner who is helping us with this now, and we have been busy creating new tools and dashboards internally to really engage our internal and external stakeholders with greater levels of business intelligence (BI) that will help us make smarter decisions together. We have seen success with what we have done so far, and I think what we are working on now will just bring us to a higher level.

I would also take a minute and double down on the importance of our vendor/supplier/brand network. You can really tell the difference between those who are just trying to "sell us" versus those who are true partners, who engage with us, bring us newness, and work with us on how to improve.

My favorite suppliers? The ones who are so invested in our mission and our customers that they aren't afraid to have challenging conversations. They aren't afraid to pick up the phone and say, "We could be doing this better," either on their side or on ours. The systems and processes that we have and continue to put in place are important, but those relationships that we have are critical, and we can never underestimate them.

E and C News: What must the stores themselves do to work in synergy with headquarters to generate excitement on a local level?

Honiball: When I came to NEXCOM almost four years ago, I was surprised by the level of entrepreneurship that existed in our local stores, and candidly, wasn't sure what to think of it.

Most retailers outside of the gate create a very singular experience and just expect the stores to

execute as told. What I can say today is that this is a differentiator for us. You can see it, especially during times like chief petty officer (CPO) promotion events, when our local stores really connect with their customers and recognize those who are advancing. We know our customers and, at the local level, this is what makes us special.

From a headquarters perspective, we have, and are continuing to work on, better "tool kits" and planned events, so that it takes some of the heavy lifting off of the store. It doesn't take away from their local efforts; it enhances them and makes them stronger. It also allows us to engage with customers through various communication methods — email and social media, for example — to let them know what events may be going on at their local NEXs.

But we are moving beyond that. For the last year, we have been working with our sister exchanges and the Defense Commissary Agency (DeCA) to collaborate more during key events and time periods. We are also deepening our relationship with Navy Morale, Welfare and Recreation (MWR) so we can bring people "back to the base."

We recently met in Fort Lee, Va., and as pleased as we are with the efforts and success from 2018, I think we will do an even better job in 2019. But this takes real collaboration, partnership and communication, so that the stores can not only execute, but add to what we do and make it more personal.

E and C News: Do you have any new programs in place, or soon to be in place, that you can tell us about that you believe will help you reach your sales goals?

Honiball: There are several initiatives that I am very excited about that have been in the works for some time, and we are starting to see them produce results.

We really took a hard look at our food and beverage assortment over the last year, and made a significant effort to add more healthy options, more "ready-to-go" items, and more natural and organic products.

We opened up Fresh Mart departments in over 60 of our stores featuring many of these products at great pricing, and where we have done so, we have seen significant improvement in our business, and many positive customer comments!

We have significantly expanded our "single-serve" beverage selection, again with a focus on natural and healthy options, and this has proven to be successful.

It has meant working with new suppliers to understand how they need to serve the military community and support our supply chain, as well as encourage our existing suppliers to look for new products that may not yet have national distribution — but the results have been worth it.

We continue to expand our private brand programs with Eight Bells and Yarn & Sea, and expect to see significant growth in our apparel categories this year. We are relaunching our Harbor Home program, starting with three new mattresses de-

signed and built right here in Norfolk, Va., and I can't wait for customers to experience these.

We are also expanding our retail brand partnerships, working with industry-leading retailers offering their private brands to our military customers at pricing lower than what they offer in their own stores. As an example, we started with Petco last year, and the business has grown significantly. It brings a new dimension to our pet departments while at the same time allowing us to leverage their industry expertise.

Over the coming months, we have several, almost a dozen, brands that I can think of that we will be introducing to our customers from industry-leading partners in apparel, hardlines, jewelry and other areas.

Another strategy that we are excited about, and it will really take shape in the third quarter, is our "Drop Zone" program. As part of our assortment optimization efforts in 2018, which will continue into 2019, we opened up spaces in our stores that aren't assigned to one department or another. Instead, we are keeping them as flexible spaces where we can "drop in" pop-up shops, test brands, focus on a selection of products from our regular assortment that fit a specific theme like "A Better You," or highlight many of the services that we offer.

This will give us the ability to test and add products more rapidly while changing up the look of the store and showcasing more newness for our

customers more frequently. We expect to be able to rotate out these "zones" every 60 to 90 days.

I would also take note of our collaborative efforts with our sister exchanges and DeCA, between our marketing events and collaboration and our new Joint Buying Alliance. These relationships, and the way that we are structured, allow us to be innovative, to test things within our own individual organizations, but then come together to compare notes, share successes or lessons learned when something didn't go right so that we all benefit.

That level of collaboration and ability to innovate and learn from each other, I think, gets lost on some. I speak to Ana at AAFES, John at CGX, Jennifer and Sandy at MCX and Chris at DeCA* all the time, and we "shamelessly borrow" ideas from each other, now more than ever. I wouldn't underestimate the power of this as we look forward to how we can grow our sales.

** Ana Middleton, Army & Air Force Exchange Service (AAFES) president/chief merchandising officer (CMO)*

John Reiley, Coast Guard Exchange (CGX) chief operating officer (COO)

Jennifer Wible, Marine Corps Exchange (MCX) COO

Sandra DeSanto Bates, Marine Corps Exchange (MCX) CMO

Chris Burns, Defense Commissary Agency (DeCA) executive director, Business Transformation

E and C News: What has been the impact of e-commerce on your sales projections? Has it thus far lived up to all the expectations?

Honiball: I think that the mistake that many make is looking at e-commerce as an independent channel. Is it a store front that generates revenue? Absolutely, and we expect it to grow in 2019 significantly as we continue to enhance the experience and bring new businesses on board.

But more and more, retailers are beginning to understand that it is about unified commerce, that you can't really serve the customer by only focusing on a single channel. That is why you see more Internet "pure-play" retailers getting into physical retailing, including Amazon.

Our e-commerce customer base is growing, but what we know is our best customers shop us through all channels. So more than growing the web store, we are "connecting the dots" and working on creating a more holistic experience.

Are we there yet? Honestly, with technology changing so fast and the customers' demands evolving, I don't think you ever truly "get there." We just have to make sure that we are continually improving along the way.

E and C News: A year from now, where do you hope to be sales-wise?

Honiball: Right here, answering these questions again after a great year!

—E and C NEWS