

**NOT FOR PUBLICATION
UNTIL RELEASED BY
THE HOUSE ARMED
SERVICES COMMITTEE**

**STATEMENT OF
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BEFORE THE
SUBCOMMITTEE ON MILITARY PERSONNEL
OF THE
HOUSE ARMED SERVICES COMMITTEE
ON
MILITARY RESALE
7 June 2012**

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1 Chairman Wilson, Ranking Member Davis, and distinguished Members of the
2 Subcommittee, it is my privilege to report on the status of Marine Corps resale activities. I want
3 to thank Congress, especially this Subcommittee, for your continued support.

4 **Introduction**

5 The Marine Corps Exchange (MCX) is inextricably linked to our mission of taking care
6 of Marines and their families and is an important part of the overall non-pay compensation
7 package. From a Marines' perspective, success is measured on the service or program's value
8 and contributions to critical mission outcomes of readiness and retention, as well as our ability to
9 provide unparalleled customer service, premier facilities, and valued goods and services at a
10 savings. We are proud to have the opportunity to highlight some of our substantial
11 accomplishments and new initiatives.

12 **Keeping Faith with Marines and Families**

13 The Commandant continues to stress that the Marine Corps will keep faith with our
14 Marines, Sailors, and their families. We repeat this theme in all that we do as we strive to deliver
15 an on-brand retail experience with high quality products at a significant value. In this time of
16 military family stress and focus, the Marine Corps Exchange is an important capability on which
17 Marines and families can depend. MCX not only delivers a great shopping experience, but 29
18 percent of MCX employees are military family members. MCX is committed to supporting
19 initiatives like Joining Forces to employ veterans and family members, along with our vendor
20 and industry partners. We were recently inducted as a member of the Military Spouse
21 Employment Partnership Program. We are excited to help provide jobs to military family
22 members who may be worried about finding a job at their next duty station.

23 “Healthy Living” and making the best choices is the title and theme of a recent positional
24 advertising piece that is in lock step with the 21st Century Sailor and Marine Initiative recently
25 announced by the Secretary of the Navy. In partnership with the Marine Corps Semper Fit team,
26 this informational and educational magazine highlights MCX offerings related to healthy eating,
27 hydration, and exercise. It also highlights healthy lifestyle products, like smoking cessation
28 items, which we sell at MCX cost as part of our value program, “Our Cost is Your Cost”. This
29 program targets young Marine families on a tight budget offering items such as diapers, formula,
30 baby food, bread, and milk for purchase at MCX cost. “Our Cost is Your Cost” also promotes
31 motorcycle safety by offering a 25 percent discount on motorcycle safety equipment when an
32 authorized patron completes a base motorcycle safety class. These programs demonstrate our
33 commitment to serving our Marines and families.

34 **Marine Corps Exchange and Marine Marts**

35 MCX has led the way within the Marine Corps Community Services (MCCS) facility
36 master planning efforts and is executing branding strategies; our aggressive re-investment into
37 main stores is nearing completion. We are also focusing on our Marine Marts. With the success
38 of the branding efforts in the Main Store, the Marine Mart Master Capitalization plan was
39 developed. It identified Marine Marts that were no longer relevant or beyond renovating, as well
40 as where we were missing Marine Marts in new housing and training areas. We became students
41 of the Marine Mart customer to ensure this branded offering had the products, services, and
42 conveniences important to our customers. There are over 70 Marine Marts that have been
43 identified and prioritized to build new, expand, or renovate. Marine Mart customers visit this
44 facility at least once a day, sometimes as many as three times a day, and on average consume one
45 meal a day from the food and product offering. MCX customers on average visit the Main Store

46 once per week, but visit Marine Marts almost daily. Marine Marts are truly a critical touch point
47 to the overall MCX brand. It is imperative that we get this model right with products and
48 assortments meaningful to the Marine on duty or in training, or the young Marine spouse visiting
49 their neighborhood Marine Mart for a quick grab and go.

50 MCX continues its focus on “Brilliance in Execution” in order to deliver meaningful
51 merchandise assortments and services. Staying current and connected with MCX customers is a
52 top priority. In a Marine Corps Exchange one will find a variety of brands and price points to
53 accommodate the budget of each customer. We’re especially proud of our high quality, low cost,
54 MCX private clothing brand, 1775. In addition to clothing, we serve as a “one stop shop” for
55 everything from the most popular electronics to home furnishings to fitness equipment. Marine
56 Corps Exchanges are conveniently located at the nucleus of the installation community but also
57 offer online shopping which allows for additional offerings. The Exchange Catalog and the
58 Exchange Catalog On-Line is a cooperative effort with our Sister Services which benefits MCX
59 shoppers in numerous ways: provides a wider variety of products; allows us to stay competitive
60 in the ever-growing virtual market place; and earns a dividend on Marine affiliated purchases.

61 In 2011 our annual Customer Satisfaction Index survey indicated MCX patrons’
62 satisfaction remained steady from 2010. Patrons awarded MCX a customer satisfaction score of
63 78, indicating a high level of satisfaction with our MCX. We saw slight increases in areas of
64 focus, like merchandise assortment and availability and other customer experience touch points.
65 The 2011 results of our market basket survey, which we conduct annually as a cooperative effort
66 with the Navy Exchange and Army and Air Force Exchange Service, showed an average savings
67 of 24 percent, all while maintaining a consistent gross margin.

68 In addition to being a great value, the MCX takes pride in our increasingly competitive
69 position within the marketplace. Over the past few years, MCX has consistently increased sales
70 figures over the previous year while many outside retailers have seen significant declines. We
71 attribute this growth to high quality products and excellent customer service. Success is
72 measured not just by revenue, but also by the value we provide to our Marine Corps community.
73 With MCX, unlike any other retail store, Marines and families know that dividends are returned
74 to their community, creating a stronger Marine Corps.

75 **Reducing Redundancies and Gaining Efficiencies**

76 In this budget constrained environment, we need to seize all opportunities to avoid costs
77 and find savings by executing programs developed on standards and best practices. We are now
78 focusing our efficiency efforts to include not just the new, branded look of the MCX, but also
79 back of house operations. The logistics function of the supply chain and information technology
80 enhancements will be our opportunity to reduce redundancies and become more efficient. Along
81 with our Sister Services, the MCX participates in the Cooperative Efforts Board (CEB). The
82 CEB focuses on indirect procurement and supply chain and proactively looks at all areas of the
83 business to find cooperative opportunities. We constantly seek efficiencies across all business
84 and support activities; it is a part of our daily operation.

85 **MCX Financial Results**

86 Total MCX sales in Fiscal Year 2011 were \$997.8 million. MCX profits were \$69.8
87 million and the dividend for MWR was \$47.5 million. By comparison, in Fiscal Year 2010, total
88 MCX sales were \$925.3 million, profits were \$73.6 million, and dividend for MWR was \$49.9
89 million.

90

91 **Deployed Support**

92 Deployed support is one of the most important services we provide. Within resale
93 activities, we have ongoing missions in Afghanistan, supported in large part by Army and Air
94 Force Exchange Service as they provide product and infrastructure. These operations include the
95 two Direct Operation Exchanges Tactical at Camps Leatherneck and Dwyer, one Tactical Field
96 Exchange at Camp Delaram II, one Imprest Fund Site at Forward Operating Base Edinburgh, and
97 numerous Warfighter Express Services Teams operating out of Camps Leatherneck, Dwyer, and
98 Forward Operating Base Edinburgh.

99 **Conclusion**

100 All that we do at MCX reassures our Marines and families that nobody can take better
101 care of our own than we can. There is a synergy between the holistic benefit that solidifies the
102 strength of the military community, the bedrock of readiness. We will continue our aggressive
103 pursuit of efficiency measures that ensure we remain responsible stewards of resources and keep
104 faith with our Marines and their families.

105 On behalf of Marines and families, we want to thank you for your oversight and
106 continuous support. Thank you for the opportunity to discuss this important issue.

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