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THE COMMITTEE ON ARMED SERVICES
UNITED STATES HOUSE OF REPRESENTATIVES

STATEMENT OF
REAR ADMIRAL (SELECT) GLENN ROBILLARD, SC, USN
BEFORE THE MILITARY PERSONNEL SUBCOMMITTEE
OF THE
COMMITTEE ON ARMED SERVICES
UNITED STATES HOUSE OF REPRESENTATIVES
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**Rear Admiral (Select) Glenn C. Robillard
Supply Corps, United States Navy
Commander, Navy Exchange Service Command**

Rear Admiral (Select) Robillard is a Native of Worcester, Massachusetts. He is a 1978 graduate of the University of Massachusetts with a Bachelor of Science in Mathematics. He received his commission through the Naval Officer Candidate School in 1983. His initial sea tour was onboard the USS SIMON BOLIVAR

(SSBN-641) (Gold) as Supply Officer. His later sea duty assignments include Supply Officer onboard the USS WOODROW WILSON (SSBN-624) (Gold), Supply Operations Officer onboard the USS SIMON LAKE (AS-33), and Military Detachment, Officer in Charge onboard the USNS SATURN (T-AFS-10).

His shore assignments include Overhaul and Outfitting Department Head, Polaris Material Office; Officer in Charge, Naval Supply Center Norfolk Detachment, Newport, Rhode Island; Assistant Director of Operations Research, Naval Inventory Control Point; Logistics Automation and Transformation Officer, United States Joint Forces Command; Head, Supply Detailing Branch, Office of Supply Corps Personnel; and Director of Supply Corps Personnel. Rear Admiral (Select) Robillard previously served as the Commanding Officer, Fleet and Industrial Supply Center, San Diego, California.

Rear Admiral (Select) Robillard holds a Master's of Education Degree in Mathematics from the University of Massachusetts (1982), a Master of Science in Operations Research from the Naval Postgraduate School (1994), and a Master of Arts in National Security and Strategic Studies from the Naval War College (1999). He is a distinguished graduate of both the Naval Postgraduate School and the Naval War College. Additionally, Rear Admiral (Select) Robillard completed the Stanford Business School Executive Education Program in 2005.

His personal awards include the Legion of Merit (two awards), the Joint Meritorious Service Medal, the Meritorious Service Medal (three awards), the Joint Services Commendation Medal, and the Navy Commendation Medal (three awards). He is also a 1994 winner of the Stephen A. Tisdale Award from the Military Operations Research Society for graduate research with the most significant impact on military related issues.

Mr. Chairman and distinguished members of the Subcommittee, it is my privilege to represent the Navy Exchange Service Command (NEXCOM) and our 14,000 dedicated associates worldwide. This is my first time appearing before you and I appreciate the opportunity to update you on the Navy Exchange System.

The Navy Exchange System will celebrate its 65th birthday on April 1st. Navy Exchanges were established in 1946 with the objective of improving Sailors' Quality of Life, providing non-pay compensation as part of their total benefits package. Today we continue to meet that objective by providing quality merchandise and services our Sailors and their families want, saving them money everyday and providing funding to support their Morale, Welfare and Recreation programs. Surveys have shown that our Sailors and their families value the benefit greatly and they consider exchanges essential to retention and readiness.

Our Navy Sailors are strong in their dedication and commitment to taking care of our great nation. Our NEXCOM associates are dedicated and committed to taking care of them, as well as their families, including our retirees, reservists and guard families. In my first year as Commander, I have had the opportunity to travel to many of our exchanges and lodges and have personally witnessed that dedication and commitment. I can assure you that our Sailors and their families are in good hands. I would like to take this opportunity to share with you how we are meeting our mission today and our plans to ensure the future viability of the exchange benefit.

Supporting Family Readiness

Military life has its challenges. As our Sailors serve, so do their families. Long deployments and frequent moves are hard on families. We ask a lot of our families and

they give so much. Navy is committed to providing Quality of Life programs that help our families cope and Navy Exchange programs are an important part of that commitment.

Our Sailors and families expect us to deliver value and savings in these tough economic times. Surveys have shown savings are important to them. Seventy five percent cite savings as a major reason for shopping NEX. We also know that value is important to them. “Best Brands Best Buys” is the unique value proposition for the Navy Exchange. While many retailers offer best brands and many offer best buys, the Navy Exchange offers both. NEX offers the brands our families want at the savings they deserve.

Successful retailers have a deep understanding of their customers and their buying patterns. We work continuously to strengthen our understanding of our Navy families so we can better meet their needs. It starts with employing family members. Twenty-six percent of our worldwide associates are military family members. We have a family member continuity of employment program that provides priority placement as they move with their active duty spouse, affording an opportunity for a long-term career with NEX.

To help us better understand our families, we use data gathered from our annual customer surveys to create customer segmentations to focus on the differences of our shoppers; our customer segmentation encompasses five categories: arrivers, empty nesters, full nesters, double dippers, and senior shoppers.

With distinct customer segments, our buyers relate better to customer needs and each store better understands their customers. The end result is more targeted merchandise assortments and improved service response.

We listen to our families in order to bring them the products and services they need. Through surveys and focus groups, we know the exchange benefit is important to our Navy families. We also interact with them through social media, including Facebook and Twitter. When our families commented they needed lower price children's clothing, we responded. A recent Navy Exchange advertising flyer features, "You asked for kids' lower prices, we listened," with children's basic t-shirts and shorts at \$3.99 and mix and match separates under \$6.00. The families' input is very important to us.

NEX delivers much more than savings to our families. Indeed, they see the NEX as more than just a store. It is a place where they can go for that sense of community, particularly for the family whose Sailor is deployed and for those who live overseas. With the support of our industry partners, we offer many programs and activities focused on families, including celebrity appearances, homecoming events, health and safety awareness programs, bridal fairs, back to school events, and joint events with MWR and the Defense Commissary Agency (DeCA). Navy families were very excited to meet such celebrities as pop music star Justin Bieber at NEX Oceana and comedian Sinbad at NEX Pearl Harbor. Our Customer Appreciation Days are very popular, particularly at overseas locations. This past year, NEX Guantanamo Bay celebrated its ninth annual Customer Appreciation weekend, which has become one of the most anticipated and attended events on the Naval Station. With the support of more than 60 industry partners, the three-day event included an MWR/NEX 5K run, martial arts demonstrations, bike and

skateboard team demonstrations, music and magic shows, and prize giveaways. This is just one example of giving our Navy families more than just a shopping experience.

When our families transfer to new duty stations, our Navy Lodges are there to provide affordable, temporary lodging, complete with kitchens. The Navy Lodge program is funded almost entirely with self-generated revenues. Over the past several years, Navy Lodges have increased sales and modernized facilities significantly. Guest satisfaction exceeds a ranking of 95, as compared to the hotel industry average of 65. Navy Lodge rates are 45 percent below per diem, which provides direct savings for Navy families and Navy operating expenses.

Families and friends can stay in contact with their deployed Sailors, no matter where duty calls. Our Telecommunications Program provides personal calling on board for 177 U.S. Navy ships and Coast Guard cutters, as well as personal telecommunications and internet services at Navy Lodges, Navy Gateway Inns and Suites, Bachelor Quarters, various MWR facilities, and Navy hospitals. Partnering with industry ensures state-of-the-art services at the lowest possible cost. Over the years, we have successfully lowered the prices of afloat telephone calls, currently at only forty-five cents per minute. Our prepaid phone cards save up to 38 percent on calls within the U.S., and 47 percent on calls from outside the U.S. Free WiFi internet services are available at NEX food courts and Navy Lodge lobbies. Through a partnership with Navy MWR, we expanded WiFi to Single Sailor Liberty Centers, libraries, and campgrounds.

We also provide other programs that support Navy families, particularly in overseas locations. NEX provides school lunches to DoD schools at Naples and Sigonella, Italy; Rota, Spain; Yokosuka, Sasebo, and Atsugi, Japan; and Guantanamo Bay, Cuba. NEX

Naples works with local utility companies and accepts payments for electric and telephone/internet, allowing them to receive their bills in English and pay in U.S. dollars. We continue to work with our installations to expand our family support.

Supporting Military Readiness

Our NEXs are located on base installations worldwide. We are part of their community and they look to us to provide that familiar piece of home. We are fully aligned with Navy.

Demonstrating Navy's commitment to Quality of Life, senior Navy leadership executes the duties of the Morale, Welfare and Recreation/Navy Exchange (MWR/NEX) Board of Directors (BoD), providing oversight over both programs. The MWR/NEX BoD reviews and approves financial and capital plans for both MWR and NEX to ensure they are relevant and aligned to the needs of Sailors and their families. The MWR/NEX Board ensures a balance between savings to Sailors and dividends to support MWR programs due to their thorough understanding of each program.

Our General Managers and District Vice Presidents are an integral part of the installation and region commands. Our Installation Commanders have an important oversight role to ensure the needs of their Sailors are being met. One example was our recent effort at Naval Support Activity Bahrain to ensure merchandise assortment was expanded to meet the needs of returning family members. Working with the command, we were able to gain a better understanding of the demographics of the families currently there and those arriving in the near future.

NEXCOM operates 102 Navy Exchange complexes around the world, consisting of 296 retail stores, over 1,200 service outlets, 140 public private partnerships, 102 uniform

shops, and 41 Navy Lodges. We also operate 461 food service outlets, 378 through contract and 83 direct run operations, including cafeterias, snack bars, and name brand franchises. We provide 30 national name brand food service outlets our Sailors know and like, such as Subway, McDonald's, Pizza Hut, Baskin Robbins, Starbucks, Rice King, Panda Express, Five Guys Burgers, Chili's, and Quiznos, to name a few. We not only operate sites on Navy installations, but we also provide food service contract support in various DoD buildings, including the Pentagon, Defense Intelligence Agency, and the National Defense University.

As Navy's operations evolve around the globe, so do NEX operations. Our NEX Bahrain store is now one of our top 10 stores in sales. Working with Navy, we are evaluating other locations where our services need to be expanded. For example, we are continuing to grow and improve our assortments and services at NEX Djibouti, in the Horn of Africa.

We continue to partner with Navy to help them with many initiatives. To help communicate the Navy's messages, we provide space on our sales flyers for important initiatives such as financial health classes, smoking cessation, and motorcycle safety. As Navy responded to help the earthquake victims of Haiti in early 2010, we responded with support to U.S. Naval forces deployed to the region.

Our Ships Stores Program provides essential Quality of Life services to Sailors and Marines serving on fleet ships around the world. Whenever they are called to sea, our Ships Stores Program is there with them. We provide retail stores, vending machines, barbershops, and laundry facilities to make afloat life a little easier. The profits generated

in the Ships Stores support shipboard MWR programs, which are vital to building morale and readiness at sea.

The Navy Uniform Program provides quality uniforms and professional tailoring services. Partnering with Navy, we have finished the rollout of three new Navy uniforms. NEXCOM also provides joint uniform support, providing uniforms at selected locations for other services. We are also proud to provide uniforms to the Dover Mortuary and Uniformed Public Health Service for those who have made the ultimate sacrifice in support of our nation

Our support for our wounded warriors who have sacrificed so much for our nation continues. Our highly-rated Navy Lodges provide affordable accommodations in the vicinity of medical facilities, with priority given to wounded warriors and their families. It is important to our wounded warriors to get back into their uniform, and our NEX tailors work to make it happen. Our tailoring program has expanded to include Marine uniforms. We provide free phone cards to Navy hospitals and to USNS Comfort. This past year, Nintendo donated more Wii game systems, and Pioneer Distributors, with the support of Microsoft, donated Xbox Kinects to Navy medical centers and clinics throughout the world for the recreation and rehabilitation of wounded warriors. For those wounded warriors who are transitioning to veteran status, we are implementing a Wounded Warrior Hiring Program, providing training and career path opportunities.

2009/2010 Accomplishments

The past years have continued to be challenging for all retailers across the United States. In today's economic environment, the NEX mission of savings and value is even more important. Over the past year, we have initiated more successful pricing programs,

all designed to provide savings on everyday items used by our Sailors and families.

Customer response has been very positive and our patrons know Navy Exchanges are there to help them stretch their dollar.

As a result, we had a banner year in 2009. Same store sales increase is a key metric in the retail industry, measuring retail sales growth for stores open a full year. Our 2009 Navy Exchange store sales increased 2.2 percent, outperforming the commercial retail industry average decline of 2.5 percent. We proudly delivered a net profit of \$72.6 million from our FY09 operations, surpassing our MWR/NEX BoD approved plan. This profit resulted in \$51.1 million provided directly to our Sailors through contributions to Navy MWR programs, a significant increase over recent years. We attribute the success of our profitability to the continued strong relationship with our customers and vendor partners; and better management of inventory and expenses. Our strong performance continued into 2010, and while our financial results are not yet finalized, we expect to exceed our MWR/NEX BoD planned profits.

Every fall, NEX customers participate in a customer satisfaction survey to determine if the stores are delivering the products and services they need. The survey rates a variety of areas including merchandise selection and availability, customer service, store environment, and the total shopping experience. In 2010, we achieved a one point increase with a score of 83, continuing a trend of annual increases. We are extremely pleased with this score. A score over 80 ranks the NEX among the upper tier of retailers in the United States.

To ensure we meet a critical element of our mission, which is savings, we use an outside company to conduct price surveys. NEX's latest market basket survey shows that

customers save an average of 22 percent, not including sales tax. The survey compared prices on approximately 350 specific merchandise items against major retailers across the continental United States and Hawaii. Navy Exchanges provided savings to customers in each of the 36 different departments shopped. Savings in the domestics department were 45 percent, boy's clothing savings were 37 percent, and girl's clothing savings were 32 percent, to name a few.

As commercial retailers are reaching out to their customers through social networking, so are the NEX and Navy Lodge. We are on Facebook and currently have 80,000 fans, growing daily. Navy customers who become Facebook fans of NEX have the opportunity to find out about upcoming sales, promotions and store events, and they can also ask questions and participate in surveys. Social media forums such as Facebook, Twitter and emails, help spread the word about the NEX benefit and keep our customers connected. Talking about a recent celebrity visit at NEX Oceana, one fan recently posted, "It really does mean a lot that they are doing this for military families. What a fun thing to do, especially with my hubby deployed, gives me something to look forward to."

Today, retailers are extending their brick and mortar presence with cross-channel initiatives; Navy Exchange is no exception. In December 2009, we launched our enhanced website, an extension of our existing Military Uniform Web Store. The new website, myNavyExchange.com, features select merchandise to support our Navy Sailors and families. These products include tactical gear, Navy logo merchandise, motorcycle safety gear, electronics, and baby products. An important part of the online experience is the ability to provide information about products available in our Navy Exchange stores,

integrating our cross-channel shopping experience with our brick and mortar stores. We have begun this initiative with limited items and will be expanding the selection for our customers in the near future.

Positioning for the Future

As we continue our focus on delivering the benefit today, we are also working to sustain and improve the future viability of Navy Exchanges. NEXCOM's vision is to become a premier retailer with brands that reflect the spirit of our Navy, our Sailors and their families. The timeless values that make our nation strong are the same values that make our company strong.

We operate in an interconnected, global environment. Our customers have many options and we must offer extraordinary customer service to continue to attract them. To be successful, NEXCOM must be well positioned in this environment. We will do that by enabling our associates, improving our processes, upgrading our facilities, using technology to reach out to our customers, embracing our customers by providing extraordinary customer satisfaction, and partnering with the retail community. To that end, we have completed our 2015 Strategy with three strategic goals: strengthen Navy community readiness, deliver the benefit to Sailors and their families, and grow the benefit through sustainability and continuous improvement.

To remain competitive, we are rolling out an aggressive facilities modernization plan. Our objective is to refresh our buildings every seven years and rebuild every 30 years.

We are committed to fiscal accountability. The issue of financial accountability and management is paramount today. Through rigorous risk assessments, we have instituted many improved internal control initiatives.

NEXCOM has both a responsibility and an opportunity to be a leader in sustainability. As we build and renovate our exchanges, we are focused on more energy efficient operations. Additionally, our assortment of “green” products for our environment-conscious patrons has been expanded in our stores. Working with our military resale partners, we want to reduce our future consumption of plastic bags. We offer reusable bags, an initiative which has been well received.

At NEX, our greatest strength lies in the skill and talent of our associates. We have deployed world class enterprise training and development tools for each level of associate progression, from entry level to senior management. We value our associates and are committed to being an employer of choice.

Partners Delivering the Exchange Benefit

Meeting our mission and strategic objectives requires close collaboration with our partners. We all share a passion for improving the Quality of Life for our Sailors and their families.

We are engaged in strategic partnerships with Navy and our retailing partners, Army and Air Force Exchange Service (AAFES), Marine Corps Exchange, Coast Guard Exchange, and the Defense Commissary Agency (DeCA). We will continue our emphasis on collaborative initiatives that enhance military resale’s ability to deliver improved benefits to our military and their families. We are expanding our joint contracting initiatives, which has lowered our combined spend costs. There is a

significant amount of work being conducted to explore ways to streamline the logistics chain in areas where we operate together. A current initiative of the Exchange Cooperative Effort Board is the sharing of freeze containers going overseas to the Pacific for DeCA, NEXCOM and AAFES. This allows us to increase the frequency of shipments for NEXCOM and AAFES (biweekly to weekly), which results in increased customer satisfaction, higher in-stock rates and sales, increased ability to react to sudden demands, higher cube utilization, lower overall inventory, and reduced overseas transportation costs.

Our industry partners are instrumental to our success. They share our dedicated commitment to our military and their families. It starts with the quality products and services they provide at costs that help us meet our savings goals. They recognize the importance of the community spirit and provide many special events and celebrity appearances. We could not be successful without them.

In closing, I would like to thank the members of this subcommittee for your continued, dedicated support of the men and women who serve our great country. Working together with our DoD and industry partners, we truly can make a difference and improve the lives of our Sailors and families, who remain our focus each and every day.