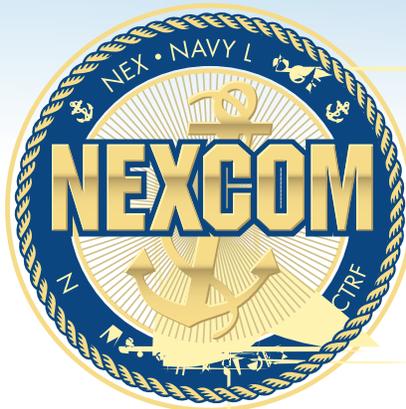




2015

STRATEGIC PLAN



“Think Enterprise and Act Boldly”



To our Navy and DoD leaders, Stakeholders, and Associates

In a challenging, highly competitive business climate driven by rapid change and economic uncertainty, the Navy Exchange Service Command (NEXCOM) continues to grow its business, experiment in new areas, and modernize its facilities and IT infrastructure. Our initiative to modernize and be more competitive is enjoying success: Our 2009 Customer Satisfaction Index score is a record high 82 and our sales profits are at record levels. Our market basket savings are consistently 22% (plus sales tax), up from 16% six years ago.

We clearly understand that our performance directly impacts our stakeholders, their families and our Associates. In order to continue to grow our business and increase contributions to the Navy, we must assess our current state of readiness and formalize a long range plan for the future. It is essential that we continually transform and improve our resources, infrastructure, and processes to enhance delivery of the benefits to our Sailors and their families. We are committed to our customers as well as increasing our net profits, 70% of which are provided as dividends for Navy Morale, Welfare and Recreation Quality of Life programs with the remaining 30% used for facilities recapitalization.

Rear Admiral Steven Romano
Commander,
Navy Exchange Service Command

A strategic plan will enable us to establish a clear structure to drive leadership clarity and alignment throughout the command. The plan is a critical component of NEXCOM's continued success as it is clearly aligned with Commander's guidance, to include our Guiding Principles and Six Strategic Areas for Success. This plan states what we are about, and what we value; it reflects why NEXCOM exists and what the command intends to achieve. While the plan may not reflect everything we do, it provides a framework in which everything fits.

In our strategic plan, I challenge the entire organization to "Think Enterprise and Act Boldly." Our philosophy means we strive to enhance a culture of innovation, supported through empowerment and development of our Associates and establishing long term strategic goals. We must lead boldly and continue to transform, organize and manage our business in an agile, global ("enterprise") and focused manner.

By clearly defining our goals and building on our successes and positive work environment (as demonstrated by our high Associate Satisfaction Index of 72) we seek to create a sense of passion in our Associates; both to serve the customer and a passion of pride and ownership in our work. We encourage each Associate to think, act and perform as the quality of life benefit provider they are.

I am excited to formalize our strategic plan and I encourage each and every Associate within NEXCOM to take the time to become familiar with the vision, mission and goals of our organization. This plan is the road map for our transformation. It is an ongoing "work in progress" which will provide Associates at all levels with the framework in which to operate. This plan will enable us to meet our mission today and in the future.

Sincerely,

Steven J. Romano
RDML, SC, USN



WHO WE ARE

The Navy Exchange Service Command (NEXCOM) provides a myriad of global benefits to our Sailors and their families through several distinct operating entities:

Navy Exchanges (NEX) - A large, \$2.5 billion, full service retailer, which is a leader in the military resale industry. We are governed by a MWR/NEX Board of Directors with oversight to ensure a balance between savings to the Sailors and dividends to support MWR programs. The command has over 300 stores on 103 Navy installations worldwide in 16 countries with 13,000 Associates and serves over 2.2 million households.

Navy Lodges - A mid-tier quality hotel chain for service members executing Permanent Change of Station orders. The Lodge program consists of 42 hotel operations having over 3,000 rooms and 1,200 Associates worldwide, generating over \$65 million in revenue.

Ship's Store Program - Supports expeditionary forces, providing merchandise and services to Fleet personnel on 157 ships deployed in all regions of the world, generating \$70 million in revenue.

Personal Telecommunications - Provides personal telecommunications on board to more than 110 U.S. Navy ships and Coast Guard cutters. Services include personal telecommunications and internet services for Navy Lodges, Navy Gateway Inns & Suites, Bachelor Quarters, various MWR facilities and Navy Hospitals.

Uniform Program Management Office - Serves as the Program Manager for Navy uniforms with oversight of the development, manufacturing, purchasing, distribution, sale, and tailoring. Directly supports Sailors through uniform stores and a call center/web uniform support center.

Navy Clothing and Textile Research Facility (NCTRF) - Operates a research and development facility to support unique Navy requirements for organizational clothing and service uniforms.

OUR VISION

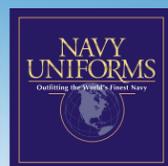
To be the first choice for Sailors and Navy families

OUR MISSION

To provide quality goods and services at a savings and to support Navy quality of life programs

OUR CORE VALUES

Caring, Committed, Connected





OUR CORE VALUES

Throughout the organization, we use the “three Cs” to describe ourselves.

We are **Caring, Committed, and Connected** to our Navy, Sailors and their families. These three simple words guide us in our daily work and we have embraced these as our core values.

We are **Caring**... showing concern for our Associates and our customers, supported through enhancing standards of customer service, and enabling our Associates by furthering their development.

We are **Committed**... to delivering the value benefit to our Sailors and their families through savings on quality merchandise and services and providing dividends to MWR. Our commitment is grounded in our belief in our nation, our Navy and our customer and guided by our patriotic pride.

We are **Connected**... and aligned with Commander, Naval Installations Command (CNIC), Commander, Navy Supply Systems Command (NAVSUP), the Fleet, Regional Commanders and their staffs, local military installations and our Navy customers and their families.

STRATEGIC GOALS

Strengthen Navy Community Readiness

Deliver The Benefit To Sailors
And Their Families

Grow The Benefit Through Sustainability
And Continuous Improvement

STRATEGIC GOAL 1



Strengthen Navy Community Readiness

Supporting Strategies:

1. Become clearly recognized by the Navy community and its leadership as an enabler to military readiness and retention

Objectives:

- A. Partner with the Commander, Navy Installations Command (CNIC), Exchanges, Defense Commissary Agency (DeCA), and other organizations in deploying joint programs that foster community spirit at the Navy installation level as well as those that are of benefit to the overall Navy community.
- B. Achieve planned dividends in support of Navy MWR programs.

STRATEGIC GOAL 2



Deliver The Benefit To Sailors And Their Families

Supporting Strategies:

1. Deliver an exceptional customer experience

Objectives:

- A. Fully deploy state of the industry cross channel strategy (e-commerce, brick and mortar, digital marketing, social networking, CRM, etc.) connected with a 360 view of our customers' lifestyle requirements.
- B. Stellar execution of foundation disciplines (in stocks, Planogram integrity, label and signing integrity, store and lodge cleanliness, premier customer service etc.) at all facilities for ease of customer service.
- C. Develop NEX branded shopping experience that is targeted to dominant shopper segments, incorporating customer centric thinking on assortment, communication layers and in-store experience.

STRATEGIC GOAL 3

Grow The Benefit Through Sustainability And Continuous Improvement

Supporting Strategies:

1. Achieve operational excellence in supply chain and inventory optimization

Objectives:

- A. Complete logistics network study and state of the industry logistic center employed for Tidewater and East Coast.
- B. Fully deploy and optimize Oracle Retail upgrade.

2. Be recognized as an Employer of Choice by our Associates

Objectives:

- A. Deploy best in class comprehensive organization training and development tools for each level of Associate development from entry level to senior management.
- B. Provide clean, safe and modern workplace facilities across the organization.

STRATEGIC GOAL 3



Grow The Benefit Through Sustainability And Continuous Improvement

Supporting Strategies:

3. Develop state of the industry leading capital planning, facility sustainment, and energy programs

Objectives:

- A. Establish streamlined store planning processes, utilizing state of the industry tools (to include green initiatives), defined prototype standards and clear roles and responsibilities.
- B. Develop a facility management program (defined custodial and maintenance processes and metrics) that is on par with industry.

STRATEGIC GOAL 3

Grow The Benefit Through Sustainability And Continuous Improvement

Supporting Strategies:

4. Enhance communication across the organization

Objectives:

- A. Enable clear, timely and streamlined communications through the implementation and use of collaboration and communication tools.
- B. Develop an overarching communication plan and framework.

5. Establish a culture of Continuous Process Improvement (CPI)

Objectives:

- A. Employ a robust CPI program across the organization.
- B. Provide effective workplace tools to maximize productivity.



KEY METRICS AND 2015 GOALS

Our mission scorecard will be the ultimate measure of success:

Customer Satisfaction

as measured by our annual Customer Satisfaction Index (CSI) survey

Associate Satisfaction

as measured by our annual Associate Satisfaction Index (ASI) survey

Customer savings

as measured by an independent audit organization on a representative market basket of approximately 400 widely available and comparable items at a large sample of commercial stores

Sales Volume

MWR/NEX Board of Directors (BoD) approved plan;
Annual growth rate equal to or greater than the retail industry

Net Profit

MWR/NEX Board of Directors (BoD) approved plan;
of which 70% is provided to MWR as a dividend

Mission Scorecard

Key Business Metric	Minimum Goal or Benchmark	Current State (2009)	Future State (2015)
CSI	80	82	83
ASI	70	72	73
Savings	18%	22%	23%
Sales	+ 2-3% annually BoD approved plan	\$2.5 Billion	\$3.0 Billion
Net Profit	BoD approved plan	\$72 M 3% of sales	\$90 M 3% of sales

EXECUTIVE COMMITTEE

STRATEGIC PLAN TIMELINE



Our Commitment

We all have an opportunity to enable the Navy Exchange Service Command to meet its future objectives. We must take action and bold steps to position ourselves to compete in the future. Our Associates are the key and we must strive to engage with you so that we are all aligned with this strategic plan. Working together, we can make a difference and improve the quality of service and the lives of our Sailors, families, Navy community and our Associates.

Steven J. Romano
RDML Steven J. Romano
Commander

Michael Good
Michael Good
EVP, Chief Operating Officer

Ed Spillman
CAPT Ed Spillman
Deputy Commander

Rob Fetter
CAPT Rob Fetter
Deputy Commander Facilities

Ellen Bennett
Ellen Bennett
SVP, Chief of Staff

Richard M. Dow
Richard Dow
SVP, Store Operations

Tess Paquette
Tess Paquette
SVP, Chief Merchandise Officer

Laurie Hasten
Laurie Hasten
SVP, Chief Financial Officer

Dave Richards
Dave Richards
SVP, Human Resources

Kean Westcott
Kean Westcott
SVP, Command Information Officer

Tom Williams
Tom Williams
SVP, Logistics

Goal 1	Strengthen Navy Community Readiness
Objective A	Partnering *Deputy Commander
Objective B	Achieve Planned Dividends *EXCOM
Goal 2	Deliver The Benefit To Sailors And Their Families
Objective A	Cross Channel Deployment *SVP, Chief Merchandise Officer
Objective B	Foundational Discipline *SVP, Store Operations
Objective C	Branding *SVP, Chief Merchandise Officer *SVP, Store Operations
Goal 3	Grow The Benefit Through Sustainability And Continuous Improvement
Objective 1A	Logistics *SVP, Logistics
Objective 1B	Oracle Retail Upgrade *SVP, Command Information Officer (CIO)
Objective 2A	Training and Development *SVP, Human Resources
Objective 2B	Physical Workplace *Deputy Commander Facilities
Objective 3A	Store Planning *Deputy Commander Facilities
Objective 3B	Facility Mgmt. *Deputy Commander Facilities
Objective 4A	Communication Tools *SVP, CIO
Objective 4B	Communication Plan *SVP, Chief of Staff *SVP, CFO
Objective 5A	CPI Program *EVP, Chief Operating Officer
Objective 5B	Work Place Tools *EXCOM
*Champion	2010 2011 2012 2013 2014 2015

GOALS

SUPPORTING STRATEGIES

OBJECTIVES

MEASURES

OUR VISION

To be the first choice for Sailors and Navy families

OUR MISSION

To provide quality goods and services at a savings and to support Navy quality of life programs

OUR CORE VALUES

Caring, Committed, Connected

GOAL 1
Strengthen Navy Community Readiness

1. Become clearly recognized by the Navy community and its leadership as an enabler to military readiness and retention

A. Partner with the Commander, Navy Installations Command (CNIC), Exchanges, Defense Commissary Agency (DeCA), and other organizations in deploying joint programs that foster community spirit at the Navy installation level as well as those that are of benefit to the overall Navy community.
B. Achieve planned dividends in support of Navy MWR programs.

- Navy spouse/DoD status of forces surveys
- Feedback from regions and commands
- Cooperative installation events
- Environmental initiatives
- Net profit

GOAL 2
Deliver The Benefit To Sailors And Their Families

1. Deliver an exceptional customer experience

A. Fully deploy state of the industry cross channel strategy (e-commerce, brick and mortar, digital marketing, social networking, CRM, etc.) connected with a 360 view of our customers' lifestyle requirements.
B. Stellar execution of foundation disciplines (in stocks, POG integrity, label and signing integrity, store and lodge cleanliness, etc.) at all facilities for ease of customer service.
C. Develop NEX branded shopping experience that is targeted to dominant shopper segments, incorporating customer centric thinking on assortment, communication layers and in-store experience.

- Market Basket savings
- Top line revenue
- Average transaction value
- Average units per transaction
- Increase market share
- In-stock percentage
- Customer Satisfaction Index
- GMROF/GMROI

GOAL 3
Grow The Benefit Through Sustainability And Continuous Improvement

1. Achieve operational excellence in supply chain and inventory optimization
2. Be recognized as an Employer of Choice by our Associates
3. Develop state of the industry leading capital planning, facility sustainment, and energy programs
4. Enhance communication across the organization
5. Establish a culture of Continuous Process Improvement (CPI)

1A. Complete logistics network study and state of the industry logistic center employed for Tidewater and East Coast.
1B. Fully deploy and optimize Oracle Retail upgrade.
2A. Deploy best in class comprehensive organization training and development tools for each level of Associate development from entry level to senior management.
2B. Provide clean, safe and modern workplace facilities across the organization.
3A. Establish streamlined store planning processes, utilizing state of the industry tools (to include green initiatives), defined prototype standards and clear roles and responsibilities.
3B. Develop a facility management program (defined custodial and maintenance processes and metrics) that is on par with industry.
4A. Enable clear, timely and streamlined communications through the implementation and use of collaboration and communication tools.
4B. Develop an overarching communication plan and framework.
5A. Employ a robust CPI program across the organization.
5B. Provide effective workplace tools to maximize productivity.

- Reduced expenses/inventory
- Lower EEO claims/turnover, Increased diversity
- Associate Satisfaction Index (ASI)
- Workmen's compensation claims
- Energy consumption/recycling
- Project delivery/construction costs
- Best practice sharing
- Cycle times
- Supplier relationships
- Modules deployed

Our journey begins...

Our core values – Caring, Committed, and Connected - join us together to achieve not just today's but also tomorrow's goals.

In this time of rapid change, we must be flexible and adaptable because change itself creates opportunity.

Like a precise Navy operation with complex equipment and many teams of Sailors focused on their mission, every NEXCOM function and Associate plays a major role in our success.

We have a solid plan...
Let's get underway!

