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Chandler



Paquette

The Changing Role of the Military Broker — *Resale à la Carte*

By PHIL GRAY
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As military resale has become more sophisticated over the years, in line with the needs and expectations of its customers, so have the resale service companies — suppliers, manufacturers, brokers and distributors — that assist these organizations in many more ways than meet the eye, as they go to market.

Where many years ago the concept of sales representation was paramount, that paradigm has shifted: the sale is symbolically “where the real work begins.” However, as any good retailer and reseller knows, the work begins long before the sale, and extends well beyond it. Never has this been more true than it is today for the military broker. Things are changing and changing fast.

Vendors, suppliers, manufacturers and their representatives have been in the spotlight with the recently concluded Army & Air Force Exchange Service (AAFES) Vendor Symposium. Exchange & Commissary News has heard from several of resale’s most familiar figures, as well as others on the front lines of the buying organizations, not only about how the role of the broker and the resale service company has evolved, but also about their work behind the scenes.

Before returning to DeCA in 2006 from the private sector, DeCA Sales Director Randy Chandler served commissaries from outside the gate for a number of years as national accounts manager for Overseas Service Corporation. From this vantage point, Chandler said, “As you would expect, there has been a tremendous evolution in both commissaries and broker support since I first arrived at a commissary in December 1979.”

Former DeCA Chief Operating Officer (COO) Rick Page offered similar insights. Page, who worked 10 years in the civilian grocery sector before joining the Navy Resale System in 1978, said, “The changes in the role of the military broker, as well as those in our industry, have been enormous.” Once at the helm of the NSCS Athens, Ga., store, Page “immediately noticed the increased role and need of the military sales representatives. From order-writing assistance, to vendor stocking, to store resets, to salvage and much more, it became readily apparent the success of NSCS Athens was tied to the support received from our resale partners.”

ASSORTMENT EXPANSION

Some of the advances initiated by past generations of brokers and manufacturer reps Page mentioned, such as Wilson Harrell, François L. Schwarz, Milbrands, and Southern Military Sales — to list several names that few now remember or recognize — are in many significant ways responsible for the shaping today’s commissary assortments.

Chandler concurred, saying, “Within the Marine Corps system, where I started, we carried a limited selection of dry products. We could only carry the largest size of any HBC product presented. We had a very limited selection of chill and frozen products, and we did not carry light bulbs or batteries.”

Industry pressed for the commissary to expand its selections, Chandler explained, but a large hurdle remained. “Our issue,” he said, “was funding for the labor to maintain the increased assortment. The broker community stepped up and agreed to provide support for expansion in these areas by providing stocking for the

product; this allowed us to increase SKUs in these departments. Their commitment allowed for line item expansion and increased sales without additional labor.”

HISTORY REVISITED

This history is highly significant, according to Chandler. “I sometimes believe some of today’s manufacturers do not understand that they could not enjoy the wide selections within the commissary, sold at cost, without the support they committed to and provided through the broker community many years ago.”

With the expansion of DeCA stock assortments, he points out, “and the expertise in merchandising provided by the broker community, the commissary has improved and continues to improve our customer service levels. It is my view there is not a retail chain anywhere that does a better job in merchandising, and that would not be possible without the support of the broker community.”

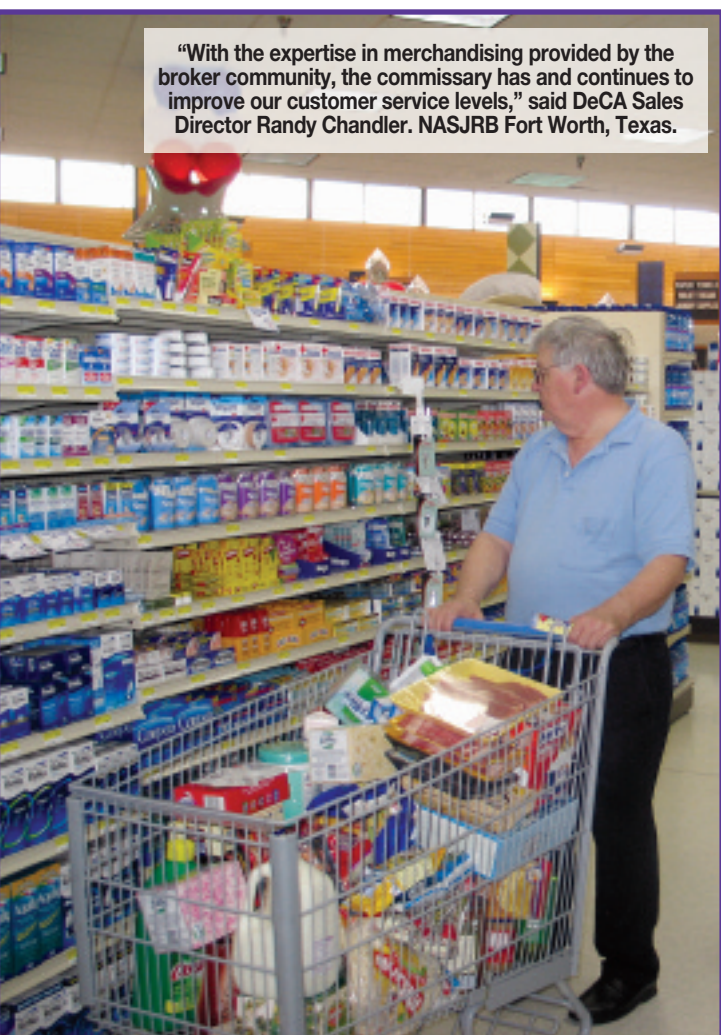
Due to the wide geography that military brokers and distributor partners must cover to support commissaries, Chandler commented, “They have developed in-store technology, from handheld scanners to ‘smart-phones,’ to make their representatives more efficient.” Using these tools, he reported, reps “are quickly able to identify problems within the supply chain and correct them. This technology has allowed brokers to spend more time merchandising, thereby increasing sales, which is good for all of us.”

The military broker, he noted “has also developed ‘back-room’ business systems that support our unique manufacturer-distributor business model, making it more efficient for their clients to do business with the military.”

PERFORMANCE, COMPETITION

Page noted that these changes have not occurred “in a vacuum and not without a driving reason for the evolution. Our entire industry has changed since 1978, to include the expectations of performance by all involved. ... But for me, most significant was the growth in the number of companies and products all competing for finite space and sales in our commissaries.” With each change, Page notes,

“With the expertise in merchandising provided by the broker community, the commissary has and continues to improve our customer service levels,” said DeCA Sales Director Randy Chandler. NASJRB Fort Worth, Texas.



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RESALE SERVICES — BEHIND THE SCENES

“military brokers, manufacturer representatives and distributors have all evolved to meet the competitive demands that have resulted. ... To paraphrase a commercial from the now-defunct Oldsmobile and often used by our resale partner, AAFES Commander Maj. Gen. Keith L. Thurgood, USA, ‘This is not your parent’s commissary.’ The quality of the merchandising, services offered, facilities and execution of today’s commissary are light years ahead of 30 years ago, as are the expectations of our stakeholders and customers.”

As far as these competitive forces are concerned, NEXCOM Chief Merchandising Officer (CMO) Tess Paquette put it this way, “Whether it be in-store support, training assistance on the specific product lines or planogram assistance ... our emphasis is how best to ensure that NEX stores’ in-store experience exceeds our customer’s expectations. We will continue to collaborate with each of our partners to define value-added support. This becomes more critical in a competitive retail environment.”

À LA CARTE SERVICES

As Chandler points out, mirroring developments in the civilian resale segment, and often extending beyond it, military resale brokers have diversified their service offerings to match almost any manufacturer need. Today, these range from basic representation, invoicing and accounting services, to presenting and coordinating promotions, building and maintaining displays, sales administration, coupon distribution, vendor managed inventory (VMI) services, inventory scans, outside-the-

gate sales comparisons, shelf-stocking, category management, product demos, manufacturer fixture services, marketing and a multitude of product-support and other store-support services. Where a category might require less maintenance, these companies, in some cases, offer buy-sell services supplied by subsidiaries.

In this way, military brokers are positioned to help manufacturers achieve their objectives to reduce operating costs, in particular by providing a lower cost alternative to a “direct” sales force, since the costs of going to market are effectively shared among multiple manufacturers. Another area of specialization is in international operations, where unique systems, procedures and limited accessibility make broker functions essential to providing servicemembers and their families a touch and taste of home, wherever they are stationed.

Often, celebrity and athlete visits and special events,

SYMPOSIUM CALMS CONCERNS

AAFES’s Vendor Symposium, held at its Dallas, Texas, headquarters Feb. 17, was the catalyst for much discussion in the resale community last month. Intended to bring the exchange service’s top 90 or so companies from its million-dollar vendors together to hear presentations and exchange thoughts and ideas with top AAFES executives, the meeting raised concerns for some about the role of brokers in the military resale picture. These worries were immediately answered unequivocally by AAFES Sales Directorate Senior Vice President Maggie Burgess, who wrote:

“There is no change in how the Army & Air Force Exchange Service (AAFES) will interact with manufacturers and the military broker community. I think folks are trying to blow things out of proportion because we are having a meeting with our manufacturer/company partners — to explain the AAFES vision, our goals through 2013, and strategies/tactics on how we will move forward — and have limited attendance to our top trading partners. The multi-purpose center (MPC) holds only so many people; we have meetings with the American Logistics Association (ALA) and the Armed Forces Marketing Council (AFMC) in which we talk about the above topics and we are planning to discuss these matters at the upcoming ALA and AFMC Roundtable.

There is NO conspiracy to try to drive brokers out of business ... this would make no sense. My team and I will be discussing the same topics that I have discussed personally with the AFMC and ALA representatives. There will be an emphasis placed on the buyers to capture all negotiation terms on to a business terms agreement. In the past, this has been a checklist that the buyers used, but now we are institutionalizing it. We also are discussing what types of services we need in the stores — which I have discussed with the Council and ALA representatives, and the topic has been in ALA presentations from both Chief Operating Officer Mike Howard and myself.

One of our goals is to collaborate more with our vendor partners and this meeting is a step in that direction. Nothing has changed. Our buyers have been instructed to negotiate with the primary individual who can obligate company monies, and that is usually someone from the manufacturer or company. In a few instances, we have companies that have turned this responsibility over to their broker — that is their decision, period. AAFES does not get involved in this decision.

I think that once we have the meeting, you will see that we are trying to move forward in a collaborative manner with our vendor partners. If you have other questions, please call me.



Burgess

‘Brokers play a vital role in helping me to shape my assortment, including keeping the supply chain running smoothly. Without them, the success enjoyed today would not be possible. We work closely with manufacturers and brokers cooperatively to bring the best-selling, the newest, and most innovative products to our commissaries. The stock assortments are ever changing, and it is with the help of our brokers, and our distributors and store personnel, that we can successfully meet our customers requirements.’

— DeCA Category Buyer Regina Johnson.

including some that incorporate outreach to wounded warriors, veterans and other servicemembers, might be coordinated by a broker, a recent example being the NAS Oceana, Va., Air Show (see *E&C News*, 12/08) which brought together all of these elements and much more, to create excitement on base and for the local community. Outside of these aspects of their business role, brokers continue to be involved in sponsoring military scholarships, golf tournaments and other events that benefit wounded warriors and veterans.

UNIQUE PARTNERSHIP

“We are unique in that we truly have a partnership with the broker community,” Chandler continued, “and they contribute significantly to our continued success. They help educate their principals on the benefit of supporting a marketplace that sells at cost, which passes all

promotional dollars to the consumer, allows them to market directly to young families, and is growing in sales.”

Highlighting the sense of mission and dedication to the military community, Chandler said, “You do not see the level of support that we enjoy with military brokers in the retail marketplace. It is critical that they continue to provide that support and we continue to work together to support the most deserving customers in the world, our military members and their families.”

Page echoed the sentiment, saying commissaries’ well-documented successes are, “in large part, due to the incredible partnership and outstanding efforts of our industry partners and our DeCA team members, past and present, around the world.” (for more thoughts on this subject by Rick Page please see our Web site at <http://www.ebmpubs.com>.)

MBU

In the agency’s Marketing Business Unit (MBU), executives who recently spoke to *E&C News* about their category areas were equally emphatic about the role played by brokers in the agency’s success.

In the frozen and chill area, buyers Lisa Talcott and Regina Johnson (see page 38) shed light on some of the aspects of the business where broker services are keys to success

“Brokers play a vital role in helping me to shape my assortment, including keeping the supply chain running smoothly,” Johnson said. “Without them, the success enjoyed today would not be possible. We work closely with manufacturers and brokers cooperatively to bring the best-selling, the newest, and most innovative products to our commissaries. The stock assortments are ever changing, and it is with the help of our brokers, and our distributors and store personnel, that we can successfully meet our customers’ requirements.”

Talcott commented that through these types of resale services, industry “plays a major role in providing promotional execution support throughout DeCA.” —*E&C News*



Military resale brokers have diversified their service offerings to match almost any contemporary manufacturer need. A product demonstration at Fort Hood, Texas, attracts foot traffic.