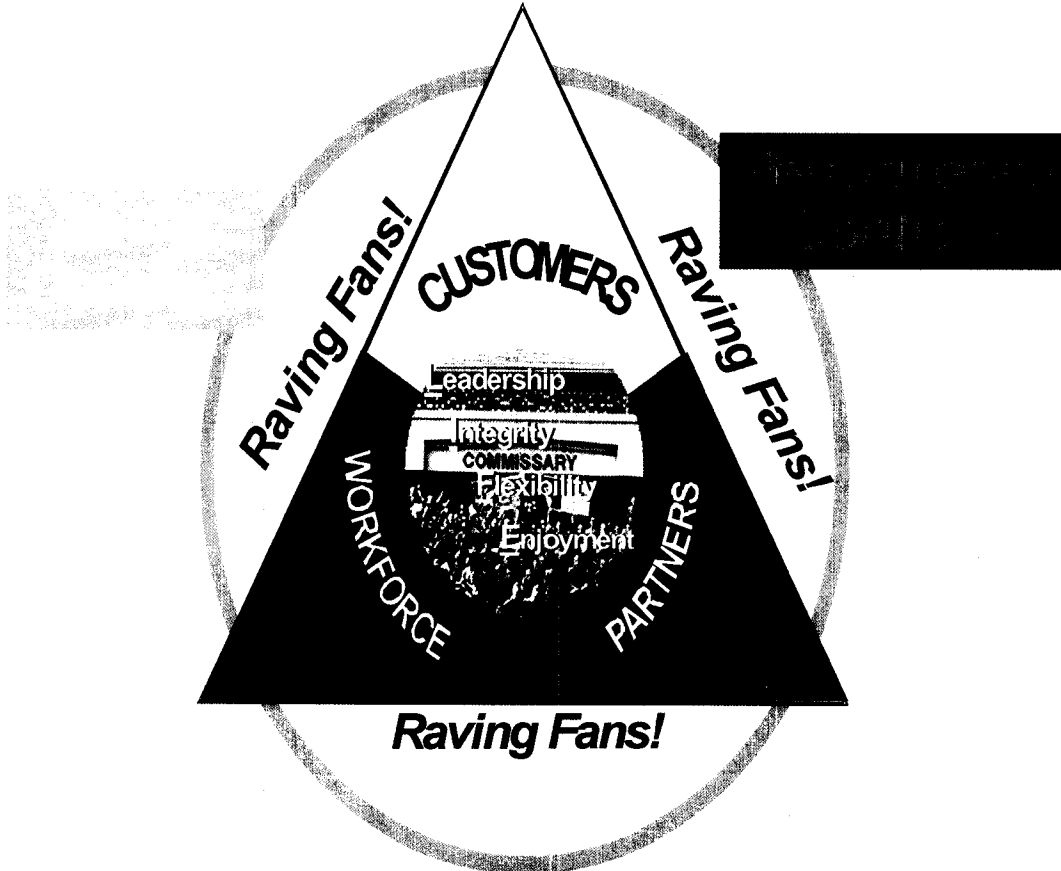


ATTACHMENT 1

*Defense Commissary Agency Strategic Plan  
FY 2004 - 2009*

# Defense Commissary Agency

June 3, 2003



**Strategic Plan**

**FY 2004 - 2009**

***DEFENSE COMMISSARY AGENCY (DeCA)  
CORPORATE STRATEGIC PLAN  
FY 2004-2009  
June 3, 2003***

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**Tab A**

**Leadership Message**



**A Message to the Customers, Employees  
and Business Partners of the  
Defense Commissary Agency (DeCA)  
June 3, 2003**

Selected DeCA senior leaders and managers from all organizational levels of the Agency met for a special, weeklong strategic planning session in January 2003 at Arnold Air Force Base, Tennessee. DeCA's 2003 strategic plan, with its focus on business-based decisions to evaluate sales, savings, cost, workforce, facilities and technology is working well and will continue. However, the group met to revisit and update the plan in order to outline DeCA's course for the upcoming years, FY 2004-2009.

DeCA's updated plan will focus on *people* – customers, workforce and partners, *integrating* their efforts to create “Raving Fans.” A new set of core values – Leadership, Integrity, Flexibility and Enjoyment “LIFE” will serve as a foundation for DeCA's actions, now and in the future. The Agency will initiate additional programs – to make DeCA the “Employer of Choice”– to develop best business models and practices with our industry partners – and finally to provide the best quality of life benefit for our customers.

I believe the attached FY 2004 strategic plan and corporate objectives for DeCA provide a renewed road map to further improve and enhance the commissary benefit. Each objective was designed to enhance our concept of operations, while keeping service to the customer at the forefront. The commissary benefit clearly improves military quality of life, and has an exceptionally positive impact on the recruitment, retention, and readiness of today's military. DeCA remains focused on its customers and will provide them greater conveniences and a better shopping experience, while continuing efforts to increase the number of authorized patrons currently using the benefit.

Please share and communicate the contents of this strategic plan with your staff, suppliers, and customers. Their role is vital in supporting and achieving our strategic objectives. DeCA's success is critical to strengthening and preserving the Armed Services quality of life – every time and every place!

***Signed***

Michael P. Wiedemer  
Major General, USAF  
Director

**Tab B**

**Overview — Strategic Planning  
and Transformation**

# Defense Commissary Agency

## Strategic Planning and Transformation

**Background:** The Defense Commissary Agency (DeCA) evolved in the early nineties from the four separate service commissary organizations. The Jones Commission Study in 1989 began the commissary consolidation process, which concluded with the activation of DeCA in 1991. DeCA's early years from 1991 to 1993 comprised a consolidation period which brought the Army, Air Force, Navy and Marine Corps commissaries together. During the period from 1994 to 1999, operating procedures, accounting functions, and information management stages of the grocery service cultures were blended. All elements of the Agency, stores, regions, headquarters' teams, and industry partners were formed.

The approach to fiscal management at that time was to focus on selling groceries and to use the normal Federal Government process of addressing "inputs" as the basis for the budgeting process. The Agency operated as a functional based organization, budget and input focused. The workforce was growing and sized solely to fit the funding that was available and the Agency had difficulty controlling costs relative to output. DeCA leadership recognized a need for change.

**Strategically Transforming DeCA for the Future:** In 1999, Senior Department of Defense and Agency leadership began developing a business-like approach to running the Agency, while always keeping in mind that DeCA is not a business. We began a major culture shift focusing on defining our outputs and costs. We reorganized into four business units (Operations and Product Support, Resources, and Capital Investment), and instituted performance and activity based management practices to control operating costs. DeCA began operating using unit costs and labor costs sized relative to outputs. All aspects of our operation were reviewed from store level, region level and headquarters level. A sound management template for the stores was developed that could be modified as necessary by the field to meet individual store needs. Reduction of excessive overhead was studied and targeted for reduction.

These significant reductions in both operating costs and manpower caught the eyes of the Congress. As a result, the Congress directed the General Accounting Office (GAO) to perform an audit of DeCA. The objectives of the audit were to determine if DeCA had cut too much too fast and to review our survey methodology for determining customer satisfaction. The GAO's review found that the cuts were neither too fast nor too deep and, in fact, additional savings might be possible through the use of more part-time personnel. They also validated that the methodology for determining customer satisfaction was reasonable.

**An Agency Transformed:** Today, the organization has essentially completed its transformation from a budget-driven to cost-and-output culture. We are providing greater savings for service members and their families on the goods and services they buy than at any other time in history. We are also operating more efficiently and effectively than ever before. DeCA's strategic plan and performance contract will be more closely aligned with the social compact and have greater visibility under balanced scorecard

review. This plan is the integrating function that clearly links strategic, tactical, and daily tasks throughout the agency.

With a lot of hard work and cooperation from people within DeCA, our industry partners, the Department of Defense and Congress, we have restored the viability of our surcharge fund, raised our level of customer savings to more than 30 percent, put the Agency on a business basis for operation, and increased service and efficiency to new heights, all while improving information technology capabilities and the capital infrastructure.

Increased staffing flexibilities and the multi-skilling of our workforce, to more mirror the private sector, are being implemented. Operating costs have been reduced, unit costs are down, and overhead expenses at management levels above stores have been slashed. All this has been accomplished while receiving all-time high marks from customers in DeCA's biannual Commissary Customer Service Surveys (CCSS). On a 5.0 scale, DeCA scored 4.42 in the April 2003 CCSS. The highest rating was courteous, friendly and helpful employees with a score of 4.68, an increase of 1.6% over the November 2002 survey. Low prices/overall savings increased .9% and checkout efficiency time increased 1.4% over the November 2002 survey. The American Customer Satisfaction Index (ACSI) supermarket survey instrument used for DeCA and the private sector measured companies in the supermarket and retail industry. DeCA's ACSI score is 75. This is equal to the national supermarket industry average (75) for 2002; however, it exceeds the national average for overall retail of 74.6. Although we are not a business we benchmarked well against the supermarket industry.

We now have a strong business case for all decisions, using metrics to accurately measure performance. We are one of only three defense agencies that have received an unqualified opinion or "clean audit" of our financial statements from an independent auditing firm. We have more than doubled investment in facilities with no increase in appropriations or surcharge, thereby increasing store capacity. Information systems are now better matched to commercial standards, and we are working towards parity when measured against our industry's standards.

In doing all of the above, we have linked together Planning, Programming, Budgeting and Execution (PPBE), to demonstrate our commitment to both performance improvement and cost per unit of output reductions. The Agency's strategic plan and corporate objectives provide the road map to ensure the continuation of the commissary benefit.

DeCA pledges a commitment to the taxpayers in the stewardship of their funds and acknowledges a keen awareness of the responsibility to not only spend commissary dollars economically, but wisely, by investing the funds for the right things and in the right way.

**The Strategic Planning Process - 2004:** Using the strategic planning process diagram (Tab C), senior leaders, with representation from all levels of management in the organization, met for a special weeklong strategic planning session in January 2003 to reexamine and discuss DeCA's course for the upcoming years. DeCA continues on the right track for the future – and to preserve and strengthen the commissary benefit!

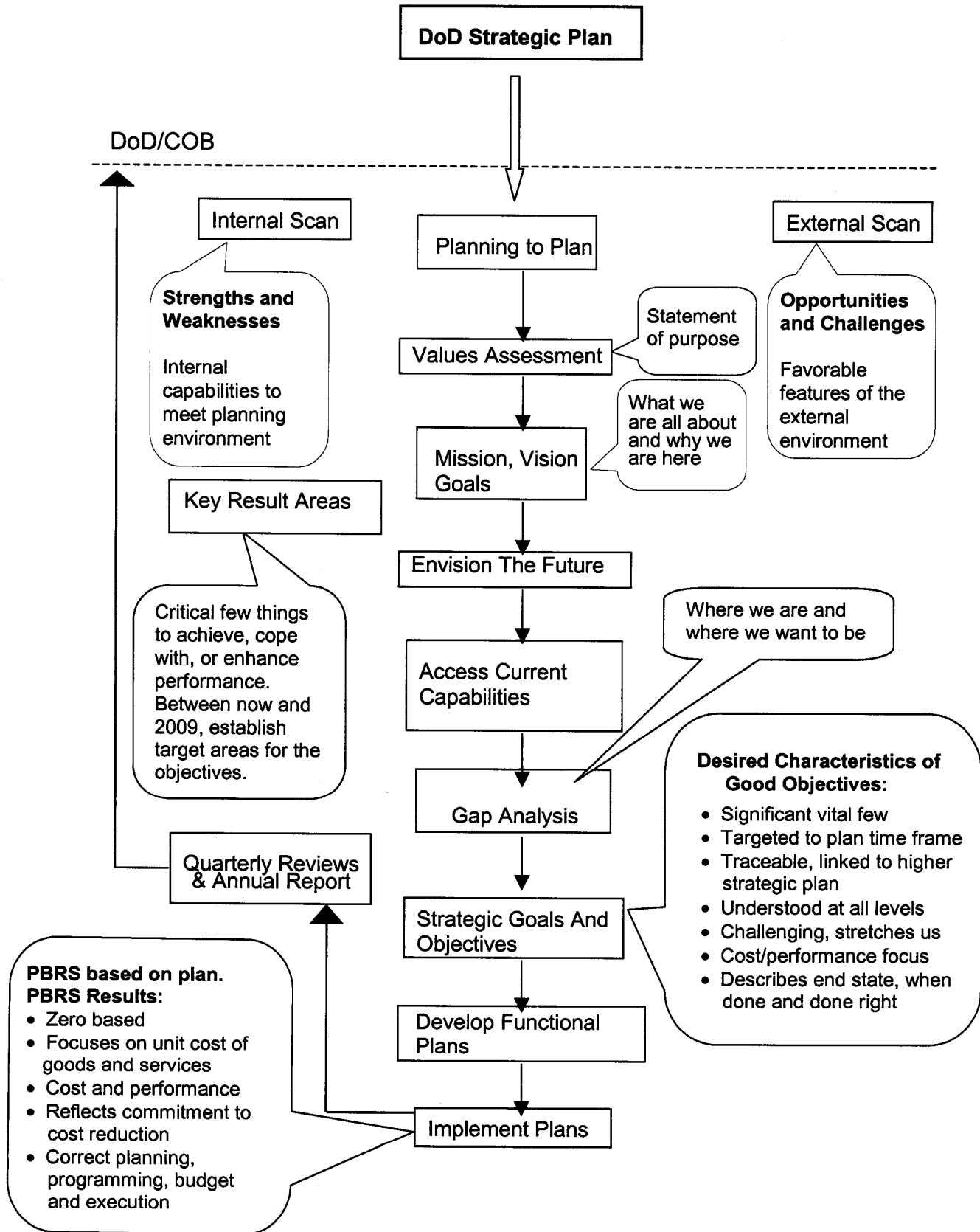


**Tab C**

**Strategic Planning Process Flow**

# Strategic Planning Process Flow

The Model below represents the starting point and process flow for our Strategic Planning Process



**Tab D**

**Mission, Values, Vision, Goals**



## OUR MISSION

### **Deliver The Premier Quality of Life Benefit To The Armed Services Community**

- To Enhance Recruiting, Retention,  
And Readiness
- *By Efficiently And Effectively*  
Providing Exceptional Savings,  
Excellent Products and Superior  
Services

**...EVERY TIME, EVERY PLACE!**



## DECA's VALUES

Our shared values are...

**LEADERSHIP – INTEGRITY – FLEXIBILITY – ENJOYMENT**

**Leadership:** We expect passion, courage and excellence!

**Integrity:** We demand honesty, professionalism and trustworthiness!

**Flexibility:** We cultivate innovation, empowerment and competence!

**Enjoyment:** We foster teamwork, recognition and opportunity!

### **“LIFE”**

These four words, encapsulated in the acronym, “LIFE”, are the corporate values DeCA wants employees to represent as the agency moves forward. The values are the engine behind a new vision that highlight DeCA's commitment to the people who deliver and receive the commissary benefit.



## **DECA's VISION**

**Customers, Workforce, Partners** → **Raving Fans!**

DeCA's New Vision will focus on people – customers, workforce and partners – all working together to create “Raving Fans”

“LIFE” and “RAVING FANS” - These ideals are the impulses that will propel DeCA to achieve its goals of:

- (1) Maintaining the premier quality of life benefit for customers
- (2) Being the employer of choice for its workforce, and
- (3) By setting new standards for best business practices with its industry partners



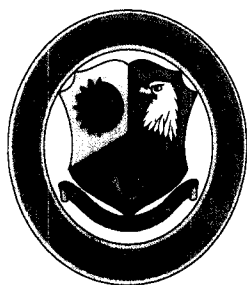
# Goals

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**Customers . . . Premier Quality of Life Benefit**

**Workforce . . . Employer of Choice**

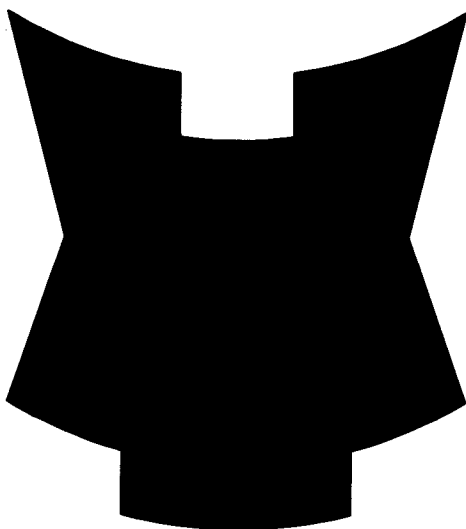
**Partners . . . Best Business Models And Practices**



# DeCA's Corporate Objectives

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- **PEOPLE FIRST**
- **SUSTAIN CUSTOMER SAVINGS**
- **REDUCE UNIT COSTS**
- **IMPROVE TECHNOLOGY**
- **IMPROVE THE INFRASTRUCTURE**





**Tab E**

**DeCA Corporate Objectives**

DeCA's strategic objectives and its business-based mindset remain intact. These objectives have been updated to reflect the goals set forth in the updated FY 2004-2009 Strategic Plan. (Note: Supporting subobjectives and metrics are further defined within DeCA's Corporate Action Plan.)

**Beginning in FY 2004, implement programs (Job Training, Safety Training/Awareness, Security, Background Investigations, Employee Assistance Programs, etc.) that support an improved quality of life for DeCA employees and provide improved customer service for DeCA's customers and partners. By FY 2008, ensure initiatives are fully functioning, Agency-wide.**

### **Customers**

Our customers are number one! DeCA is dedicated to marketing the commissary benefit through effective two-way communication with our patron base, the military community and commissary stakeholders. We are committed to insuring our customers are informed of every aspect of the commissary benefit through publications, WEB distributors, TV events and hands-on outreach events. We are continuously improving commissary customer service and the quality of stock assortment by listening to what the customer wants by assessing the Annual Commissary Customer Service Survey (CCSS) on other food item selections, The American Customer Satisfaction Index (ACSI), and other feedback programs.

### ***Expand Customer Use***

To Expand Customer Use, DeCA employs an aggressive outreach program to increase the commissary benefit awareness in all eligible patrons. We believe our customers have an implicit right to keep more of their hard earned money in their pockets versus spending it unnecessarily on over-priced groceries and health and hygiene products. Our outreach program provides benefit knowledge, education, and awareness of the top non-compensation pay benefit to all active duty military members and their dependents, National Guard and Reserve members, Medal of Honor Recipients, 100 percent disabled veterans, and overseas Civil Servants. Expanding patron use is an important part of preserving and delivering the commissary benefit because it helps to augment patron salary through savings and purchasing power; enhances military readiness by enabling deployment of military forces and providing U.S. products to locations where troops and military families serve anywhere; and improves retention in the Armed Services by serving as a hub of the military community as part of an essential element of the Department of Defense's Social Compact resulting in enhanced military quality of life.

DeCA realizes the importance of the Department of Defense's Social Compact (a "covenant" made with the U.S. Armed Services). Since the commissary provides the top non-pay compensation that directly impacts our military families quality of life, DeCA will remain a key component in the support of Quality of Life (QoL) as a DoD core competency. Further, DeCA remains committed to full commissary benefits for all National Guard and Reserve forces. We are pleased that Congress appears on the brink of enacting a change to the law that will provide these unlimited privileges. DeCA's consumer advocate program serves as a listening post for our patrons and helps to improve communications between our customers and commissary management. The Consumer Advocate maintains relationships with patrons and professional and business related organizations through the use of consumer outreach activities. The Consumer Advocate responds to patron issues and communications to foster positive changes and initiatives from within the DeCA organization.

DeCA is committed to providing those items most important to our customers and pledges to provide them greater cost savings, cleanliness, greater conveniences, a better shopping experience and expanded availability to our customers.

### **DeCA Workforce**

Every DeCA employee is entitled to a workplace that is safe, clean, and secure; where they are respected and valued. The Agency instills in its workforce an expectation whereby every employee thrives to be cheerful and helpful to its customers. To make that expectation a reality, DeCA must take care of the people who take care of the customers, by putting people first. The essence of DeCA's core values is to create "raving fans" of our customers, partners and the workforce.

DeCA requires a multi-skilled, diverse, and adaptable workforce that we can easily expand or contract to respond to market needs. Our managers must be able to adjust the size of their staff as the business cycle dictates. Generally, the people we currently employ possess the appropriate skills and knowledge to complete today's assignments. However, in the future they will need to master new skills in order to perform a much broader assortment of functions and adjust to technological advancements within the organization. We must develop and retain individuals with the needed technical, managerial, executive, and leadership skills and knowledge. In addition, we must compete favorably with the private sector in increasing our efficiency, reducing personnel and overhead costs and improving service output to our customers. We will meet these challenges with a comprehensive approach that benefits both employees and the Agency.

In order to achieve the multi-skilled workforce needed to meet future requirements, we will implement a Future Workforce Plan that identifies all required actions. This plan will provide a consistent process for workforce planning, the elimination of skill gaps at every level, and establish accountability for workforce planning, diversity, and workforce management. We will focus all recruitment, training, and career development efforts to hire and prepare employees for future multi-functional positions.

In view of the actions identified in the Future Workforce Plan, re-engineering from store level up, achieving a multi-skilled workforce, initiating private industry's best models

and practices and reducing above store overhead positions, will create increased savings in FY 2006 through FY 2010.

For employees in the retail sector, being able to shop where they work is a powerful recruitment and retention incentive. It is also a wonderful motivator for doing a great job. DeCA's current capability to offer this great benefit of shopping in the DeCA stores is limited. However, DeCA is attempting to bring this valued privilege to the DeCA workforce.

The Agency will initiate programs such as a Sponsor Program and a fully comprehensive Employee Assistance Program to respond to issues that can have a major impact on the way employees perform on the job.

The Sponsor Program will facilitate the relocation and transition of newly assigned Defense Commissary Agency (DeCA) personnel and their families into the workforce and the geographic area. The Sponsor Program will assist in reducing the apprehension and anxiety normally associated with Permanent Change of Station (PCS) moves. Sponsor's will personally assist newcomers with things such as check-in procedures, introduction to fellow staff members, brief tour of the facility, providing information on area schools, shopping and recreational facilities, vehicle registration, etc.

DeCA's Employee Assistance Program (EAP) allows employees and their family members to have access to a service that will help them handle personal issues. EAP will cover issues such as elder care, financial matters, grief, parenting, divorce or drug and alcohol abuse. A fully comprehensive EAP program gives the Agency the capacity to offer remedies quickly and professionally.

### ***Workplace Safety***

Workplace safety is the highest priority for the Agency. DeCA is ***absolutely*** committed to provide a safe and healthful working and shopping environment. Preventing personal accidents maintains productivity and reduces our workers' compensation costs, and preventing property damage accidents aids in controlling unit costs. Safety is the responsibility of every employee. The more aware employees are of how to perform their jobs safely, the safer our workplaces will become. In-house safety training for our employees enhances safety, and it will equip them with the knowledge of how to encourage their co-workers to do the same.

### ***Security***

In light of the current world environment and the heightened terrorism awareness, DeCA has an obligation to assure a secure workplace for every employee and a secure store environment for every patron. Conducting background investigations and compliance with DoD mandated security criteria and accepted retail industry security practices are very important goals for this Agency. DeCA will commit the resources necessary to meet all necessary security requirements.

### ***Diversity Program***

DeCA recognizes that the available labor force is changing and that the DeCA workforce should be as diverse as the people it serves. Likewise, DeCA recognizes that an effective diversity program will facilitate business and strategic goals. Policies must address business, cultural and demographic dimensions of diversity to shape and pursue the goals of the Agency. The policies will focus on fostering a climate that values inclusion to build and maintain a diverse and highly qualified workforce as reflected in the President's Management Initiatives, and the Office of Management and Budget (OMB) and Office of Personnel Management (OPM) scorecards. Diversity will offer a variety of views, approaches and actions for DeCA to use in strategic planning, problem solving and decision-making.

DeCA's strategy to develop a diverse workforce is based on assessment of workforce demographics and how they reflect diversity at all levels. Goals for improvement have been established in the Agency's Affirmative Employment Program Plan. Activities to recruit and hire candidates will include use of intern programs, student employment programs, the Workforce Recruiting Program and mentoring.

### **Partners**

DeCA is committed to working with its business partners – manufacturers, distributors, brokers and exchange partners – to find and use best business models and practices. We will seek innovative ways to improve distribution and product availability. A first-of-its kind Executive Resale Partnering Session was held in May 2003. Significant factors and issues that have the potential for influencing both military resale and the overall marketplace were identified. An Executive Resale Leadership Forum is being established for discussing resale issues on a regular, recurring basis. DeCA will continue to expand communications with vendors, distributors and industry representatives by giving them more insight into our proposals, operations and initiatives.

**Continue to provide an overall savings to our customers of at least 30% over the commercial grocery and super center competition through FY 2009, while expanding customer traffic and building sales.**

We operate commissaries in a business-like manner, but we are not a business. Best business practices dictate that we attract customers so we can sell in volume and get the best prices from our suppliers. We deliver a benefit to U.S. military forces in places where no one else will. As responsible stewards of taxpayers' dollars, we provide this benefit as effectively and efficiently as the most modern supermarket chains within the country. Our twin objectives, to sustain savings and build sales, both qualitatively describe our business context and quantitatively define the Agency's "bottom line."

Today, we compete in an extremely complex industry, one whose business landscape has dramatically changed within the past 10 years. The rapid introduction of super centers by non-traditional operators has fueled one of the most aggressive food store acquisition periods in history as major supermarket chains have sought to expand their market presence and improve their buying leverage to offset mass merchandiser share growth.

The military market itself is also expected to undergo a dramatic re-structuring over the next several years. Impending base closures, shifting defense strategies, and mission consolidations will significantly reduce the number of commissaries throughout the world. While larger installations may bring higher dollar sales per store, closings may also disenfranchise many current customers or reduce their shopping frequency.

Within such a business environment, meeting objectives requires not only a net improvement to price differentials against industry counterparts, but also an effective program to stimulate customer traffic and build overall shopping basket size. Real sales growth (the driver of total dollars saved) can only come through capturing more of the authorized customers' grocery expenditures. We must attract patrons who do not currently use the commissary, and focus on operational techniques designed to increase shopping frequency through drawing customers for their "fill-in" grocery orders.

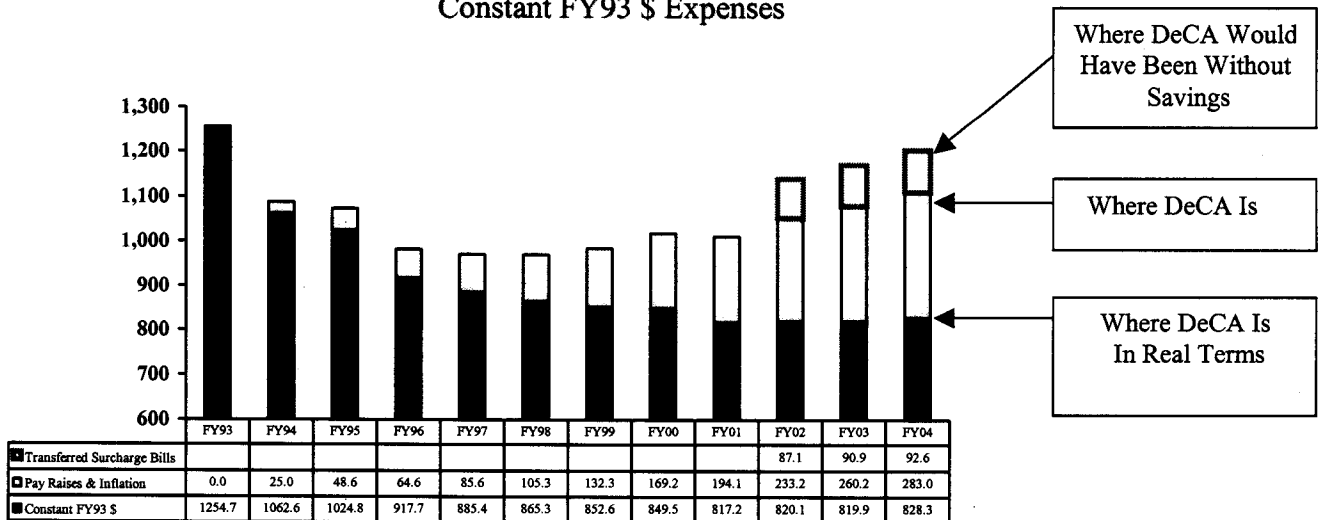
Customer savings form the core of the commissary benefit. Both the level of savings that we provide to the military community and the fact that we deliver these savings to remote locations and overseas environments make the benefit indispensable. While we may improve our stores, use the latest retail technology, and provide the finest customer service, if we do not deliver significant savings we have no commissary benefit. Ultimately, success is measured by the semi-annual price comparison study. During this process, our savings is calculated by comparing DeCA prices to commercial supermarket and super center competition throughout the world. Over 30,000 identical meat, produce, and grocery items are used to compute the overall average savings figure. Our methodology for computing customer savings and our actual savings of over 30% have been validated separately by General Accounting Office (GAO) and Air Force Audit Agency (AFAA) reviews.

**By the end of FY 2004, reduce agency operating unit costs by up to 1% from an FY 2002 baseline without inflation, while meeting or exceeding output, customer service and quality standards. Explore options for further reducing unit costs in the FY 2005 to FY 2009 timeframe.**

Legislation was passed effective FY 2002 that transferred about \$90 million per year in day-to-day store operating costs (e.g. paper bags, utilities and supplies) out of the Surcharge Collections Trust Fund and into the DeCA Working Capital Fund (DeCA WCF) Commissary Operations account. The purpose of the legislation was to ensure that the Surcharge Collections Trust Fund could provide an adequate level of investment in the commissary system's infrastructure both now and well into the future. Although it succeeded in fulfilling that objective, it would also have increased the amount of appropriated funds (APF) needed to operate the commissary system, had DeCA not found ways to reduce the APF required to operate the commissary system.

As a result, the Agency embarked on a vigorous campaign to both reduce the cost of providing the commissary benefit and, using an activity based management approach, reduce unit cost per dollar of sales generated. The benchmarks for both measures were real or constant year dollars that filter out the distorting impacts of pay raises and inflation on actual performance. The following chart reflects the impact these efforts had on the real funding trend for commissary operations:

**DeCA Commissary Operations**  
Constant FY93 \$ Expenses



As depicted in the chart above, DeCA's cost savings initiatives more than offset the additional APF burden resulting from the transfer of the Surcharge bills to the DeCA WCF. Concern over these cost savings and whether DeCA cut too much too fast resulted in an audit by the General Accounting Office (GAO) last year. The GAO found that the cuts were not too much nor too deep.

In view of the magnitude of the current cost savings, any additional cost savings can only be generated through the objective identification and analysis of fundamental changes in the way DeCA is structured and conducts business. Day-to-day operations and service to our customers could severely suffer if further cutbacks were imposed without this analysis. Given this reality and recognizing that DeCA must continually seek efficiencies, DeCA will study other operational and organizational options to improve efficiency and further reduce costs while sustaining customer service and satisfaction metrics.



**Deliver fully integrated capital investment programs that result in operational efficiencies, contribute to improved sales and savings, and exceed the expectations of our customers, workforce and partners. To do this, beginning in FY 2004 we will: deploy leading edge technologies that integrate business processes, enhance agency performance and promote interoperability throughout the military resale system. By the end of FY 2007, DeCA will migrate essential business legacy systems to interface with a common data repository.**

Employing technology as a strategic tool is crucial to DeCA's desired business outcome: a commissary benefit that not only improves the quality of life for service members and their families, but at the same time minimizes the cost to the American taxpayers. Each of DeCA's Information Technology (IT) initiatives must support the sustaining commissary savings, improving service, and lowering operating costs. Our systems must not only be easily accessible to our workforce and business partners, but also contribute to a pleasant shopping experience for our deserving patrons. These systems must also allow faster adoption of "best of class" technologies, and provide our managers real-time decision making information on their desktops.

DeCA, like most government agencies and supermarket chains, is working hard to reduce costs and maximize the productivity of its employees through strategic investments in information technology. DeCA has made considerable investments to modernize or replace its stove-piped, and expensive to maintain legacy systems. Great strides have been made to consolidate and automate our major business processes such as pricing, ordering, receiving, bill paying, connecting the "front end" to the "back end" in our stores, and automating Central Distribution Centers (CDCs). Actions are under way to further reduce hardware and software maintenance costs by consolidating the processing centers and further eliminating legacy systems as the agency moves toward the DoD standard architecture. Aggressively moving toward more modern platforms and data management strategies will continue to save considerable operating expense and allow the agency to operate as a fully integrated enterprise. By modernizing the technology infrastructure, DeCA will reduce the equipment and human effort required to produce decision support information, enhance supply chain management, and ultimately, optimize delivery of the benefit to our patrons.

To this end, we have expanded the IT governance concept within the capital planning and investment process for project definition and prioritization by the primary stakeholders. A Technical Review Board has been implemented to ensure that each proposed project:

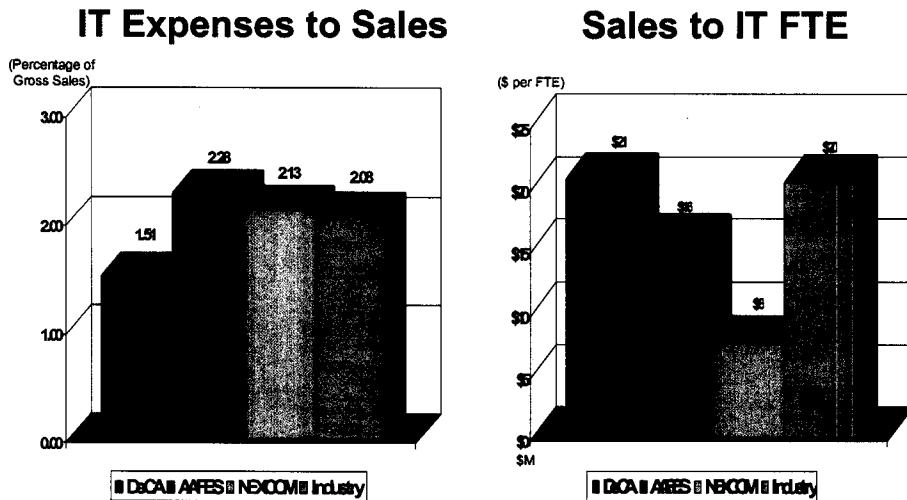
- Fits the DeCA IT baseline strategic architecture plans,
- Meets information assurance security measures, and
- Identifies the cost, schedule and technical performance requirements for each of the IT disciplines

We have instituted a standard system-engineering tool set to provide discipline and ensure repeatable processes in the management of the life cycle phases of requirements definition, design, development, testing, and implementation. Newly implemented Service Level Agreements provide a means to identify, review and approve detailed costs for each system, as well as enterprise level IT assets.

IT has increased efforts to improve the infrastructure supporting our information systems and business operations. Many network and phone system upgrades are under way. We are continuing the planned 3-year refresh cycle for desktop computers that now includes the capability to support newer operating systems, expanded web access, and Public Key Infrastructure (PKI) features such as the DoD Common Access Card. With vigilance, we continue to monitor our networks for intrusions, tighten our firewalls, and deploy leading edge encryption technology. These initiatives ensure that data is kept secure, and more importantly, that customers' personal data is not compromised. We have applied substantial resources toward achieving DoD information assurance certification and accreditation for all agency systems and networks.

Deploying efficient and effective information technology will enhance our ability to preserve, improve and expand the use of the benefit. Every IT effort will focus on our commitment to integrate business processes, enhance agency performance and promote interoperability throughout the military resale system – to continually improve our IT productivity metrics as indicated below.

## Comparison To Counterparts



From DeCA Parity Study, done by Greentree Group, dated April 2002  
 Industry data from Gartner Group Survey dated 2001. Gartner, Inc. is a well-renowned research and advisory firm that helps clients understand technology and drive business growth.

**Deliver fully integrated facilities programs that result in operational efficiencies, contribute to improved sales and savings, and exceed the expectations of our customers, workforce and partners. Provide resale facilities that are conveniently located, properly sized, configured and maintained. By the end of FY 2009 eliminate the facilities backlog.**

Our customers expect to shop in bright, clean and attractive stores comparable to world-class supermarkets. They look for and deserve outstanding customer service, and quality products throughout the facility, especially in the perimeter areas of produce, meat, deli and bakery departments. They also deserve well-designed, constructed and maintained commissaries that are sized to handle the customer traffic and conveniently located at each location.

We substantially increased our pace of construction, maintenance, and repair. By employing our facilities prioritization model that addresses the facility condition, operational needs, long-term patron base, and the “quality of life” needs of the military community; we are making sound business-based investment decisions. Our project definition process includes active participation of all stakeholders directly involved in the planning, design and construction of a commissary project. Stakeholders’ roles and responsibilities are captured in formal partnering agreements that result in a commitment to excellence. Also, the project delivery process has been reengineered to ensure the delivery of projects within cost, schedule, and with quality performance.

We provide the military community a world-class supermarket every time we build and open a new commissary, but that is not enough. It is also vitally important that we assess existing facilities and equipment, and bring them up to “new store” level. Our stores must have the proper layout and state-of-the-art component equipment to minimize downtime and reduce the overall operating cost. We will maintain a pace of construction, maintenance and repair to eliminate the construction backlog by the end of FY 2009. As we do this, we will ensure each store is properly sized to best serve its market area, and continue to “right-size” the total number of commissaries. This includes building stores in new locations where we should be serving the military, and closing stores where they are not needed. We will strengthen our partnership with the exchanges with the objective of pursuing joint construction opportunities and integrated operations where feasible. By the end of FY 2005, we will complete the deployment of a décor upgrade package to increase the appeal of commissaries to our patrons. The success of our efforts will be measured annually using defined metrics for assessing facility condition and through analysis of the results of customer satisfaction surveys. The success or appropriate level of infrastructure investment is measured by the facility recapitalization rate. The current recapitalization rate of 20.6 years is our continuing baseline.