

**STATEMENT OF  
RICHARD S. PAGE  
ACTING DIRECTOR, DEFENSE COMMISSARY AGENCY  
BEFORE THE  
MILITARY PERSONNEL SUBCOMMITTEE  
OF THE  
COMMITTEE ON ARMED SERVICES  
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Mr. Chairman and Members of the subcommittee, it is my pleasure to appear before you to provide the update of the Defense Commissary Agency's (DeCA) performance this past year. The commissary benefit continues to remain strong, providing exceptional savings and service for the men and women who proudly serve our great Nation! The improved processes put in place over the past several years allow us to increase the value of the benefit while keeping costs constant. The 18,000 employees who operate the commissary system and do such a great job running our 259 stores worldwide continue to be a source of personal pride as they efficiently and effectively provide one of the Department's most desired benefits. Our employees have readily accepted our newest challenge to deliver the commissary benefit to those Guard and Reserve personnel not located in close proximity to one of DeCA's commissaries. Those Guard and Reserve families, who have been asked to sacrifice so much for this Nation, truly deserve our efforts to provide the commissary benefit through on-site sales—taking the benefit to them!

We had another impressive year in 2007 and once again our numbers say it all—sales continue to grow; the cost of delivering the commissary benefit, both in actual and in constant fiscal year 2000 dollars, came in under budget; customer service and patron savings levels remain steady. Our patrons continue to express their appreciation for the commissary benefit with their wallets. Our annual sales totaled \$5.54 billion in 2007, a 2.2 percent increase over 2006; and thus far in 2008 we're already up over \$100 million more than for this same time period in 2007. Increased sales numbers are important not from a bottom line profit perspective, but, as a measurement of merit of how well DeCA is doing in providing the commissary benefit. At the same time our costs again came in under program as we continue to find more efficient ways to increase the value of the commissary benefit to our patrons. The value they hold the commissary benefit in was again confirmed by our patrons who rated their overall customer

service satisfaction a 4.60, on a scale of 5, which is the practical limit of perfection. Our patrons continue to believe we are doing it right! Again this year our internal measures were validated externally by the American Customer Satisfaction Index (ACSI). DeCA's FY 2007 score, for the third year, remains at 77, and continues to be higher than the ACSI commercial supermarket industry average of 76, again behind only a single supermarket chain. Customers reported to ACSI that DeCA's strengths are: perceived quality, perceived value, low customer complaints, and customer loyalty.

However, customer savings continue to be the heart of the commissary benefit. It is this level of savings and the fact that we deliver commissary items at the same price to all locations, including remote locations and overseas, that make the commissary one of the most highly prized benefits provided military families. The savings of 31.9 percent amounts to \$3,000.00 per year that an average family of four could save by purchasing their grocery items at their commissary. Of course, attaining this level of savings would not be possible without the tremendous support our extended team of trading partners—manufacturers, distributors and brokers—provide in the pricing and promotion of products. I would like to take this opportunity on behalf of DeCA and commissary patrons everywhere to publicly acknowledge and thank all of them for their support of the commissary benefit.

DeCA continues to demonstrate the governance attributes of a successful governmental entity. Of significance again this year is DeCA's Internal Control program. For the last two years, DeCA received the DoD "Check It Award of Excellence", for receiving one of the top scores in the Department for its Statement of Assurance. This is an acknowledgment that DeCA's internal controls and its systems for testing their effectiveness are some of the best in the business. In 2006, DeCA was the sole recipient of the award. For 2007, two other DoD entities

were honored with this prestigious award along with DeCA. In addition, in fiscal year 2007, independent auditors gave DeCA its sixth consecutive “unqualified opinion.” In business, an unqualified opinion says that an organization’s financial statements accurately represent the firm’s financial standing as measured by the accepted accounting principles in the United States. The unqualified opinion puts DeCA in a select group with only three other DoD agencies that have received six consecutive unqualified or “clean” opinions.

We continue to use Lean Six Sigma to refine business processes and to instill an ongoing culture change which is in alignment with the DoD-wide Continuous Process Improvement (CPI) Initiative and our Strategic Plan. The Agency is continuing to focus on CPI to streamline our processes, reduce redundancies, and eliminate unnecessary steps. The projects that have been identified for streamlining processes are in various stages and are already delivering more effective and efficient support to our stores. More importantly, however, is that the resulting process improvements have compensated for “salami slice” manpower reductions previously taken and mission increases.

The driving factor behind DeCA’s continuum in reengineering is the need to position the Agency and its workforce to successfully meet future challenges including: 1) base realignment and closure actions, 2) A-76 competitive sourcing, 3) Global Defense Posture Realignment (GDPR), 4) technological advances, and 5) changes in the market place. We must ensure an effective above-store structure, focused on delivering services and products that best support the stores so that we can continue to provide an efficient commissary benefit.

Ever mindful that commissaries solidify the nation’s commitment to its military by providing a non-pay compensation benefit for active duty military personnel, guard, reserves, retirees and their family members, our Strategic Plan continues to be the “living document” that

ensures the commissary remains relevant, responsive, and recognized as an important quality-of-life benefit by our patrons and stakeholders. Two key initiatives developed in this plan are expanded Guard and Reserve support and increased support for military families and wounded warriors. Of course, as we continue planning and implementation, our strategic focus continues to be to provide the best possible benefit while controlling cost to the taxpayer. This means we need to become more innovative in process improvements and take advantage of technological advances. We need to envision what the retail food industry will look like in the future and make good judgments on what we must do to be a leader in this emerging marketplace. We assess our progress and performance through an integrated forum with a corporate focus on the effectiveness and execution of the Agency's strategies, initiatives, and programs to review progress and performance results at all levels. It serves as the executive assessment of the "Health of the Agency" and is a checkpoint to see if we are "on the right track and doing the right things" in providing the commissary benefit to our customers efficiently. This process allows executive and senior leadership to make better informed decisions and course adjustments that may be necessary to refocus the Agency.

For 2008 DeCA has four strategic initiatives: Focusing on people; supporting the Guard and Reserve; going "greener"; and increasing cooperation with the Exchanges.

**Focusing on People:** One of DeCA's strategic goals is to transform the workforce to become more agile, knowledgeable and motivated so they may provide exceptional customer service. In fact, workforce development includes the largest investment in training at store level in the Agency's history. We recognize that to be successful, the Agency must focus on a comprehensive plan that allows us to attract, develop and retain high performing employees by expanding our talent pool. We are particularly interested in attracting individuals who have an

investment in the Military Services and the commissary, such as wounded warriors and military family members. As part of our effort to give back to the community and the patron base we serve, we are hoping to hire 50 wounded warriors within the next few months. Further, while 38 percent of our workforce is currently composed of military family members we would like to see that number continue to expand. We believe this investment is not only beneficial as mere employment opportunities for those individuals, but also provide a significant improvement in the delivery of the commissary benefit. These individuals not only understand the sacrifices our patrons have made, they have a personal stake in improving the success of the commissary benefit.

To that end we have established a recruitment cell designed to centralize recruitment worldwide. Recruitment efforts will target a variety of sources such as military spouses, wounded warriors and disabled veterans, students, and U.S. citizens who possess retail experience. At store level, the recruitment cell focuses on the large student population, many of whom are military spouses and family members, currently employed by DeCA. The goal is to utilize the Student Education Employment Program as a vehicle to develop our future leaders. We currently have over 2000 students in our stores and our plan is to convert a number of high potential and interested students to the Student Career Experience Program and, ultimately, employ them as management interns in the stores. As students graduate and are hired as management interns, new students will be hired to replace them. A constant flow of students addresses the aging workforce challenge, allows us to attract the right people for the right job, and reduces vacancy fill time. At above-store level, where many more technical disciplines are involved, the recruitment is focused on the needs of each process owner.

**Supporting the Guard and Reserve:** Our Guard and Reserve efforts are two fold—outreach or education aimed at enabling members and their families to “Discover Your Benefit” and expanding their access, allowing them to take advantage of their commissary benefit.

The “Discover Your Benefit” campaign emphasizes learning about *all* that DeCA offers and the materials provided are designed to reinforce the classic messages about the benefit, such as savings and Quality of Life, while introducing newer messages, such as nutrition, health and wellness. Our outreach efforts included providing exhibits at Guard and Reserve conferences; mass mailing of coupon booklets directly to Guard and Reserve units; promotion of the commissary benefit through numerous Guard and Reserve magazines; and meeting with Guard and Reserve commanders. We have met with the senior Guard and Reserve leaders seeking their guidance on how best to improve communications. In all of these meetings, DeCA received an enthusiastic reception for our efforts and commitments to support our expanded communications plan.

Expanding access is our effort to provide services to Reserve and Guard units that are not located at an installation where there is a commissary. The initial effort comprises on-site sales at Guard and Reserve centers. In 2007, on-site sales were held at 21 Guard and Reserve locations, providing approximately \$1.6 million worth of commissary products, at savings of more than 30 percent, to Guard and Reserve families. DeCA has met with Reserve and Guard leadership to further identify other locations for on-site sales that will maximize delivery of the benefit to geographically dispersed members. Our schedule shows we have already surpassed the goal to conduct 100 of these sales in 2008. By 2010, we expect that number to expand to over 400 on-site sales, as we implement a recurring sales program at these on-site locations affording these deserving personnel access to their commissary benefit. We are also planning to support Guard

and Reserve families by hiring family members to assist at the on-site sales, providing them an opportunity to earn additional family income. Unexpectedly, our efforts have not been as successful as we had hoped as many family members continue to inform us they would rather shop than work! We are working out the details so they can do both.

While on-site sales certainly provide access to the commissary benefit, we are also actively working system changes to the Virtual Commissary, our Internet sales outlet, to support Guard/Reserve location sales. Much like any purchase made over the Internet, this web-based enhancement will allow authorized patrons to select from an assortment of products offered in support of the location sale, pay for those products using a credit or debit card and accept delivery at the Guard/Reserve location. It is hoped these pre-paid Internet sales will allow DeCA to increase the support to the Guard and Reserve while reducing the resources required to conduct on-site sales.

Our trading partners are enthusiastically supporting these Guard and Reserve events, but have also taken the demonstration of their support to a new level. For example, over the 2007 holiday season, a number of our suppliers, recognizing the additional sacrifices that Guard members have encountered, donated \$95,000 in \$100-Certifichecks for Guard members to spend in commissaries. Keep in mind that the 30 percent commissary savings means that this \$95,000 donation is actually worth more than \$120,000 to Guard families. The checks were made available through an effort spearheaded by the American Logistics Association, a trade group representing military trading partners who support commissaries, and distributed by the National Guard Bureau to the units across America whose members were deemed most in need.

**Going Greener:** The Defense Commissary Agency established an Environmental Management System in December 2005, which continually evaluates important Agency



environmental aspects impacting business practices. Again our efforts are on two fronts—those that effect our operations and those that affect our customers. We have learned that being environmentally friendly not only helps conserve resources but can be monetarily rewarding for a business as well. For example, the energy efficient lighting and refrigeration features we include in new and renovated stores have enabled us to reduce energy usage sufficiently to control our overall energy costs at a time when energy prices continue to soar. In FY 2007, we adopted a program to reduce the Agency’s solid waste and at the same time produce revenue. Called “Trash for Cash” this program recycles the considerable amount of cardboard and plastic wrap DeCA receives each day with the delivery of product from its suppliers. In 2007, this recycling effort netted \$3.7 million which went into the surcharge coffers. We expect that figure to approach \$5 million in 2008.

In 2008, we launched our customer environmental awareness campaign – promoting specific products that are environmentally safe. Our environmental product focus built on our successful sale of organics which we first introduced as part of the health and wellness program. Over the past few years DeCA commissaries more than tripled the number of organic products available on their shelves. With the growing customer acceptance of organics in commissaries, we ventured into other areas. With Americans becoming more environmentally conscious, and following a European model, we introduced reusable cloth grocery bags strong enough to hold 30 pounds of groceries. These 70 cent bags have proven to be phenomenally popular with commissary customers and we have sold over 600,000 of them since their introduction at the end of October 2007. The growing use of the reusable bag by commissary patrons will not only reduce the number of plastic and paper bags disposed of in landfills, but DeCA’s operating costs as well as we reduce our requirements for disposable bags. In fiscal year 2007, commissaries

spent more than \$20M on plastic and paper bags. If one-tenth of commissary shoppers switched from paper and plastic to reusable cloth bags, the agency would save more than \$2 million annually—money that could be used for other programs to increase the value of the commissary benefit without increasing its cost.

**Increase Cooperation with the Exchanges:** DeCA and the exchanges have entered a new era where we actively seek to cooperate and de-conflict our programs whenever the opportunity arises. A prime example of cooperation that strengthens the entire military resale community occurred last holiday season. DeCA and AAFES assisted each other in getting the word out on specials the other was offering. An AAFES employee handed out AAFES flyers in the commissary featuring their after Thanksgiving sales and a DeCA employee handed out flyers in AAFES featuring holiday promotional items and pre-Thanksgiving Day operating hours in commissaries. This simple bi-lateral advertising initiative provided great benefits for DeCA, AAFES and our patrons. AAFES reports having the best “Black Friday” ever in terms of sales, while DeCA had the highest single day sales to date, over \$11 million, for the Saturday before Thanksgiving.

DeCA and the Exchanges are also teaming on promotions and parking lot sales and many successful events with AAFES, NEXCOM and the Marine Corps Exchange have already been held. Too often in the past our promotional events have conflicted when both promoted similar items. By sharing our promotional calendars and upcoming major sales events we are able to develop complementary sales programs that benefit both the military resale system and our customers. For example, a DeCA beef promotion may be complemented by an exchange promotion on grills. The Exchanges have already expressed great interest and plan to join DeCA at many of the on-site sales planned at Guard and Reserve locations.

A number of DeCA programs continue to provide value to our patrons and should be mentioned.

**Food Safety:** The American food supply continues to be among the safest in the world and Service members and their families who purchase goods at the commissary can be assured they have a safe food supply chain. In fact, DeCA has one of the best food safety programs of any retailer in America. First, we only buy products from DoD approved sources. DeCA monitors the established recall system of the Federal Government, [www.recalls.gov](http://www.recalls.gov), 24-7 so it can rapidly respond and notify patrons through our website and notices posted in our stores almost immediately after a product recall is announced. The next line of defense forms at the commissary. U.S. Army Veterinary Command or U.S. Air Force Public Health personnel perform scheduled sanitary evaluations of DeCA facilities to ensure that they comply with the model Food Code administered by the Federal Food and Drug Administration. These inspections begin when the food arrives at the commissary or central distribution center and continue until it is purchased by the customer. The responsibility to inspect products on the shelves is reinforced by store sanitation coordinators who manage all food safety efforts within their particular commissaries. They work with the military food inspector, vendors, and store workers to ensure all food is received, stored, and displayed safely. In most cases, medical food inspectors from the U.S. Army Veterinary Command and U.S. Air Force Public Health maintain an office right on the receiving floor of commissaries and distribution centers.

As an additional safeguard, we also have recently developed a program which allows us to centrally lock out products to prevent their sale when the entire UPC is recalled. If recalled product happens to slip through and not be pulled from our shelves, when the product is scanned

as the customer checks out, our cash register system will not process its sale and notify the customer and our cashier that the product has been recalled.

To bring added awareness to our patrons, DeCA has joined with the U.S. Department of Agriculture, the Partnership for Food Safety Education, and its industry partners to bring the food safety message to the customer. We have designated April as Food Safety Month and will be making a concentrated effort to increase food safety awareness in the military communities DeCA serves. Our patrons will find food safety messages posted throughout our stores, with proper cooking tips. In many stores, Army Veterinary and Air Force Public Health officials will also be on hand to provide food safety advice.

**Nutrition, Health and Wellness:** One of our largest campaigns in recent years has been “It’s Your Choice, Make It Healthy”, providing information to customers in an effort to help increase awareness and provide dietary guidance. In the process of becoming the nutritional leader for the military and their families, DeCA is using this program and working with DoD to address health and wellness issues. DoD has identified a need to address the issue of overweight personnel in the military. According to the Dietary Guidelines for Americans, developed by the Department of Health and Human Services and the U. S. Department of Agriculture,, 24% of all military personnel are classified as overweight. There is an increased risk associated with overweight and chronic diseases such as diabetes, hypertension, and heart disease—all of which are leading killers in the United States.

A significant part of the It’s Your Choice Make It Healthy program is the new and improved [www.commissaries.com](http://www.commissaries.com) website. On the website the DeCA Dietitian has an interactive forum where patrons can post questions and get a response. Questions frequently posed concern diabetes and weight management. More and more shoppers are asking for

guidance on how to lose weight and maintain weight loss. Reserve and National Guard customers are also being referred to DeCA for advice and assistance in weight management through a link on the Army Weigh to Stay Program. Conducted on-line, the Army Weigh to Stay Program regularly promotes the dietitian section on the DeCA website to its more than 500 program participants.

Other tools used to reach customers include the health and wellness promotions conducted on military installations worldwide:

- Health & Wellness Promotion Events held at the installation level where free samples of a variety of fruits and vegetables are offered along with educational information on the benefits of eating them and fitness contests held by the installation fitness centers personal trainers.
- Over 80 health screenings, providing blood pressure checks, body mass screenings and health education to customers have been held in DeCA's stores.
- The formation of a Health and Wellness Promotion Group, which consists of 23 military and civilian dietitians throughout the world, that work with commissaries conducting health and wellness events.
- During National Nutrition Month, this past March, commissaries worldwide kicked off the "Walk into Wellness" Campaign. Installation health promotion staff and our produce partners promoted walking towards good health in the commissary. This campaign is to promote walking for 30 to 60 minutes or 10,000 steps a day as recommended by the 2005 U.S. Dietary Guidelines and health experts.
- A partnership which provides healthy eating and living information to students in DoD Dependent Schools.

- Promoting Military OneSource’s ‘Healthy Habits Coaching’ program by displaying banners in commissaries. OneSource offers considerable health resources including health calculators, health library, weight loss toolkit and information on fitness and nutrition, finding health resources, managing stress, healthy recipes, and children’s exercise and fitness.

**Giving Back to the Community:** Since the program started in 2003, the industry that supports commissaries and the general public have provided nearly \$14 million to military families under the Gift to Groceries Program. In addition, to providing donations directly to service members, or through one of charities—Operation Homefront, USO, Air Force Aid Society, Fisher House Foundation, and Operation Interdependence—who distribute them to military families, commissary Certifichcks have been a popular industry funded tool for use as give-aways at grand openings and other outreach events. A Certifichck is even included in each backpack provided wounded warriors when they visit the Pentagon as part of the Army’s Wounded Warrior Program.

The Scholarships for Military Children Program remains a cornerstone of the commissary’s involvement with local military communities. Since its inception in 2001, the program has awarded more than \$5.5 million in scholarships to 3,532 children of military families. Funded by industry and individual donations and administered without cost by the Fisher House Foundation, the goal of the program is to award a minimum of one \$1,500 scholarship at each commissary location that receives applications from students. The educational achievements a few of the military children who received a scholarship in 2001 and 2002 illustrate the value this program provides:

Eleanor Carr, 2002 scholarship recipient, earned a bachelors degree in international peace and conflict resolution with a minor in Spanish, American University; currently a first year law student focusing on international law, Columbia University; earned full grant to do human rights work abroad, summer 2008.

Mark Thomas, 2002 scholarship recipient, earned a bachelors degree in theology, music and philosophy (3.96 GPA, Phi Beta Kappa), University of Notre Dame; currently a Senator Jacob K. Javits Fellow at Boston College, Mass., working on a doctorate of philosophy in religion.

Kendy Hornack, 2002 scholarship recipient, earned a bachelors degree in international business and finance (summa cum laude, USF honors graduate), University of South Florida; currently a Fulbright scholar studying European central bank policy and the euro's effect on the German economy.

**Produce Procurement Completed:** The change in our produce procurement methodology mentioned last year is now fully implemented and provides the superb quality and amazing savings we had sought. Our produce savings now average 40.2 percent compared to 31.7 percent in 2006, the last year before we had embarked in this produce transformation. While overall retail grocery sales have been flat, our produce sales increased 6.44 percent in fiscal year 2007 and have been even more vibrant in the first five months of fiscal year 2008 increasing an additional 8.27 percent over 2007's record breaking year. Because of the improved quality and improved merchandising support that meets or beats that available from commercial retailers, the produce department now leads all other commissary departments in the percent of sales increase. Where commissary patrons previously purchased their produce elsewhere, they are now returning to the commissary for their produce needs. We not only find commissary

patrons coming back to the store more often, in lieu of doing their fill in shopping off installation, but the improved produce quality is also responsible for building complementary sales across store.

Since last years update, the anticipated drain on the surcharge fund because of BRAC and Global Defense Posture Realignment (GDPR) actions is nearing resolution as the Department seeks BRAC funding for those commissary projects required to implement BRAC and military construction (MILCON) dollars for the projects necessary due to restationing initiatives. While rising construction costs—an increase of 44 percent per square foot since 2003—still challenges the surcharge account, this departmental decision has eased the stress on the surcharge program immensely.

As you may recall, DeCA had anticipated completing its deployment of our Workforce of the Future by December 31, 2008. Unfortunately we will be unable to meet that time schedule. Our Workforce of the Future model depended upon the ability to restructure the workforce by transitioning employees from the limited set of duties set forth under the General Schedule, such as a cashier, to more flexible duties such as those accomplished by a store worker in a civilian supermarket. This required that we use the reduction-in-force tool to properly restructure the positions. However, recent revisions to NSPS no longer allow us to use the automated reduction-in-force tool and would force us into a manual process. This manual process is very time consuming and labor intensive; and, with the consolidation of our personnel service center with that of the Defense Logistics Agency under BRAC 2005, to attempt this transition makes our change to the workforce of the future virtually impossible. Consequently, we will complete the necessary transition by filling vacancies that result from attrition with workforce of the future positions as they become available.



In closing, the administration and operation of the commissary benefit has never been stronger. We recognize that commissaries deliver a highly valued component of military compensation and they bring a morale-building “taste of home” feeling by providing familiar American food products in overseas locations where such products are often unavailable. The employees of DeCA are proud to serve the most deserving customers in the world and we are particularly privileged to be entrusted with helping care for the welfare of the families of those who are serving in harms way!

It has been my pleasure to have the opportunity to tell you about the great things DeCA has accomplished this past year and of its contribution to the quality of life of our military families. I will be happy to answer any questions you may have.