



Behind the

Magic

Getting the exchanges and commissaries holiday-ready requires advance work and planning but seasonal sales depend on it. By Pamela Mills Senn

You know the type—those super-organized folks that even before summer wanes away, have done most of their holiday shopping, planned their menus and have decided upon what decorations are going to go where. How annoying for the rest of us less-together souls who, for example, only realize just as the guests are arriving that the turkey is still frozen or who end up spending miserable hours standing in line on Christmas Eve buying gifts along with all the others who have taken the same last-minute approach.

Fortunately for exchange and commissary patrons, those in charge of readying the stores for the holidays fall into the former, non-slacker category. In fact, says Charlie Dowlen, promotions manager for DeCA, as soon as the holidays are over, they begin the planning process for the next year. “We start with reviewing the sales numbers for the seasonal holiday packages. Then we take holiday presentations in January through March by segment for the upcoming Thanksgiving/Christmas holiday season,” Dowlen says. “Promotional packages are published to the commissaries and the industry within a month or so after presentations.”

For Arlen Miller, AAFES senior advertising production manager/marketing and advertising, the planning process gets going in February with a “lessons learned” meeting that brings together all the directorates, such as buying, store operations, marketing, logistics, branding, region executives and so on. “This is a top-to-bottom review of all the efforts from promotion/marketing, to individual items that did and did not sell well,” Miller explains. This is followed by a series of brainstorming meetings, or “Stop, Start, Continue” discussions, he says. In these meetings they determine what strategies/tactics did not bring the desired results and should be discontinued (the stop); what they need to start doing that they didn’t do in the previous season (the start); and what practices worked and should be continued as is or with a little tinkering (the continue).

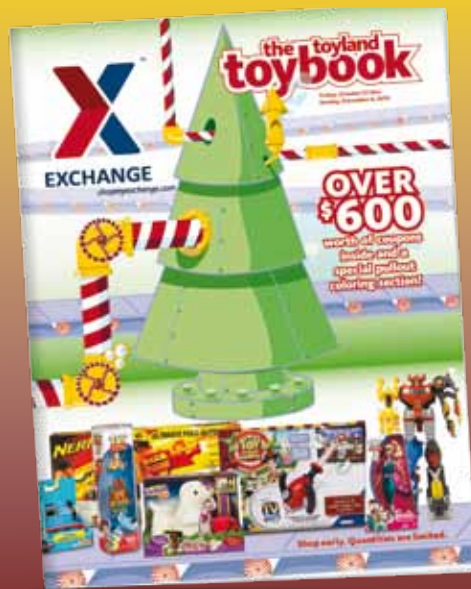
Miller’s department is responsible for preparing the in-store promotional advertising and collateral, developing the overall look for holiday signage, departmental sign kits, contests, gift cards, gift bags, direct mail, weekly sales tabloids, Black Friday tabloids and other materials such as the Toy catalog. “Plans for the 2011 Toy Book are already underway and designers are already working on the project,” he says.

By June, they begin meeting with their internal customers in buying and store operations to finalize plans for the fourth quarter and in particular for Black Friday. “Our largest planning effort goes into programs to promote and support sales on Black Friday and the Saturday following Thanksgiving,” says Miller. “All of these pieces are completed and in the mail and stores by November 1st.”

The close of spring marks the time when they begin plotting the strategies that will turn their exchanges into a holiday feast for the eyes, says James Taylor, visual merchandising manager for the MCX. “With a complete transformation on our hands, the need to outline specific details for merchandising, product assortment and store appearance changes becomes absolutely vital,” he says, adding that this year their holiday theme is red, white and gold. “These directional packets go out to all stores every season with specifics on operational requirements, merchandising expectations, advertising/marketing highlights and visual transformation.” Stores receive these packets by early July, in time for a September 15th execution, Taylor says. Their efforts to drive holiday shoppers began in late October with the launching of their Toyland ad.

TAKING ACTION

“The most challenging part of the process is to distill all the information from all directions into workable action plans,”



For AAFES their holiday advertising centerpiece is the annual Toy Book. Planning begins over 12 months out.

says Miller, adding that this process has become even more complex, thanks to their “major rebranding effort,” which had its official launching with the “Brand Opening” of the Tinker AFB exchange this last September. “So, in addition to all the other details that need to be put in place to make the fourth quarter a success, we are re-evaluating everything we do in relation to our new brand standards and strategies,” Miller adds.

Coordinating this effort, and getting all those involved on the same page, is an enormous undertaking. “All parties have to be involved in the process,” says Taylor. “Buyers search for the right product at a great price, advertising and marketing create unforgettable ads and marketing strategies to draw the customers into the stores, vendors provide product knowledge to both the associates and the consumers, and associates at store level put all of this in motion.”

Approximately 90 days out from the seasonal launch, the entire visual merchandising staff meets to develop an action plan. Once they’ve reach an agreement, says Taylor, department heads communicate the plans to their staffs. “Our prime objective is to be consistent, provide uniformity and ensure that all material delivered to commands relate,” he explains.

Stores utilize 30-60-90 degree planning—this approach lets them know what is 30 days out, 60 days out and so on, Taylor says, adding that store personnel face their own particular challenges when it comes to holiday merchandising, such as managing the inventory correctly and ensuring in-stocks—common to retail as a whole, he reminds, especially during this busiest of selling times.

“Mass out your tables while ensuring they don’t look cluttered or busy,” he says, providing advice for store associates. “Restocking throughout the day will be vital and all stores must have teams in place. “Management involvement is key, and daily departmental tours will ensure fourth-quarter success,” he continues, making it sound as if they are preparing for battle, which in a way is true. “Presentation will be essential throughout all categories and will entice customers to buy.”



AAFES takes their holiday spirit on the road with this spectacular Toyland themed wrapped trailer. Not only does the trailer deliver goods to the store it delivers a powerful advertising message.

ACHIEVING RESULTS

For AAFES, the season gets going with the opening of Toyland the first week of October, an event stores start preparing for in September. “This is when the store managers and visual merchandisers really start to feel the effects of all the promotional and supporting collateral that began rolling out pretty much nonstop through the end of the year,” he says. This is also when the stores, who have provided feedback to their regional executives about the outcomes of the previous year’s sales during the planning process, can see the results of the role they’ve played, Miller says.

In addition to inputting on promotional packages, AAFES buyers also establish their sales goals for the various commodity groups, doing this about a year in advance but refining these targets and projections as market conditions and consumer trends change, and hot new items are introduced. “Like any other large retail operation, we have dreams of a great Black Friday kickoff to the holidays,” Miller says. “We are fortunate to have a competitive advantage with our food courts that will be open early. Customers who come to our 4:00 a.m. Black Friday sale event will have access to restrooms, food and beverage and a warm place to sit—much more appealing than standing in line in the cold at our competitors’ stores,” he adds.

This is key, because success, says Dowlen, is not only measured by sales compared to the previous year within DeCA but also by how these same promotional categories are faring in the civilian retail stores. Talk about performance pressure. “We are tasked to outperform our sales from the previous year and outside the gate,” he explains. “Exact objectives vary from year to year based upon agency objectives, current market conditions and other factors. These objectives are communicated through meetings at all levels.”

It’s not only buyers from the promotional teams that decide upon which promotional packages to feature, regular category buyers also offer their opinions and help take



MCX Miramar has decked the halls (and the aisles) in preparation for the holiday selling season. Use of holiday themed and packaged items adds to the festive feel of the store.

Bring Your Favorite Sweets Home for the Holidays

Enjoy the Sweet Comforts of Home
this Holiday with your Favorite Products
from Mars Chocolate

You Better Watch Out – Big Sales Are Coming!

Though they spent slightly less than last year, consumers still purchased a sleigh-load of candy – **\$586.1 MM worth!**¹

Over half of U.S. households (52.9%) loaded their carts and baskets with Christmas candy²

Consumers Make Things Merry with Mars



#1 Christmas item!



A jolly season,
with a **+17.6% gain!**

1. IRI Info Scan: XMAS Full Season w/e 12/28/08
2. IRI Consumer Network Panel; Total U.S. All
Outlets Christmas Season 8 w/e 12/28/08



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The commissaries and exchanges aren't the only ones angling for a blockbuster fourth quarter, retailers outside the gate—big and small alike—are giving their all to make this holiday season a turn-around one which will take us a little bit further down the road to economic recovery. Let's take a look at some of the strategies the national chains and independents are implementing to make this a merry season indeed.

FIGHTING GOLIATH

The fourth-quarter selling season is just as important to the small players as it is to the big guns—this is their final opportunity to pull in the dollars and end their year in the black. But these are tough times for the independents, who lack the purchasing power of the national chains that would enable them to offer consumers basement-level prices when most shoppers are still fairly price-obsessed. Consequently, the independents have spent a goodly amount of time trying to figure out how to still get their share of the action without giving away their stores.

So, while the big box retailers are driving the holiday hordes through their doors with price-cutting and loss-leader tactics that leave you wondering how they're ever going to make a profit, most independent retailers will take a different approach this season, says retail expert and author Laurel Tielis, founder of Laurel Tielis and Associates, a San Francisco-based consulting firm that deals mostly with independents. "I don't think they will engage in price cutting; they can't afford to," says Tielis. "Instead, they're being very clever and giving customers reasons other than price to come into their stores."

Retail expert, author, speaker and former retailer Bob Negen, co-founder of WhizBang Training, in Grand Haven, MI, also works with independent retailers and like Tielis, counsels them to avoid the temptation of drawing holiday business through price slashing. Instead, say both experts, independent retailers are focusing on creating a compelling in-store experience that will attract recession-weary shoppers who are looking for more than just low prices but are instead, seeking out a traditional sense of Christmas. "Independent retailers are looking for ways to create the spirit of the season and are making their stores warm and inviting, decorating, serving things like eggnog, mulled wine, all the things we associate with Christmas," Tielis says.

Negen says shoppers can expect to see more in-store promotions ("but not sales," he adds) such

as customer appreciation events featuring live music, holiday treats and so on. Other customer-attracting ploys include trunk shows, serving wine and champagne, or holding special evenings for men (and serving beer), helping them in their gift selections, says Tielis.

Stores are offering deals, she continues, but they're being strategic in what they put on sale. And when they do lower prices, they make it an occasion. For example, one store owner is holding a "12 days of Christmas" event, and is featuring different daily specials, such as 15 percent off on anything red in the store one day, and then offering a different one the next day, and so on until the end of the promotion.

Independent retailers may lack the price-cutting power of the chains, but thanks to their size and personal touch, they can excel in doing special things for customers and making them feel valued, says Negen. To this end, he sees the independents refocusing on sales training and customer service. "You have to give customers the kind of experience that will make them want to come back," he explains. "There has always been a tendency to assume the business will be there in the fourth quarter, so up until now, retailers would hire seasonal help but not provide adequate training. But in this selling environment we'll see a refocus on training, especially with part-time help because this is the weak link."

Retailers need good news, Negen says, and retailers big and small alike are going to put a lot of effort into this selling season. "So what we'll see this holiday is that it's all about the customer," he says. "This has always been the case—or should have been—but now it's incredibly focused. No retailer now can afford not to train their staff."

As for retailer expectations, it's all over the place, in terms what they've read, says Tielis. "But I think consumers are ready to enjoy the season and I think the numbers are looking good and going in the right direction," she says. "They're not back to what they were before the recession but I'm hearing enthusiasm. I'm hearing that they expect the numbers will only get better down the road."

presentations. Industry representatives are also consulted, along with store associates who become involved once the holiday packages are published, says Dowlen. "They must forecast the quantities they will order to ensure the items are available at the distributors in time to build the displays," he says explaining that part of this process involves reviewing sales from the previous year to see what sold well. "These displays are usually ordered the week of or a few days before the display is to be built. "Store personnel know that having a good product assortment, building great displays and keeping them full are vital to sales during this period," Dowlen continues. "They know that ordering proper quantities of product is very important and that they cannot run out of staples."

The most challenging part of the undertaking is properly planning all the necessary segments, and staying tuned into the deadlines and availability dates, Dowlen says. And the best part? "When we take item presentations from industry and we get to see what new items are being offered, along with the standard holiday items," he says. **MR**



This Christmas tree display at the commissary at Parris Island, SC is a wonderful example of creatively utilizing product to create holiday decor.

BATTLING BIG BOXES

It's hard to know how the holiday selling season will turn out. Some pundits are calling for a rise in consumer spending—for example an October 6th press release from the National Retail Federation (NRF) predicts a two-percent sales increase with total holiday sales reaching \$447 billion. At the same time a global poll of shoppers in 17 countries conducted by Reader's Digest magazine indicated that 55 percent of the U.S. respondents said they planned to spend the same amount as last year. And a recent article appearing in the November 16th edition of the LA Times newspaper presented the results of a survey conducted by the NRF showing that just 26.8 percent of shoppers polled said they would be using credit cards as their main form of payment, amounting to the lowest reliance on credit cards since 2002.

This could mean folks are flush with cash, hence the reduced use of plastic, but it's fair to ask if people are relying less on credit because they plan to reign in their spending, especially since in the same NRF survey, a majority of the respondents said concerns over the economy would affect their holiday purchasing.

Consequently, the national chains are leaving nothing to chance and have come out with guns blazing, ready to woo consumers through their pocketbooks. "There will be price-cutting, no question," says Joel Alden, principal in the retail practice of the Chicago-based global management consulting firm A.T. Kearney. Deep discounting started in 2008 when there were excessive inventories and retailers slashed prices to move inventory, Alden explains. In 2009 there were price

reductions also, but because by then, retailers had better control over their inventories, these weren't as deep. This year, Alden predicts that price cutting will be about as deep as last year, but more selectively so. "Certain products and categories will be priced very competitively with the hope of bringing people in," he says. "Consumer electronics is a battlefield, so Wal-Mart has jumped in with price cutting very quickly. Toys are also going to be a significant loss leader."

He agrees this year's holiday performance will be better than last year's, although it may not happen early in the game. "Looking at the back-to-school category, growth was good but it happened later in the season," Alden says. "I think it will be the same for the holidays. People will wait until later to spend, which is why we're seeing the early blinking."

But even with this, Alden believes people will hold back, thinking that the November prices are not as low as they're going to get. They may be mistaken. "I don't think we're going to see more price reductions on the same items, just a longer sales period, although the price reductions will widen out to include more categories," he explains.

The national chains aren't relying solely on pricing to drive sales—anyone can reduce prices, says Alden. Instead, they're working to differentiate themselves by improving the customer experience, hiring more store labor, creating more customer-friendly return policies and utilizing more pop-up stores to reach consumers beyond their core locations. "They will also be using e-channels such as the Internet and mobile channels," Alden says. "These are going to be huge."