

**STATEMENT BY
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DIRECTOR, DEFENSE COMMISSARY AGENCY**

**BEFORE THE
SUBCOMMITTEE ON TOTAL FORCE
HOUSE ARMED SERVICE COMMITTEE
UNITED STATES HOUSE OF REPRESENTATIVES**

**CONCERNING
MORALE, WELFARE, AND RECREATION PROGRAMS AND
RESALE ACTIVITIES**

APRIL 2, 2003

Mr. Chairman and Members of the subcommittee, it is my pleasure to appear before you to provide an update on the Defense Commissary Agency (DeCA). After nearly eight months as its Director I can report the foundation upon which DeCA was built is sound and we are committed to the full intent of Congress in providing this important benefit to the military community. The dedication to the commissary benefit is deep-seated, but the commitment to strengthening and improving it, from our trading partners and within our workforce, is even stronger. The commissary is truly a cornerstone of the Quality of Life program for the members of our Armed Services community and I am particularly pleased to have been chosen to lead the great men and women who administer this vital benefit.

However, while our foundation is resilient it requires our continued focus to enhance stability. That focus must be on our customers, our partners and our workforce and will be provided through DeCA's newly stated shared values:

Leadership: We expect passion, courage and excitement!

Integrity: We demand honesty, professionalism and trustworthiness!

Flexibility: We cultivate innovation, empowerment and competence!

Enjoyment: We foster teamwork, recognition and opportunity!

These values provide "**LIFE**" in our delivery of the commissary benefit and are the core ingredient necessary to create "Raving Fans" of our customers,

our workforce and our partners!

Leadership:

By focusing on a business approach to our operations we are enjoying a high degree of success. We continue to provide visible results in terms of patron savings of 30% for our customers and our customer service satisfaction ratings. After the set backs felt by the entire retail sector following 9-11, both our dollar amount of sales and customer count are returning to normal. Our costs remain on target. Our systems investments have ensured store-operating efficiency. And, entering the first full year of benefit from the Surcharge Revitalization legislation, that became effective in October 2001, we have 13 major projects under construction and are scheduled to award another 11 this fiscal year.

But you don't just have to take just my word for it. The General Accounting Office (GAO), addressing the concerns the House Armed Services Committee raised last year, reviewed the impact the proposed personnel reductions would have on store operations and customer service. Additionally, it reviewed DeCA's methodology to measure customer satisfaction. While acknowledging our need to reallocate more resources, particularly at smaller stores, to meet operational requirements, the GAO not only verified that customer service and commissary operations had been maintained, but also found that in some cases it even improved in spite of those reductions in full-time positions. In fact, during this period DeCA attained the highest customer satisfaction ratings EVER! But, we are always looking for ways to improve our service and appreciate that while the GAO found DeCA's Commissary Customer Satisfaction Survey (CCSS) methodology was reasonable, several enhancements could be made to provide consistency and completeness in future surveys. We are gladly incorporating their recommendations into our procedures.

DeCA's internal CCSS scores and the GAO's conclusion were recently confirmed by the fourth quarter 2002 results of the American Customer Satisfaction Index (ACSI). The ACSI is an economic indicator that measures customer satisfaction through a uniform and independent means in 35 industries across the United States. Earning a rating of 75 from ACSI, the report verifies DeCA's customer service satisfaction rating equals the U.S. supermarket industry average. We are extremely proud to have received this distinction that demonstrates how well DeCA serves its patrons. After all, our goal is to provide the premier Quality of Life benefit for our customers—every time, every place!

Integrity:

As we have seen over the past year in example after example emanating from corporate America, you can't maintain a world-class organization without "Integrity." At DeCA, we believe "Integrity" must be more than a word. It must be demonstrated in our daily business practices. Therefore, while we strive to benchmark the best business models and practices to emulate, we are mindful that they must always be ethical because after all we, at DeCA, represent the United States Government in all our business dealings, and those who do business with us should be treated with professional courtesy and expect that our business relationship will be above reproach.

We are extremely proud to be one of only three Defense Agencies to have achieved compliance with the Chief Financial Officers Act by receiving a clean audit opinion on our fiscal year 2002 financial statements. We were also given high marks from the GAO for not following the commercial sector's lead in accepting slotting and shelf placement fees. GAO also verified that commissary patrons and employees, not manufacturers, make the decisions regarding the selection of products to be sold in commissaries and where they will be displayed.

The GAO found that currently more than one half of the companies producing items that DeCA sells are small businesses, but nevertheless recommended that the Agency study the potential to increase the small business opportunities by adopting a private label program for the commissary system. I believe it is incumbent upon DeCA to study any possibility to enhance the commissary benefit; therefore I have initiated the process to conduct a study.

Flexibility:

DeCA enjoyed a number of successes over the course of the last year, which improved our business, benefited our business partners, and above all enhanced service to our customers. Perhaps foremost among these was the establishment of "Deployment Centers" at 31 commissaries. This small section places those items necessary for the welfare and comfort of the troops, such as toiletries, batteries, and snack items, to be found in a single location on post or base. The Deployment Center also allows family members of our troops on the front lines to send CARE packages from home. And, our industry partners have shown their support of the troops by providing prices for these items that are well below those you see anywhere else. Deployment Centers were established in response to a query from the Army and have been so well received that we are expanding this service to additional commissaries.

Working with the United States Treasury and private industry, DeCA was able to benchmark a very popular program within the commercial sector—a

gift certificate program. Sold over the Internet, these certificates may be purchased by anyone, and redeemed by any authorized patron at any commissary worldwide. For the first time this has enabled proud parents of our military families to feel that they can continue to support their children's daily living needs.

Our partners appreciate that we embrace the best business practices and models that benefit our customers!

Enjoyment:

We have a great workforce at DeCA and our people not only need to be recognized and incentivized for the outstanding jobs they do, but they should also enjoy coming to work. In January of this year I brought DeCA's leadership together to review our Strategic Plan. We determined that the plan itself provided a good road map for DeCA's future, but required realignment to eliminate an incongruity that arose through a continued focus on cost reductions rather than on people and integration of our efforts. DeCA has reached the point where it must develop and implement its plan for the workforce of the future. Additionally, we want to be the employer our employees and others want to work for! Other than that slight change our strategic objectives remain on target.

"LIFE" Creates "Raving Fans"!

Interlinking our focus on customers, workforce and partners are the Agency's Strategic Plan, its Performance Contract with the Department and the Department's Social Compact, which reaffirms America's commitment to our Service Members and DoD's commitment to the commissary benefit. Executing the commitments made in these three core documents provides the framework for creating "Raving Fans." Once we obtain "Raving Fans," they will expand the value of the commissary benefit. We at DeCA are committed to making "Raving Fans" of our customers, our workforce, and our partners.

Military Resale Requires a Global View

This common approach is the necessary ingredient to creating "Raving Fans" of our customers, our workforce and our partners as we evolve to the next stage in the development of the commissary benefit. In my opinion, the next stage of development must view the military resale system from a global perspective, eliminating what I would term internal competition and focusing on cooperative efforts that strengthen the military resale system as a whole and make that system more convenient for the customer. In the past cooperative efforts have enjoyed little success because they focused on limited

ventures, shared systems information or were perceived as being of unequal application. I have invited the other resale commanders and members of the DoD community to join me at a planning conference in May to consider a new cooperative era.

Thank you for giving me the opportunity to address the successes of the Defense Commissary Agency and our view of the future. I look forward to working with the Subcommittee to ensure the commissary benefit remains strong and viable for future generations of America's fighting men and women. As they prepare to go in harms way, they can and should expect nothing less than a commissary system that provides a cornerstone of their Quality of Life!

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