NEXCOM
NAVY EXCHANGE SERVICE COMMAND

Navy Exchange

February 2025

Vendor Town Hall

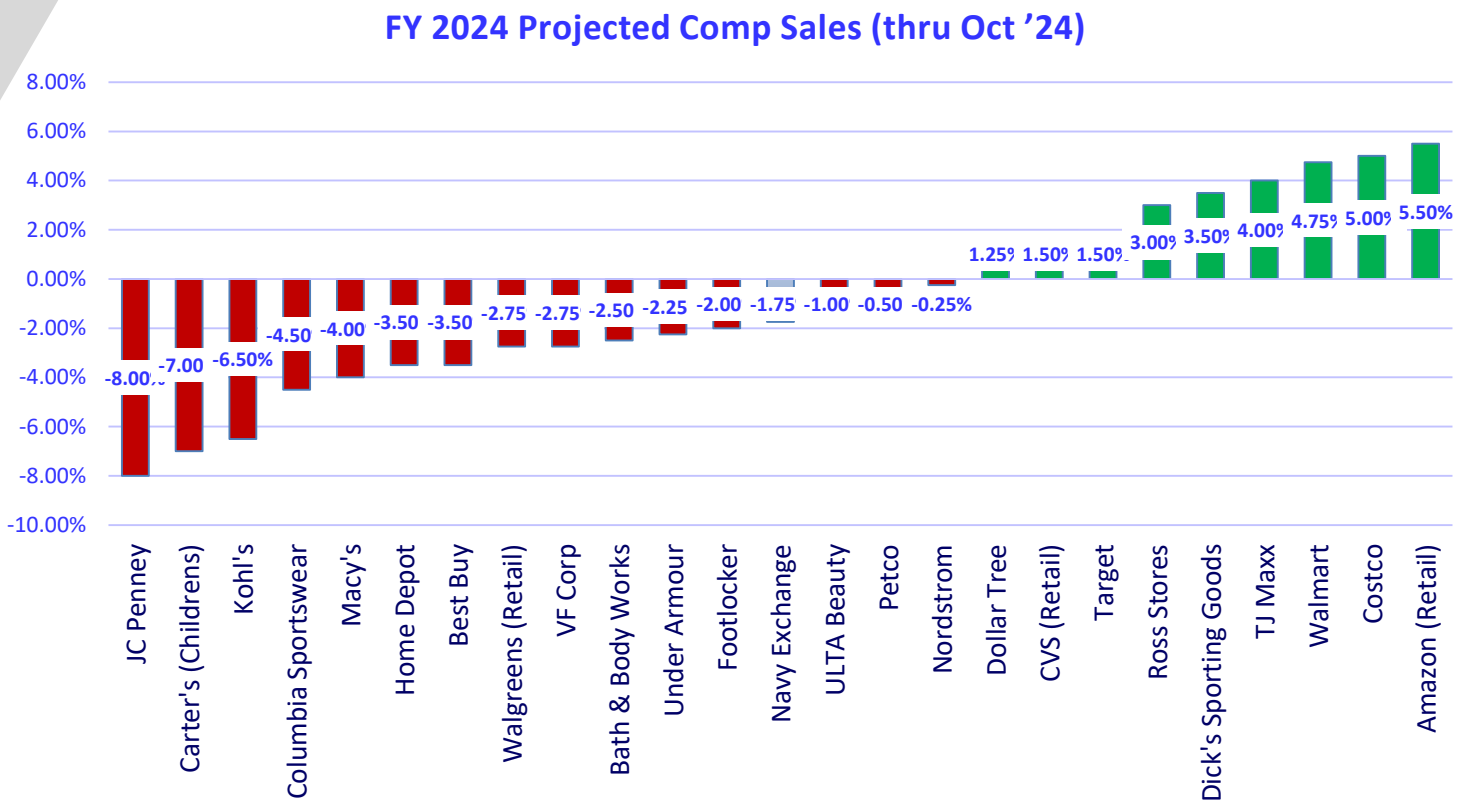
Ever Wonder Why the Anchor is Our Symbol?

The anchor is more than just a nod to our naval heritage—it's a powerful reminder of where we've come from and how we remain steadfast in our mission, no matter how the world evolves around us. Since 1946, the Navy Exchange has been an indispensable part of the military community, created to serve those who serve. Our purpose has always been clear: to take care of our own by providing quality goods, services, and support that enhance the lives of military families.

From our earliest days aboard ships to becoming a global network supporting sailors, their families, and commands, we have always anchored our operations in the values that matter most to our patrons—integrity, trust, and dedication. Not only do we offer goods and services at a savings, but every dollar earned goes back into programs that directly support the well-being and readiness of military families.

Today, the anchor continues to symbolize our unwavering commitment to the mission we share with the Navy: enhancing quality of life, strengthening readiness, and ensuring that those who serve are supported every step of the way.

NEX to US Retail – Sales Comp Comparisons



Key Points:

Overall retail sales are projected at +2.5% to 3.0% for the year.

Much of this increase is due to inflation / cost & retail increases.

Walmart, Off-Price, and Warehouse formats are trending best.

Department Stores, Dollar stores, Home & Electronic stores are trending poorly.

TEMU projected to do $25B in US sales in 2024. Shein is projected to do $5.8B (underestimated) in 2024. Huge impact to US Retail.

TikTok drove $100M in sales Black Friday, 3X LY

NEX to US Retail – Margin Comparison

In 2024, outside retailers raised prices in response to inflation, rising costs, and other challenges. These increases increased their overall revenue and bolstered profit margins while customers were forced to cut back and make sacrifices.

NEX took a more conservative approach, holding back on raising prices, especially on crucial budgetary items. When NEX did raise prices, we did so less than outside competitors, despite the negative drain on margin, and did so over a longer period of time.

- Margin loss due to delay in raising prices in 1H of 2024.
- Patron Savings from True Blue Deals (and program intent) exceeding plan
- NEXt Level Rewards, escalation of redemptions with system and program enhancements

In 2025, NEX will continue to closely monitor supply chain disruptions, tariff changes, inflation and other impacts BUT WILL TAKE A CAUTIOUS APPROACH TO ACCEPTING COST INCREASES AND PASSING COST INCREASES ALONG TO OUR PATRONS.

We will depend on our Vendor Community to work to find solutions, alternatives, and efficiencies as the landscape no doubt shifts.

NEX to US Retail – Location Comparison

In 2024, store closures escalated to over 7000 locations, the highest amount since 2020. This is not just the failure of certain chains but a reduction in retail footprint (1200 closures planned for Walgreens, 600 for CVS as examples). Outside retailers make their decisions based on something other than the community being served, but rather where they are most profitable. Comparatively, NEX closed zero stores and consolidated three - while opening close to 20 micro-markets, ribbon cutting its "Store of the Future" at NEX Oceana, piloting the new NEX 24/7 concept, and expanding food options across the globe. However, NEX has been evaluating space and location efficiencies:

- *NEX continues to review "Sales Per Square Foot" productivity by Store Format, Category, Department, Location (respectful of 'Quality of Life' product categories and locations), benchmarking against industry. This has allowed us, and will continue to allow us the ability to make changes to serve patrons better.*

Coresight Research projects that approximately 15,000 retail stores in the U.S. will close in 2025, more than doubling the 7,325 closures recorded in 2024. This surge is attributed to factors such as inflation, a growing consumer preference for online shopping, and challenges retailers face in adapting supply chains and implementing cost-cutting technologies. Deborah Weinswig, CEO of Coresight Research, noted, "*Inflation and a growing preference among consumers to shop online to find the cheapest deals took a toll on brick-and-mortar retailers in 2024*." NOTE: Online shopping is CONNECTED/UNIFIED COMMERCE!

2025 Strategic Vision:
Challenges & Opportunities

- **Strengthen Internal and External Collaboration,** with greater alignment of HQ and Field operations and improved internal and external collaboration. This includes leveraging the Enterprise brand, a single view of the patron, and benchmarking key performance metrics that are clearly understood.

- **Moving Beyond Price as the Primary Value Differentiator,** by redefining and communicating value through service, convenience, and community while finding creative ways to tell our story both internally and externally

- **Creating Greater Consistency at the Macro Level while allowing for appropriate localization,** by establishing consistency in processes, execution, and branding across the enterprise. Achieving consistency will help identify efficiencies, but it must be balanced with localized efforts when appropriate.

- **Increasing Engagement and Excitement in the Patron Experience,** enhancing the shopping experience, and building loyalty among patrons while fostering a mission-driven, service-oriented culture that operates more consistently and preserves the entrepreneurial spirit across the enterprise.

- **Retail Trends & Industry Adjustments,** addressing consumer trends of "trading down" for value-conscious shopping. Enhancing inventory agility to counter supply chain disruptions. Leveraging insights from retail trends, digital commerce, and emerging consumer behaviors.

2025 Opportunities for NEX

Next Level Rewards has continued to expand and reinforce loyalty with core patrons, while NEX has balanced the markdown expense of the program with more tactical promotional markdowns.

Investment in Flagship Stores from 2025 to 2027 is planned to improve sales in stores that represent over 20% of total NEX volume.

“Store of the Future” initiatives from NEX Oceana and NEX Dam Neck have proven cost-effective, more rapidly deployable, and financially productive. These initiatives started rolling out in stores in 2024 and will continue.

Recent partnerships with Home Depot and Toys R Us have proven to be patron favorites, provided differentiation in the shopping experience, and have increased sales volume.

Space Optimization initiatives are providing opportunities for location conversation and consolidation, providing both cost efficiencies and sales/profit productivity while positioning NEX to serve the patron better and closer to their needs.

In addition to NEXt Level Rewards, NEX has saved patrons money through True Blue Deals and the Liberty Pay Plan, which continue to build traction.

Anchored in Value. The ability to better communicate with patrons and reinforce the value messaging across all touch points.

2025 Strategies: Anchored in Value

Strengthening The Benefit For Military Families

In 2025, NEXCOM remains **Anchored in Value**, reinforcing its commitment to military patrons by enhancing retail, services, and support programs.

Our focus is on **strengthening patron value, optimizing operations, improving operational efficiency, developing top-tier talent, leveraging agility and innovation, and differentiating from commercial retailers** while aligning with the **US Navy's 250th Anniversary** and NEXCOM's **80th Anniversary** in 2026.

This strategy ensures NEXCOM **delivers excellence**, **supports readiness**, and **evolves alongside military needs** with **seven** core focus areas and an additional **new strategic pillar** focused on agility and innovation.

2025 Strategic Vision:

Key Goals & Objectives

- **Redefine NEXCOM's value proposition beyond savings** through a multi-media **"Anchored in Value"** campaign emphasizing **convenience, quality, exclusive products**, and **emotional connection**. Increase patron feedback touchpoints by 8% and achieve a 20-basis-point improvement in value perception.

- **Launch the in-store Digital Media Network (DMN)** to strengthen our connection with the Navy & military community. Provide enhanced information, savings offers, brand messaging, and streamed content while improving operational efficiencies at both field and HQ levels**.**

- **Open the new Navy Pride Shops concept** at NEX Oceana and NEX Bethesda to enhance the shopping experience and strengthen US Navy engagement. Achieve an 8% increase in Navy Pride Brand product sales.

- **Advance the Development of the New Enterprise Web Platform** for myNavyExchange.com that continues to advance the connection between the digital and physical environment into a seamless "Connected / Unified Commerce" experience.

2025 Strategic Vision:
Key Goals & Objectives

- **Implement a digitally enabled traffic counting system** to enable the evaluation of traffic-to-sales conversion, optimize payroll allocation by hour, and measure the effectiveness of marketing and visual merchandising efforts.

- **Develop and implement a comprehensive logistics and purchasing strategy** that balances cost savings with merchandise availability, achieving optimal in-stock while reducing annual inbound freight expenses by a targeted amount.

- **Transform the Patron Checkout Experience** by reducing friction and expanding options by deploying 135 self-checkout systems by December, increasing BOPIP sales by 15%, and piloting tablet-assisted checkout in high-touch categories (ex: Furniture, Jewelry, Home)

- **Further Leverage Convenience Formats to Meet Sailor Needs and Drive Efficiency** by opening new Micro Markets, evaluating locations for the hybrid Mini Mart/NEX 24/7 location, and increasing NEXt Level Rewards engagement—measured by usage and purchase attachment—across convenience formats.

2025 Strategies
Strengthening Patron Value

Reinforce NEXCOM's role as a trusted retailer and service provider for military families by evolving its value proposition beyond savings.

- **Value Beyond Price**: Expanding the definition of value to include **savings, convenience, service, excitement, and community engagement**.
- **Frictionless Shopping Experience**: Optimizing **store layouts, streamlining digital and in-store interactions, and enhancing fulfillment options** like **BOPIP (Buy Online, Pick Up In-Store)**.
- **Loyalty & Personalization**: Enhance the **NEXt Level Rewards program**, tailoring savings offers and improving personalized experiences with **improved POS tracking and automation.**
- **Expand True Blue Deals Program**: Enhance promotions through **BOGO deals, Convenience offering, price optimization, and targeted direct-mail campaigns** quarterly to support monthly digital.
- **Piloting "Fleeting Finds"**: Launching a **rotating collection of trending, limited-time products** to **drive excitement and urgency**.

2025 Strategies

Strengthening Patron Value – NLR

Growth in NEXt Level Rewards.

- **Surpassed 1.15M members in Dec ‘24.**
- **Upgraded rewards platform**
  - Automated issuance of monthly rewards
  - Transitioned issuance of monthly rewards from third party to internal lowering costs and improving efficiency.
  - Improved store associate ability to see patron’s rewards at POS and offer immediate redemption
  - Ability to track rewards redemptions and better analyze sales for more effective planning in 2024
- **Redemption rate for NLR Rewards now over 70%** compared to less than 30% LY, with no decline in transaction size.
- **NLR Sales now account for 60% of total Retail Sales** and over 40% of Retail Transactions.
- From September to December, **434k NLR members earned at least one reward** over the 4-month period. Over **233k NLR members earned 2X or more rewards** over the same time frame.
- Average Reward Redemption is $13.53 with Total Average Purchase (on a rewards redemption) of $84.80

2025 Strategies
Strengthening Patron Value

NEXCOM is positioned as a **military-first retailer**, differentiating from commercial competitors while reinforcing its **mission-driven value**.

- **Leveraging No Sales Tax & Price Match Guarantee Messaging**: Enhancing marketing around these **key differentiators**.
- **Expanding Private Label Strength**: Increasing availability and marketing support for **Harbor Home, 8 Bells, Liberty & Valor, and Because by Navy Star**.
- **Military-Only Product & Savings Strategy**: Expanding **military-exclusive brands, products, and pricing** through a new **"Military Exclusive" program.**
- **Engagement & Community Building**: Increase participation in **vendor trunk shows** and **streaming events**, including buyer chats and trunk shows, to build stronger customer connections.
- In addition to the expansion of the Navy Pride Brand and opening of the new Navy Pride Shop, NEX is launching the **US Navy 250th Birthday Collection,** with new releases each month

2025 Strategies

Store of the Future / Space Optimization

NEXCOM is continuing to redefine its retail experience to align with shifting customer expectations while advancing mission readiness.

- **Modernizing Retail Footprint**:
  - Evaluating square footage productivity; productivity by department & location, inventory levels, store navigation, digital experience, ease of shopping, agility and ability to execute rapidly.

- **ZONES & SHOPS Expansion**:
  - Continuing roll out of current ZONES; Essentials, Consumer Tech, Home, Health & Wellness
  - Expanding **Toys R Us into additional locations**.
  - Enhancing the **Navy Pride Shop concept at Oceana & Bethesda**.
  - Growing **Home Depot & Ashley Furniture store-in-store partnerships**.
  - Remodeling **Jewelry & Beauty Shops** to create a **premium retail experience**.

- **Upgrading Shopping Experience**:
  - **Refrigeration & cold storage replacements** for improved **Food & Beverage Zone execution**.
  - Evaluating space for “non-retail” opportunities; both revenue and quality of life.

2025 Strategies
Marketing & Patron Engagement

NEXCOM will **redefine its storytelling and engagement strategies** to reinforce its value to military patrons.

- **Anchored in Value Campaign**: Launching a **multi-year messaging initiative** reinforcing NEX's commitment to **service, value, and military family support**.

- **Marketing Strategy Enhancements**:
  - Optimizing **weekly anchor flyers and promotional strategies**.
  - Increasing **multi-channel advertising** including in-store, digital, and print.
  - Standardizing **storewide promotional execution** for greater efficiency

- **Major Events & Community Initiatives**:
  - **Navy Birthday & Veteran's Day promotions**.
  - **"Sleigh the Holiday" 2025 campaign**, featuring **exclusive promotions, engagement events, and value-driven offers**.
  - Enhanced **live-stream shopping events** with exclusive discounts and product reveals.

2025 Strategies – ZONE Execution

A ZONE is a larger, modular retail department that groups businesses, categories, related products, and services to provide a unified shopping experience. Each ZONE is designed to be flexible, allowing fixtures and layouts to be adjusted to fit each store's unique characteristics and agile to adapt to business trends while maintaining a consistent look and feel. ZONES are meant to streamline the shopping process by organizing products in a way that competes directly with specialty or big box retailers (for example, Consumer Tech vs Best Buy). ZONES can feature SHOP(s), such as Petco / Pet Shop within the Essentials Zone.

Key Characteristics of a ZONE:

- **Modular Design:** Adaptable fixtures and layouts for flexibility and consistency across different stores.
- **Unified Experience:** A cohesive look, feel, visuals & navigation that helps customers quickly identify the ZONE.
- **Competitive Focus:** Each ZONE is positioned to compete with specific specialty / big box retailers and present a unique value proposition.
- **Category Grouping:** Products are grouped by category for intuitive shopping but may be split into multiple areas depending on the layout of a store.
- **Main Store Remodels.** All main store formats must be remodeled to maximize the ZONE's experience and efficiency.
- **Business / ZONE Promotional Events**. Discuss “Merchant Driven” strategies
- **Web Commerce.** Determine what to carry, how to distribute

Consumer Tech	**14.7%** of Retail
Food & Beverage	**13.2%** of Retail
Essentials	**10.1%** of Retail
Apparel & Footwear	**9.0%** of Retail
Everyday Home	**7.3%** of Retail
Health & Wellness	**6.4%** of Retail

- **Uniforms is our ANCHOR**

2025 Strategies – SHOP Execution

A **SHOP** is a specialized section within a ZONE or exclusive of a ZONE, focusing on a specific subset or category of products. SHOPS can be standalone or integrated within a larger ZONE, offering a targeted shopping experience for particular product lines. For example, **THE MATTRESS SHOP** within the EVERYDAY HOME ZONE focuses exclusively on mattresses and related accessories, the **TOYS R US SHOP** within the SEASONAL ZONE provides a dedicated space for toys, while the Jewelry Shop stands independent of a ZONE.

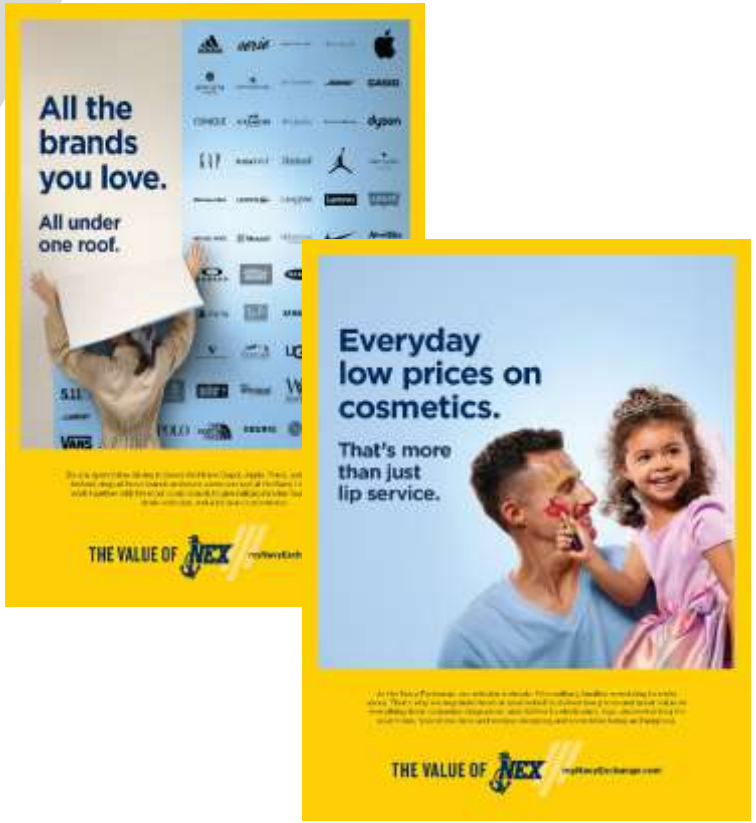
Key Characteristics of a SHOP:

- **Specialization:** Focuses on a specific subset of products, either within a ZONE or independently.
- **Integrated Design:** Can be standalone or part of a larger ZONE, maintaining the overall aesthetic and modular design.
- **Targeted Experience:** Provides a focused shopping environment for niche product lines.
- **Execution.** SHOPS installations are based on volume and are **not mandatory for Main Stores.**
- **The term SHOP & Gallery** can be interchangeable (including Micro Gallery, a “special order” Gallery)

EXAMPLES:

Jewelry Shop
Beauty Shop
Home Depot Gallery (HOME ZONE)
The Mattress Shop (HOME ZONE)
Home Gallery (HOME ZONE)
Toys R Us (SEASONAL ZONE)
Navy Pride Shop (SEASONAL ZONE)
Petco / Pet Shop (ESSENTIALS ZONE)
Sports Nutrition & Vitamins (HEALTH & WELLNESS)

ANCHORED IN VALUE: The VALUE of NEX



No Sales Tax: Patrons never pay sales tax.
Price Match Guarantee: NEX matches lower prices found at national retailers.
Promotions with Minimal Exclusions: Few restrictions compared to competitors.
Consistent Pricing: Same great prices in main stores and Mini-marts.
NEXt Level Rewards: Exclusive savings, benefits, and loyalty rewards.
Diligent Buyers: Special buys negotiated for extraordinary value.
Proprietary Brands: High-quality brands like 8 Bells, Yarn & Sea, Liberty & Valor, and more.

Solid Partnerships:
Home Depot: Free delivery on major appliances, 1% discount, and no tax.
Petco: Access to proprietary pet products.
Ashley Furniture: Discounts and special offers.
Banana Republic, GAP, Old Navy, Bath & Body Works, American Eagle: Shop these brands under one roof at NEX.

Comprehensive Services: Barber shops, salons, optical services, pharmacies, food courts, tax services, gas stations, car washes, and more.
Human Customer Service: Live 24/7/365 support.
Special Orders and Item Location: Personalized shopping assistance.
Paying It Forward: 100% of profits support Navy quality of life programs, contributing over $3.7 billion since 1946.
We Get You: Over half of NEX staff are veterans or retired military personnel and their families.

2025 Strategic Objectives:

Waves of Gratitude

EVENT RECAP

- Approximately 425k patrons participated in NEX-partnered events in 2025
- Over 8200 patrons participated in six 5K races, including 3 PACES, Little Heroes, Strides of Honor (Armed Forces Run), Fast and the Furriest, Jingle Bell Run, and Founded on Freedom (10K). Races were held on location and virtually with participants based in the US, Japan, Singapore, Guam, Spain, Italy, Crete, Bahrain, GTMO, Portugal, & Djibouti.
- Gave over 15k veterans the 2025 Veteran's Day Commemorative Coins

Jingle Bell Virtual 5K

November 30-December 8, 2024

The best way to spread holiday cheer is by running either there or here! It's time to get festive with the Jingle Bell 5K. Run, walk, hike, bike, roll or stroll the 3.1 miles from anywhere in the world between November 30 - December 8!

Veterans Day Coin Giveaway

November 11, 2024

In recognition of the service of our Veterans, the Navy Exchange [illegible] Monday, November 11, 2024. Coins will be available when your local NEX [illegible]

Air Show NAS Oceana

September 21-September 22, 2024

The 2024 NAS Oceana Air Show will feature the Navy's premiere flight demonstration team, the Blue Angels, and the F-22 Raptor Demonstration Team! The event is free and open to the public.

In recognition of our 5-Star Anchor Partners for your continued support and for helping us serve the most deserving patrons in the world!

ASHLEY · BOSE · Champion · Kellanova · LG Life's Good · PURINA Your Pet, Our Passion.

SAMSUNG · TEMPUR-PEDIC · JBL · hp · Navy Exchange Protection Plan powered by asurion · Hanes · P&G · Vanguard

Strides of Honor Virtual 5K

May 11-May 18, 2024

In celebration of Armed Forces Day, join us for our inaugural Strides of Honor Virtual 5K. Run, walk, hike, bike, roll or stroll the 3.1 miles.

Strides of Honor 5K

May 18, 2024

In celebration of Armed Forces Day, your NEX in partnership with @MWR JEB Little Creek-Fort Story, will have our inaugural Strides of Honor 5k on Saturday, May 18.

Questions??

NEXCOM
NAVY EXCHANGE SERVICE COMMAND

WAVES OF GRATITUDE
SALUTING THEIR SERVICE