

# Military exchanges opening to millions

BY TOM PHILPOTT

Any honorably discharged veteran will be allowed to shop online for discounted military exchange products starting Nov. 11, Veterans Day, under a policy change announced by the Department of Defense. As many as 16 million veterans stand to benefit.

Peter Levine, acting undersecretary of defense for personnel and readiness, signed a memorandum in January announcing the benefit expansion. Months of preparation are needed to make e-shopping portals more robust and to allow the Defense Manpower Data Center (DMDC) time to create software for verifying veteran status using VA records.

Several million veterans are already eligible to shop in exchanges – on base or online – because they are active or reserve component retirees, 100 percent disabled from service-connected injuries or ailments, or Medal of Honor recipients. Thomas Shull, chief executive officer of the Army and Air Force Exchange Service (AAFES), led a three-year effort to expand online exchange shopping to all honorably discharged veterans. One reason was to reward their service with exchange product savings that, on average, will be near 20 percent versus commercial department store prices when military exemptions from state and local sales tax are also considered.

Shull also wants to increase exchange revenues to help offset troubling declines from the drawdown of active-duty forces, base closures and the end of military tobacco discounts to encourage healthier lifestyles.

The Navy, Marine Corps and Coast Guard exchange services joined Shull and AAFES in pushing for the shopping benefit expansion. They worked with Levine's office and resale board executives to refine the proposal.

The online benefit does not extend to dependents, though spouses and family members could use an authorized customer's login credentials.

With DMDC verifying shopper identities electronically, the department will not have to produce special ID cards. DMDC estimates that 13 percent of eligible veterans, primarily those who served before 1981, might not be in its database.

Guidance will be issued before November for veterans to verify their access eligibility.

An audit of public comments to earlier news articles on the plan showed 90 percent support for allowing veterans to shop online. The online exchange benefit should have no significant cost impact for taxpayers. The four exchange services are to maintain independent websites and separate online portals to the selection of goods they offer. But when verifying eligibility to shop, all online users might experience a common landing page to access the exchange benefit, officials said.

The business case for expanding the online benefit calls it "a low-risk, low-cost opportunity" to better fund morale, welfare and recreation (MWR) programs and quality-of-life activities. It also notes that smaller percentages of recently discharged veterans are

serving until retirement to qualify for base shopping, yet a higher proportion of them probably had multiple deployments.

The Veterans Online Shopping Benefit is a way to recognize the contributions of all who served while strengthening the benefit to better serve current patrons. Expanded access to veterans is expected to at least double exchanges' online presence, helping attract better terms from vendors, more competitive merchandise assortments and improved efficiencies.

Exchanges project \$18 million to \$72 million in new annual earnings when the online operation is fully matured. Half of the added earnings would typically be distributed as higher dividends to MWR programs, which have come under budget pressure as the services divert funds to more immediate readiness needs.

The more highly prized commissary benefit isn't being opened to all veterans. Current exchange patrons won't see more store traffic. Discounts for exchange shopping on base are expected to remain higher than savings online. These factors helped persuade major military associations to back the initiative.



*Tom Philpott has been covering military personnel and veterans issues for nearly 40 years.*