

**Speech For The Hon. Douglas Orane To Address Tourism Outlook Seminar
Wednesday April 20, 2011**

Retooling Your Business In Today's Competitive Environment

Hon. Minister of Tourism, Permanent Secretary Mrs. Jennifer Griffith, Director General Ms. Carole Guntley, Representatives of the UNWTO, Mr. Joseph Forstmayer, Mr. Wayne Cummings, fellow presenters, participants, I bid you all good day. It is my very real pleasure to join you in this important seminar.

I note that this is the third year that the Ministry of Tourism is partnering with the UNWTO to present the Tourism Outlook Seminar. At this very crucial time in our economy, it augurs well for tourism that such a partnership has been forged, which can only strengthen this vital industry. It is quite apparent that a great deal of thought went into planning this seminar, as the topics are certainly relevant, designed as they are to achieve the objective of "Retooling for the New Decade".

The competitive environment in which we operate today requires constant innovation to get ahead or even to maintain your position in the market. A company can no longer make ad hoc changes periodically and expect to compete effectively.

Instead, companies must structure themselves and put proper processes in place that enable them to quickly recognize opportunities, craft a strategic response, manage associated risks, launch and market new products or services effectively. I aim to leave you with a strong sense of how GraceKennedy approaches this process in the hope that it can be successfully applied to the tourism industry.

2020 Vision

In 1995, GraceKennedy recognized that the 21st century was going to look quite different from the 20th century due to rapid changes in globalization and technology that were radically disrupting the way business was done. We decided to craft a long-term strategy that would guide the company into the future. This was called our 2020 Vision – what we wanted GraceKennedy to look like 25 years into the future. The original vision challenged us to:

- Be dynamic – strong, viable business units
- Give value to our customers, not added cost
- Have consumers demand our products, our services, our brands
- Continuously increase productivity to raise the standard of living of our staff
- A high stock market value company
 - Benefit our shareholders
 - Lower cost of capital

- Ethical in the conduct of doing business
- Responsible members of our community – “Grace – We Care”
- Truly international – acting on opportunities wherever they may arise in the world

A detailed process was outlined, as well as specific strategic goals of the group, such as 50% of our profits being generated outside Jamaica by 2020 and a doubling in productivity of all staff members by the year 2000. The latter has been successfully achieved.

The 2020 Vision continues to guide us today on where to look for opportunities around our core focus. But the question of how we achieve our goals has changed with changing technology and tastes. Our forecasting process helps us to find new opportunities given these changes and helps us choose which opportunities to act on in order to achieve our long-term goals.

Forecasting/Finding Opportunities

There are three levels of forecasting that occur at GraceKennedy: the 2020 Vision which includes concrete financial targets; 5 year plans for each company within the Group; and a yearly budgetary process.

The 5 year plan helps us to concretize the longer term vision into a period of time where we would make the necessary investments in people, technology and other assets, allowing us to see the fruits of these investments during that particular time-frame. This rolling five year plan helps us to look beyond the annual cycle and prevents us from being too short-term in our thinking.

The annual budgeting process begins each summer where the heads of each company in the Group decide how to increase revenues and profits in the next year to meet the aggressive financial targets set in the 2020 Vision and five year plans. To meet these targets, the business units have to find new opportunities to increase revenues and manage costs, and lay out how they will act on these opportunities in a strategic plan that is attached to the budget.

One example of an opportunity that arose from the budgetary process is Rapid True Value’s decision to refurbish its Montego Bay store in 2011 following a similar upgrade at Kingston’s Lane Plaza store in 2010 that resulted in a significant increase in sales. We saw the opportunity to better meet the need for an enhanced shopping experience at Rapid True Value, and Western Jamaica became a higher priority area.

Another example is the agro-processing division, where our forecasting showed an increasing demand overseas for authentic, Caribbean-flavoured spices and seasonings, which helped us to develop our hot pepper sauce strategy. Over the 5-10 year horizon we saw that consistent supply of pepper mash and scallion mash was one of the critical factors we had to establish to be successful in the pepper sauce market.

We developed a pepper and scallion mash integrated supply process to support this focus by creating long-term contracts with pepper and scallion farmers. The farmers produce the pepper and scallion, which we then process, store, and either use in our own production or sell to other local sauce manufacturers. Several major local food processors are customers for our pepper mash, and for the first time, Grace pepper sauces are able to meet the needs of large retail chains such as Tesco in the UK, WalMart in the US, and Loblaws in Canada, without any supply interruptions.

We are using a similar methodology to create a backward-integrated process in the fresh produce business so that we will be able to supply branded produce such as stir fry mixes, shredded carrots and shredded lettuce in portions for the foodservice industry as well as for the end consumer. We are hoping to have these ready for the market by June 2011. This processing facility is based in Hounslow, St. Elizabeth.

I will give you one final example where we used forecasting to discover and act on opportunities to fulfil our customers' unmet needs. In the hotel industry, we picked up on the increasing demand for foodservice products such as chilled and frozen meats, as the industry expanded in a highly competitive global environment. Our US\$30 million investment in our new distribution centre in St. Catherine – which includes major cold storage facilities – has ideally positioned us to supply the hospitality sector with frozen and chilled meats.

So we responded to this increased demand by expanding our foodservice offerings which include bacon, beef products, lamb products and wines. We now supply the majority of the foodservice bacon market, with bacon from our manufacturing facility in Savanna-La-Mar, and import beef and lamb products to serve the market needs. We have also ventured deeper into the wine business – distributing the Trivento brand of wines from Argentina and Vina Maipo from Chile – with much success.

Crafting a Strategic Response – Balanced Scorecard

Discovering these opportunities is not enough, we must craft a strategic response and action plan. The Balanced Scorecard is a tool we use at GraceKennedy to express strategy in a structured way that helps facilitate its execution. The Balanced Scorecard ties the underlying resources and processes of the business – for example, human capital and operational capabilities – to financial results through its impact on the customer experience.

“If we have the right people and tools, doing the right things, and pleasing the customer, we will end up with profits.” “This sentence ties together the four key elements of the balanced scorecard – namely:

1. Learning and Growth
2. Internal Processes
3. Customer
4. Financial

Risk Management

These opportunities come with some risk – for example risk of losses and risks to our reputation. The next step in our process is therefore to incorporate a risk profile for each opportunity, and a measure of our appetite for that risk.

Successful companies have procedures that help to manage these risks which can be simply outlined using the ORCH acronym:

1. O - objective setting
2. R - risk identification: What would prevent us from achieving our objective?
3. C - controls in place to mitigate risks
4. H - how do I know these controls are working?

GraceKennedy uses this acronym internally and it has yielded positive results. In 2006, we discovered significant weaknesses in the management of GraceKennedy Remittance Services' cash inventory system, which led to losses in a very cash-intensive business.

Since then, we have had a complete overhaul of our risk management and control processes. We first set a very strong Objective of eliminating cash losses. The major Risk to this objective was theft, so we put in place Controls such as daily cash reconciliations (instead of monthly); random, unannounced cash counts at all our locations; and planned quarterly cash counts. Our result has been zero cash losses for the past year and a half. We used the four step process outlined above with dramatic results.

Marketing/Consumer-Centricity

You can have the greatest strategy and products in the world, but if you don't engage the consumer and figure out how to consistently place the product in their hands, your strategy will be ineffective.

This is where **trade and consumer shows** can be really useful, especially for small to medium-sized businesses who do not yet have strong relationships with key distributors or who are relatively unknown to the public. Large companies can also benefit greatly from trade shows by meeting with potential buyers in new markets and introducing new products to consumers.

To give you an example, the Grace brand of food products is now sold in over 40 countries globally and a lot of that expansion into new markets came from introductions at trade shows. At the JMA/JEA Trade Show in Kingston last year – Jamaica's premier export-focused trade show - the theme for the Grace booth was "From the Farm to Factory to Flame." I'll illustrate how Grace Foods used that trade show to successfully expand our retail distribution in the U.S.:

1. Before the show, we made appointments to meet with prospective buyers at specific times during the expo and sent them informational material on our products to help ensure that we had efficient, effective meetings on location. In the future, we also plan to use on-line

marketing through social media such as Facebook and Twitter, to build buzz around the booth before the show.

2. Booth display set-up: The entire process from the farmer to the consumer's table was laid out at the Grace booth, creating an enticing display that attracted many potential buyers to our table that may not have known about our products before entering the National Arena.
3. Sampling – We introduced new products to consumers and buyers and got immediate feedback that helped us judge how well they would do in the market. Our chefs also did cooking demonstrations so that everyone present could taste the latest products from Grace.
4. Following up with the relationship after initial contact is made at the trade show is one of the most important things you can do to be successful. The sales process does not end until you have a purchase order for your goods.

Grace was able to expand its retail distribution in the state of Texas as a result of the attendance of a major Texan supermarket chain at the Expo. In addition, leads were established for export to potential new markets in Latin America. The value of trade shows can be further highlighted by the fact that JAPEX – the Jamaica Product Exchange – has been functioning well for many years.

If you do not have the capital to buy booths at key trade and consumer shows, an alternative is to use the on-line space to showcase your products and get in contact with key industry players. While this is a must-do in today's technological age, it may prove more challenging to be successful using this channel alone compared with having direct, face-to-face conversations with buyers at trade shows.

Cost Management

Generally speaking, technology has a huge role to play in managing costs while maintaining high quality service, especially given the dramatic increases in fuel and food prices that we are currently experiencing.

Technology

In today's world we have the advantage that new technologies can simultaneously reduce costs while improving service quality. A very successful example of this is First Global Bank's introduction of Global Access – which allows our customers to do on-line transactions, including transfers from one bank to another, at any time of the day from anywhere in the world on one's personal computer.

The effect has been to make a quantum leap forward in customer service, which has been reflected in lower fees to the customer on a highly cost-effective information platform. First Global Bank and First Global Financial Services are following up by jointly investing US\$6 million in a new financial services platform called Oracle Flexcube which will make a further quantum leap in the quality of customer service at lower internal costs in the next two years.

Outsourcing

Another way to manage costs is to outsource certain functions to a third party. This not only helps you to manage costs but helps incentivize the third party to become as efficient as possible to make a profit. Rapid True Value has outsourced its logistics arm – that is, deliveries from its main warehouse on Spanish Town Road – and this is projected to greatly improve customer service while reducing internal per unit costs.

Formalize Processes

Finally, you can save costs by ensuring that proper processes are in place, documenting those processes, and enforcing them throughout your company. Do not underestimate the impact on costs that this can have on your business.

Take Care of Employees

In the 21st century, it is no longer a trite phrase that our most important assets are our people. By experience, we have learnt that this is absolutely true. Therefore, let us take care of our employees as best we can, particularly in tough times.

Although somewhat counter-intuitive, some business experts believe cutting staff in a business downturn is not the best business strategy. These experts say that cutting staff may yield short-term results but ultimately may cost much more in the long run.

Consider the costs of loss of accumulated institutional knowledge, reputational damage, and productivity deficits that all result from employee turnover. These may negate the very savings you are trying to achieve. Then there is the matter of “survivor syndrome” whereby the remaining employees exhibit lower morale, lower productivity, and higher risk-taking. Layoffs frequently result in the best-performing and most valuable employees searching for new opportunities.

Improving Communication with Employees

The current downturn has made employees insecure about their jobs and the company’s financial survival. Stress among employees hurts business and affects the bottom line in the form of increases in unscheduled time off, employee turnover, and health care utilization. A good strategy for managing employees’ stress is to communicate on a regular basis, and actively seek their ideas and suggestions, and then act on them.

Conclusion

To conclude, I would like to use a metaphor from your own industry – the tourism industry. Doing business in the 21st century is akin to taking up the sport of surfing and mastering what seems like an impossible task – that is, to ride a wave without falling off. Yet, it can be done, and it is done every day – both in business and in surfing.

The key is to forecast when the right wave is coming, position oneself accordingly, and ride the wave. The essential skill is not to be too far ahead - meaning that the wave comes crashing down us – or to be

too far behind – which means we miss the momentum of the wave – but instead to be in the “sweet spot” where the power of the wave carries us forward.