

Hi-Lo Management Awards Dinner

Keynote Address: Don Wehby

Date: April 6, 2011

Salutations: Good evening everyone. All protocol observed.

Congratulations to everyone receiving an award tonight and thank you for your commitment to ensuring that Hi-Lo delivers on its promises to its customers. Hi-Lo is the critical link between GraceKennedy and the end consumer and is therefore a key component of our strategy.

I wanted to start this evening by sharing with you the story of how Hi-Lo came to be a part of GraceKennedy, which I am sure not many of you may know. There are several important lessons about our future that can be learned from this story.

The first Hi-Lo was opened in Trinidad in 1950 by a man named Ernest Canning. He expanded the company to Jamaica, opening the Crossroads store in 1955. He sold his company to Neal & Massy Holdings – a Trinidadian conglomerate – in 1975 and Neal & Massy controlled Hi-Lo in Jamaica and Trinidad for the next 9 years.

By 1984, there were 5 Hi-Lo locations in Jamaica – the flagship Crossroads branch, Liguanea, Tropical Plaza, Manor Park and Mandeville. However, the Jamaican operations had been operating at a significant loss for years due to a high level of shrinkage and theft.

In 1984, after years of pumping money in the company, Neal & Massy was ready for someone to buy Hi-Lo Jamaica. There were competitors interested in buying HiLo. A young man named Douglas Orane had recently joined GraceKennedy Ltd. and felt strongly that GraceKennedy needed to develop the local market for its products by having direct access to its end consumers. Hi-Lo presented this opportunity.

The then Chairman of GraceKennedy – Honourable Carlton Alexander – said he would only agree to acquire and keep Hi-Lo if Mr. Orane felt that the business could

be run profitably. When Douglas insisted that it could, Mr. Alexander said "OK, you go ahead and make it profitable."

So, GraceKennedy acquired Hi-Lo effective August 31, 1984, and immediately assigned a number of experienced GraceKennedy managers to each location to protect its interests.

Mr. Alexander invited the entire Hi-Lo staff to a banquet at the Pegasus to welcome them to GK, and during his welcome commented that he was aware of the significant pilferage taking place, and warned that he was "not prepared to work with thieves." Despite this warning, a stock taking done after the first month revealed continuing massive unaccounted-for stock losses.

So Mr. Orane, as the new General Manager, decided that drastic action was needed. After much consideration, he decided to make every single Hi-Lo employee redundant and start over – that's approximately 240 employees total. He also decided that Hi-Lo could not afford to close for even one day, as it might never get its customer base back.

How was he going to accomplish this? He and his team called up headmasters, heads of churches and other trusted members of society to find a critical mass of replacement staff. The most important criterion was honesty.

The employment of all Hi-Lo staff was terminated by redundancy effective November 3, 1984, and on Monday November 5, 1984 Hi-Lo reopened with brand new, young personnel, many of whom had no prior working experience.

Although the stores were operating at only 50-65% of the required staff complement, Mr. Orane and his team spoke with the customers directly about the change and they understood.

November 1984 was the first month of profit at Hi-Lo in over 3 years, even with the inexperienced new employees. The wide-scale theft had stopped, and the company was able to manage performance, enforce standards of conduct, and make necessary changes to personnel and numbers in a way that had not been possible under the previous regime.

There are three major lessons to be learnt from this story:

1. A culture of accountability is essential for success

A large part of Hi-Lo's early problems with theft is that it was extremely difficult to hold employees accountable for the company's performance. An accountability and execution culture is an essential ingredient for success, and this is the culture that was instilled at Hi-Lo post-acquisition. Some of the tenets of an accountability culture include:

- Integrity: Our word is our bond
- Being just and consistent in our dealings with all
- Honesty in what we say and do

2. Management is responsible to ensure that the staff is motivated, committed and aligned with the interests of the company.

The staff that was inherited during the Hi-Lo acquisition was not motivated, committed or aligned with the company and Mr. Orane had to make a major decision to start from scratch.

A qualified, well-trained and highly motivated staff is the foundation on which any successful company is built. To achieve the respect and loyalty of staff, management must:

- Provide leadership and vision
- Set clear goals and objectives
- Encourage recognition and reward
- Encourage communication
- Be firm, fair and consistent

The second lesson is in consumer-centricity:

3. Consumer centricity

In all the upheaval in 1984, Hi-Lo remained open for business and the management team ensured that it kept open the lines of communication with the customers. The team was focused on maintaining its customer base, because they knew that once the customers started to leave the company it would be exceedingly difficult to get them back.

Today, consumers are more informed than ever before about how to get quality products and services at lower prices and will not hesitate about switching from companies that do not satisfy their needs. For us to grow revenues and market share we have to ensure that we are not just meeting, but anticipating these needs and providing complete customer solutions rather than just one-off products. This is what keeps customers coming back again and again.

Customer satisfaction requires:

- Doing the right things right the first time and every time
- Promptly addressing customer's needs and concerns
- Honouring commitments made to customers
- Not taking the customer for granted
- Treating the customer politely and with respect.

Future Strategy

How does Hi-Lo plan to thrive going forward?

The supermarket industry has grown significantly more competitive since we first acquired Hi-Lo in 1984. For us to thrive in this environment, we have to commit to our strategy and revisit it repeatedly to ensure that our daily decisions are leading us towards its successful execution.

The strategy for 2011 and beyond includes:

- Expanding our network of 15 stores by opening one new store per year
- Upgrading existing stores to enhance the customer experience
- Committing to category management to improve store efficiency
- Strengthen risk management and controls

I challenge you the managers of Hi-Lo to take up the charge to propel the company forward.

Thank you.