

## Address of CEO to Shareholders

AGM 5<sup>th</sup> December 2012.

I recently had the opportunity to attend the World Retail Congress. At that congress there were a number of highly influential speakers, including Mickey Drexler who is currently the CEO of J Crew, and also a long standing board member of Apple.

Mr Drexler's claim to fame is that he grew the GAP apparel chain to become a global brand. And of course the Apple stores are credited with re-inventing retail today.

During a forum he made some interesting observations about retail today. He commenced with the statement that everyone was rushing to grow stores, partly because of the pressures private capital was placing on some companies. In his opinion, companies weren't taking enough time to build their brand, and that was a recipe for disaster.

I found some comfort in those comments, since we are sometimes criticised for not growing fast enough. Given the economic turbulence of the past few years it doesn't take a rocket scientist to appreciate that an over exuberant approach to growth would by now be inflicting serious pain.

Our growth strategy is very simple, and is based on 3 core strategies.

### **1. Strengthen the brands in existing markets**

This means we need to ensure our existing store portfolio is current and up to date. Our stores need to be in key locations and must be presented to a very high standard. They must give our customers an amazing experience.

We have been focussing on investing in our key stores, and will continue to do so.

During the first quarter next year we will refit Glasssons in Sylvia Park, Manukau, and at Queensgate (Lower Hutt). In addition we will refit Hallensteins at Sylvia Park. In the second half of the year we will refit a further tranche of stores.

### **2. Grow our Store network in carefully select high profile locations**

There are two reasons behind this strategy:

- i. There remains considerable scope to add further stores for Glasssons in Australia. However they must be in very good locations. There is no longer any place for 'another store in another mall'. With the advent of the internet and levelling of the retail playing field we will continue to see good locations get stronger, and average locations get weaker.
- ii. Its predicted that in the next few years sales over the internet will become 10-20% of retail turnover. Therefore we need stores that clearly exemplify our brands in high profile locations and deliver an exceptional customer experience. There will no longer be a need to have a store in every conceivable location. However to further grow our business on the internet we believe there will be considerable value in placing stores in strategic locations in Australia for both

Hallensteins and Storm brands. We can already see the benefit of having stores on the ground in Australia with Glassons in helping to drive sales on the internet. During 2013 calendar year subject to site availability we will look to open one Storm store and one Hallensteins store in Australia. Both brands are truly ready for this move.

### **3. E-Commerce**

18 months ago our sales on the web were zero. By the end of the new financial year we should be achieving around 5% of our business on the web. We anticipate it will grow further from there.

We have invested in infrastructure to support this growth and to ensure we capitalise on this fundamental shift in consumer habit.

Whilst competition from a world stage is a threat, it can also be seen as an opportunity, and one we intend to grasp with both hands.

#### **In Conclusion**

We have a very experienced executive who are very passionate about the business. Retail is incredibly fast paced and just because we had a good month last month doesn't guarantee a good month this month. We will have different product this month – and so will our competitors. Its not a business for the faint hearted! It does however attract highly motivated people, and I believe all our key people fall into that category.

I now second the motion that the Annual Report, Financial Statements and Auditor's Report for the year ended 1 August 2012, as circulated to members be received and adopted.

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