



John Lewis Strategy Shift

KATIE ZAJICEK, MATT SASSU, UDAY DIPTA, SHAWN DAVIS

Agenda

- ▶ Problem Statement
- ▶ Recommendation
- ▶ Strategy Overview
- ▶ Implementation
- ▶ Financials
- ▶ Risks and Mitigation
- ▶ Assumptions
- ▶ Conclusion

Current issues

Brexit threatens multiple areas of business

- ▶ Employee sourcing
- ▶ Supplier relationships
- ▶ Sourcing

Shift to online shopping

- ▶ Decreased need for in store employees
- ▶ Lower profits and bonuses

Overcoming the challenges

- ▶ Cross functional training of in-store employees
- ▶ Revive customer service focus
- ▶ Improve logistics of supplier and customer interactions
- ▶ Support supplier relationships by engaging their specific expertise

John Lewis is a highly prestigious firm with many synergies

- ▶ Automate supply chain and online orders
- ▶ Grocery delivery retains personal shopping touch
- ▶ Experiential Luxury cruises cater to high worth individuals

Situation analysis

Strength

- ▶ Largest multichannel retailer
- ▶ Superior service
- ▶ Prestigious member partnership

Opportunity

- ▶ Embrace move to online shopping
- ▶ Support relationships through personalized service

Weakness

- ▶ Susceptible to import/export restrictions
- ▶ Impacted by online shopping shift

Threat

- ▶ Large competitors
- ▶ Profitability of brick and mortar stores
- ▶ Loss of suppliers and employees

Competitor analysis

Company	Store Type	Brand	Product	Customer Income	# of stores
John Lewis	Department	John Lewis	Fashion, home goods, tech	High/Mid	12
		Peter Jones	Consumer goods	High	
	Supermarket	Waitrose	Grocery	Mixed	353
	Online	Bricks & Clicks	Consumer goods, Grocery	Mixed	
Marks & Spencer	Department, Supermarket		Luxury consumer goods	High	344
Harrods	Department		Luxury consumer goods	High	330
Tesco	Supermarket, Convenience		Grocery	Mixed	3400
Sainsbury	Supermarket		Grocery	Mixed	1312

Alternatives

Alternative	Pro	Con
Sell department stores to Marks & Spencer	Similar distribution and customer	Lose independence, potential growth, prestigious partnerships
Split and merge supermarket division to Sainsbury	Maintain emphasis on quality products and achieve larger reach	Lose independence, potential growth, prestigious partnerships
Downsize company and automate in-store system and channels	Consistent with current trends	Less customer interaction, lower expected bonuses, damages brand reputation

Solution diagram

Challenges

Use of employees

Bonus and compensation

Supplier relationship

Supply chain

Online management



Solutions

Yacht tours

Online delivery

Block chain

Automation

Food, fashion,
technology installs

Extended personal customer service focus stabilizes employee use, promotes relationships, and builds commission based bonus.

Logistical enhancements support the Growing complexity of enhancement of suppliers
And interactions online

Changes to available workforce

- ▶ Automation will replace 20% of workforce (17,000 lower level employees)
- ▶ Brexit will cause loss of 10,000 of these employees
- ▶ Remaining 7,000 will shift to new customer focused positions
 - ▶ Grocery delivery, cruise staff, personal shopping consultants

Implementation in Waitrose grocery stores

- ▶ Automate supply chain through block chain
- ▶ Add online grocery ordering and delivery
- ▶ £100M investment in software implementation (includes hardware, software, IT professionals and training)
- ▶ Retain customer focus and personal touch

Implementation for Prestige Worldwide yacht and cruise liners

- ▶ Luxury yacht day trips (under 3 days)
 - ▶ Small capacity and short trips
 - ▶ Personalized luxury services tie in retail (shopping and shopping consultants)
- ▶ Build 2 luxury cruise ships
 - ▶ £700M
 - ▶ 3-4 day Scandinavian cruises
 - ▶ 7-10 day Mediterranean cruises

Yacht and cruise 3 year timeline

Year 1

Year 2

Year 3

Day trip cruises

Begin build of 2
large cruise ships

Continue
build

Begin long
duration
cruises

Cruise details

- ▶ Luxury yacht day trips (< 3 days)
 - ▶ Scandinavian and Western Europe
 - ▶ (Norway, Sweden, Finland, Denmark, France, Spain, Portugal, U.K.)
- ▶ Extended large capacity cruises (> 7 days)
 - ▶ Mediterranean destinations
 - ▶ Italy, Sicily, Greece, Crete, Cyprus, Turkey, Malta

Assumptions for financial calculations

Discount rate		20%
Assumptions: Yachts		
Number of Yachts		100
Average Number of employees on a yacht		30
Average Number of customers on a single trip		25
Average price charged from a customer	£	5,000
Number of trips in a month		2
Average annual salary of an employee	£	40,000
Operating costs	£	72,000,000
Assumptions: Luxury cruise		
Average Number of employees on a single cruise		500
Number of cruise ships		4
Average Price charged from a customer	£	3,000
Number of trips in a month		3
Average annual salary of an employee	£	40,000
Operating costs	£	960,000
Average Number of customers on a single trip		1000

Assumptions

- ▶ Import and export restrictions, increase in food price, and exchange rate resulting from Brexit will affect all competitors
- ▶ Connections with prestigious universities will supply the technological expertise required for automation implementation
- ▶ The current yacht fleet is sufficient for initial implementation of the cruise line

Risks and mitigation

Risk

Blockchain implementation fails



Mitigation

Utilize legacy system

Automation does not achieve ROI



Obtain operations management experts

Customers do not pay for delivery



Promote in-store and online shopping synergies

Lack of interest in private cruises



Provide similar personalized services in-store

Cruise ships too costly



Increase luxuriousness or sell ships to Norwegian Cruise Line

Conclusion

- ▶ Maintain current workforce
- ▶ Utilize technological advancements to streamline operations
- ▶ Increase personal touch to appease customer expectations
- ▶ Maintain strong supplier relationships