

John Lewis Partnership

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JMSB consulting

Partnership

Brexit

**How can John Lewis Partnership use
BREXIT as an opportunity?**

Supply chain

Technology

BREXIT is an opportunity

1

Double-down on differentiation

- Offer on-line grocery shopping
- Marketing British identity of dept. stores
- Enhance multi-channel experience for customers

2

Adjust supply sourcing

- Increase British brands in department stores
- Focus local sourcing on everyday products
- Strengthen supplier relations with increased visibility

3

Ensure manual employee pipeline

- Lobby for facilitated process for international workers
- Attract British workers

BREXIT is an opportunity

1

Double-down on differentiation

- Offer on-line grocery shopping
- Marketing British identity of dept. stores
- Enhance multi-channel experience for customers

2

Adjust
so

£ 8.3M
costs

ase British
local source
ngthen supp

£ 11B revenues
2021

sibility

3

Ensure manual
employee pipeline

- Lobby for facilitated process for international workers
- Attract British workers

You are perfectly poised to take advantage

Analysis

Brexit is a reflection of pro-British sentiment

BREXIT

What does it mean for population?

What does it mean for competitors?

What challenges will all UK face?

English Identity

UK – increased costs in supply chain
International – reduced costs

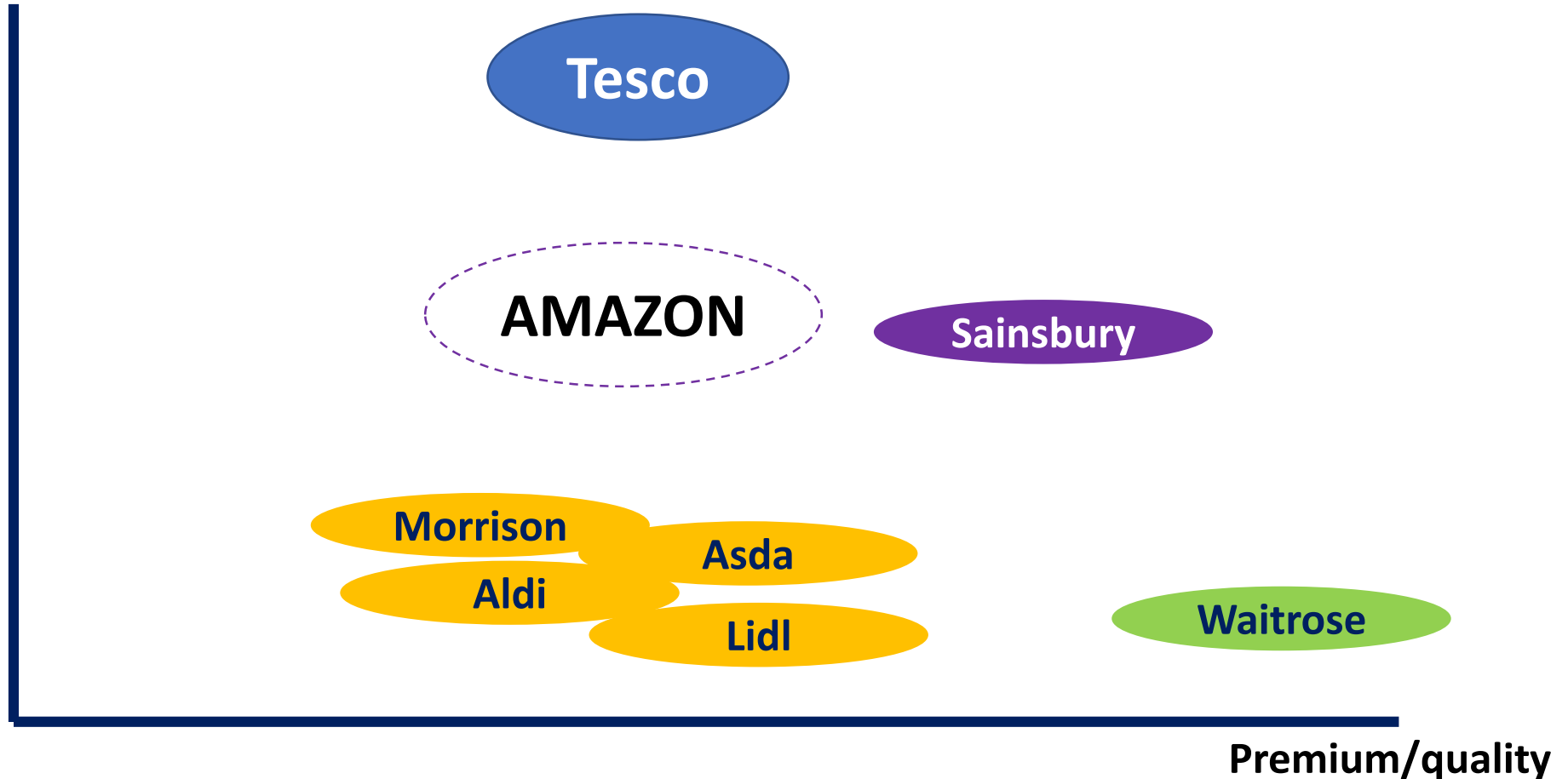
Increased costs for customers
Cost cutting
Potential layoffs

British company with local products will resonate with population

You can take advantage of increased British identity

Grocery retailing is changing

On-line
presence



Need to have an on-line presence to be competitive

Effect of BREXIT on Retailing at JLP

Peter Jones

British

Premium

John Lewis

Medium-high end

British merchandise



Imported goods increased costs

EU warehouse partners

Need to focus on local sourcing and addressing selectee recruitment

Unique business structure

Employee owned, governed, empowered

Constitution

Key-timers and full-timers

Voting rights for all

Compensation structure

Benefits and pension

People development

Pay for development

Partner voice

Unique business structure

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Pay for development

Partner voice

Leverage reputation for recruitment

Financials

Financial situation

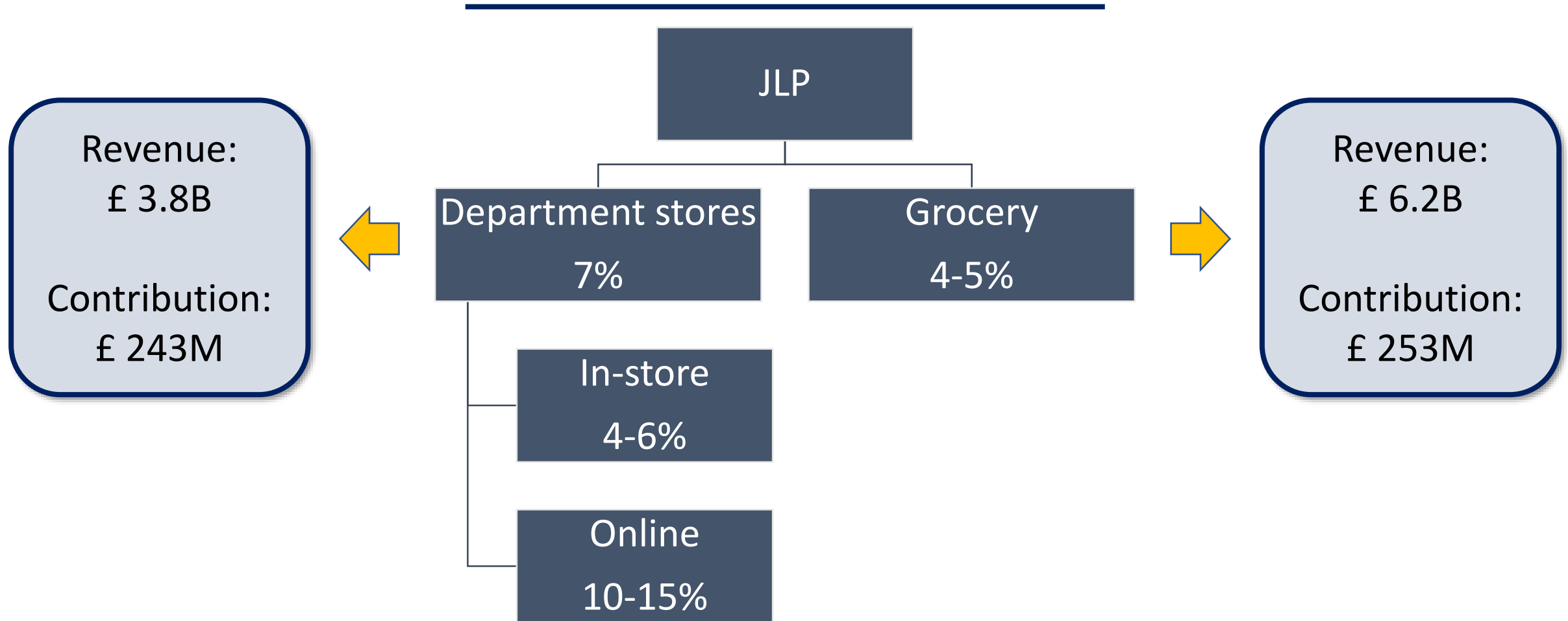
Business unit
margins

Operating profit
over time

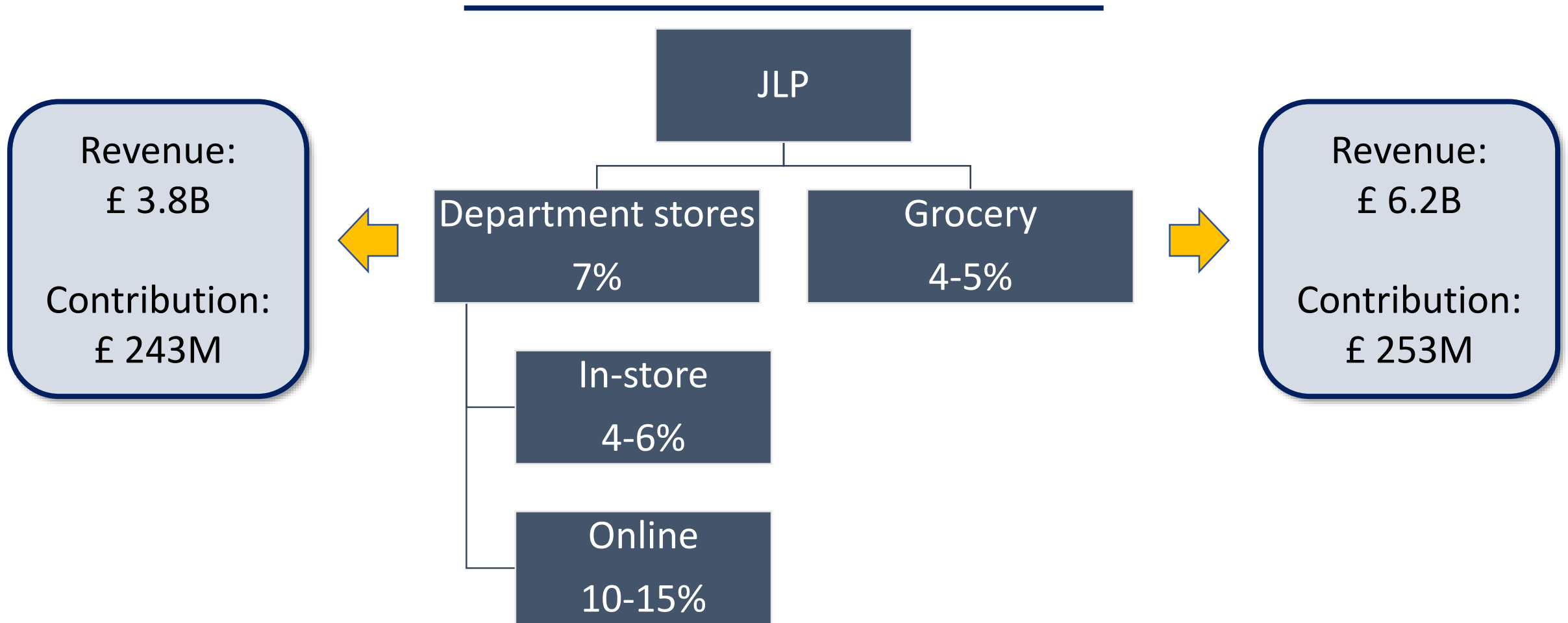
Partners'
bonus

Ability to adapt to market changes

Business unit operating margins



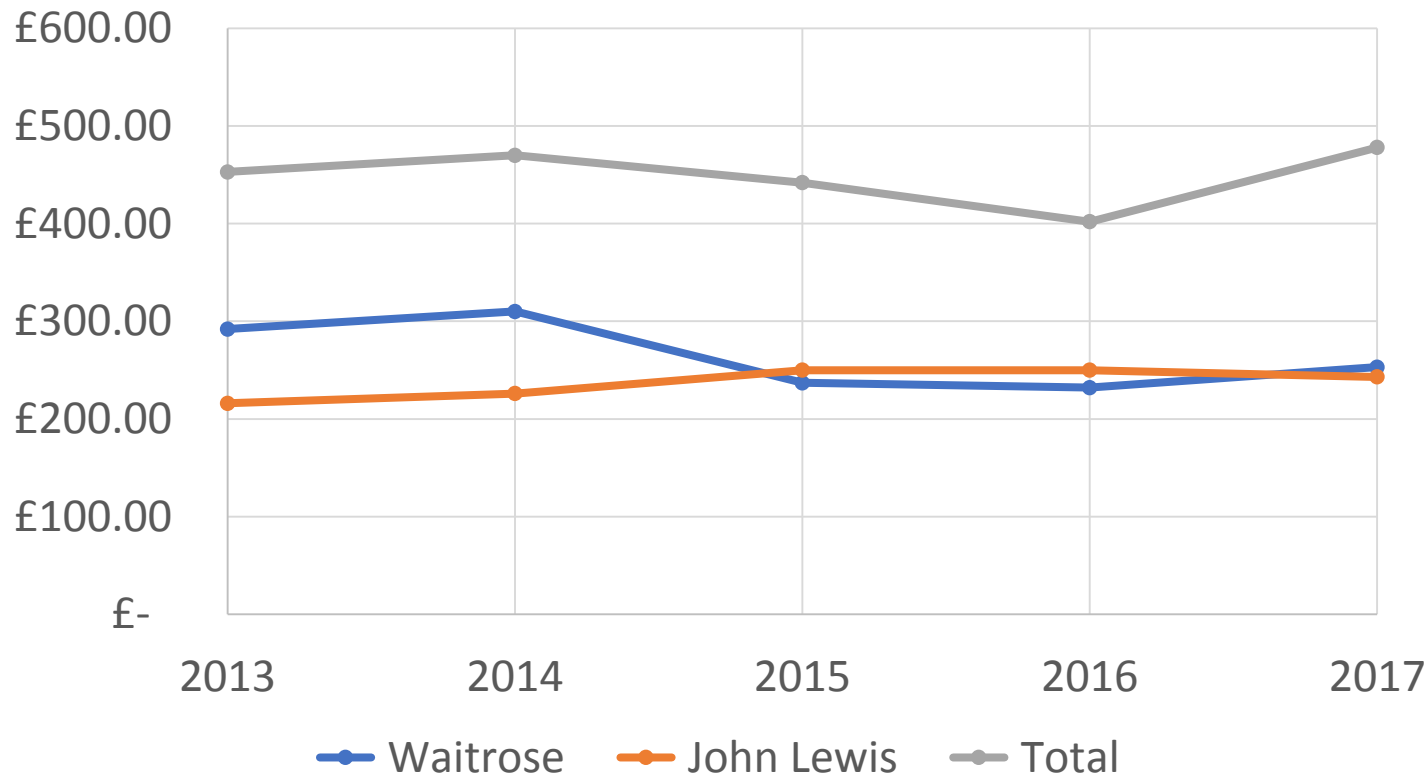
Business unit operating margins



Department store margins improving online

Operating profit over time

Operating profit (£M)

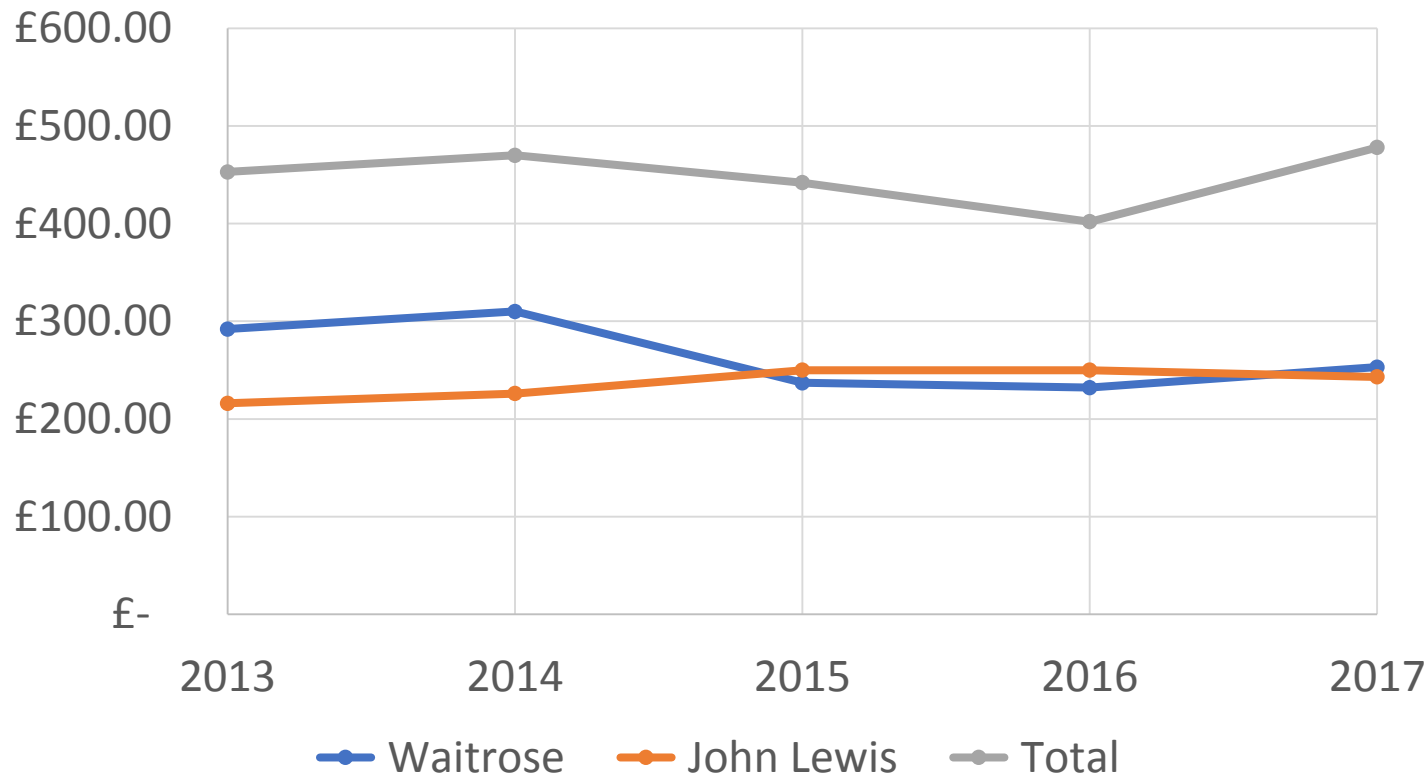


Fluctuations balanced
by business units

Total Operating profit
↑ 19%

Operating profit over time

Operating profit (£M)



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by business units

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Complementing businesses stabilize profits

Partners' bonus

	2017	2016	2015
Profit after financing costs	£ 370M	£ 305M	£ 342M
Bonus	£ 89M	£ 145M	£ 156M
% of profit	24%	48%	46%
Remaining profit	£ 354M	£ 223M	£ 143M

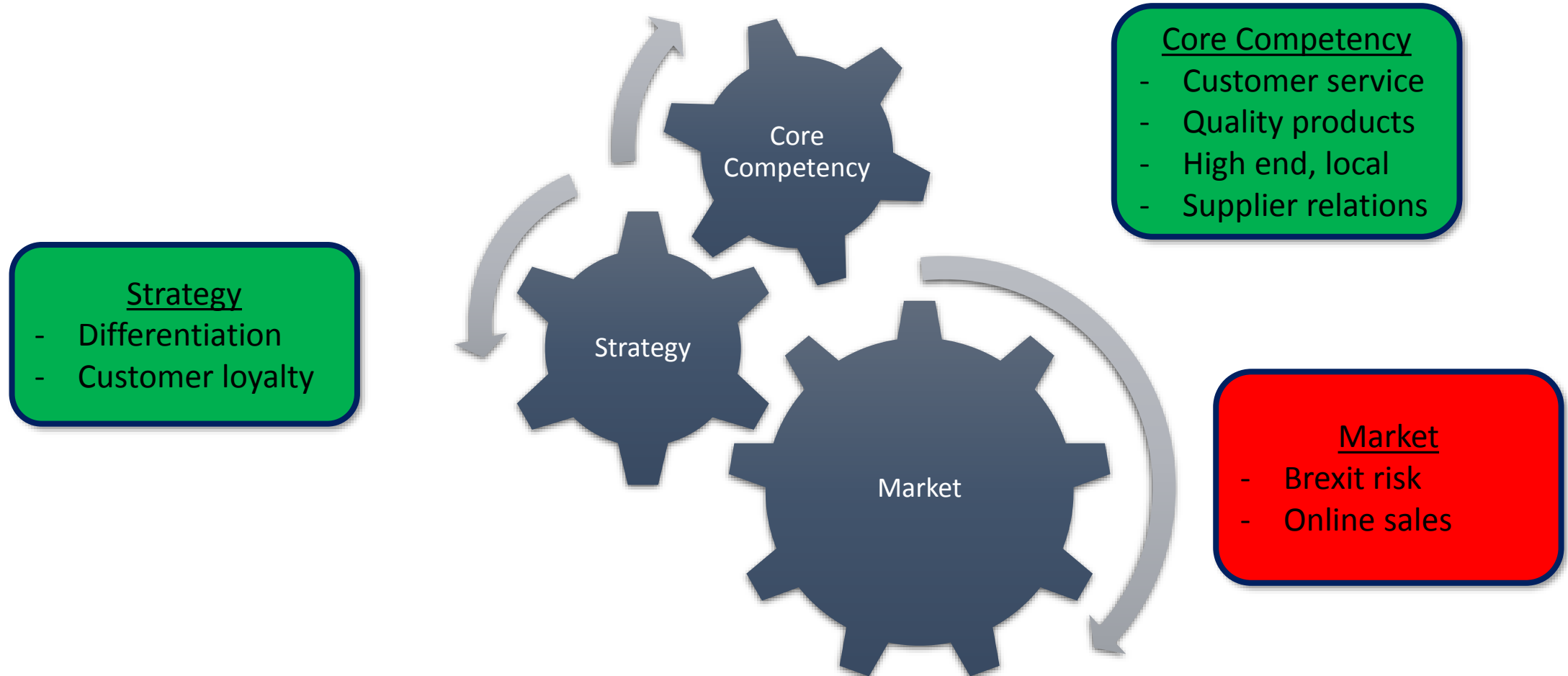
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Bonus can be increased without affecting profits

Alternatives

Brexit has introduced a significant risk to your strategy



Continue to differentiate to appeal to Brexit sentiments

What can you do to adapt to anticipated industry changes?

Criteria	Invest in AI	Vertical Integration	Cost Restructuring	Invest in online shopping channel	Focus on British brands
Company Experience	Red	Red	Green	Green	Green
Supply cost	Red	Red	Green	Yellow	Yellow
Customer Service	Red	Yellow	Red	Yellow	Green
HRM	Red	Yellow	Red	Green	Green

Focusing on British brands & online shopping will position you for success

Changing industry trends & Brexit risks present challenges

Risks

Cannibalization by online shopping

Foreign workers process made more difficult

Multinational companies shift focus to British brands

Mitigation

Increase of British brands offered will boost sales

Continue lobbying government to change foreign worker policy

Marketing efforts of British identity and history

Contingency

Transition full-time staff to part-time staff to cut costs

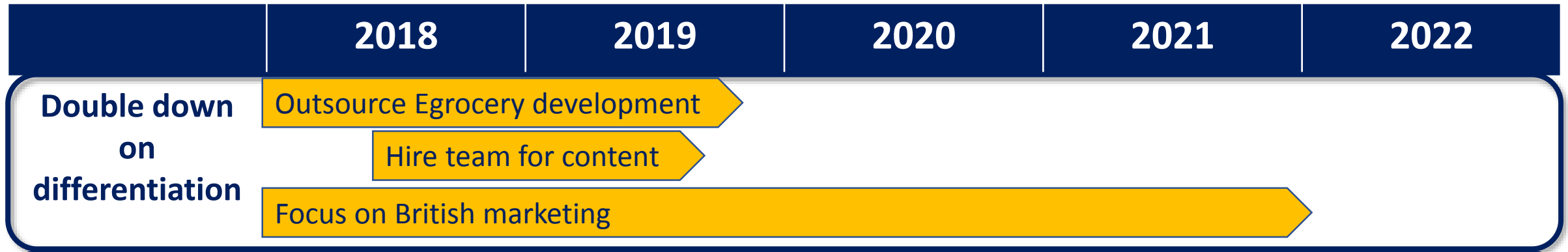
Hire locally for lost foreign jobs

Increase marketing efforts

Our strategy can help you grow your business amidst anticipated risks

Implementation

Differentiate and adjust



Differentiate and adjust

	2018	2019	2020	2021	2022
Double down on differentiation	Outsource Egrocery development				
		Hire team for content			
	Focus on British marketing				
Adjust supply sourcing	Increase British products				
	Reevaluate supplier sourcing and prices				

Differentiate and adjust

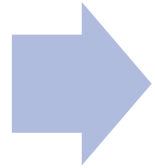
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	Promote manual jobs to Brits				

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You have built what it takes to succeed in this challenging environment

Differentiating



Product
sourcing



Manual labour

Invest in online shopping

Invest in
website

Outsource development

Browsing, ordering

Payment system

Invest in online shopping

Invest in
website

Outsource development

Browsing, ordering

Payment system



Catalogue
products

75% most common

Relations of products



Invest in online shopping

Invest in
website

Outsource development

Browsing, ordering

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Relations of products



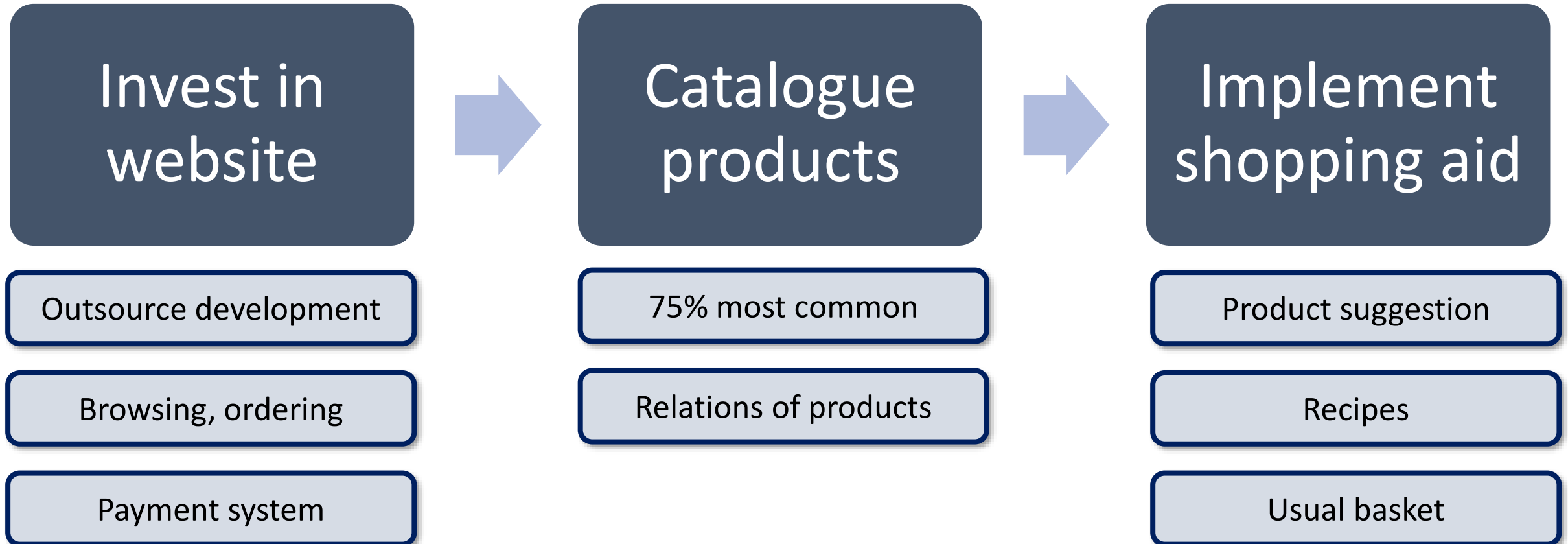
Implement
shopping aid

Product suggestion

Recipes

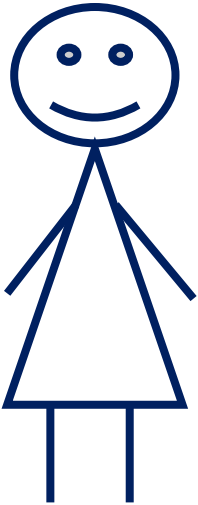
Usual basket

Invest in online shopping



This is key to keep your differentiated position

Customer process for groceries



Vivienne

Higher income

Busy working mom

Customer process for groceries



Vivienne

Higher income

Busy working mom

Shopping on lunch time for groceries

Select usual basket

Get suggestions for extra items

Pay and order

Pick up in closest store after work

Customer process for groceries



Vivienne

Higher income

Busy working mom

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Pick up in closest store after work

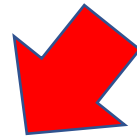
Increase convenience for customers

Promote the British identity in all stores

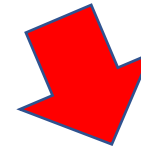
Showcase strong British identity for tourists and locals



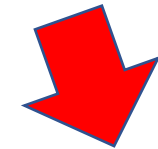
Label local British products



Invite local suppliers for demonstrations



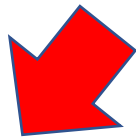
Align marketing to British identity



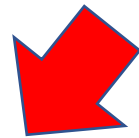
Social media campaign JL and UK

Promote the British identity in all stores

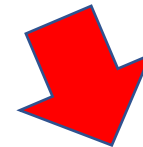
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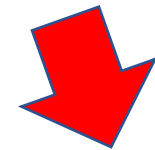
Label local British products



Invite local suppliers for demonstrations



Align marketing to British identity



Social media campaign JL and UK

The identity has been part of your attraction and is now a stronger force

Leverage multi channel customer service strengths

Department stores

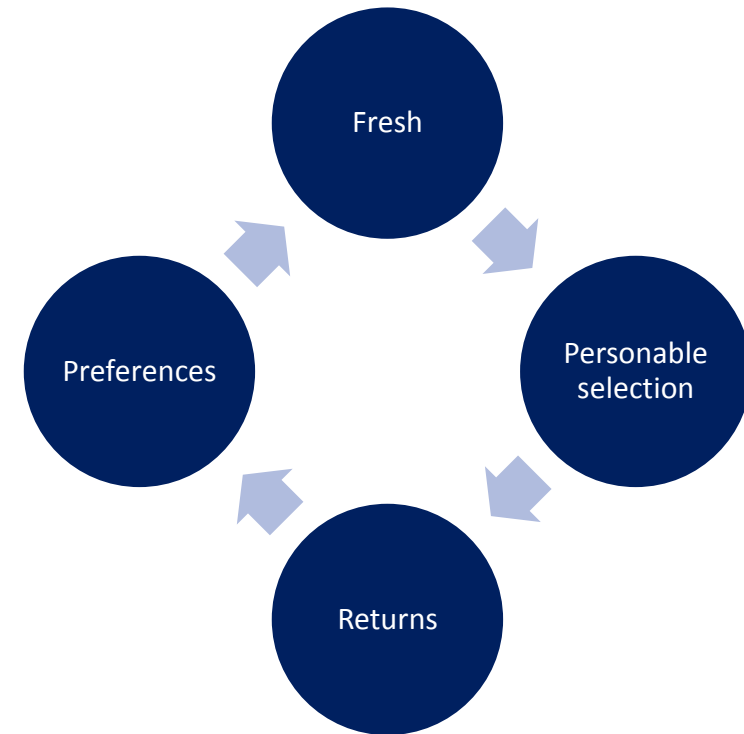


Leverage multi channel customer service strengths

Department stores



Supermarkets

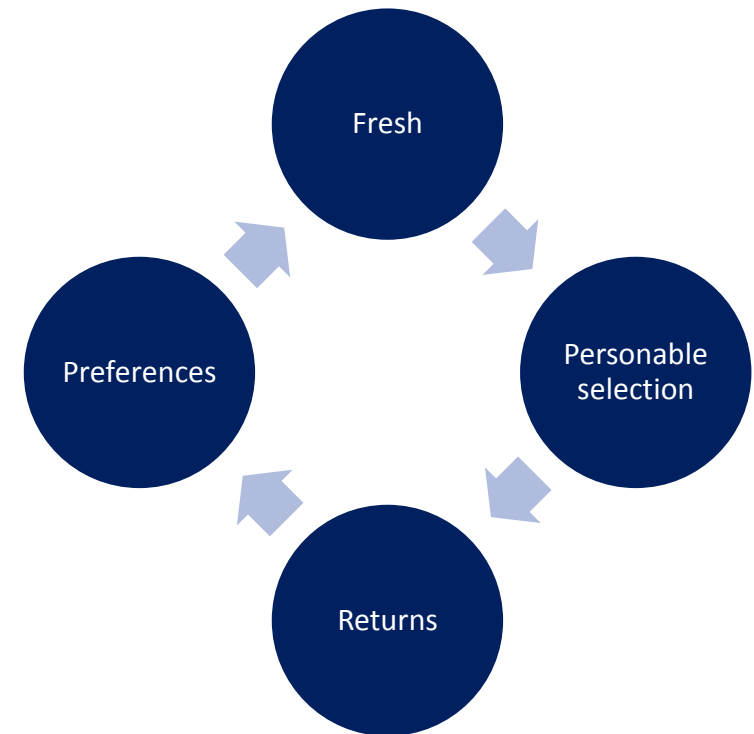


Leverage multi channel customer service strengths

Department stores



Supermarkets



Keep you core competency of customer service in both channels

Differentiating

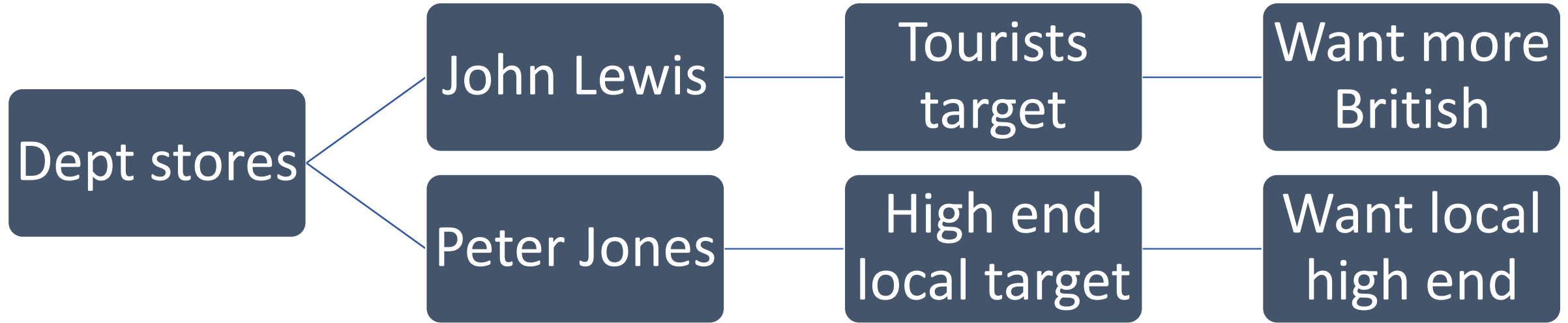


Product
sourcing



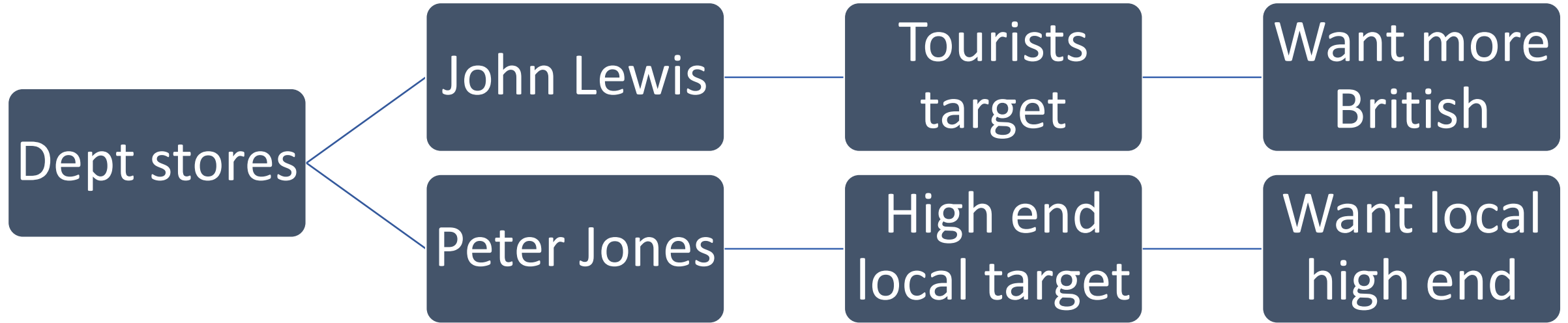
Manual labour

Increase British brands in department stores



Sourcing 30% to 50% in 2020

Increase British brands in department stores



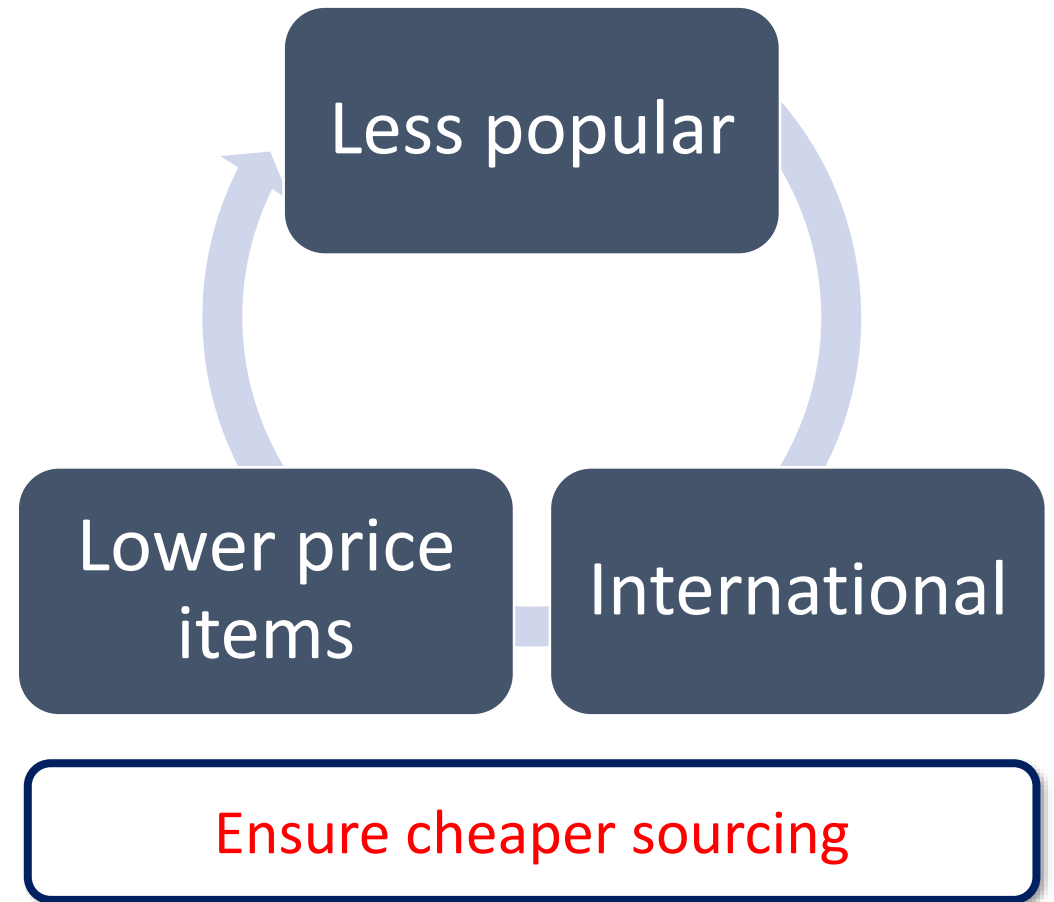
Sourcing 30% to 50% in 2020

Sourcing more locally will hedge against international currency

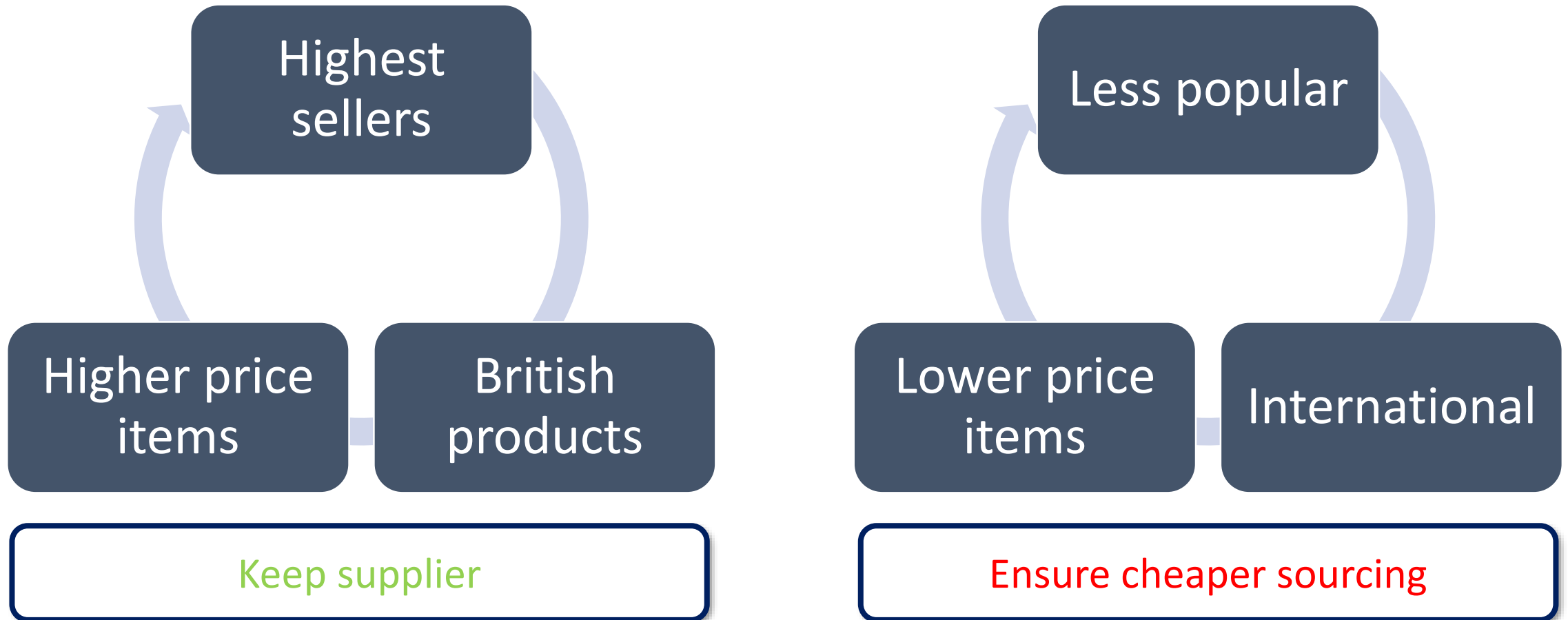
Evaluate supplier sourcing for department



Evaluate supplier sourcing for department



Evaluate supplier sourcing for department



This adjustment allows to minimize costs with increased conversion rate

Reassess pricing strategies



Reassess pricing strategies

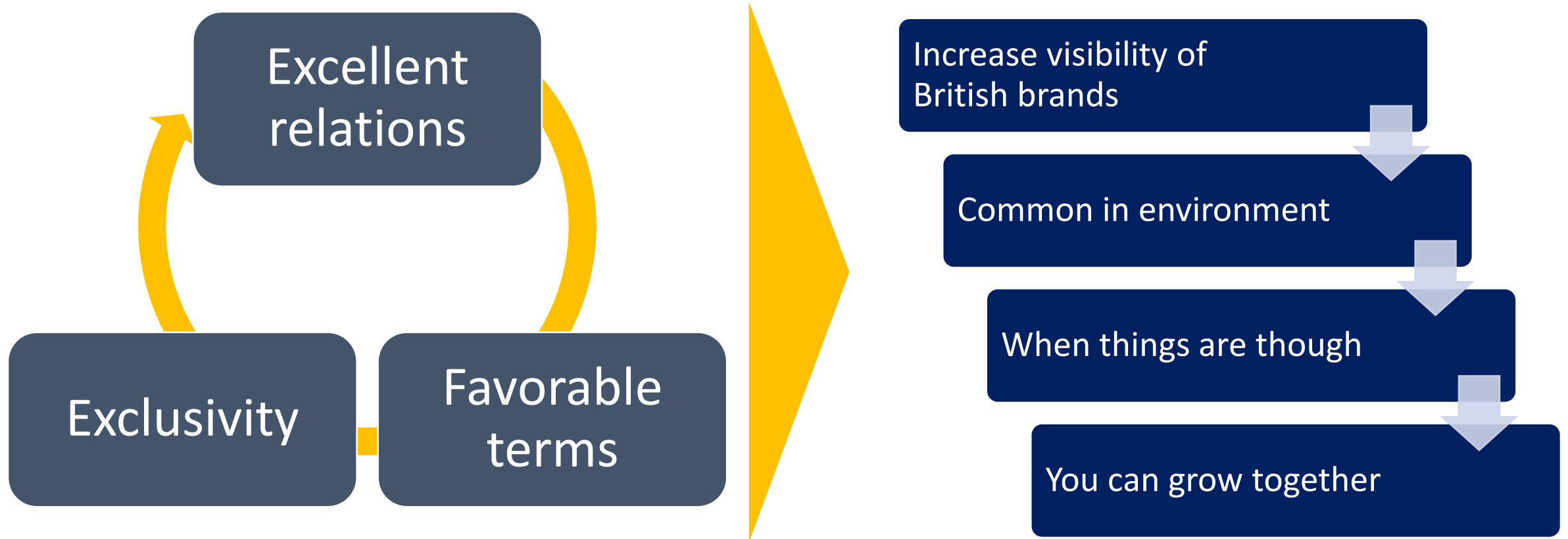


Reassess pricing strategies

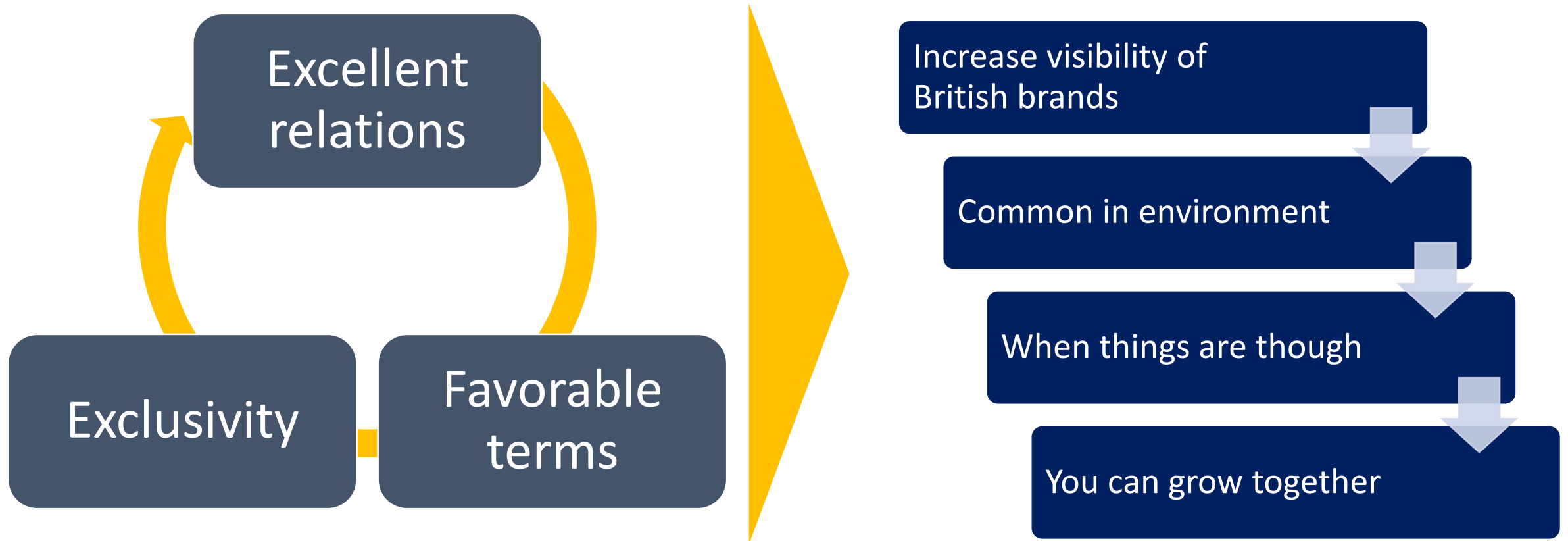


Ensure optimal pricing structure for profitability

Strengthen supplier relations



Strengthen supplier relations



Ensure you both strive in current environment

Differentiating

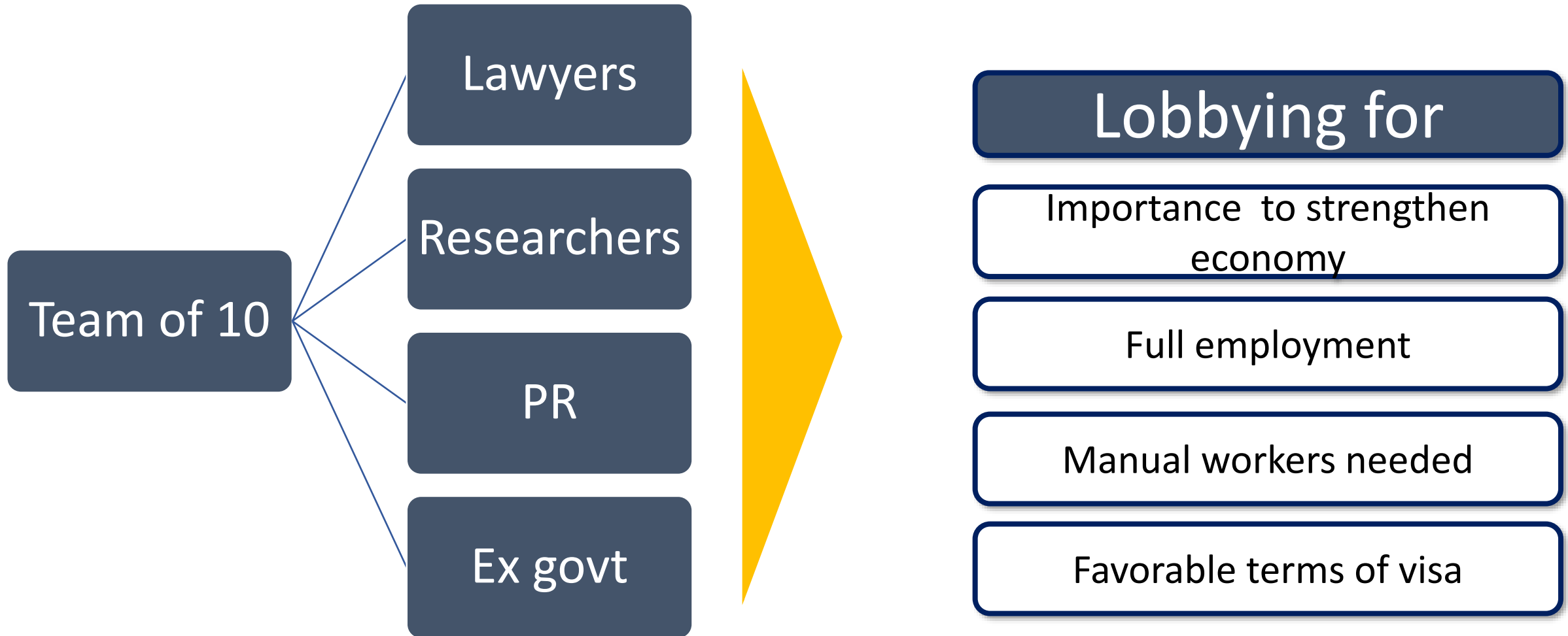


Product
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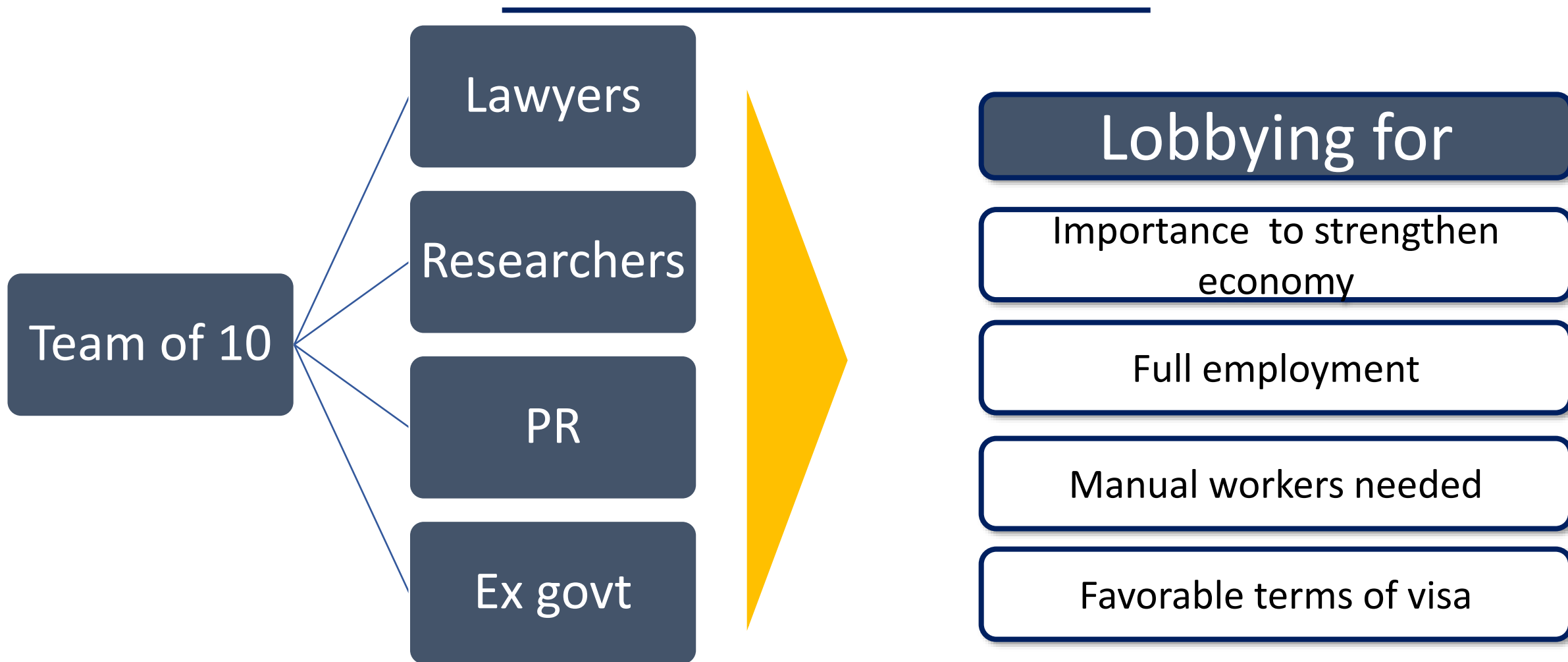


Manual labour

Hire team to lobby for EU labour



Hire team to lobby for EU labour



This is in the interest of all Brits

Attract British citizen to manual jobs



Increase HR efforts towards manual jobs

Attract British citizen to manual jobs



Increase HR efforts towards manual jobs

You offer the best opportunity to job seekers

Financials

Improvement costs

Develop e-grocery
platform (outsource)

£ 2M

E-grocery team
10 people

£ 500K/year

British promotion
marketing

£ 2M over 3 years

Lobbying efforts
10 people

£ 600K/year

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Essential costs to adapt in the new environment

Increased revenue

	Percent increase in revenue (after cannibalization)
↑ Revenue in online (dep't stores)	2%/year
↑ Revenue in-store (dep't stores)	1%/year
↑ Revenue in e-grocery	1% → 2% → 3%

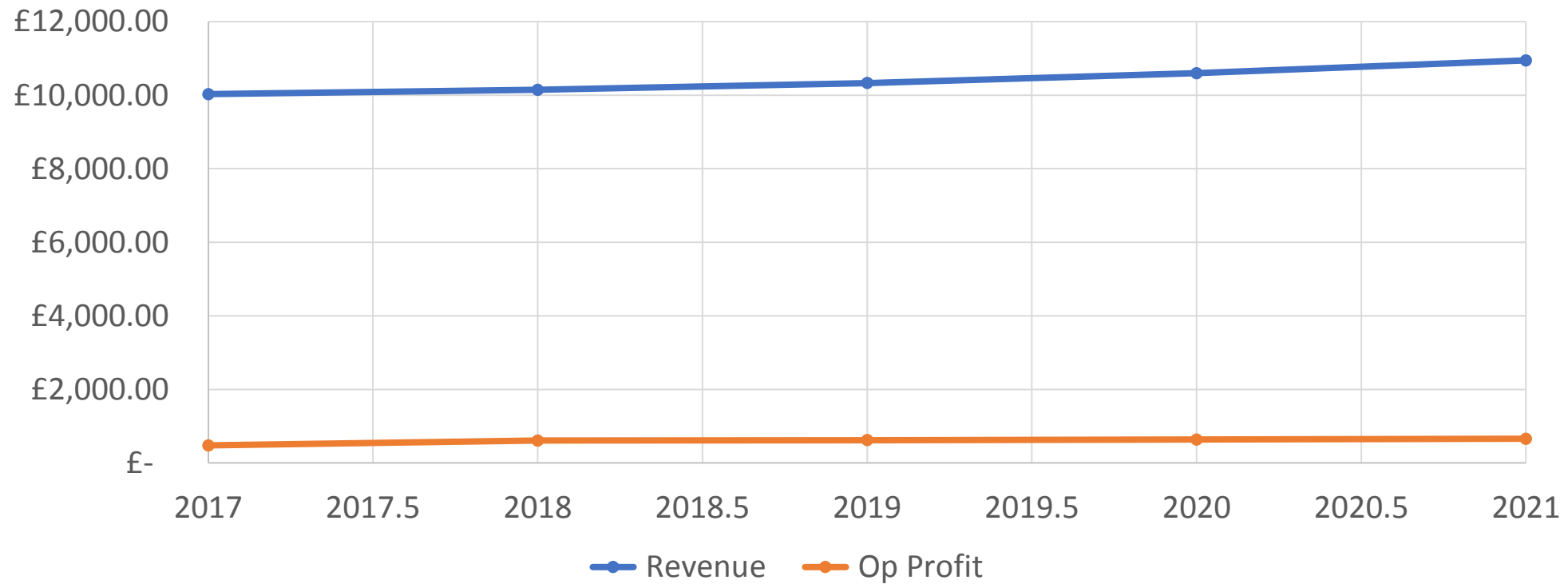
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Increase revenue despite environmental changes

Increased revenue

Future Revenue and Op Profit



Growth steady over time

BREXIT is an opportunity

1

Double-down on
differentiation

2

Adjust supply
sourcing

3

Ensure manual
employee pipeline



Leverage on your
strengths in the
challenging
environment

Thank you!