JLP: What can you do for the partnership?

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Problem Statement

Mitigate the risks presented by BREXIT and address the changing competitive landscape while maintaining partnership principles
Key Issues

- Supply Chain management
- Staffing issues and partner needs
- Impact of exchange rate
- Impact of technology and online sales
Recommendation

Become the British community “CHOICE” retailer

Comprehensive online strategy driving community instore experiences

Offer more locally sourced products

Job neutral investments in technology and automation
Targeted Performance Metrics

- Bonus Payout by 2023: 15%
- Profit growth by 2028: 13%
Analysis
The seven principles that Empower JLP

- Purpose
- Power
- Profit
- Partners
- Business relationships
- Customers
- Community
Core Competencies

- Management Structure
- Vertically integrated SC
- Organizational culture
- Quality product offering
- Customer service
- Multi channel retail platform
- Supplier relationships
Where does John Lewis Source Products?

JLP
- Import
- Domestic

Waitrose
- Import
- Domestic
# Competitive Landscape

## Department Stores

<table>
<thead>
<tr>
<th></th>
<th>Perceived Quality</th>
<th>No. of stores</th>
<th>Geographic footprint</th>
<th>Product offerings</th>
</tr>
</thead>
<tbody>
<tr>
<td>John Lewis</td>
<td>Med - High</td>
<td>34</td>
<td>UK</td>
<td>Fashion, Home goods, Technology</td>
</tr>
<tr>
<td>M &amp; S</td>
<td>Med - High</td>
<td>344</td>
<td>UK, India, Spain, Others</td>
<td>Non food and food retail</td>
</tr>
<tr>
<td>Peter Jones</td>
<td>Premium</td>
<td></td>
<td>UK</td>
<td>Fashion, Home goods, Technology</td>
</tr>
<tr>
<td>Harrods</td>
<td>Premium</td>
<td>330</td>
<td>UK, Global</td>
<td>Fashion, Home goods</td>
</tr>
</tbody>
</table>
## Competitive Landscape

### Grocery/Super markets

<table>
<thead>
<tr>
<th></th>
<th>Perceived Quality</th>
<th>No. of stores</th>
<th>Geographic footprint</th>
<th>Product offerings</th>
<th>Online</th>
</tr>
</thead>
<tbody>
<tr>
<td>Waitrose</td>
<td>High, Non GMO</td>
<td>350</td>
<td>UK</td>
<td>Non GMO, wide selection</td>
<td>In store pick up</td>
</tr>
<tr>
<td>Tesco</td>
<td>Low</td>
<td>3400</td>
<td>UK, 11 other countries</td>
<td>Grocery, general merchandise</td>
<td>Delivery and in store pickup</td>
</tr>
<tr>
<td>Asda</td>
<td>Low - Med</td>
<td>750</td>
<td>UK</td>
<td>Big box grocery, general merchandise</td>
<td>1 £ Delivery</td>
</tr>
<tr>
<td>Sainsbury</td>
<td>High</td>
<td>1312</td>
<td>UK</td>
<td>High end grocery and produce</td>
<td>Online order</td>
</tr>
<tr>
<td>M&amp;S</td>
<td>Med - High</td>
<td>344</td>
<td>UK, India, Spain, Others</td>
<td>Limited high quality grocery</td>
<td>Online order for durable goods</td>
</tr>
</tbody>
</table>
Alternatives
## Alternatives Explored

<table>
<thead>
<tr>
<th>Organizational Culture</th>
<th>Partnership Value</th>
<th>Capital Intensity</th>
<th>Profitability Potential</th>
<th>Strategic Fit</th>
</tr>
</thead>
<tbody>
<tr>
<td>High Volume, Low Price</td>
<td>Red</td>
<td>Red</td>
<td>Yellow</td>
<td>Yellow</td>
</tr>
<tr>
<td>Expand internationally</td>
<td>Yellow</td>
<td>Red</td>
<td>Green</td>
<td>Yellow</td>
</tr>
<tr>
<td>Oursource Talent Management</td>
<td>Green</td>
<td>Green</td>
<td>Yellow</td>
<td>Yellow</td>
</tr>
<tr>
<td>Become UK Choice Retailer</td>
<td>Green</td>
<td>Green</td>
<td>Yellow</td>
<td>Yellow</td>
</tr>
</tbody>
</table>
Recommendation
Key Issues - The BREXIT effect

- High supplier and sourcing implications
- Higher cost of materials due to import duties
- Staffing problems
  - Company value affected by lost partners
- Currency implications, exchange rate volatility
  - Value of pound low
- Overall supply chain impact
Key Issues - Implication of technology and online sales

- Growing shift / trends towards online shopping
- Need to update existing information systems
- Implication on existing jobs and partners
Become the British community “CHOICE” retailer

- Has a strong geographic footprint in UK
- Vertically integrated supply chain (Leckford farm)
- Offer more locally sourced products
- Multichannel retail offerings
  - Fashion
  - home goods
  - grocery

Leverage our principles and platform to greatly increase retail experiences in the community and become the “CHOICE” retailer
Job neutral investments in technology and automation

**Investment in IoT and RFID technology**

- Employee turnover gap reduced by automation
  - Employee development and training for automation support
- Developing IoT ecosystem
  - Better maintenance of instore products
  - Better supplier relationships
  - Higher customer service level
- Growing trend in UK for automated payments - “tap to pay”
  - Install RFID technology for consumers in store

**Delivering strong cost efficiencies while preserving our partners interests**
Comprehensive online strategy driving community instore experiences

Online strategy

- Develop a social media handle (twitter/Facebook)
  - Promote “Proudly sourced in UK”
  - Promote brand awareness using Influencers
- Further develop online ordering platform
  - Offer delivery options
Implementation
Become the British community “CHOICE” retailer

- Identify new UK produce growers
- Develop supplier relationships and contracts
- Optimize SC for logistics and delivery

COST: 10m annually; KPI: Revenue growth annually
Comprehensive online strategy driving community instore experiences

- Build social media partners
- Deploy social media strategy
- Capital light Third party delivery deployment

COST: 2m annually; KPI: Inventory turnover
Job neutral investments in technology and automation

- Invest in IoT and RFID technology, sensors
- Build IT support team and partners
- Test and concept proof
- Deployment of technology
- Reassess staffing projections
- Roll out staff training and development plan

COST: 130m; KPI: Average no. of full time partners
<table>
<thead>
<tr>
<th>British Community Choice Retailer</th>
<th>1H2018</th>
<th>2H2018</th>
<th>1H2019</th>
<th>2H2019</th>
<th>1H2020</th>
<th>2H2020</th>
<th>Through 2028</th>
</tr>
</thead>
<tbody>
<tr>
<td>Identify New UK Produce Growers</td>
<td></td>
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<tr>
<td>Develop Supplier Relationships</td>
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<tr>
<td>Optimize Supply Chain for Logistics and Delivery</td>
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<td>Comprehensive Online Strategy</td>
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<td>Build Social Media Team</td>
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<td>Deploy Social Media Strategy</td>
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<td>Find 3rd Party Delivery Suppliers</td>
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<tr>
<td>Automation Investments</td>
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<td></td>
</tr>
<tr>
<td>Build IT support team</td>
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<td></td>
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<tr>
<td>Testing and concept proving</td>
<td></td>
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<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Invest in IoT Hardware</td>
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<tr>
<td>Deploy IoT</td>
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<tr>
<td>Job training</td>
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<tr>
<td>Reassess staffing projections</td>
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</tbody>
</table>
Financials
Assumptions

- Stable revenue growth around 3% annually
- Assuming decline in staff # to 2013 levels by 2021
- Current state employment would not change through 2028
- Bonus pay grows to 15% by 2023
- Financing is easily accessible, and outstanding debt remains constant at 5 year average
- Taxes of 28% (5 year average)
- Product Shift ensures consistent exchange rate risk for the business into future
Our Proposal will Shift the Import-Domestic Mix
This plan offers opportunity to substantially increase Bonus pay, at Discretion of Governance
### How Much Will This Cost Annually?

<table>
<thead>
<tr>
<th>Average Annual Savings</th>
<th>Sterling (Millions)</th>
<th>Annual Uses</th>
<th>Sterling (Millions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Organic Staff Reduction</td>
<td>125</td>
<td>Social Media Staff</td>
<td>2</td>
</tr>
<tr>
<td></td>
<td></td>
<td>IT Staff</td>
<td>3</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Checkout and Inventory Mgmt Hardware</td>
<td>119</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Third Party Courier</td>
<td>10</td>
</tr>
</tbody>
</table>

This plan will require gradual transition to IoT-centric store and social media marketing.
Risks and Mitigation
Risks are Varied but the Partnership can Mitigate

<table>
<thead>
<tr>
<th>Risk</th>
<th>Threat Level</th>
<th>Mitigation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Exchange rate impact beyond Euro-Pound.</td>
<td>Medium</td>
<td>Raise prices on exchange-rate sensitive items.</td>
</tr>
<tr>
<td>Delivery expenses will erode margins in grocery.</td>
<td>High</td>
<td>Low fixed costs mean volumes should compensate for higher costs.</td>
</tr>
<tr>
<td>Customers may not engage with “community” focus</td>
<td>Low</td>
<td>Focus social media and marketing on local and fresh.</td>
</tr>
</tbody>
</table>
Conclusion
Conclusion

Key Issues
- Supply Chain management
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- Impact of technology and online sales

Recommendation
- Become the British community “CHOICE” retailer
- Comprehensive online strategy driving community instore experiences
- Offer more locally sourced products
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Result
- Bonus payout: 15% by 2023
- Profit growth: 13% through 2028