

# JLP: What can you do for the partnership?

ANANYA GUPTA, ETHAN GUSWILER, SRI KAVIKKAL, JAKE SONDERGARD

# Problem Statement

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

# Key Issues

3

**KATZ**  
Consulting

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

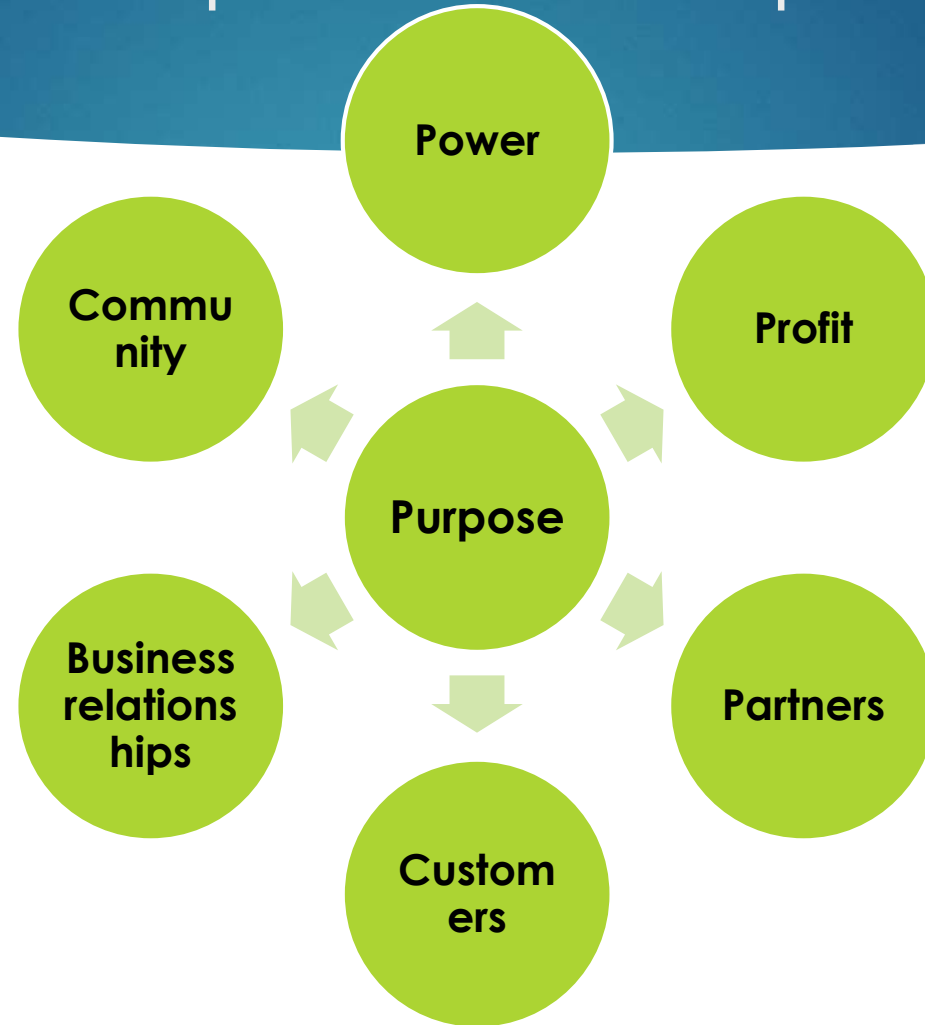
Job neutral investments in technology and automation

# Targeted Performance Metrics

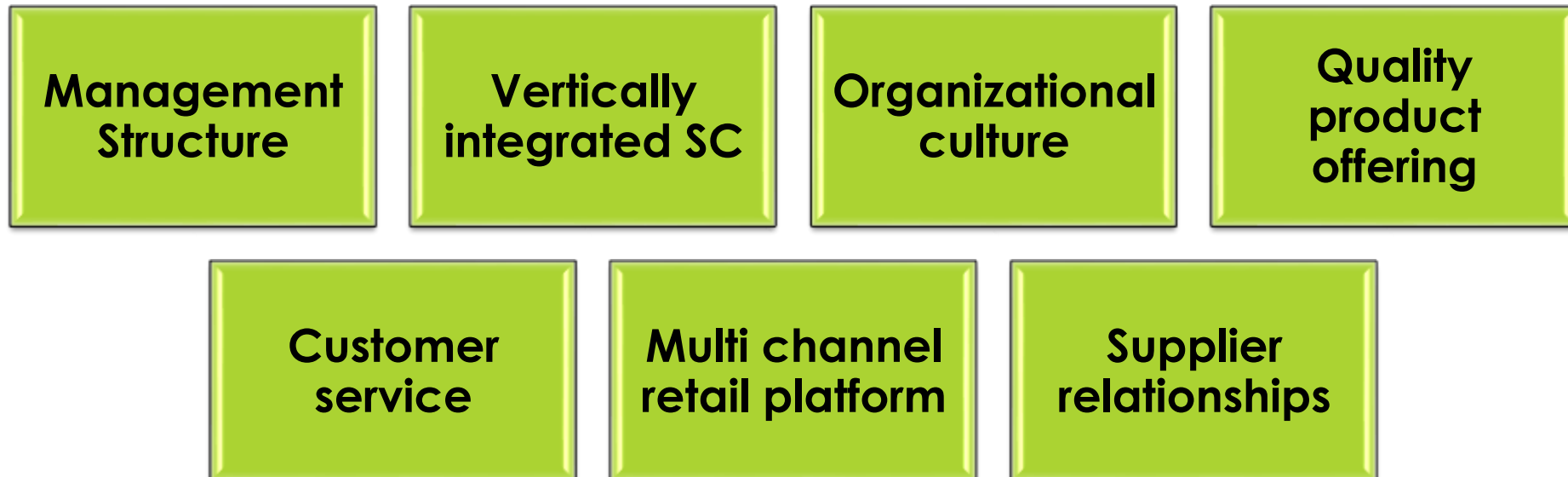
- Bonus Payout by 2023: 15%
- Profit growth by 2028: 13%

# Analysis

# The seven principles that Empower JLP



# Core Competencies



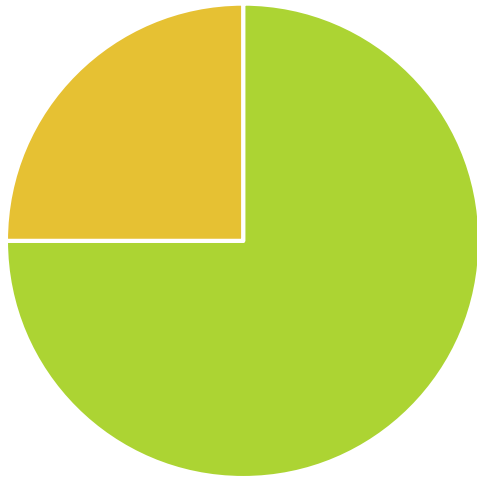


# Where does John Lewis Source Products?

9

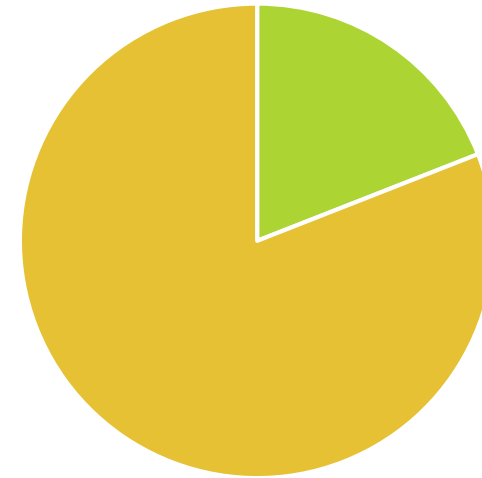
**KATZ**  
Consulting

**JLP**



■ Import ■ Domestic

**Waitrose**



■ Import ■ Domestic

# Competitive Landscape

## Department Stores

	Perceived Quality	No. of stores	Geographic footprint	Product offerings
John Lewis	Med - High	34	UK	Fashion, Home goods, Technology
M & S	Med - High	344	UK, India, Spain, Others	Non food and food retail
Peter Jones	Premium		UK	Fashion, Home goods, Technology
Harrods	Premium	330	UK, Global	Fashion, Home goods

# Competitive Landscape

## Grocery/Super markets

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

# Alternatives

# Alternatives Explored

	Organizational Culture	Partnership Value	Capital Intensity	Profitability Potential	Strategic Fit
High Volume, Low Price	Red	Yellow	Red	Yellow	Yellow
Expand internationally	Red	Yellow	Red	Green	Yellow
Outsource Talent Management	Red	Yellow	Green	Green	Red
Become UK Choice Retailer	Green	Green	Yellow	Green	Green

# 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

16

**KATZ**  
**Consulting**

- ▶ 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

18

**KATZ**  
Consulting

## 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

21

**KATZ**  
Consulting

- 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

22

**KATZ**  
Consulting

- 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

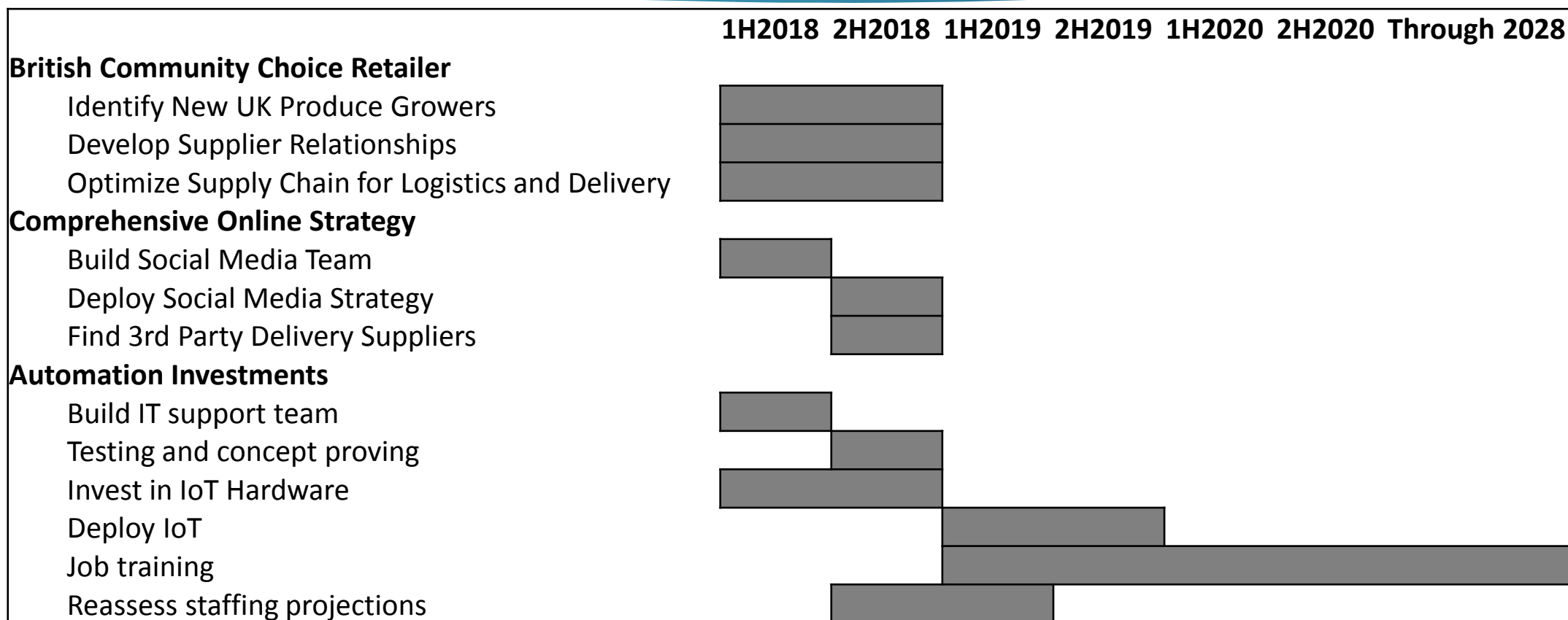
23

**KATZ**  
Consulting

- 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**

# Implementation Timeline





# Financials

# Assumptions

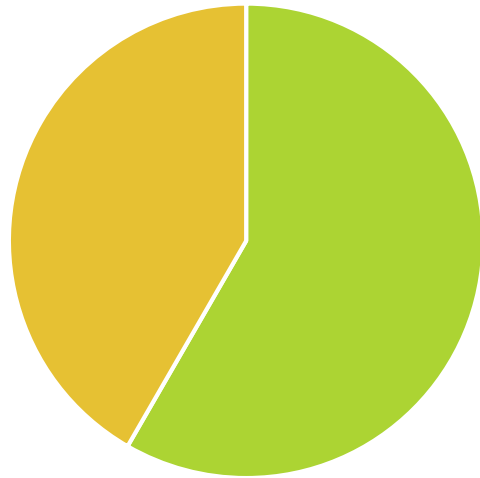
- ▶ Stable revenue growth around 3% annually
- ▶ Assuming decline in staff # to 2013 levels by 2021
- ▶ Current state employment would not change through 2028
- ▶ Bonus pay grows to 15% by 2023
- ▶ Financing is easily accessible, and outstanding debt remains constant at 5 year average
- ▶ Taxes of 28% (5 year average)
- ▶ Product Shift ensures consistent exchange rate risk for the business into future

# Our Proposal will Shift the Import-Domestic Mix

27

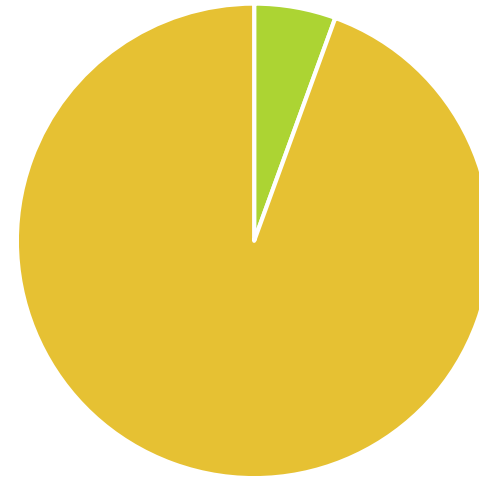
**KATZ**  
Consulting

**JLP**



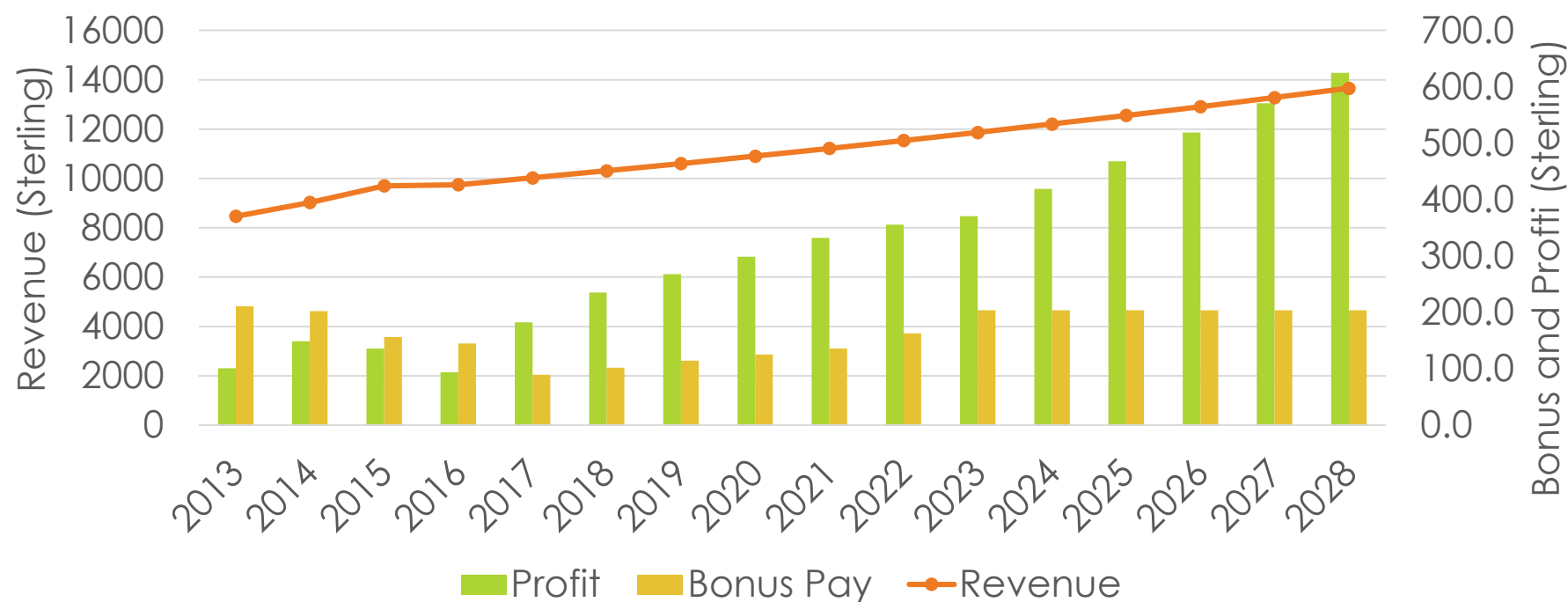
■ Import ■ Domestic

**Waitrose**



■ Import ■ Domestic

# Proposal Grows Sales Steadily, Aggressively Grows Earnings



This plan offers opportunity to substantially increase Bonus pay, at Discretion of Governance

# How Much Will This Cost Annually?

Average Annual Savings	Sterling (Millions)	Annual Uses	Sterling (Millions)
Organic Staff Reduction	125	Social Media Staff	2
		IT Staff	3
		Checkout and Inventory Mgmt Hardware	119
		Third Party Courier	10

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

31

**KATZ**  
Consulting

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

# Conclusion



# Conclusion

## 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

## Result

- Bonus payout: 15% by 2023
- Profit growth: 13% through 2028