

It's Your Business 2028: Long-term Success for JLP

PREPARED FOR:

JLP PARTNERSHIP BOARD

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The Issue

Technological disruption and the current political climate is impacting internal operations, resources, and means an uncertain future for JLP.

The Recommendation

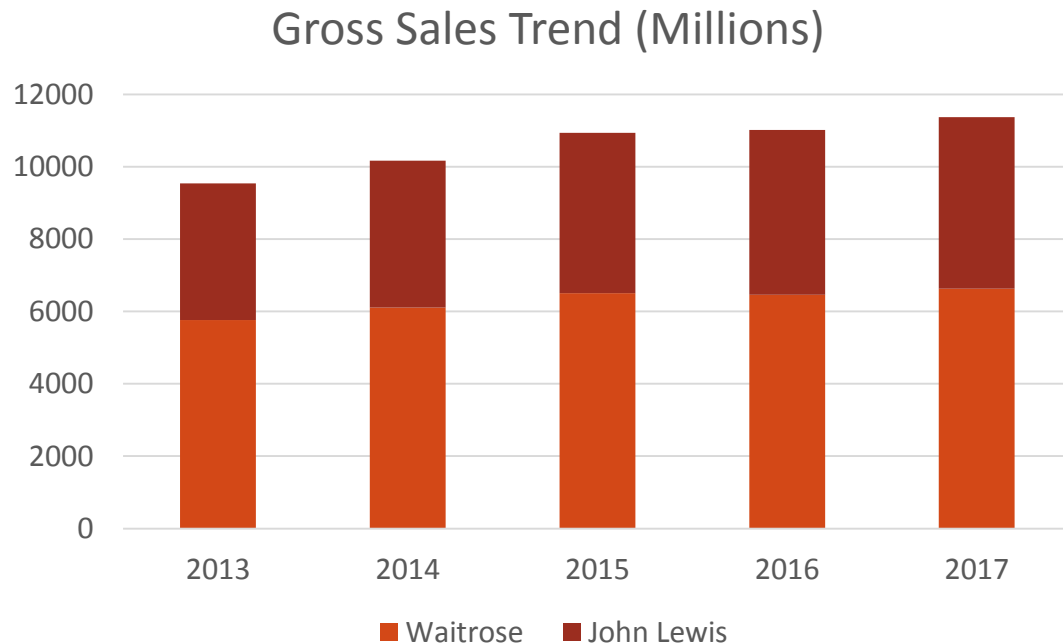
JLP should consolidate its business, embrace technology trends and address its internal structure to achieve “It`s Your Business 2028”

Agenda

- Analysis
- Alternatives
- Recommendation & Implementation
- Q&A

Analysis

Current Financial State



- Waitrose provides ~60% of the total gross revenue
- John Lewis experiencing more growth rate recently compared to the Waitrose business

Strengths and opportunities exist across all areas of JLPs business

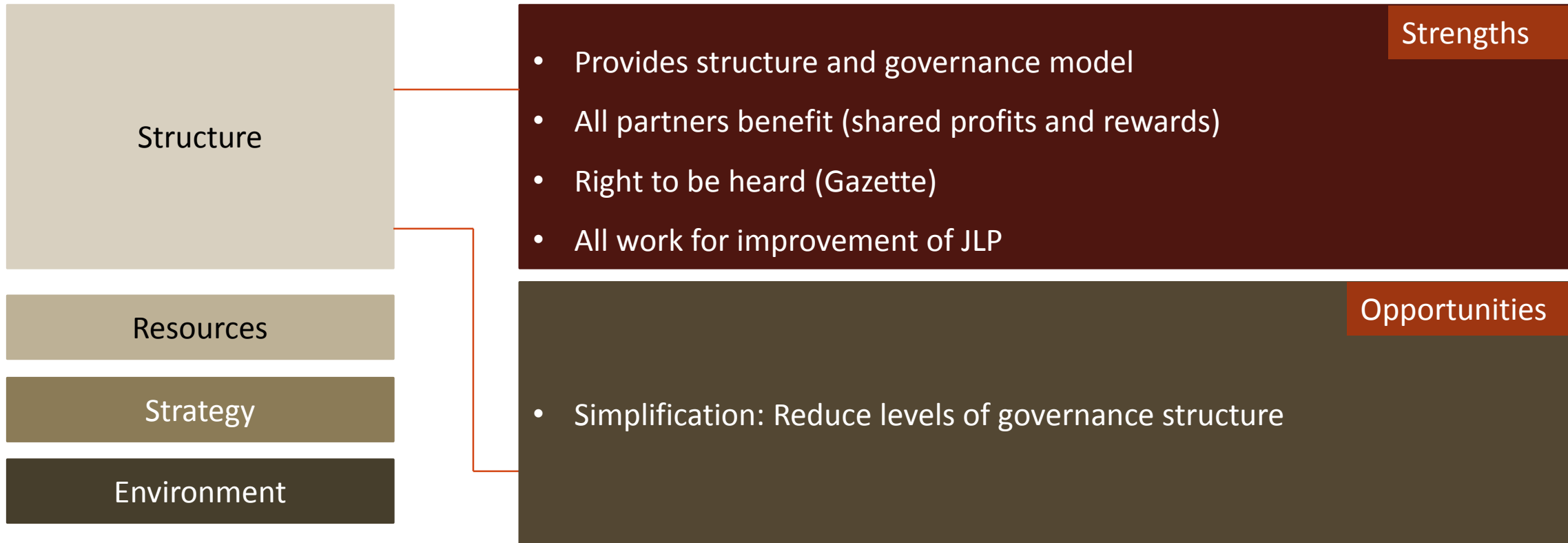
Structure

Resources

Strategy

Environment

JLP's structure is focused on its longstanding partnership model



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Opportunity to maintain aspects of the Partnership Model and overhaul in others

JLP's Resources: many locations, composition of employees



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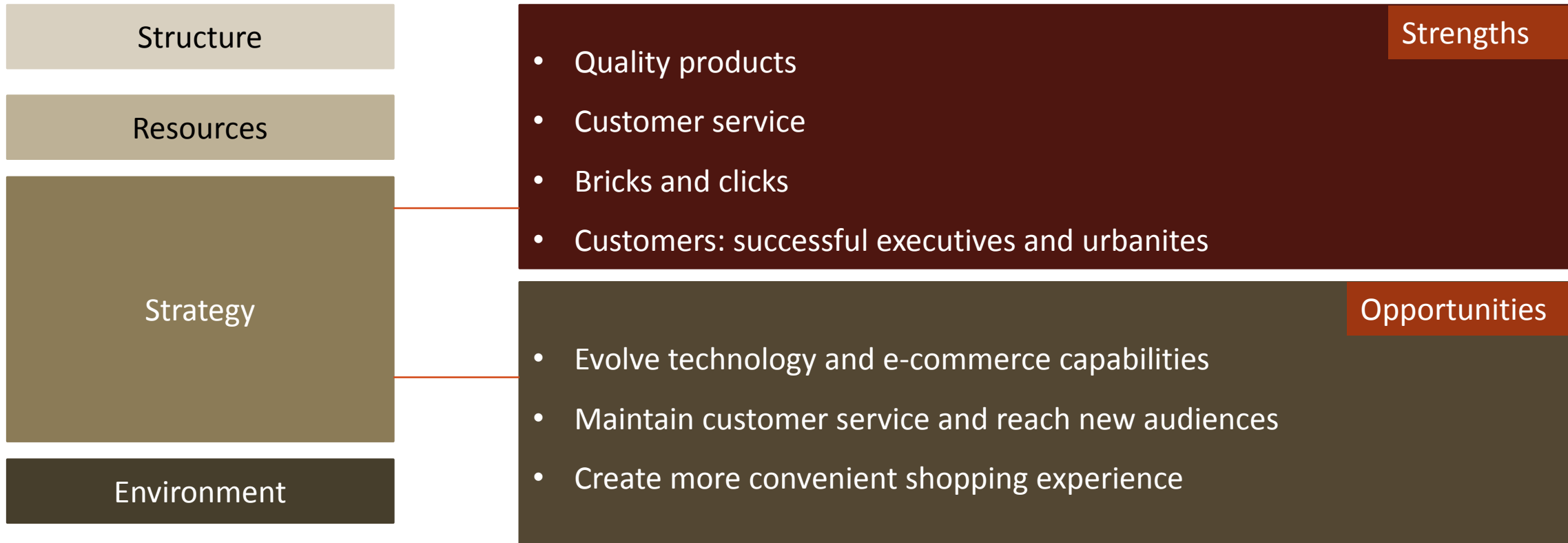


There is opportunity to consolidate and simplify given competition and technology advances

Today's strategy is not fully aligned to market trends



Today's strategy is not fully aligned to market trends



JLP should maintain existing focus of quality and customer experience while updating its model to reach new customers

External threats indicate need for change

Structure

Resources

Strategy

Environment

1. Brexit: Support staff, FX risk, imports
2. Competition: Tesco, Sainsbury, Harrod's, Mark's and Spencer
3. E-Commerce: Amazon

External threats indicate need for change



1. Brexit: Support staff, FX risk, imports
2. Competition: Tesco, Sainsbury
3. E-Commerce: Amazon

Emerging threats mean JLP needs to adjust to meet “It’s Your Business 2028”

Alternatives

Decision Criteria

Addresses internal
challenges: labour
force and supply
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Focuses on long-
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Decision Criteria

Addresses internal challenges: labour force and supply chain

Focuses on long-term success

Leverages competitive advantage: customer service

Alternatives

1. Launch one-stop-shop customer experience and enhance e-commerce platform
2. Focus on Waitrose; sell off JLP retail business
3. Revamp internal organizational composition

Alternative 1: Launch one-stop-shop customer experience and enhance e-commerce platform

Sell groceries in retail department stores, launch e-commerce platform

Pros

- Long-term consolidation resulting in real estate cost savings
- Addresses consumer shift towards the digital space
- Aligns to customer preference for a simplified shopping experience without the need to visit multiple locations to get what they need
- Capitalizes on recent growth in online sales (20%)

Cons

- New model could result in customer pushback
- Threat of Brexit's impact to company

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Recommended: leverages competitive advantage and enhances the customer experience

Alternative 2: Focus on Waitrose; sell off JLP retail business

Evolve to become solely a food retailer

Pros

- Focuses on most profitable business segment

Cons

- Decreases diversification of product offering
- Ignores the growing trend of online retail sales (35%)
- Is a knee-jerk solution

Alternative 2: Focus on Waitrose; sell off JLP retail business

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Pros

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Cons

- Decreases diversification of product offering
- Ignores the growing trend of online retail sales (35%)
- Is a knee-jerk solution

Not recommended: this is a short-term solution that ignores the potential for growth in the retail business

Alternative 3: Revamp internal organizational composition

Align to current market trends

Pros

- Current organizational structure was created decades ago and is outdated; updated model will address today's market needs
- Enhanced job design will better serve employees and customers

Cons

- Potential employee pushback

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Align to current market trends

Pros

- Current organizational structure was created decades ago and is outdated; updated model will address today's market needs
- Enhanced job design will better serve employees and customers

Cons

- Potential employee pushback

Recommended: the refreshed organizational composition will set up the company for long-term success

Alternatives

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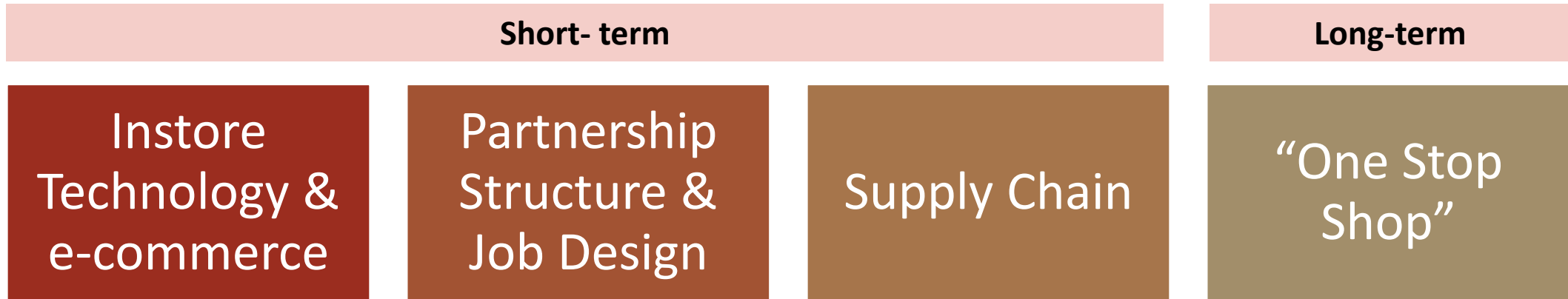
Risks & Mitigation

Risk	Impact	Mitigation	Owner
Internal culture will turn negative	High	<ul style="list-style-type: none">• Strong internal communication plan• Reframed employee incentive program	HR
Customer pushback due to updated customer engagement model	Medium	<ul style="list-style-type: none">• In-store messaging• Leverage in-store staff to help raise awareness	Marketing
Brexit's impact on the company	Medium	<ul style="list-style-type: none">• FX risk management• Reduce number of suppliers to mitigate risk	Procurement/Finance

Recommendation & Implementation

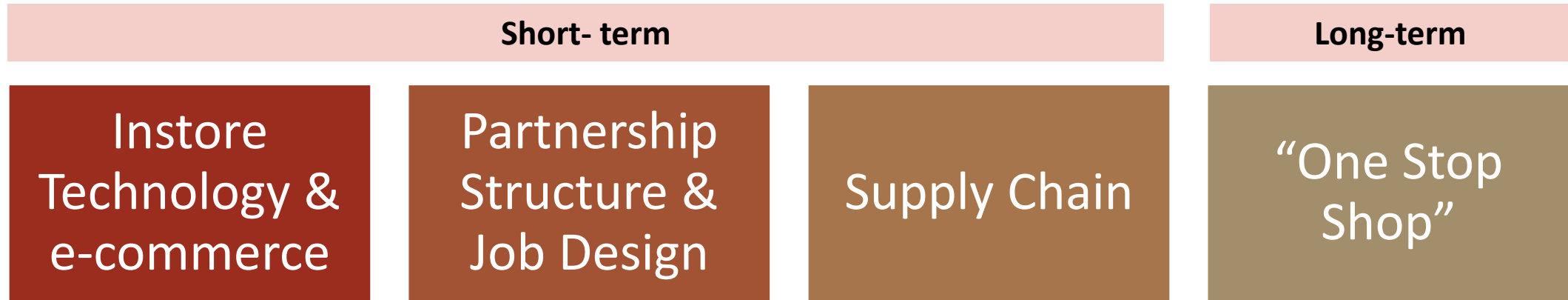
Vision 2028

Short and long-term objectives






Vision 2028

Short and long-term objectives






JLP will have to revise its current business model to **remain competitive, retain its partners and reduce costs**



Implementation: Short-term Instore technology

Activities \ Timeline	Year 1-2	Year 3-4	Year 5	Cost	KPI	Owner
*Identify key stores Upgrade/ install instore technology and services <ul style="list-style-type: none"> - Self-check out - Tap and pay - Loyalty points 				~ 2million €	Improved customer experience	Sales and Marketing
Revamp e-commerce and website capabilities					Site traffic and online purchases	
Remove the catalogue options						

Implementation: Short-term Partnership Structure & Job Design

Activities	Timeline	Year 1-2	Year 3-4	Year 5	Cost	KPI	Owner
Prepare for organization design changes Remove the divisional council and partner forum					Cost savings in reduced headcount and benefit changes	Successful retention of employee	HR
Communication plan to advise employees						Gross margin increase	
Change number of FT and PT staff							

Implementation: Short-term Supply Chain

Activities \ Timeline	Year 5	Year 6-8	Year 9-10	Cost	KPI	Owner
Reduce the # of suppliers of LG (50K) to smaller network - Phased approach				-- BAU	Retain key suppliers and	Sales and Marketing
Manage relationships with current suppliers for long-term						

Implementation: Short-term Job Design and Total Rewards Changes

Compensation

Standardized targets &
deferral component of
bonus

Benefits:

Standardized Flexible
benefits based on job level
Remove additional perks
(i.e. yachts, holidays) and
offer quarterly awards

Recruitment & Retention:

Hiring for cashiers &
broaden selection criteria
Culture




Development:

Career ladders
Succession plans

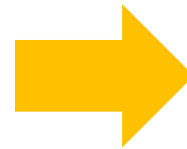
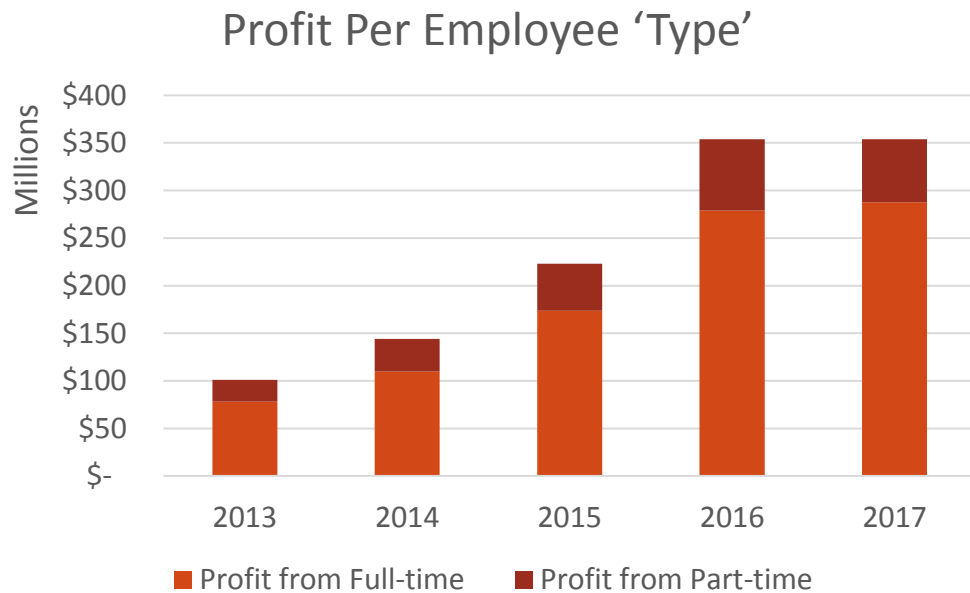
Performance

Normal distribution

Implementation: Long-term Invest in “one-stop shop”

Activities	Timeline	Year 5	Year 6-8	Year 9-10	Cost	KPI	Owner
Invest in high-end retail grocery, department, and home stores					Use proceeds from sale of 70 stores	Sale of 70 stores	Leadership
Transition stores and upgrades							
Consolidate HR resources instore Communicate to employees changes FT/PT							

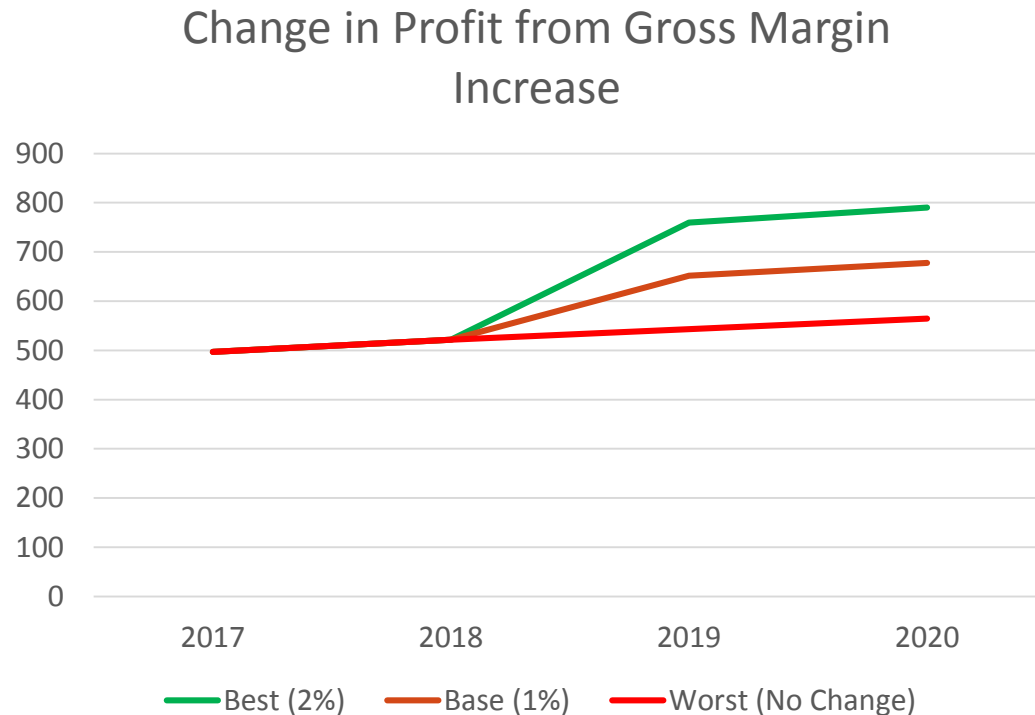
Impact of Job Design



- Reduce full-time employees by 10% and increase part-time employees by 15%
- Reduce total hours from 162K/year to 138K/year due to technology advancements allowing customer to use self-check out and reduce the requirement for cashiers
- This will also impact overall costs from reduce salaries but also reduced benefit payments

63,300 full-time employees in 2017
23,400 part-time employees in 2017

Short-term Cost Savings



Best: Increase Gross Margins by 2% from job design changes and technology efficiencies producing Operating Profit of £790M in 2020

Base: Increase Gross Margins by 1% from job design changes and technology efficiencies producing Operating Profit of £677M by 2020

Worst: No change to current Gross Margins (currently ~5%) producing Operating Profit of £565M by 2020

Long-term Sustainability Plans

34

Department Stores

350

Waitrose Stores



€78M

Per Department Stores

€10M

Per Waitrose Stores

Long-term Sustainability Plans

- Close 20% (70 Waitrose stores)
- Use cash flows from sale of Waitrose stores to reinvest in 2 flagship JLP stores to expand them into “one-stop-shop” locations
- Streamlined internal restructure will result in a more agile company
- Align to market trends towards digital and “one-stop-shop” customer preference for brick and mortar locations

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Q&A
