

Preparing for another 100 years of success

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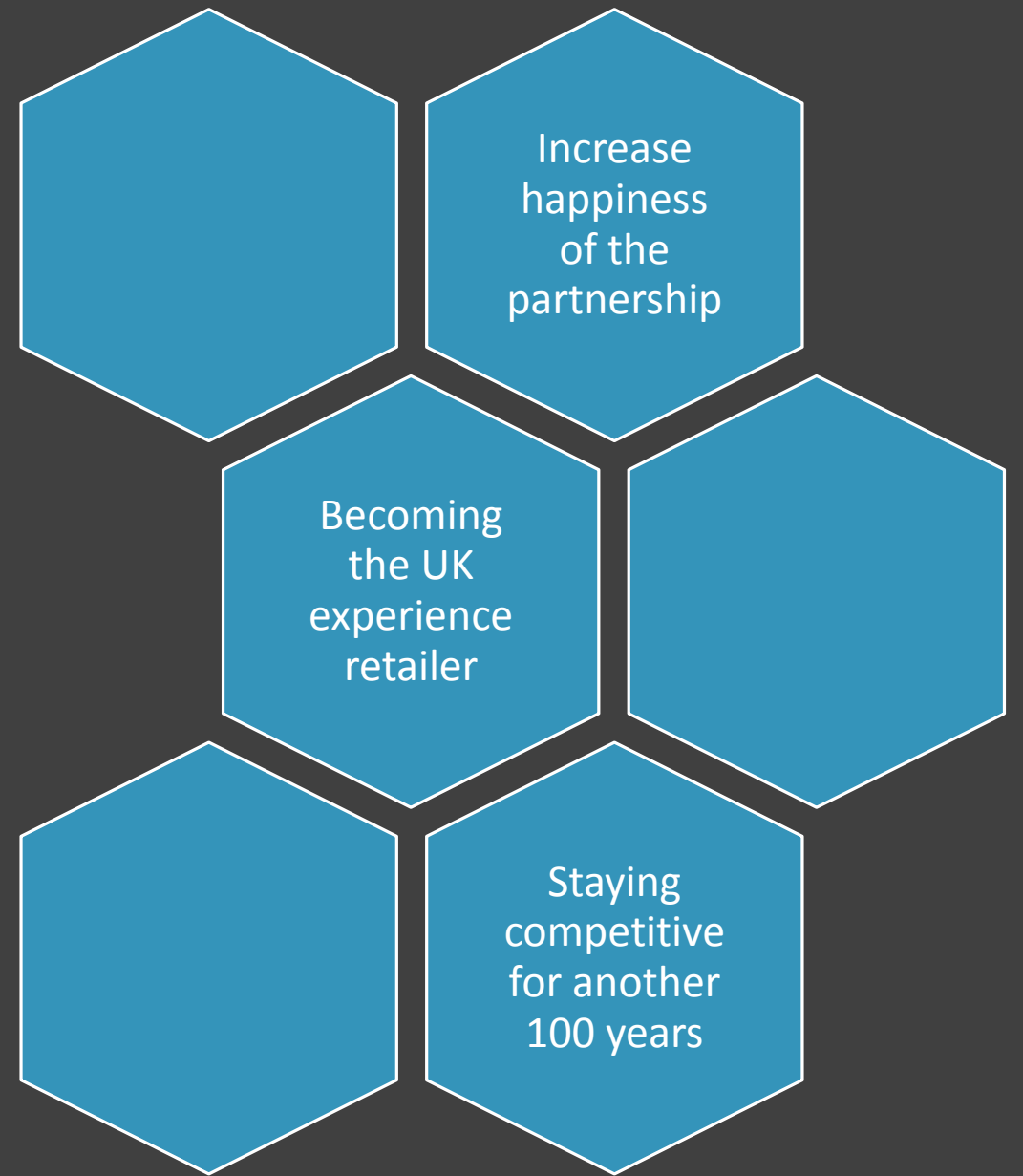
PRESENTING TO:

THE BOARD OF JOHN LEWIS PARTNERSHIP

Main
Challenge

How can John Lewis Partnership be set up for another 100 years of success?

Imagine this future for JLP...



Our
recommendation

Reposition JLP as being the number one UK experience retailer by focusing on customer experience in all channels

Today's agenda



Situation – There are both short term and long term challenges that has to be mitigated

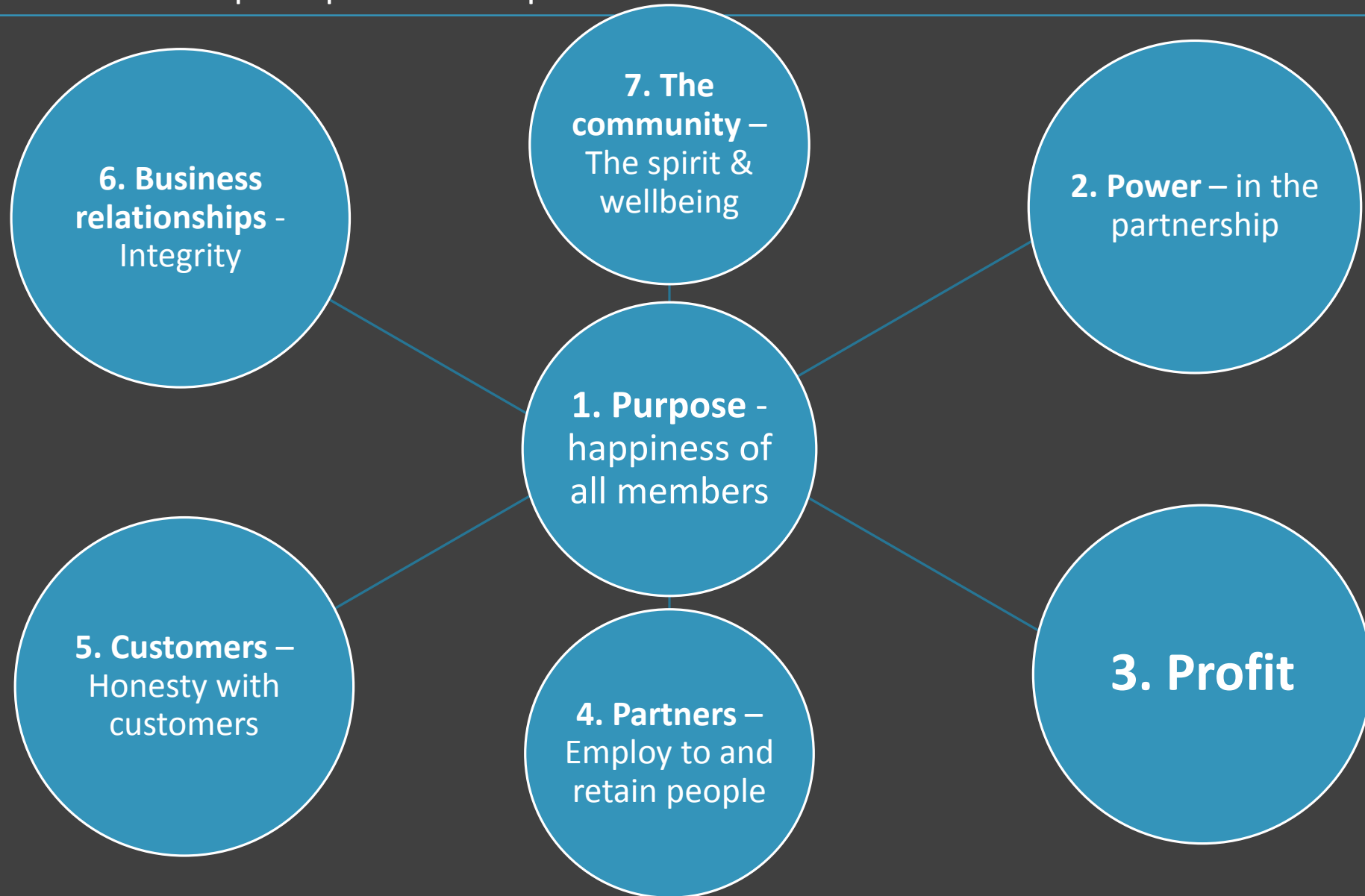
Short term challenges

- Brexit
- Labor costs
- Pound fluctuations

Long term challenges

- Economic uncertainty
- Competition
- Customer service online
- Atomization
- Partnership feasibility

Situation – The seven principles that empower JLP



Situation – JLP makes up out of four different areas

46 stores

353 stores

Department
stores



Online
store



Grocery
store



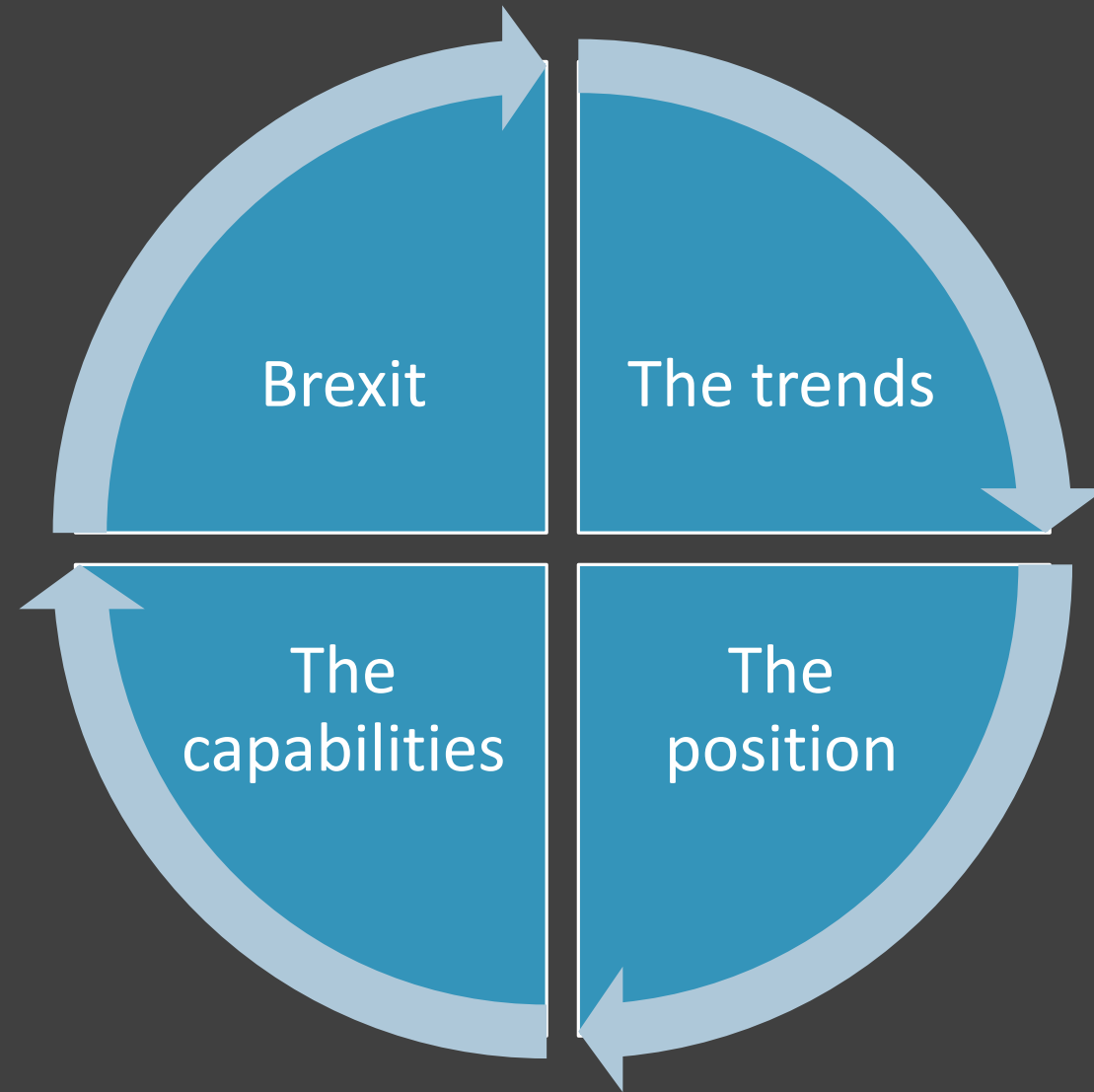
Other
(production
unit, farm
catalogue
business)



John Lewis
Partnership

The largest multichannel retailer in the UK

Analysis – Four important areas to analyze



Situation

Analysis

Recommendation

Implementation

Financials

Risks

Conclusion

Effects from Brexit

Labour

- Employed can still stay
- More expensive
- No free labour market

Imported goods

- More expensive
- Trade tariffs
- Pound value

Purchasing power

- Lowered
- Pound value
- Economic downturn

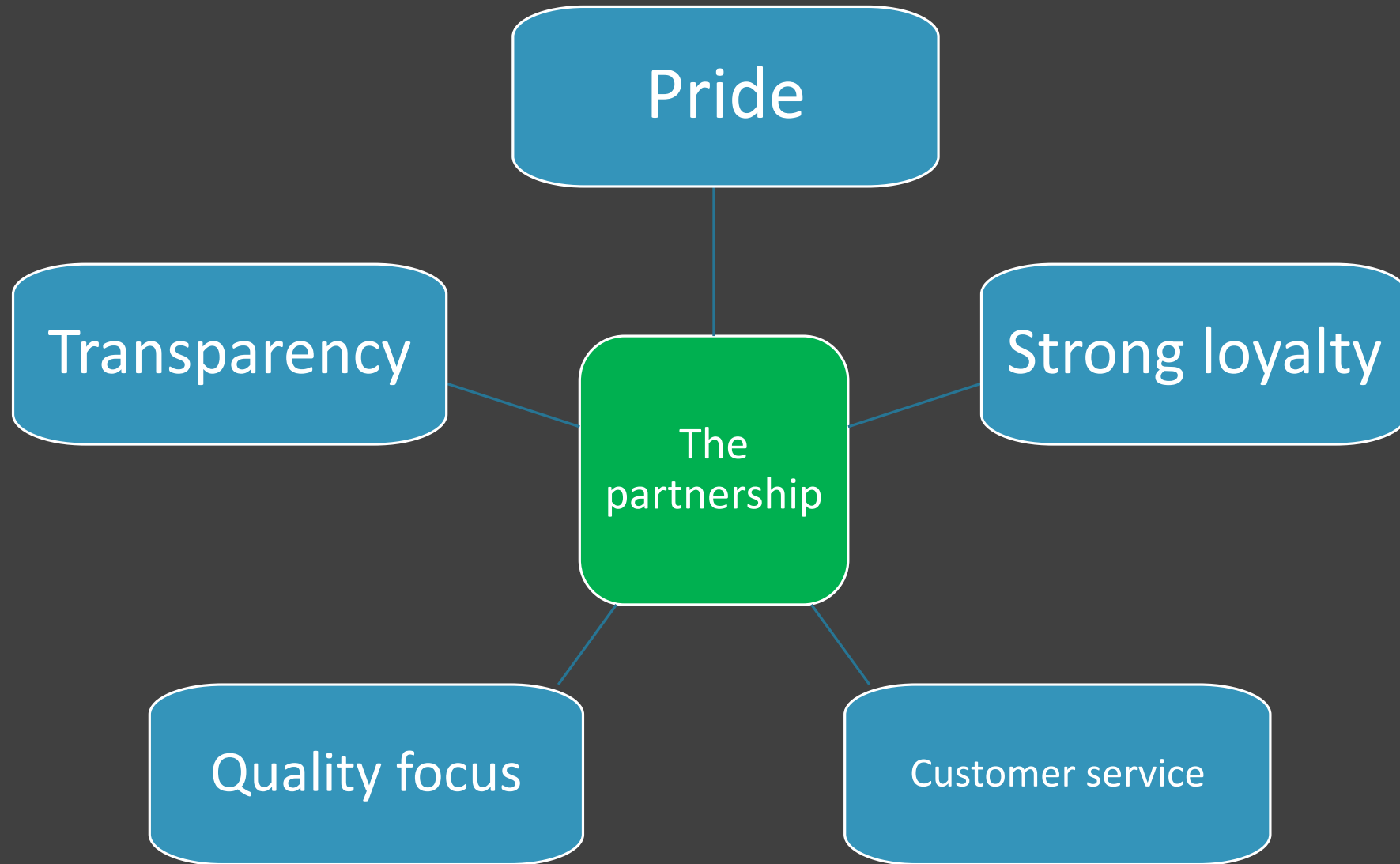
Social attitude

- Patriotic
- Protective
- Locally sourced products

Online is here to stay

The online trends in retail leads to:

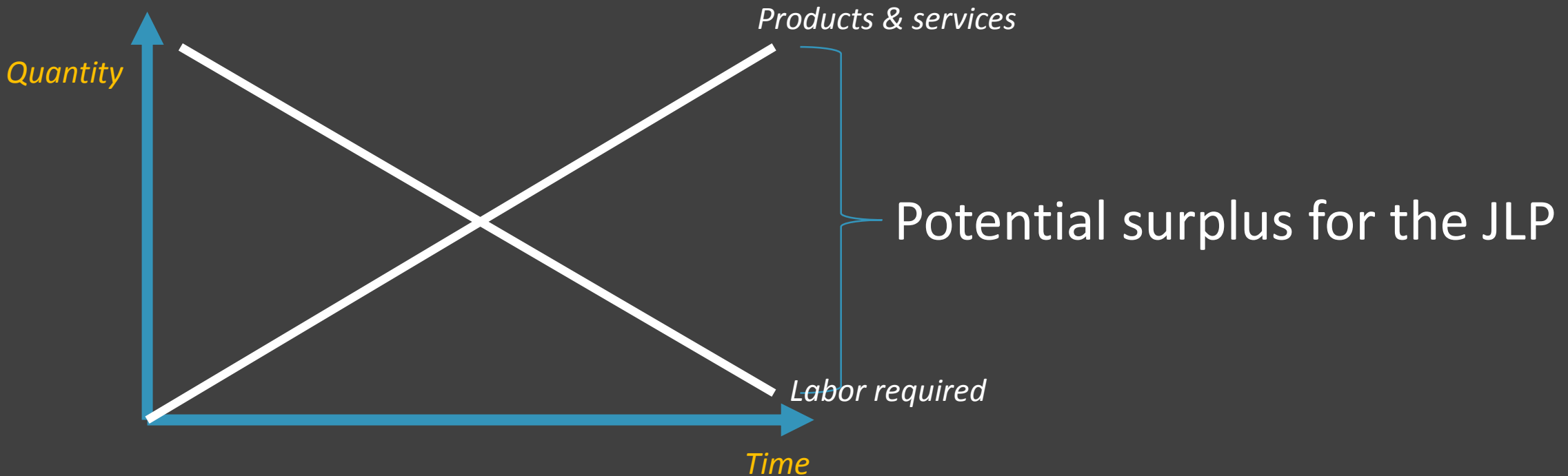




What is customer service?

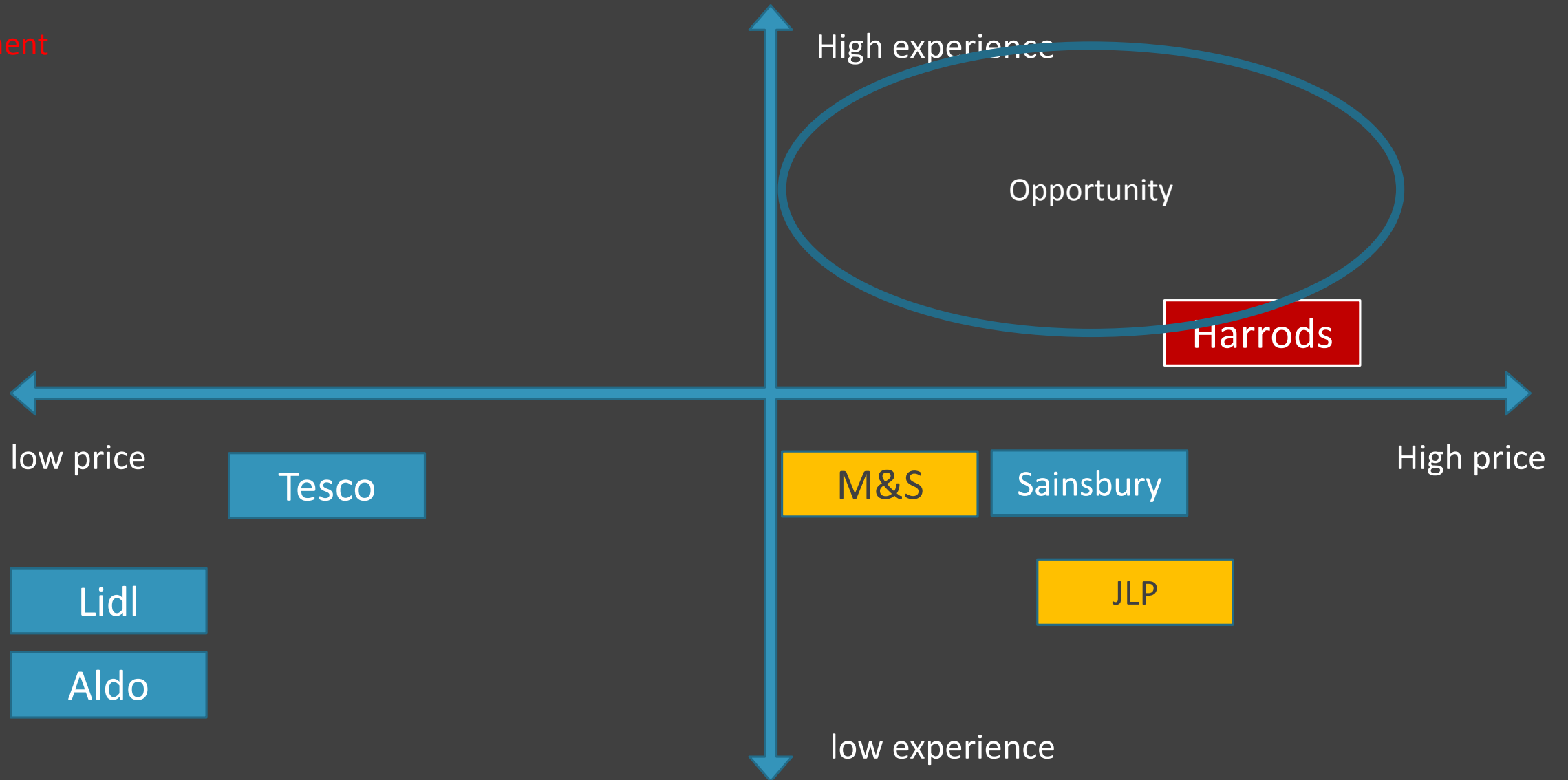
The ability to satisfy the customer needs

Technological development



Analysis – Great opportunity to move in to more experience position

Department
Grocery
Both



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**Main
Challenge**

How can John Lewis Partnership be set up for another 100 years of success?

Recommendation – Three viable alternatives to go for when moving forward

1

Cut costs to deliver the same value and customer service

2

Reposition JLP as being the number one UK experience retailer by focusing on customer experience in all channels

3

Focus on the online retail channel and redesign physical stores into concept stores

Recommendation – Four important criteria evaluating the three alternatives

1

Alignment with capabilities

2

Alignment with trends

3

Sustainability

4

Acceptability

Recommendation – Reposition is the most beneficial alternative to go for

	Cut costs	Reposition	Online
Capabilities	2	3	1
Trends	1	2	3
Sustainability	1	3	2
Acceptability	1	3	2
	SUM: 5	SUM: 11	SUM: 8





Recommendation

Our
recommendation

Reposition JLP as being the number one UK experience retailer by focusing on customer experience in all channels

Recommendation - A contingency plan if our recommendation does not go as planned

Contingency plan...

-  1
Keep Brexit mitigation
-  2
Quit automization efforts
-  3
Focus on current strengths
-  4
Evaluate size of the company

Reposition John Lewis Partnership as being the number one experience retailer by focusing on customer experience

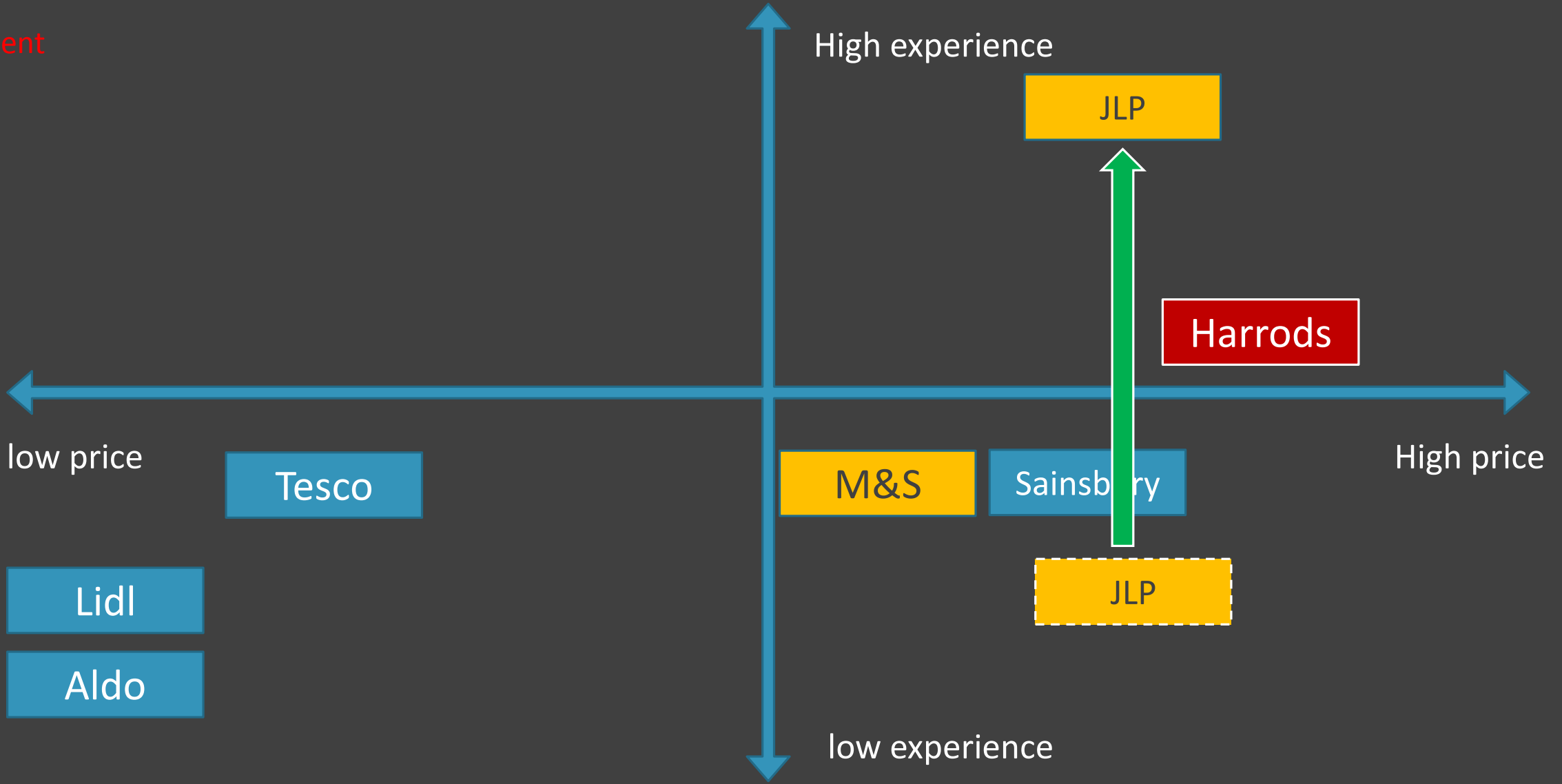
- Store automation
- Redesigning jobs to customer experience consultants
- Leveraging the UK brand position
- Online customer service improvements

Ladies and gentlemen, what business are we in?

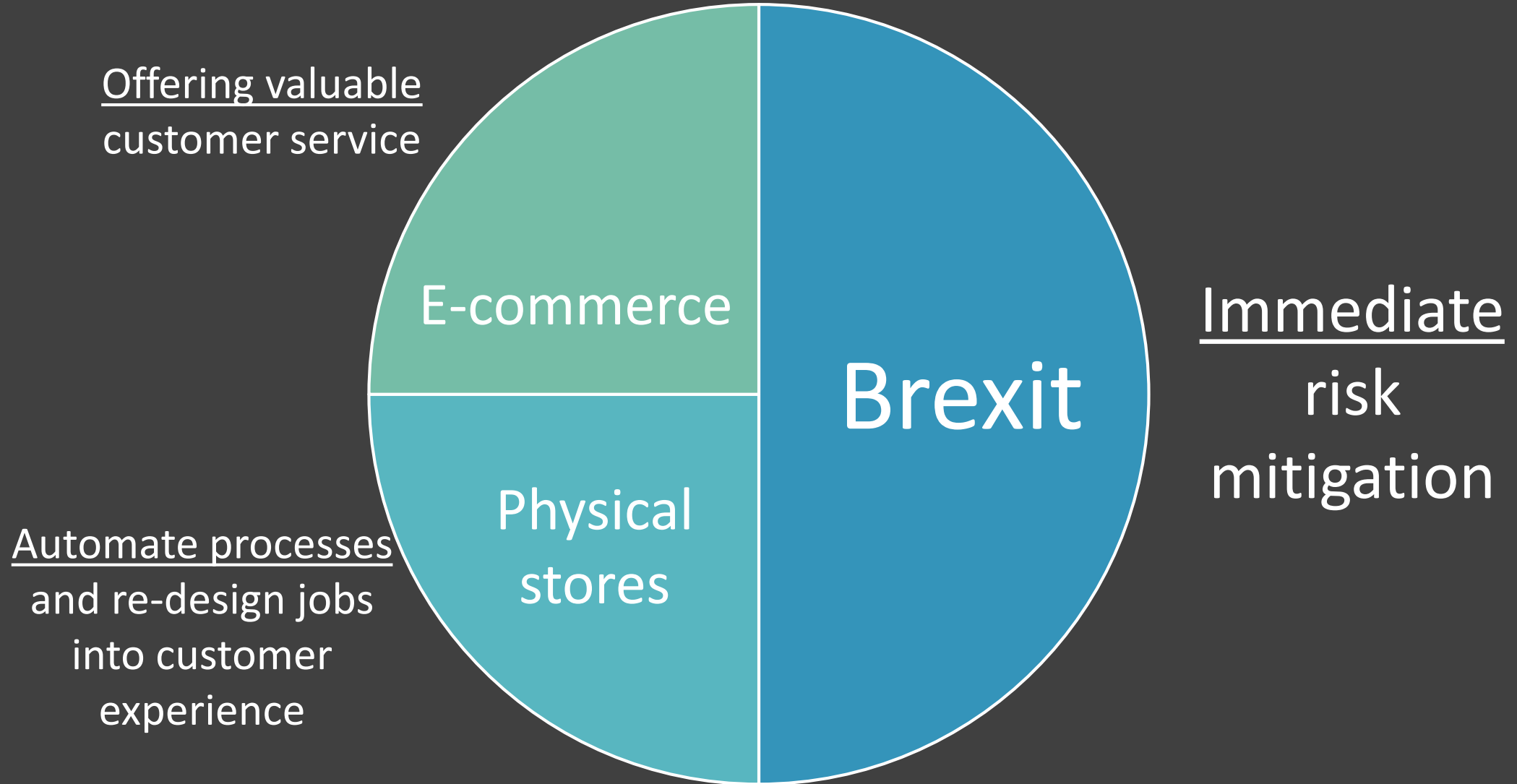
Selling retail product such as
groceries and clothes or selling a
true shopping experience?

Implementation

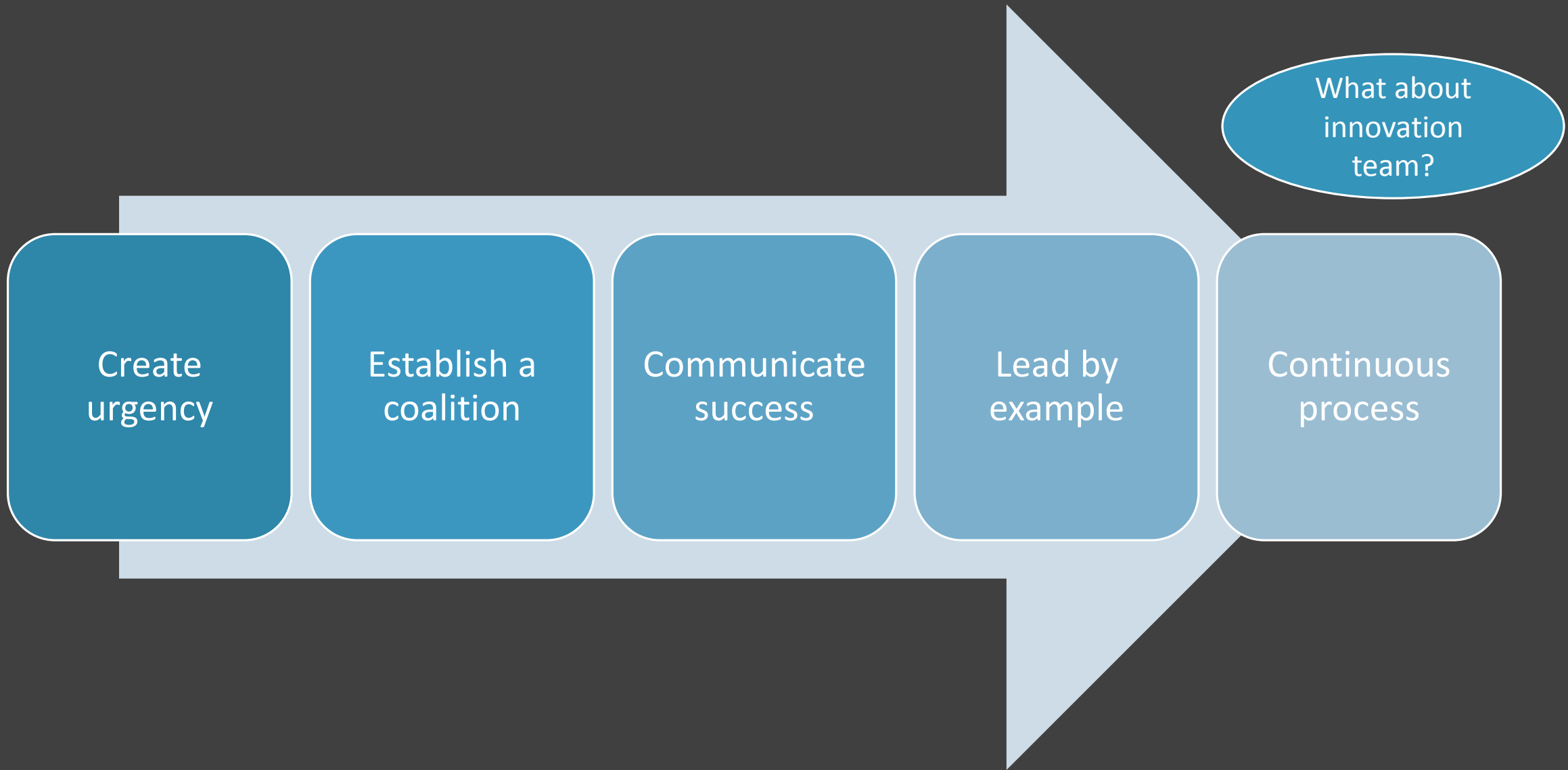
Department
Grocery
Both



Implementation – Addressing challenges of a multi-channel retailer in Brexit times



Implementation – Managing the change by transparency



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Implementation – Prepare to battle against macro forces

Hedge financial risks
of pound volatility

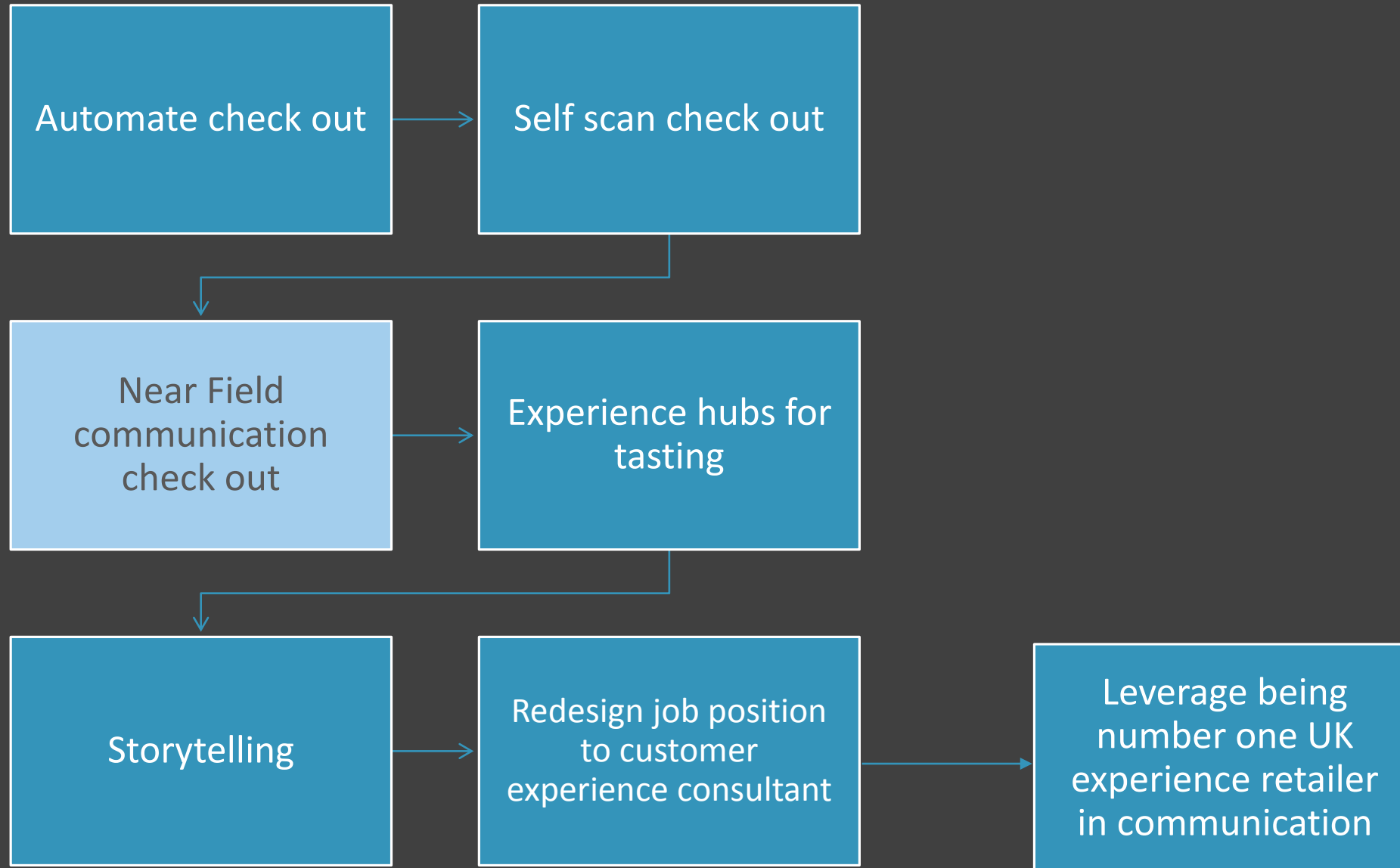
Leverage position of true UK
company

Localize suppliers
where possible

Support eastern Europe
partners to secure UK job
and living

Mitigate the Brexit company damage

Implementation – Addressing strategic changes to optimize customer service



Situation

Analysis

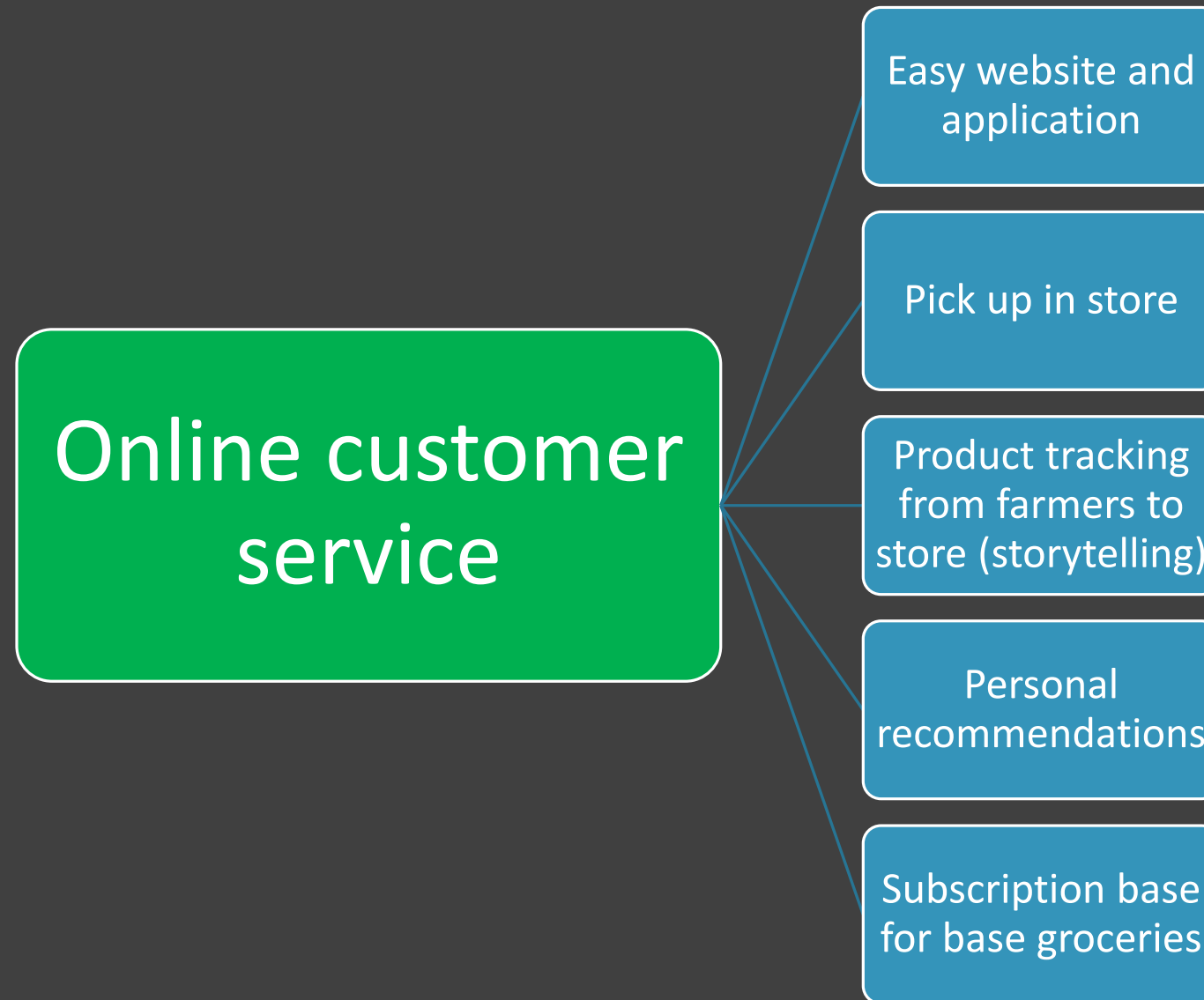
Recommendation

Implementation

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Implementation – All challenges are being mitigated

Short term challenges

- ✓ Brexit
- ✓ Labor costs
- ✓ Pound fluctuations

Long term challenges

- ✓ Economic uncertainty
- ✓ Competition
- ✓ Customer service online
- ✓ Atomization
- ✓ Partnership feasibility

Production unit and farm



Implementation – Total average investment costs of 300 million pounds

	2018	2019	2020	2021
Change management	Opex	Opex	Opex	Opex
Internal communication	Opex	Opex	Opex	Opex
Reposition brand	Capex	Opex	Opex	Capex
Localization of suppliers	Opex	Opex	Opex	Capex
Automate check out self scan	Capex	Capex	Capex	Capex
Pilot check out NFC	Capex	Capex	Capex	Capex
Store improvements	Capex	Capex	Capex	Capex
Web shop optimization	Opex	Opex	Opex	Opex
Subscription for base products	Capex	Capex	Capex	Capex

Capex

Opex

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Financials

Financial risks	How to solve?
Increase in purchasing costs (tariffs)	<ul style="list-style-type: none">- Seek for more local partners- Establish long/term relationships with foreign suppliers (lock-in contracts)
Currency risk (pound fluctuations)	<ul style="list-style-type: none">- More purchases in Pounds- Financial hedging (futures)- Contracts to share the currency risk with the supplier (in exchange for long/term contracts)
Increase in labour costs	<ul style="list-style-type: none">-Automation- No new hires

Financials

Main assumptions								
	2014	2015	2016	2017	2018	2019	2020	2021
% change in employees		3%	-2%	-5%	-3%	-2%	-1%	0%
Waitrose Cost per employee m Pounds				0.08	0.08	0.09	0.09	0.09
JL Cost per employee m Pounds				0.08	0.08	0.09	0.09	0.09
# stores Waitrose				353	353	353	353	353
# stores John Lewis Home				12	12	12	12	12
# stores John Lewis Department				34	34	34	34	34
Total Sales growth		7.6%	0.7%	3.2%	0%	2%	3%	4%
Waitrose growth		6.5%	-0.7%	2.7%	0%	2%	3%	5%
JL growth		9.2%	2.8%	4.1%	0%	1%	2%	2%
% online				14%	25%	20%	25%	30%

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Financials

Revenue projections								
	2014	2015	2016	2017	2018	2019	2020	2021
Waitrose	6111	6508	6461	6633	6633	6766	6969	7317
John Lewis	4059	4433	4555	4740	4740	4787	4883	4981
Gross Sales	10170	10941	11016	11373	11373	11553	11852	12298
% online				14%	25%	20%	25%	30%
Revenue per employee Waitrose			0.106	0.115	0.118	0.123	0.127	0.134
Revenue per employee JL			0.149	0.164	0.171	0.176	0.181	0.185

Recovering sales through:

- loyalty programs,
- online sales
- private label brand

Financials

	2014	2015	2016	2017	2018	2019	2020	2021
Waitrose operating costs	5801	6271	6229	6380	6447	6619	6865	6952
Personell 70%				4466	4789	4928	5123	5123
Other 30% of opertaing				1340	1658	1691	1742	1829
Other as % of sales				20%	25%	25%	25%	25%
JL operating costs	3833	4183	4305	4497	4637	4679	4720	4766
Personell 50%				2249	2267	2333	2425	2425
Other 50% of operating				2249	2370	2346	2295	2341
Other as % of sales				47%	50%	49%	47%	47%
Waitrose	310	237	232	253	186	146	104	365
Operaing profit	3.0%	2.2%	2.1%	2.2%	2.8%	2.2%	1.5%	5.0%
John Lewis	226	250	250	243	103	109	163	215
Operaing profit	5.6%	5.6%	5.5%	5.1%	2.2%	2.3%	3.3%	4.3%
Operating profit	536	487	482	496	289	255	267	580
	5.3%	4.5%	4.4%	4.4%	2.5%	2.2%	2.3%	4.7%

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Financials

mln pound	2017	2018	2019	2020	2021
Automated checkout					
% of stores covered		30%	50%	20%	
Stores covered		120	200	80	
Annual cost (0.5 mln per store)		60	100	40	
System cost mln		7	3		
Store improvements					
% of stores covered		25%	30%	40%	
Stores covered		100	120	160	
Annual cost 0.2 mln per store		20	24	32	
Webshop optimization		5	3		
Nearfield (Optional, pilot project)					
Cost per store		1-2 mln			
System costs		10 mln			
TOTAL		85	127	72	0

Situation

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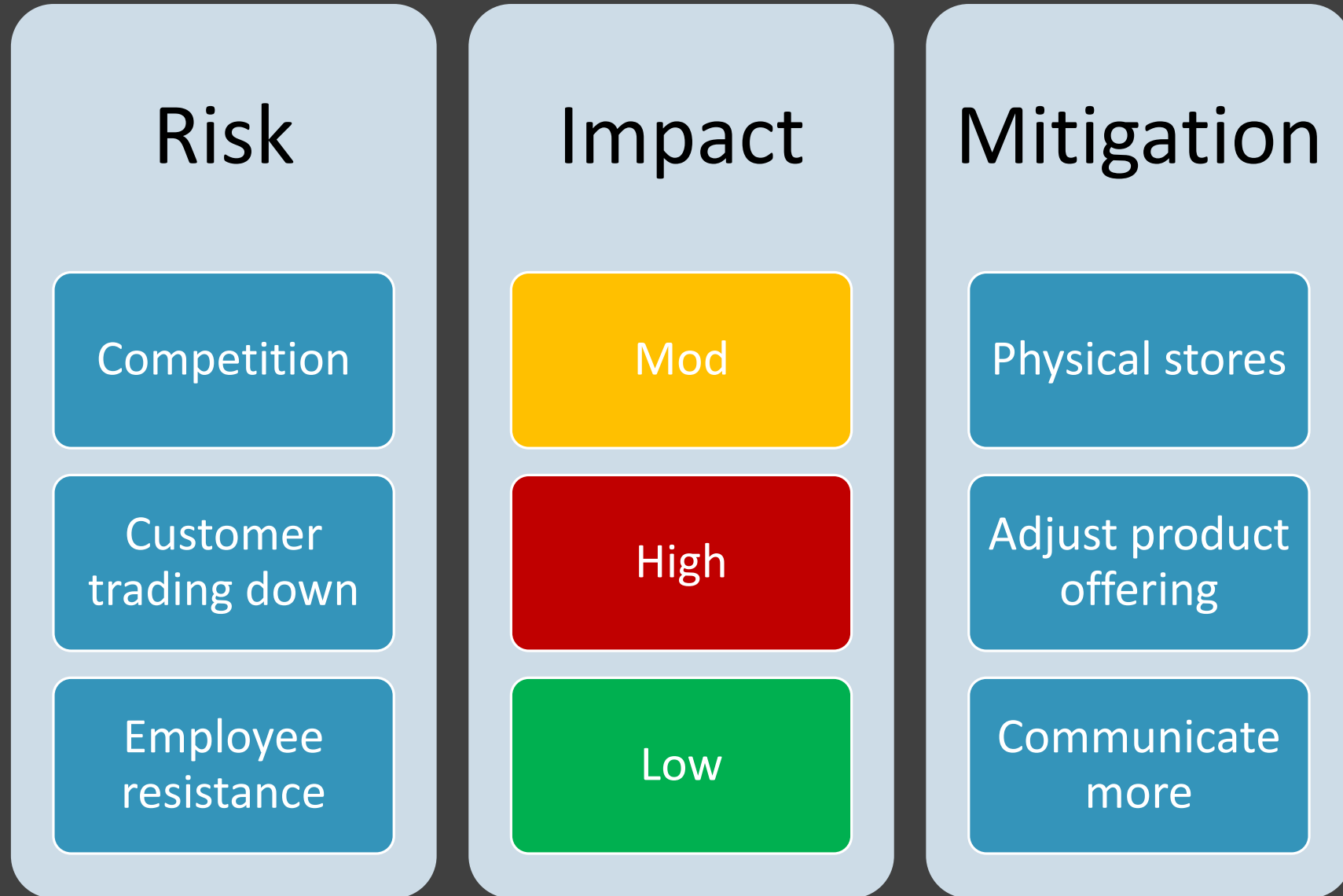
Implementation

Financials

Risks

Conclusion

Risks – There are risks with various impact but they can all be mitigated



Situation

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Conclusion

The situation

- Change in retail behaviour
- Brexit

The challenges

- How can John Lewis Partnership be set up for another 100 years of success?

The recommendation

- Reposition JLP as being the number one UK experience retailer by focusing on customer experience in all channels

The objectives

- Staying strong for another 100 years

Imagine this future for JLP...

