

JOHN LEWIS PARTNERSHIP

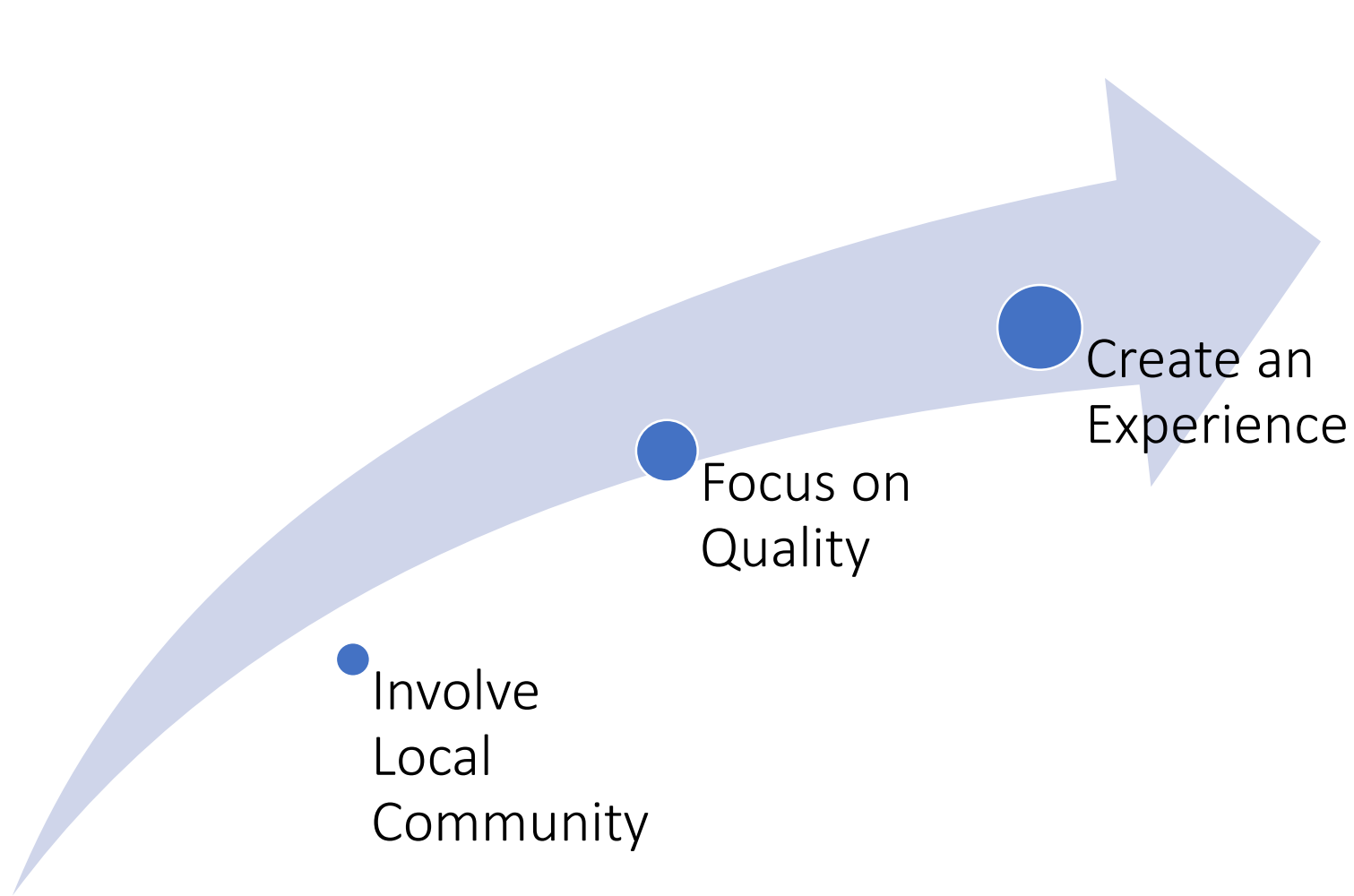
NYENRODE BUSINESS CONSULTANCY

MYRTHE VAN ERP
VICTORIA PESET BIJLEVELD
JIMMY RAMSTEIJN
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Mandate

To advise John Lewis Partnership on the organization's next steps towards “it's your business 2028”.
Accounting for Brexit, technological advancements and changing job requirements.

The Way to Success!



Your
Business
in 2028



External Analysis

SIGNIFICANT TRENDS & DEVELOPMENTS

- Digitalisation and use of technology
 - Job-design
 - Automation, robotics, AI
- Brexit:
 - Political and economic uncertainty
 - Devaluation of the pound
 - Step away from the EU
 - Employment issues
 - Lower-range
 - Almost full-employment UK
- Organic and sustainability as consumer preference

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THE RETAIL INDUSTRY

- E-commerce and online retail
 - Decline in offline retail
- Fierce and fragmented competition:
 - Waitrose: M&S, Sainsbury, Tesco
 - Department: M&S, Harrods
 - Specialty stores
 - Online
 - Discount
- Disruptive technologies
- Brexit:
 - Political uncertainty
 - Devaluation of the pound
 - Step away from the EU

Internal Analysis



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Internal Analysis

STRENGTHS

- Partnership organisational structure
 - By the people, for the people
 - High involvement
 - Good benefits
- Honest principles
- Excellent customer service and high quality
- Strong brand name
- UK's largest multichannel retailer
- Integrated supply chain (production unit, farm)
- Strong relationship with both large and small suppliers
- Likes to invest in community
- Long-term vision
- Abundant physical presence

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WEAKNESSES

- Abundant physical presence
 - Decline in in-store sales
- Does not ship to homes
- Challenge to provide perfect experience to online customers

Key Issues

1st Key Issue

- Brexit

2nd Key Issue

- Online Retail

3rd Key Issue

- Job-Design

Key Issues to Key Take-Aways

1st Key Issue

- Brexit

2nd Key Issue

- Online Retail

3rd Key Issue

- Job-Design

1st Key Take-Away

- Capitalise on opportunities and mitigate risks from Brexit

2nd Key Take-Away

- Differentiate yourself

3rd Key Take-Away

- Adjust HR policies to changing times

Key Take-Aways to Alternatives

1st Key Take-Away

- Capitalise on opportunities and mitigate risks from Brexit

2nd Key Take-Away

- Differentiate yourself

3rd Key Take-Away

- Adjust HR policies to changing times

1st Alternative

- Shift towards economies of scale

2nd Alternative

- Focus on online channels

3rd Alternative

- Differentiate offline

Alternatives & Criteria

1st Alternative

- Shift towards economies of scale

2nd Alternative

- Focus on online channels

3rd Alternative

- Differentiate offline

CRITERIA

GROWTH POTENTIAL

SUSTAINABILITY

RISK

FINANCIAL IMPACT

FIT WITH CULTURE

1st Alternative: Shift Towards Economies of Scale

GROWTH POTENTIAL	SUSTAINABILITY	RISK	FINANCIAL IMPACT	FIT WITH CULTURE
3	3	3	3	1
Provides opportunity to grow and cut-out labour.	Producing in higher volumes for lower costs risks over-production and high use of fuels.	JLP has a tradition of quality and service. Risk of losing tradition.	Would require significant investments, but provides cost efficiencies.	Quality, supplier relationships and customer service are part JLP core values.

WHERE A SCORE OF 1 IS BAD AND 5 IS EXCELLENT

TOTAL SCORE OF 13



2nd Alternative: Focus on Online Channels

GROWTH POTENTIAL	SUSTAINABILITY	RISK	FINANCIAL IMPACT	FIT WITH CULTURE
3	4	2	3	3
Broader reach, yet strong industry incumbents present.	Decrease in footprint.	Risk of losing to stronger competitors.	Cuts out labour but requires large investment.	Difficulties with translating customer experience to online.

WHERE A SCORE OF 1 IS BAD AND 5 IS EXCELLENT

TOTAL SCORE OF 15

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3rd Alternative: Differentiate Offline

GROWTH POTENTIAL	SUSTAINABILITY	RISK	FINANCIAL IMPACT	FIT WITH CULTURE
3	3	5	3	5
Known industry.	Depends on the form of differentiation.	Familiar terrain that fits the company.	Requires investments, yet higher margins.	Traditional, quality and service first.

WHERE A SCORE OF 1 IS BAD AND 5 IS EXCELLENT

TOTAL SCORE OF 19

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Recommendation: Differentiate Offline

“For the People, by the People”

By focussing on the local community and offering a premium customer experience focused on excellent quality and service

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Why?

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Why?

To address the sentiments of the local community and our people

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How?

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How?

By involving the local community, focussing on high quality products and creating a premium customer experience in both Waitrose and the department stores

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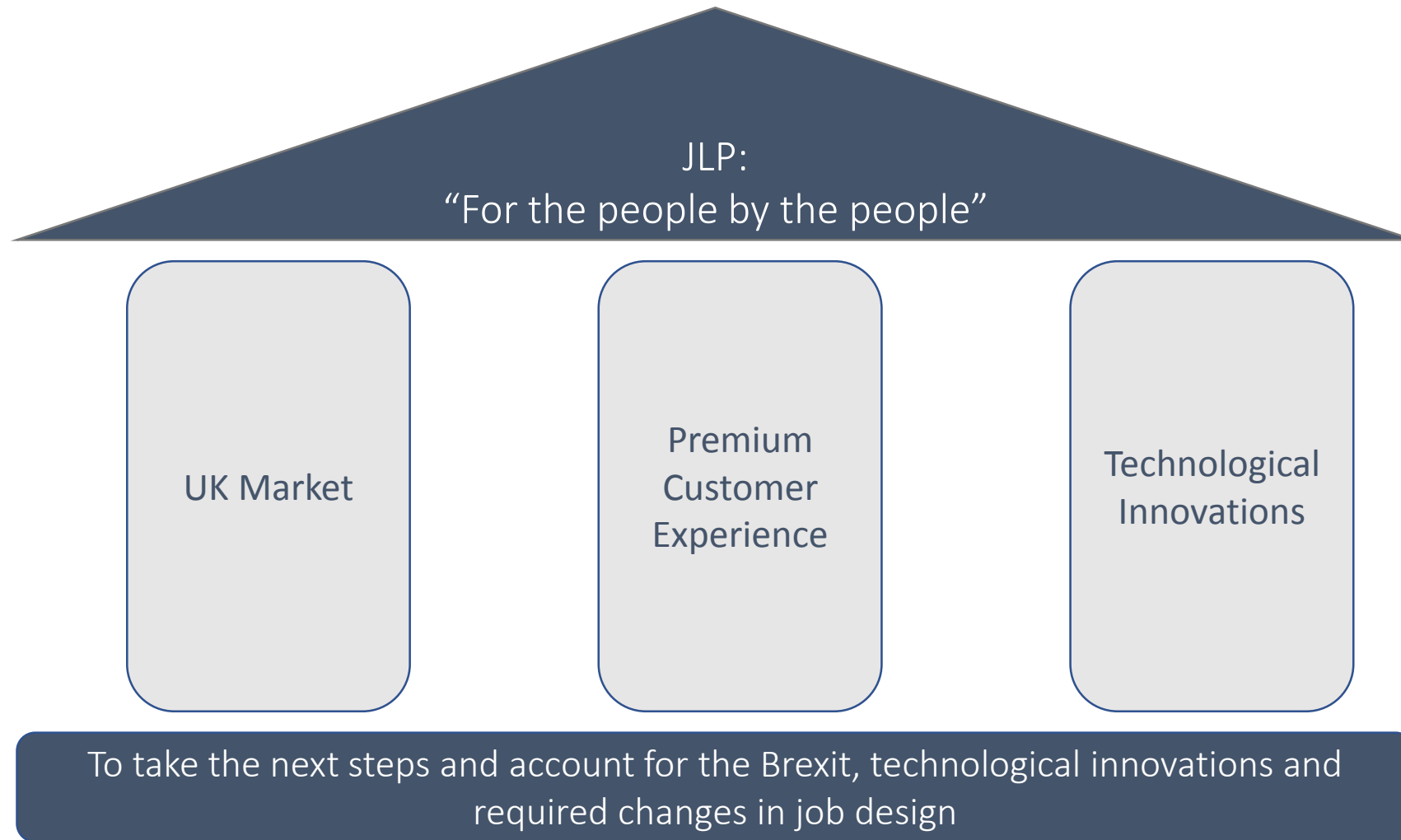
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Implementation



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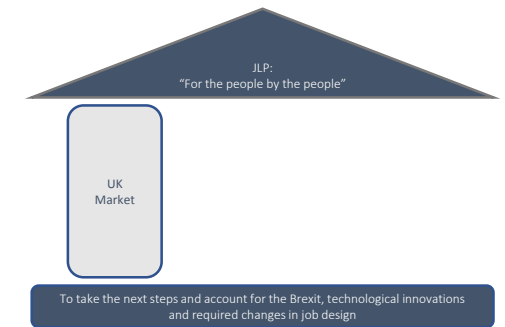
Phase 1: Involvement of Local Community

Local Sourcing

- Community: British suppliers/artisans/designers
- Empower Farmers
- Grown or produced in UK

High Quality

- Premium quality products
- Organic & Sustainable
- Transparency of sourcing



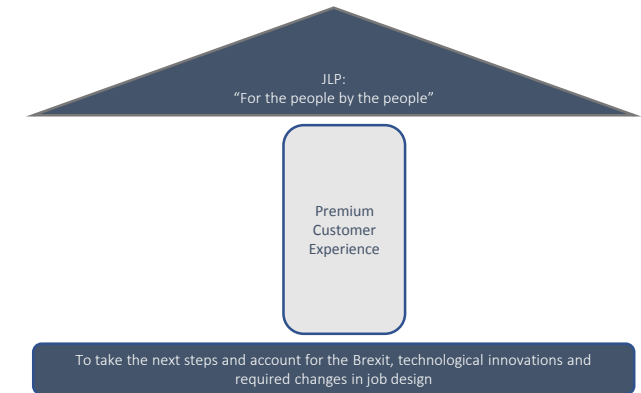
Phase 2: Premium Customer Experience

Adjust Stores

- Increase local sourcing
- 70 stores per year, starting with Waitrose
- Waitrose food & café in department stores

Create Customer Experience

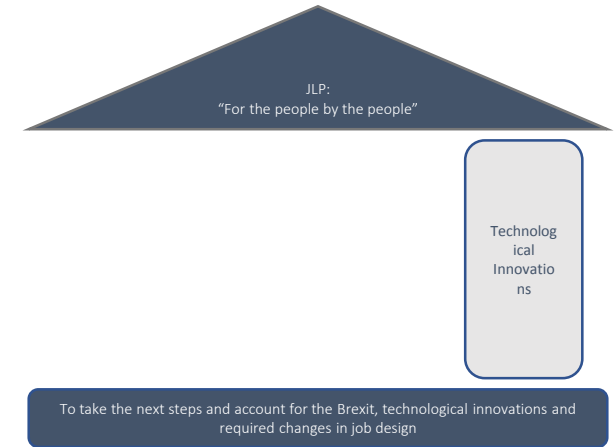
- Change of roles cashiers to host
- Train these partners
- Authentic experience



Phase 3: Innovations

Technological

- Self-checkout system
- Automated payment



Value Chain

HR

- Training for partners: food, technological, hospitality
- Increased empowerment for local decision makers

Marketing

- End-consumer: premium experience, focus on community feeling
- Suppliers: address fears Brexit, higher-income, create brand awareness

Operations

- Technological changes & adjustment of stores

Logistics

- New suppliers delivering their products

Legal

- New contracts with suppliers, partner business model remains

What could be next?



Timeline

	2018	2023	2028
Adjust Waitrose stores	→		
Implement self systems	→		
HR training	→		
Adjust department stores		→	

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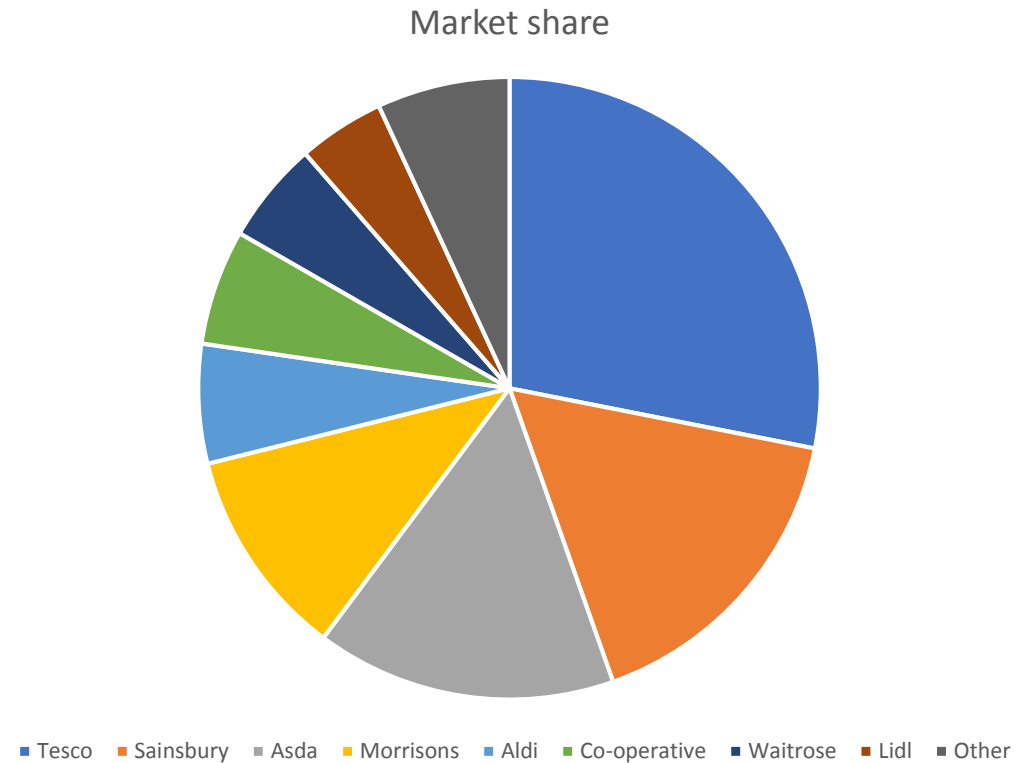
Financial assumptions

Financial assumptions

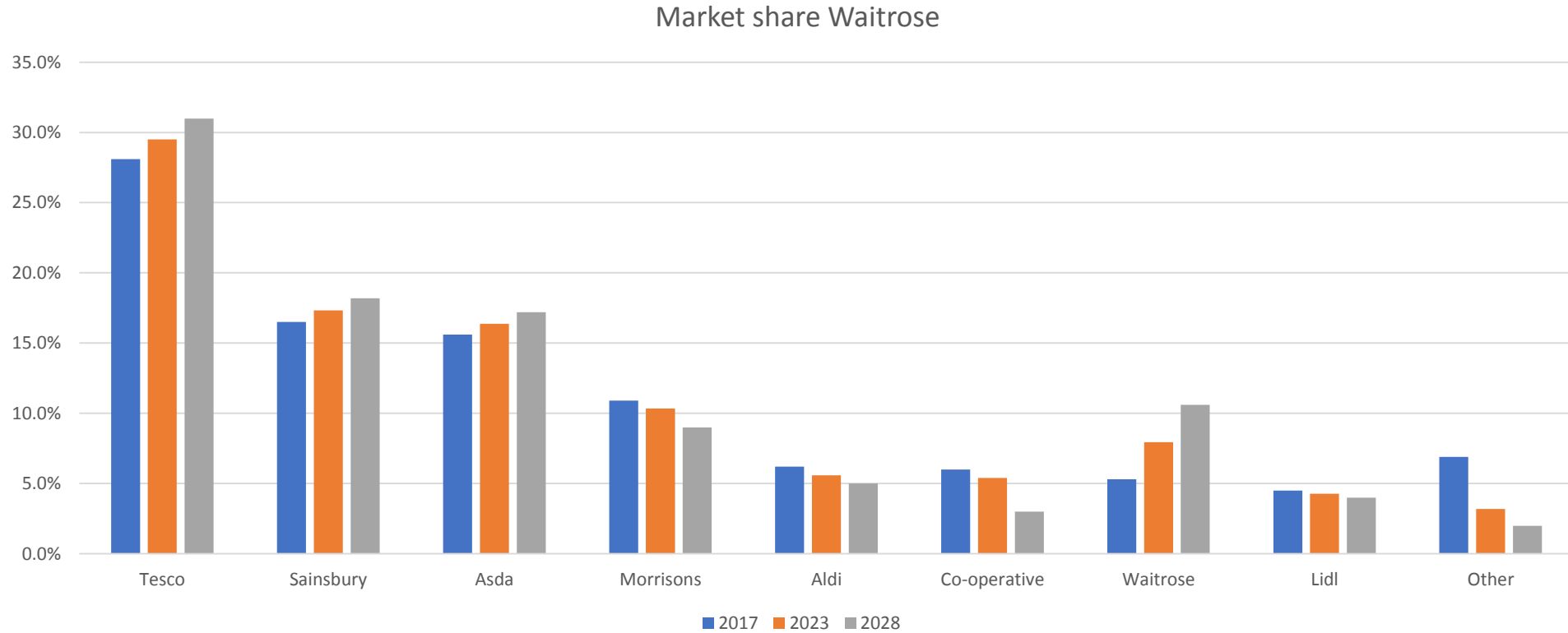
- Market share
- Goal is to double market share of Waitrose 2028
- Partnership bonus of 25%
- Growth of John Lewis 10%
- Partnership payout 20%

Investment

\$100.000 per terminal
\$10.000 per HR training
70 stores a year
\$7.7 million per year



Financial goal



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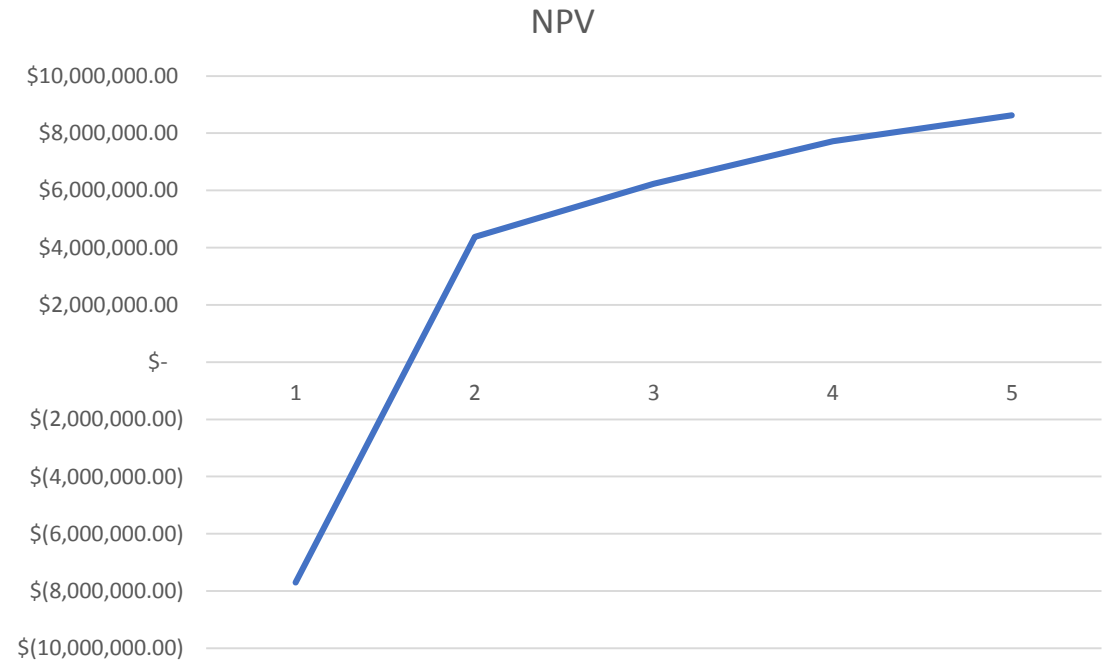
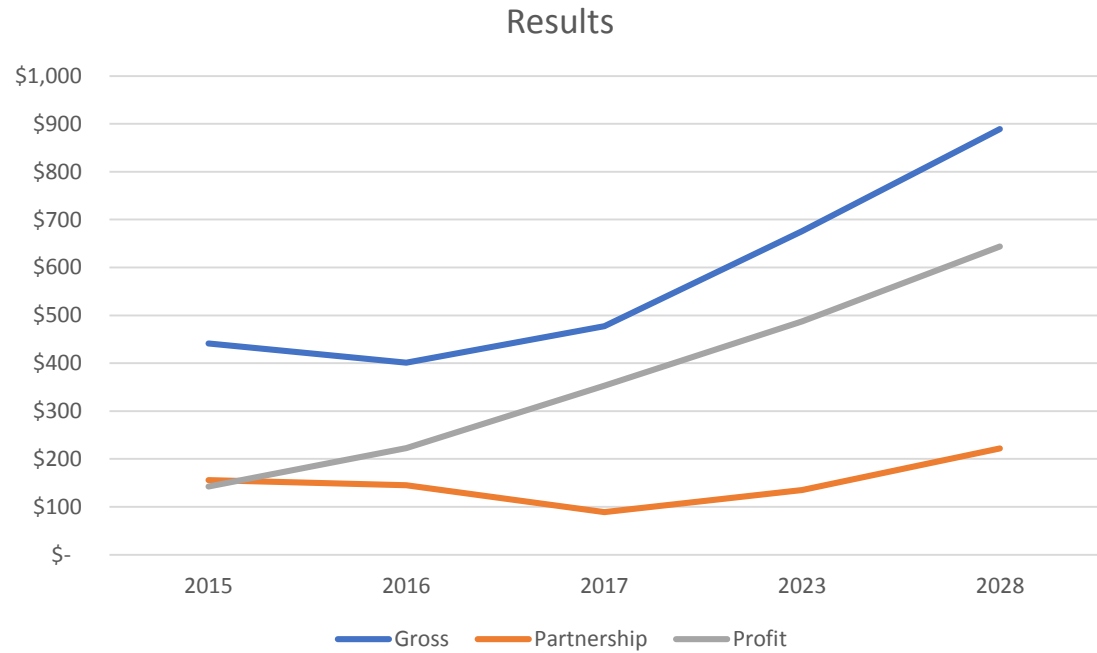
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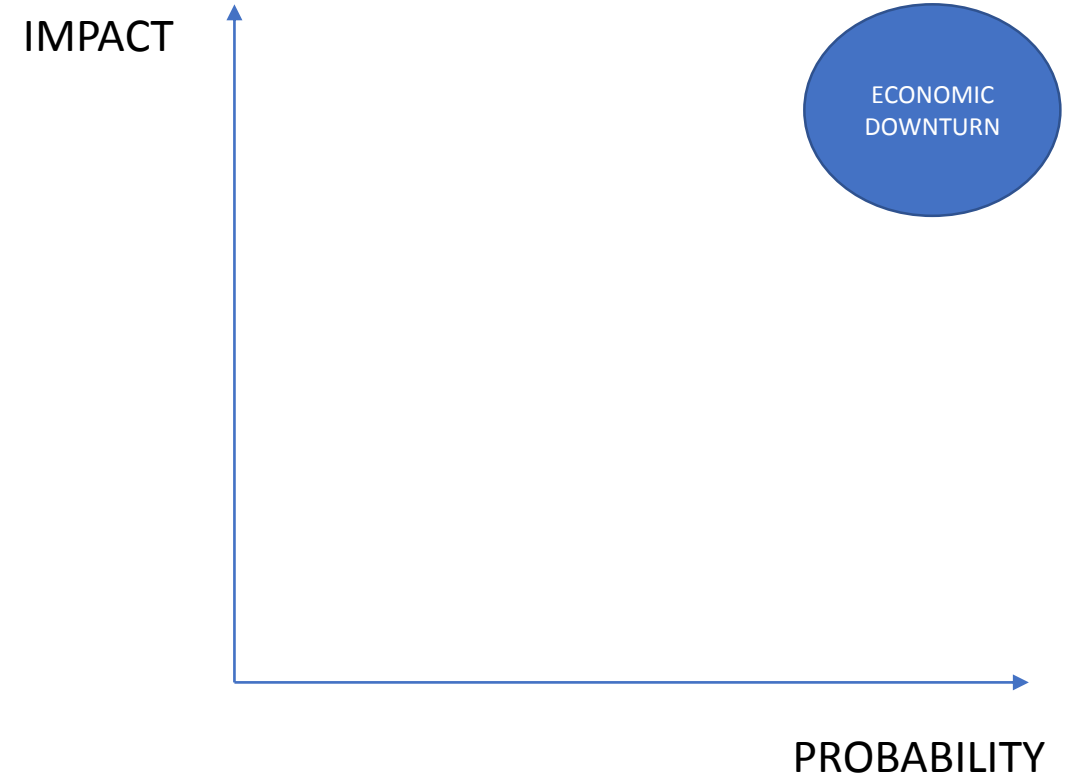
Financial results



NPV: 19 million dollar

Risks

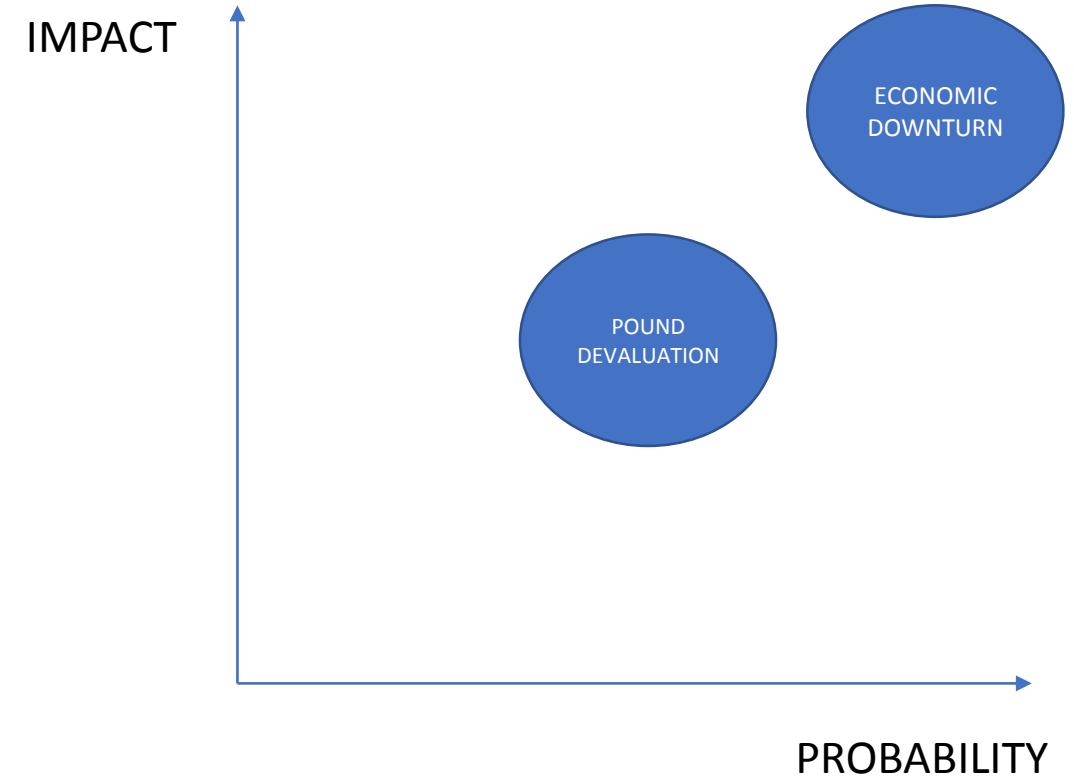
- RISK: Economic downturn
- IMPACT & PROBABILITY: High impact, will occur some day.
- MITIGATION: Suppliers then become cheaper, stimulate and market the concept that we stimulate the local economy.



Risks

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- RISK: Pound devaluates even more, making imports expensive.
- IMPACT & PROBABILITY: Medium impact, medium probability.
- MITIGATION: Adjust prices, increase export to expat British communities .

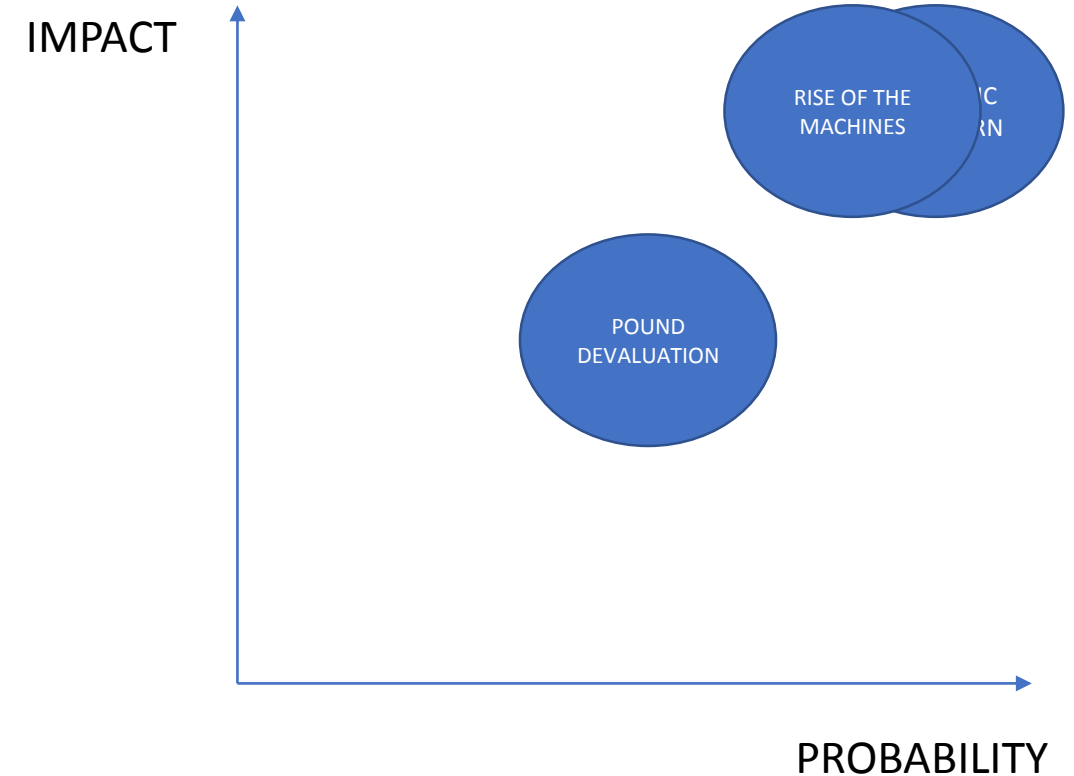


Risks

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- MITIGATION: Adjust prices, increase export to expat British communities .

- RISK: Rise of the machines
- IMPACT & PROBABILITY: High impact and high probability.
- MITIGATION: Embrace where possible, continue differentiation based on people and human emotions. After all, a robot will never emulate true human sentiment.



The Way to Success!



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in 2028

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Thank you for your attention.

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Overview

	2015		2016		2017		2023		2028	
Waitrose	\$ 6,508	\$ 6,461	\$ 6,633	\$ 9,950	\$ 13,266					
John Lewis	\$ 4,433	\$ 4,557	\$ 4,741	\$ 6,051	\$ 7,723					
	\$ 12,956	\$ 13,034	\$ 13,391	\$ 18,023	\$ 23,017					
Waitrose	\$ 6,135	\$ 6,086	\$ 6,245	\$ 9,452	\$ 12,603					
John Lewis	\$ 3,565	\$ 3,662	\$ 3,780	\$ 4,841	\$ 6,178					
	\$ 9,700	\$ 9,748	\$ 10,025	\$ 14,293	\$ 18,781					
Waitrose	\$ 237	\$ 232	\$ 253	\$ 383	\$ 511					
John Lewis	\$ 250	\$ 250	\$ 243	\$ 311	\$ 397					
Group	-\$ 46	-\$ 81	-\$ 19	-\$ 19	-\$ 19					
	\$ 441	\$ 401	\$ 478	\$ 676	\$ 889					
Net finance costs	-\$ 100	-\$ 97	-\$ 108	-\$ 108	-\$ 108					
Execptional items	\$ 8	\$ 129	\$ 171	\$ 171	\$ 171					
Profit	\$ 342	\$ 305	\$ 370	\$ 568	\$ 781					
Partnership	-\$ 156	-\$ 145	-\$ 89	\$ 114	\$ 156					
Tax	-\$ 51	-\$ 66	-\$ 99	-\$ 152	-\$ 209					
Profit	\$ 143	\$ 223	\$ 353	\$ 701	\$ 900					