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Situation

- ▶ Partnership based company
- ▶ Strong company culture
 - ▶ Advanced human resource management
 - ▶ Employees have a place and right to participate and have an opinion
- ▶ Largest multichannel store
- ▶ Diversifies in retail industry

Complication

- ▶ External changes
 - ▶ Culture affection= how to deal with change
 - ▶ Economy uncertainty
- ▶ Brexit:
 - ▶ Changing currency
 - ▶ Taxes in imported products (EU)
 - ▶ Employee migration- partner loss
 - ▶ Hiring UK employees that don't want those jobs
- ▶ Technology
 - ▶ Automatization
 - ▶ E-commerce growth

Key question

- ▶ How do we keep our competitive advantage based on human relations in a more impersonalized/automated world?

Analysis

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- ▶ Political turmoil with Brexit going on which leads to uncertainty

E

- ▶ Economical uncertainties with Pound-Euro exchange rate

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- ▶ Workforce will change due to automatization
- ▶ Brexit less immigrants coming to UK
- ▶ Growth of new digital generations with different ways of shopping.

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- ▶ Disruptive moment in retail business with raising e-commerce

L

- ▶ Tax and legal implications from EU to UK
- ▶ More rigid work regulations

Analysis

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- ▶ Strong and organizational culture
- ▶ Innovative management structure where ownership belongs to employees

W

- ▶ Better distribution of earnings
- ▶ Care about happiness of employees
- ▶ Share responsibilities which leads to awareness and commitment to company

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- ▶ Good compensation system that compliments low wages
- ▶ Transparency and honesty towards employees as well as products and prices offered to customers

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- ▶ Benefits programs offered
- ▶ Strong relationship and commitment with suppliers
- ▶ Community development

Analysis

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- ▶ Experiencing decline in-store sales
- ▶ Having brick and mortar means having many fixed costs
- ▶ Difficulty in UK recruiting people for retail jobs
- ▶ Strong culture might face difficulty in adapting to change
- ▶ High cost of benefit programs

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Analysis

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- ▶ Benefit of your brick and mortar, allowing customers to see and feel product

- ▶ Retail is different in Europe than in US

- ▶ Bricks and clicks

- ▶ Growth in online sales

- ▶ Developing in technological and logistics according to new retail trends

- ▶ Waitrose already sources many products in UK

- ▶ Good existing relationships with African providers

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Analysis

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- ▶ Customer segmentation conformed by tourists as well as 60-50-40 year old UK

- ▶ Understand digital generations ways of buying

W

- ▶ Very competitive environment with actual stores (Harrods and Marks and Spencers) as well as e-commerce retailers like Amazon

- ▶ Devaluation of pound will raise cost of imported products

- ▶ Loss of low wage staff from foreign countries (Brexit)

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- ▶

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Alternatives	Pros	Cons
Internationalization	<ul style="list-style-type: none"> • Possibility to grow • Target emerging economies • Possibility for partners to stay in company • Develop existing relationships with Ethical Trade initiative countries. • Diversification. 	<ul style="list-style-type: none"> • Hard to maintain culture strength • Hard to implement culture in countries with different customs • Less control in quality and service. • High investment and risk • Uncertainties in legal and economic changes do to Brexit
Close a % of stores and combine department stores with supermarkets	<ul style="list-style-type: none"> • Obtain cash to invest in technology development • Optimization of brick and mortar, offering diversification in less space • Reduction of fixed costs 	<ul style="list-style-type: none"> • Signs of weakness • Let competitors grow • Lose market share • Affects customer relationship having less contact points • Reduction of human resources
Generate automatization in inventory and customer service and Transition from traditional business to omnichannel business	<ul style="list-style-type: none"> • Use reduction in work force due to Brexit to implement automatization. • Maintain proximity to customers. • Differentiate with ecommerce giants like Amazon complementing online service with brick and mortar experience. • Improve customer service by becoming more efficient • Keep low costs with automatization, given that other costs will increase. 	<ul style="list-style-type: none"> • High investment in technology • Challenge in maintain excellent customer service with less human contact.

Decision criteria

- ▶ Maintain the corporate culture vs. change
- ▶ More relationship with customers with omnichannel
- ▶ Most important supermarkets 2/3 sales and partners
- ▶ Department stores will be affected by Brexit, but to all the players, not only us
- ▶ Company has always been internally innovative, but now it's facing external threats that will make them change
- ▶ Maintain our main purpose= **a successful business and happiness**
- ▶ 2028
 - ▶ Automatization
 - ▶ keeping excellent customer service, concentrating in inventory and stock optimization for a better service

Suggested Solution

- ▶ Generate automatization in inventory and customer service and Transition from traditional business to omnichannel business
- ▶ Decision criteria:
 - ▶ Keep and use your **competitive advantage**:
 - ▶ Strong Culture
 - ▶ Customer service
 - ▶ Successful business

Implementation

▶ Short Term

- ▶ Increase in ecommerce sales
- ▶ Omnichannel
- ▶ Adapt to new reality (rocky road ahead)
- ▶ Automatization

▶ Long term

- ▶ Measure e-commerce
- ▶ Analyse optimization of brick and mortar: Continuity for the future?
 - ▶ Combination of department and supermarket in same store?

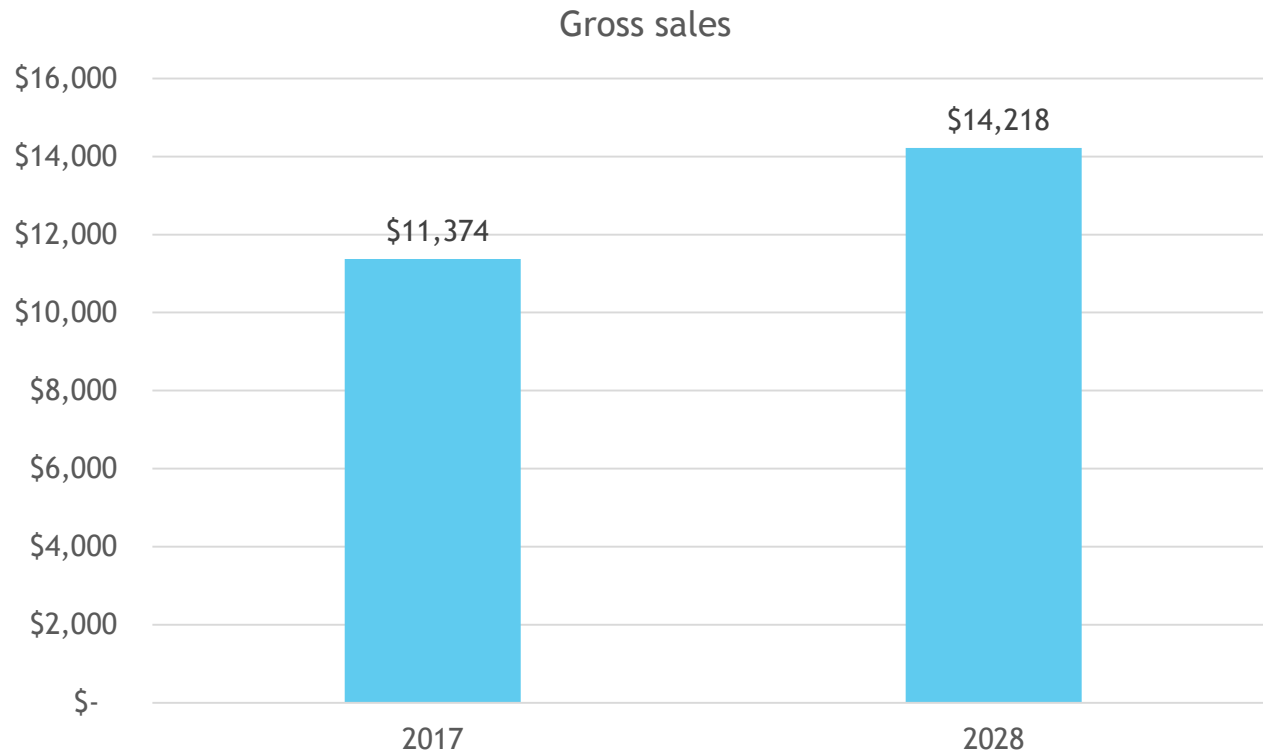
Implementation

- ▶ **Automatization in inventory and customer service**
 - ▶ Invest in Backoffice technology, implementing better stock, logistics and inventory optimization.
 - ▶ Automatization cashiers (not substituting every personnel)
 - ▶ Train employees to implement and control new technology
 - ▶ Substitute leaving personnel with technology
- ▶ **Transition from traditional business to omnichannel business**
 - ▶ Keep customer close and participate in every channel
 - ▶ Invest in communication, marketing (OOH actions) and social media
 - ▶ Improve and develop e-commerce: platform, integration, AI, machine learning
- ▶ **Cultural terms**
 - ▶ Communicate and train employees to face new changes
 - ▶ Reinforce company's culture

Assumptions

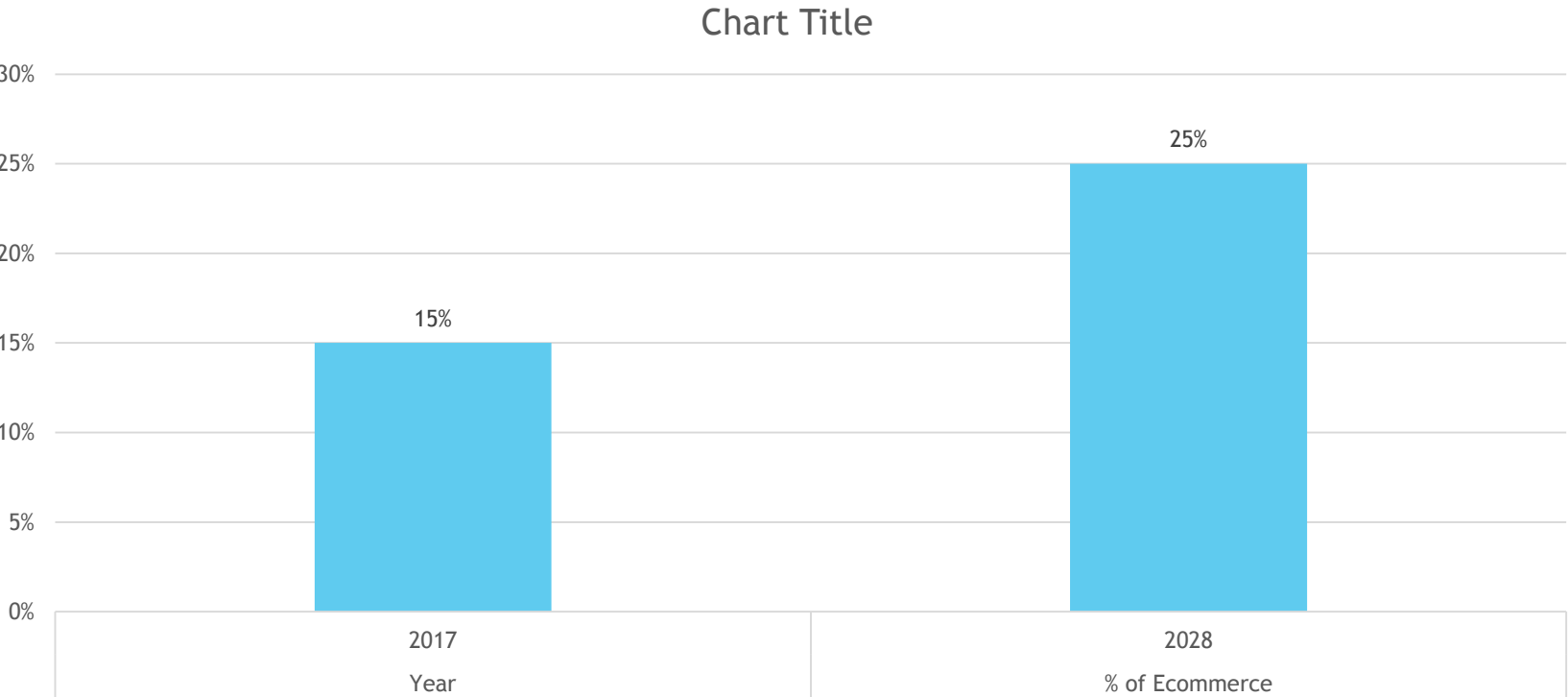
- ▶ 25% of growth in 2028
- ▶ 25% are ecommerce sales 2028
- ▶ Profit margin 5,34% in 2017 to 8% in brick and mortar and 4,5% in e-commerce based on automatizations and IT improvements
- ▶ People are leaving company because of Visa Brexit
- ▶ Try to maintain employee numbers but base your growth in technology investment
- ▶ Maintain people = more technology + growth
- ▶ Increase of costs of goods bought outside UK will be transferred to final customer

Gross sales



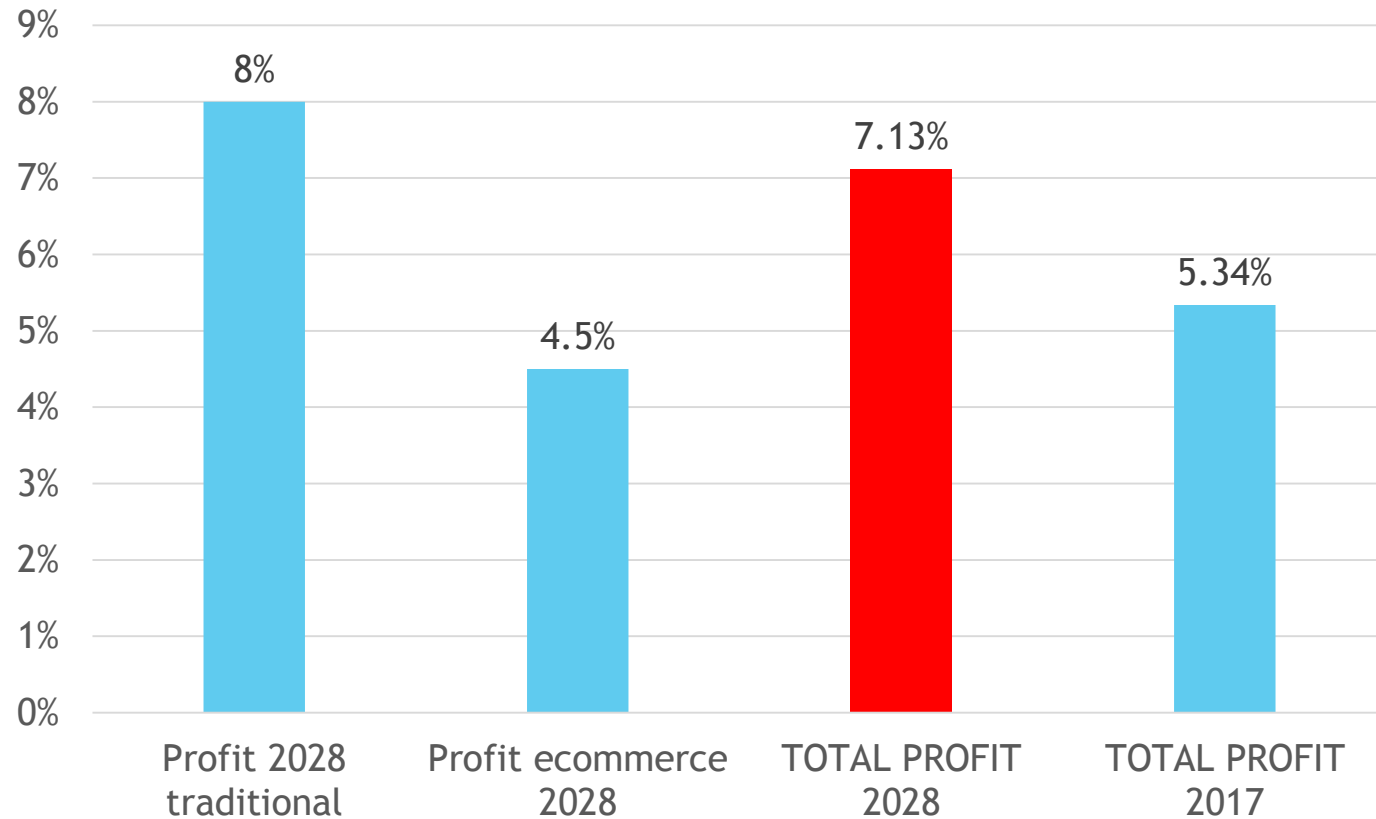
- 25% growth
- Fewer ratio Partners x Gross sales growths (less bonus)
- Automatization
- Ecommerce growth

Ecommerce share 2028 vs 2017



- 10% growth per year in ecommerce UK.
- Incremental sales by 15%
- Increase in the proportion ecommerce vs traditional

% Profit Variation 2018-2018



- Increase in traditional margin due to automatization and fewer partners.
- 25% of the sales are ecommerce, fewer margin (4.5% vs 8% traditional)
- Total margin 7.13% 2028 vs 5.34% 2017.

Conclusion

Culture continuity:

- Maintain culture=
biggest asset

Customer service:

- Take care and
redefine customer's
experience (Moment
of truth)

Bet in Technology:

- Invest in
automatization and
ecommerce