John Lewis Partnership

ORT Consulting Group
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

**P**
- Political turmoil with Brexit going on which leads to uncertainty

**E**
- Economical uncertainties with Pound-Euro exchange rate

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

**T**
- Disruptive moment in retail business with raising e-commerce

**L**
- Tax and legal implications from EU to UK
- More rigid work regulations
Analysis

SWOT

S
- Strong and organizational culture
- Innovative management structure where ownership belongs to employees
- Better distribution of earnings
- Care about happiness of employees
- Share responsibilities which leads to awareness and commitment to company
- Good compensation system that compliments low wages
- Transparency and honesty towards employees as well as products and prices offered to customers
- Benefits programs offered
- Strong relationship and commitment with suppliers
- Community development
Analysis

S

Experiencing decline in-store sales

W

Having brick and mortar means having many fixed costs

Having brick and mortar means having many fixed costs

O

Difficulty in UK recruiting people for retail jobs

T

Strong culture might face difficulty in adapting to change

High cost of benefit programs
Analysis

S

- Benefit of your brick and mortar, allowing customers to see and fell product
- Retail is different in Europe than in US
- Bricks and clicks

W

- 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

O

T
Analysis

S

- Customer segmentation conformed by tourists as well as 60-50-40 year old UK
- Understand digital generations ways of buying
- Very competitive environment with actual stores (Harrods and Marks and Spencers) as well as e-commerce retailers like Amazon

W

- Devaluation of pound will raise cost of imported products
- Loss of low wage staff from foreign countries (Brexit)
<table>
<thead>
<tr>
<th>Alternatives</th>
<th>Pros</th>
<th>Cons</th>
</tr>
</thead>
</table>
| Internationalization                                                      | • Possibility to grow  
• Target emerging economies  
• Possibility for partners to stay in company  
• Develop existing relationships with Ethical Trade initiative countries.  
• Diversification.                                                              | • 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 due to Brexit.                     |
| Close a % of stores and combine department stores with supermarkets       | • Obtain cash to invest in technology development  
• Optimization of brick and mortar, offering diversification in less space  
• Reduction of fixed costs                                                          | • 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 | • 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.       | • 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.
# Implementation Costs

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<th>Area</th>
<th>Definition</th>
<th>Total cost</th>
<th>2018</th>
<th>2019</th>
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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