

John Lewis Partnership

Knight Consulting

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Executive Summary

- ▶ Competitive Advantages
- ▶ Concerns
- ▶ Recommendations
- ▶ Finances

Competitive Advantage

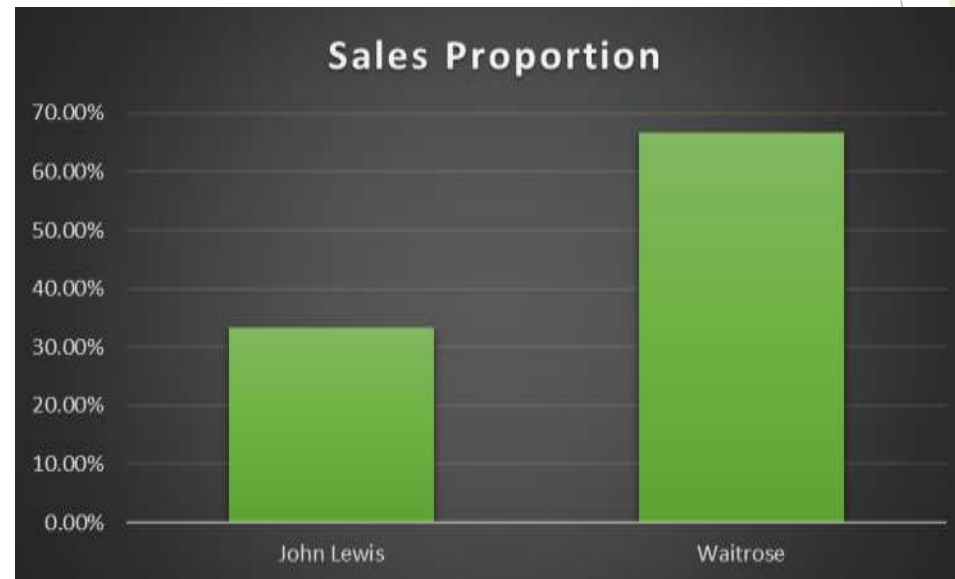
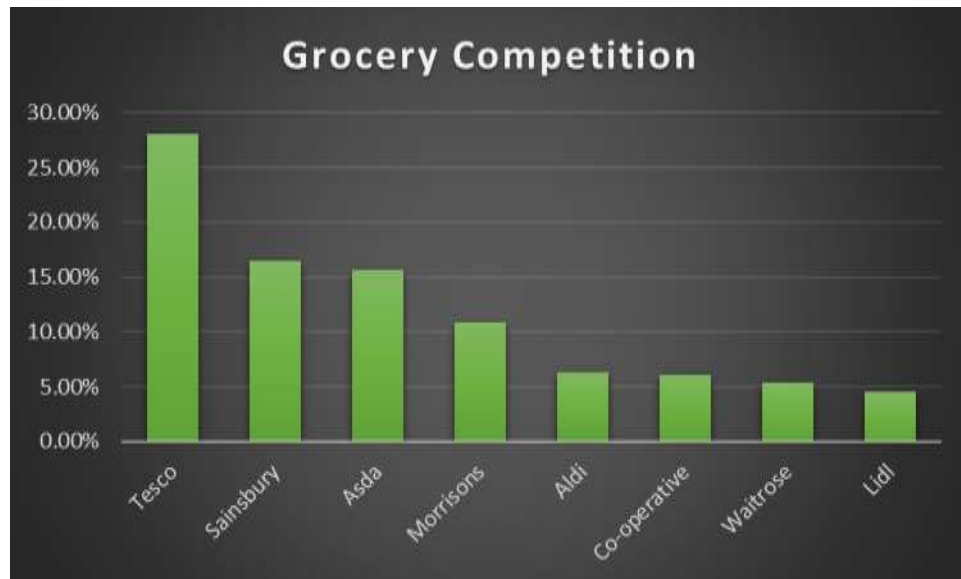
- ▶ Customer service
- ▶ Personnel
- ▶ Focused strategy (differentiation)
- ▶ Strong values

Concerns

- ▶ **Effects of Brexit**
 - ▶ Higher cost of imports
 - ▶ Loss of employees from Eastern EU
 - ▶ Devaluation of the Pound
 - ▶ Effects of Brexit

Concerns

► Lack of technological innovation



Concerns

► Falling bonus scheme



Recommendations

- ▶ Expansion to new markets
- ▶ Visa sponsorship
- ▶ Automation
- ▶ Improved IT

Recommendations: Expansion to New Markets

Advantages

New market

Local employment



Disadvantages

Risk

Lack of supply chain

No experience with new cultures

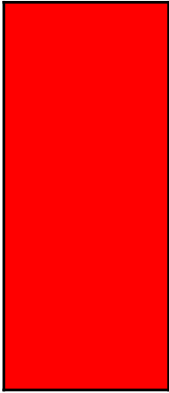
New competition

New regulations



Recommendations: Visa Sponsorship

Advantages
Continue to source workers from Eastern EU
Employee freedom of movement



Disadvantages
Higher cost
Risk
Limited sponsorship

Recommendations: Automation

Advantages

Greater competitiveness

Long term cost reduction

Improved logistic efficiency

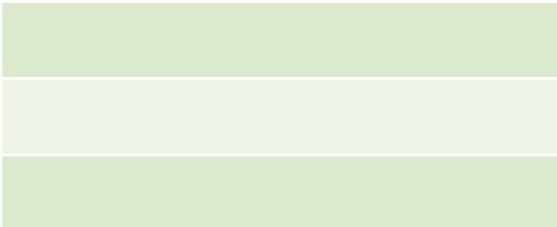
New roles available



Disadvantages

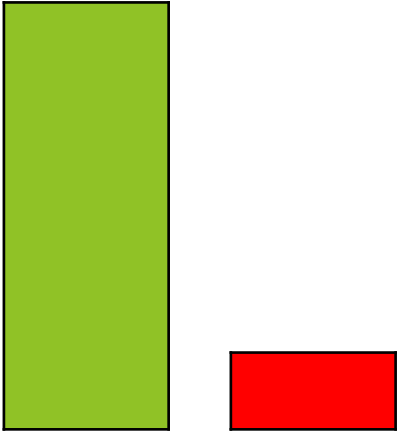
Upfront costs

Potential loss of employees



Recommendations: Improved IT

Advantages
Greater competitiveness
Technological innovation
Long term cost reduction
New roles available

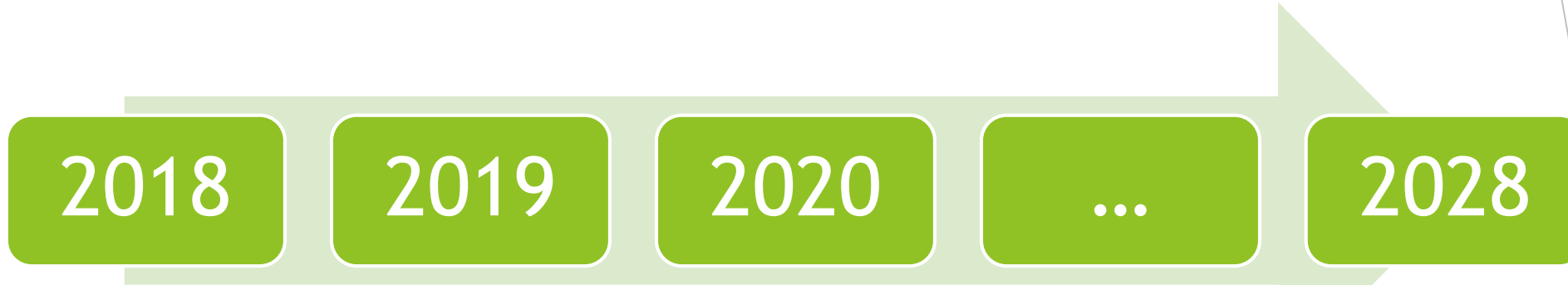


Disadvantages
Upfront cost

Decision Matrix

Factors	Weights	Visa Sponsorship		New Markets		Automation		Data Analytics	
		Score	Weighted score	Score	Weighted score	Score	Weighted score	Score	Weighted score
Cost	3	-2	-6	-3	-9	-3	-9	-3	-9
Competitiveness	3	0	0	3	9	3	9	3	9
Effect on employees	3	2	6	1	3	3	9	3	9
Risk	3	-2	-6	-3	-9	0	0	0	0
Limited sponsorship	2	-3	-6	0	0	0	0	0	0
New market	3	0	0	3	9	0	0	0	0
Total			-12		3		9		9

Implementation



Website development (IT)

Warehouse development (Automation)

Departmental equipment purchase (Automation)

Employee training (IT/Automation)

Finances

Assumptions

1200 Employees Lost over 4 years

20 Employee Pay (Est.)

0.01 Per Equipment

6 Average Per Store

10% Boost in Sales

All Currency Values in £Million

WACC

WACC			
Long Term Debt	2396.5	Debt Rate	5%
Equity	2055.4	Average Tax Rate	25%
		After Tax	3.75%
D/V	0.538		
E/V	0.462	Beta	1.1
		Market Free	2%
WACC	5.99%	Market Rate	8%
		Return on Equity	8.6%

Updated Income Statement

	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
Gross Income	11,829.17	12,302.33	12,794.43	13,306.21	13,838.45	14,391.99	14,967.67	15,566.38	16,189.03	16,836.59	17,510.06
New Gross Income	11,829.17	13,532.57	14,073.87	14,636.83	15,222.30	15,831.19	16,464.44	17,123.02	17,807.94	18,520.25	19,261.06
Operating Profit	497.33	517.22	537.91	559.43	581.80	605.08	629.28	654.45	680.63	707.85	736.17
Incremental Cash Flow	- 12.04	41.68	43.85	47.11	49.46	62.69	65.23	67.88	70.63	73.49	76.47
Operating Profit	485.29	558.91	581.76	606.54	631.26	667.76	694.51	722.32	751.25	781.34	812.64

**Net Present Value (w/o perpetuity):
\$413,000,000**

All Currency Values in £Million

Conclusion

- ▶ Brexit
 - ▶ Close collaboration with suppliers
- ▶ Technological innovation
 - ▶ Increased competitiveness
 - ▶ Reduced cost over time
 - ▶ Improved supply chain logistics
- ▶ Bonus scheme
 - ▶ Increased revenue
 - ▶ Reduced cost

Thank you