The future plan for 2028

Board Meeting, 05/01/2018

presented by
TU Kaiserslautern
Marco Hassdenteufel, Lukas Renner, Kevin Schmitt, Julia Todea
Mandate

Find future growth opportunities for JLP and prepare for impacts of Brexit and upcoming trends in retailing industry
Agenda

- Current Situation
- Analysis
- Alternatives
- Implementation
- Risk
Key Issues

1. Negative impact of Pound – Euro exchange rate on EU imports and sourcing
2. Consumers do their shopping more and more online (e-commerce trend)
3. Competitors make use of technological trends to become more efficient
Recommendations

- Lower dependency from EU by adapting sourcing strategy
  Choose supplier outside of the EU and find substitutes for EU recruiting

- Generate future growth by adapting channel strategy
  Strengthen e-commerce & connect it to offline channel

- Be prepared for future job design
  Realign internal structure for future tasks
John Lewis Partnership is the largest multi channel retailer in the UK

- 11 billion Pounds in sales (2016)
- 86,700 permanent employees which are called partners and hold company shares
- Department stores, supermarkets, online and catalogue business, production
Business Model

Key Resources
- Happy staff
- Well known brand
- Know-how

Value Proposition
Shopping high quality goods at convenient stores with a high service level

Customer Segments
- Different customer segments depending on the type of store

Key Partners
- Suppliers

Customer Relationship
- Direct and close relationship
Retail Structure

Department stores
- John Lewis
  - Fashion, home goods technologies
  - High quality goods
  - High service level
  - Day visitors, tourists

Waitrose Supermarkets
- Peter Jones
  - Traditional
  - Employees about 2/3 of the partners
  - 350 Shops
  - Successful executives
  - Urban professionals

Online
- Convenient
  - 30% of retail
  - Synergies relationships
  - Pick up service at Waitrose stores
### Competitors

#### Department stores
- **John Lewis**
- **Peter Jones**

#### Waitrose Supermarkets
- **Traditional**
- **Convenient**

#### Online
- **Amazon**
  - Largest online retailer
  - Huge product portfolio
- **Hello Fresh**
  - Delivery service

#### Current Situation
- **Analysis**
- **Alternatives**
- **Implementation**
- **Risks**
Sourcing

High Brexit impact on the department stores
The UK declared to leave the European Union!

- Devaluation of the Pound in relation to the Euro
- Recruiting difficulties on the lower wage segment

2 Phase

- Exit strategy
  - Liabilities

- Past Brexit cooperation

The second phase has the biggest impact on your company

Done

Until Q1 2019
Wrap Up

Strengths
- Cooperate online
- Attractive workplace
- Highly qualified staff

Weaknesses
- Available cash for investments
- Static stores

Opportunities
- Upcoming technology
- Trends
- Company experience

Threats
- Complete shift to online shopping
- Existing and upcoming competitors
Feasible Alternatives

- Optimization of internal logistics
- Focus on suppliers outside the EU
- Choose foremost suppliers from UK
- Implementing a delivery service
- Recruiting staff inside UK
- Use technology to lower need for staff
# Feasible Alternatives

<table>
<thead>
<tr>
<th>Optimization of internal logistics</th>
<th>Trends</th>
<th>Competitive advantage</th>
<th>Customer needs</th>
<th>Operation efficiency</th>
<th>Channel fit</th>
<th>ROI</th>
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</thead>
<tbody>
<tr>
<td>Focus on suppliers outside the EU</td>
<td>+</td>
<td>+</td>
<td>0</td>
<td>+</td>
<td>0</td>
<td>+</td>
</tr>
<tr>
<td>Choose foremost suppliers from UK</td>
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<td>+</td>
<td>+</td>
<td>-</td>
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<tr>
<td>Implementing a delivery service</td>
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<td>+</td>
<td>+</td>
<td>0</td>
<td>+</td>
<td>+</td>
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<tr>
<td>Recruiting staff inside UK</td>
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<td>0</td>
<td>0</td>
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<td>-</td>
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<tr>
<td>Use technology to lower need for staff</td>
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<td>0</td>
<td>+</td>
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<td>+</td>
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</tbody>
</table>

**Trends:**
- **+:** Positive impact
- **0:** Neutral impact
- **-:** Negative impact

**ROI:**
- **+:** High ROI
- **0:** Medium ROI
- **-:** Low ROI
## Feasible Alternatives

<table>
<thead>
<tr>
<th>Alternatives</th>
<th>Trends</th>
<th>Competitive advantage</th>
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<th>ROI</th>
<th>TOTAL</th>
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<td>0</td>
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<td>0</td>
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<tr>
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<td>Choose foremost suppliers from UK</td>
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<td>Implementing a delivery service</td>
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<td>Recruiting staff inside UK</td>
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<td>0</td>
<td>0</td>
<td>0</td>
<td>+</td>
<td>-</td>
<td>1</td>
</tr>
<tr>
<td>Use technology to lower need for staff</td>
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<td>+</td>
<td>0</td>
<td>+</td>
<td>+</td>
<td>+</td>
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</table>
Recommendations

Lower dependency from EU by adapting **sourcing strategy**
*Choose supplier outside of the EU and find substitutes for EU recruiting*

Generate future growth by adapting **channel strategy**
*Strengthen e-commerce & connect it to offline channel*

Be prepared for **future job design**
*Realign internal structure for future tasks*
The seven principles of JLP

1) Purpose
2) Power
3) Profit
4) Partners
5) Customers
6) Business Relationships
7) The community
What to do?

Lower dependency from EU by adapting **sourcing strategy**

- 1. Choose supplier outside EU
- 2. Substitutes for recruiting in Eastern EU

Generate future growth by adapting **channel strategy**

- 3. Implement delivery service for offline channel
- 4. Optimize logistics through automated warehouses

Be prepared for **future job design**

- 5. Realign jobs towards a focus on customer service, retailing & technology trends
1) Choose supplier outside EU

How to ensure the availability and affordability of goods for our customers?

Search for new supplier & skim different markets
- Asia  
  *e.g. Japan, China*
- South America  
  *e.g. Brazil*

Evaluate supplier portfolio
- Set criteria for evaluation  
  *e.g. price, fees, quality*

Contact & negotiate contracts
2) Substitutes for recruiting in Eastern EU

How to compensate the cheaper labour force from Eastern EU?

Make use of Technology in all physical stores!

- Convenient smartphone scanning & self checkout systems
  - Step-by-step implementation

- Strengthen the on floor service
  - Focus & training in terms of sales & service quality
3) Delivery service for offline channel

How to face the e-commerce trend?

Implement a delivery service for your customers

- Connect with third party logistic providers
- Negotiate terms of contract
- Continuously revaluate contract
- Bike delivery (!)
- UPS, DHL, FedEx
- Set criteria for revaluation e.g. time, service, quality
4) Warehouse automatization

How to create more efficient operations?

Implement step-by-step automated warehouse system

- Search for enterprises specialized in WH
- Evaluate possible solutions
- Decide, negotiate & form contracts
5) Realign internal structure for future tasks

What can the partners do for the JLP partnerships?

Set new criteria for quality and service

New services, technologies and approved retailing call the need for new positions

Help changing within new technologies while implementing them and enhancing own know how

Partners need to
# Timeline

<table>
<thead>
<tr>
<th>Sourcing</th>
<th>2018</th>
<th>2019</th>
<th>2020</th>
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</thead>
<tbody>
<tr>
<td>New suppliers</td>
<td></td>
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<tr>
<td>Technological substitutes</td>
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</table>

<table>
<thead>
<tr>
<th>E-Commerce and digitization</th>
<th>2018</th>
<th>2019</th>
<th>2020</th>
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<tbody>
<tr>
<td>Delivery service</td>
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<tr>
<td>Find optimal partners</td>
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</tbody>
</table>

<table>
<thead>
<tr>
<th>Warehouse digitization</th>
<th>2018</th>
<th>2019</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Find compatible software</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Step by step automatization</td>
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## Financial Assumptions

<table>
<thead>
<tr>
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<th>2017 in million Pounds</th>
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<tbody>
<tr>
<td><strong>Sales</strong></td>
<td>11.374</td>
<td>88%</td>
</tr>
<tr>
<td><strong>Revenue</strong></td>
<td>10.026</td>
<td>0.43%</td>
</tr>
<tr>
<td><strong>Operating Costs</strong></td>
<td>478</td>
<td></td>
</tr>
<tr>
<td><strong>Profit before partnership bonus, tax and exceptional items</strong></td>
<td>370</td>
<td>77%</td>
</tr>
<tr>
<td><strong>Partnership Bonus in percentage</strong></td>
<td>6%</td>
<td></td>
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<tr>
<td><strong>Partnership Bonus</strong></td>
<td>89.4</td>
<td>24%</td>
</tr>
<tr>
<td><strong>Profit for the year</strong></td>
<td>354</td>
<td>96%</td>
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Sales

<table>
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<tr>
<th></th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
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</thead>
<tbody>
<tr>
<td>Sales</td>
<td>11.374</td>
<td>11.789</td>
<td>13.245</td>
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<tr>
<td>Revenue</td>
<td>10.026</td>
<td>10.392</td>
<td>11.675</td>
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<tr>
<td>Operating Costs</td>
<td>478</td>
<td>532</td>
<td>575</td>
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<tr>
<td>Profit before partnership bonus, tax and exceptional items</td>
<td>370</td>
<td>412</td>
<td>476</td>
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<tr>
<td>Partnership Bonus in percentage</td>
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<tr>
<td>Partnership Bonus</td>
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<tr>
<td>Profit for the year</td>
<td>354</td>
<td>407</td>
<td>487</td>
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<tr>
<td>Average of full time employees</td>
<td>63000</td>
<td>62000</td>
<td>60000</td>
</tr>
</tbody>
</table>

Shift offline to online, cost efficiency and less employees: higher profit and bonus
## Investments

<table>
<thead>
<tr>
<th>Investments (in Million Pounds)</th>
<th>2018</th>
<th>2019</th>
<th>2020 Total</th>
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</thead>
<tbody>
<tr>
<td><strong>Technological improvement</strong></td>
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<tr>
<td>Self-Checkout one time investment</td>
<td>10</td>
<td>5</td>
<td>3</td>
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<tr>
<td>Self-Checkout and automated warehouses</td>
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<tr>
<td><strong>Transformation form Offline to Online</strong></td>
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<tr>
<td>1% per delivery</td>
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<tr>
<td><strong>Delivery system</strong></td>
<td>5</td>
<td>7</td>
<td>10</td>
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<tr>
<td><strong>Find Suppliers</strong></td>
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<tr>
<td>Team with 10 employees</td>
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<tr>
<td><strong>Sourcing strategy</strong></td>
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<tr>
<td><strong>Trainings one time investment</strong></td>
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</tr>
<tr>
<td>10 Workshops/Trainings per year</td>
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<tr>
<td><strong>Trainings/Workshops</strong></td>
<td>5</td>
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<td>5</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
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</tr>
<tr>
<td></td>
<td><strong>61.9</strong></td>
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</table>
Refinancing

10% of profit per Year

40 Mio Credit

2020 covered Investment and 2024 paid back Credit
Risk

I. Competitors

II. Brexit outcome

III. Technological adaption
Thank you for your attention!