

The future plan for 2028

Board Meeting, 05/01/2018

presented by

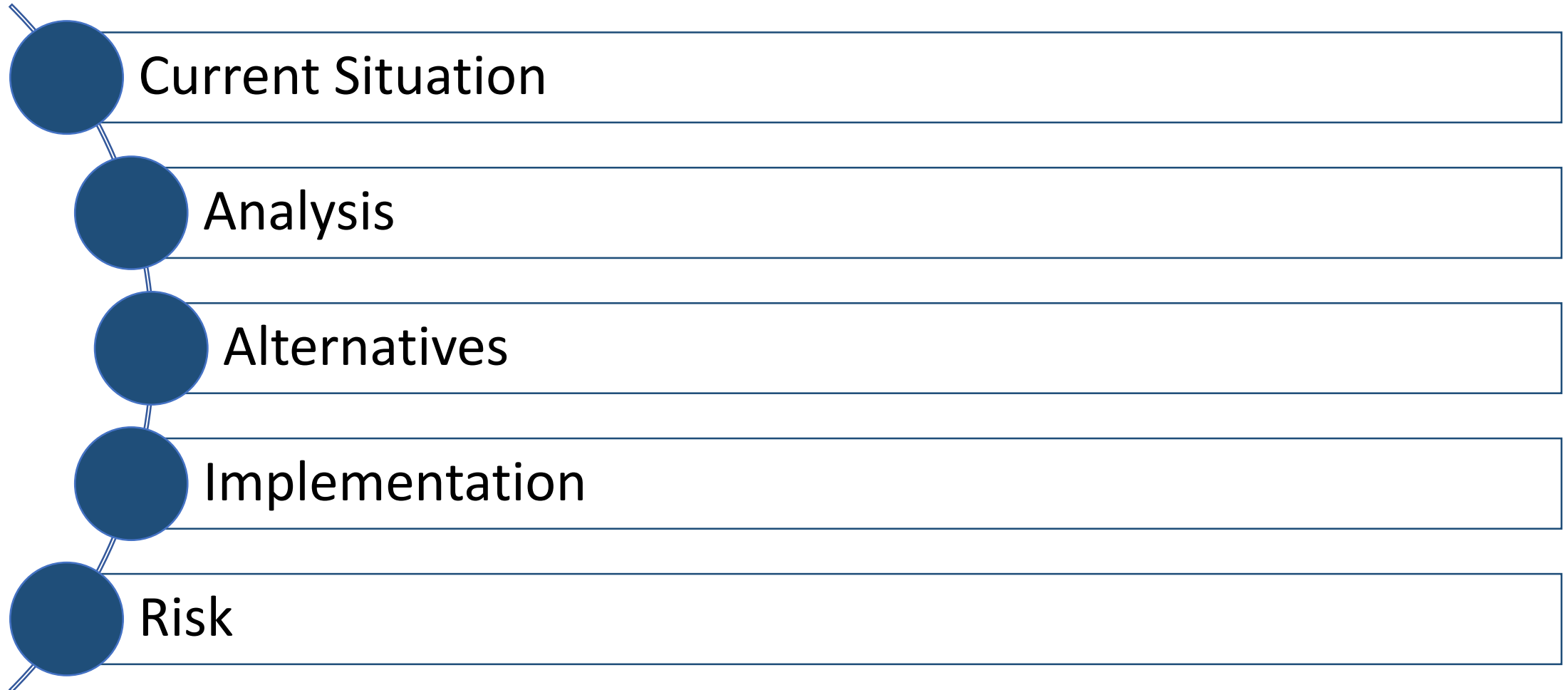
TU Kaiserslautern

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Mandate

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

Agenda



Key Issues

Negative impact of Pound – Euro exchange rate
on EU imports and sourcing

Consumers do their shopping more and more online
(e-commerce trend)

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

JLP

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

Peter Jones

- Fashion, home goods technologies
- High quality goods
- High service level

- Day visitors, tourists
- Successful executives
- Urban professionals

Waitrose Supermarkets

Traditional

Convenient

- Employees about 2/3 of the partners
- 350 Shops

Online

- 30 % of retail
- Synergies relationships
- Pick up service at Waitrose stores

Competitors

Department stores

John Lewis

Marks & Spencer

- Specialized in fashion, home products, luxury food products

Peter Jones

Harrods

- World largest department store: 330 stores
- 5000 employees

Waitrose Supermarkets

Traditional

Sainsbury

- 1312 stores
- 16,5% market share

Convenient

Tesco

- 5 times bigger
- 3400 stores
- Strong online presence

Online

Amazon

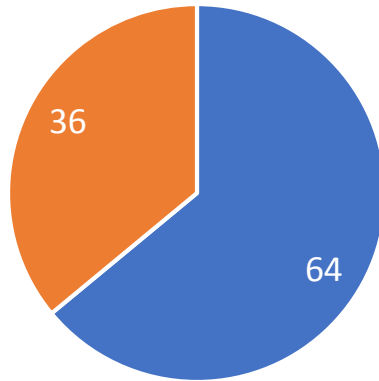
- Largest online retailer
- Huge product portfolio

Hello Fresh

- Delivery service

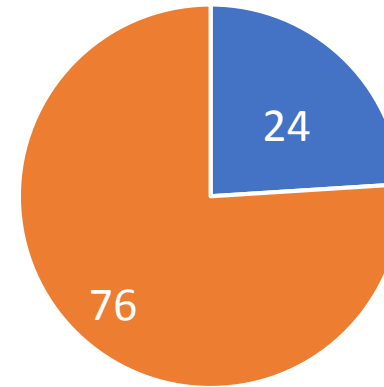
Sourcing

Department stores



■ Outside EU ■ Inside EU

Waitrose Supermarkets



■ UK ■ Imports



High Brexit impact on the department stores

Brexit

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

Done

Until Q1 2019

- Past Brexit cooperation



The second phase has the biggest impact on your company

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

	Trends	Competitive advantage	Customer needs	Operation efficiency	Channel fit	ROI
Optimization of internal logistics	+	+	o	+	o	+
Focus on suppliers outside the EU	o	+	+	-	+	+
Choose foremost suppliers from UK	o	o	-	-	+	-
Implementing a delivery service	+	+	+	o	+	+
Recruiting staff inside UK	o	o	o	o	+	-
Use technology to lower need for staff	+	+	o	+	+	+

Feasible Alternatives

	Trends	Competitive advantage	Customer needs	Operation efficiency	Channel fit	ROI	TOTAL
Optimization of internal logistics	+	+	0	+	0	+	4
Focus on suppliers outside the EU	0	+	+	-	+	+	4
Choose foremost suppliers from UK	0	0	-	-	+	-	1
Implementing a delivery service	+	+	+	0	+	+	5
Recruiting staff inside UK	0	0	0	0	+	-	1
Use technology to lower need for staff	+	+	0	+	+	+	5

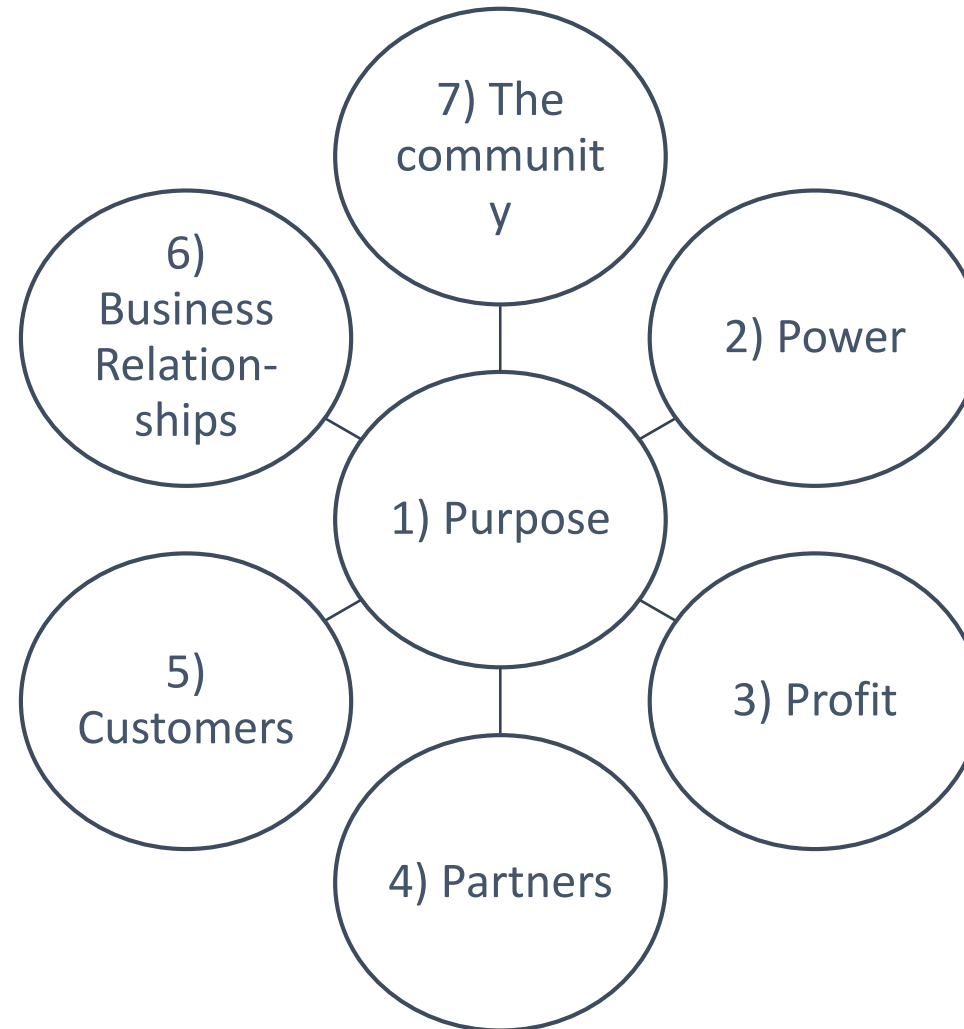
Recommendations

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



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

Evaluate supplier portfolio

Contact & negotiate contracts

- Asia
e.g. Japan, China
- South America
e.g. Brazil

- Set criteria for evaluation
e.g. price, fees, quality

2) Substitutes for recruiting in Eastern EU

How to compensate the cheaper labour force from Eastern EU?

Convenient
smartphone
scanning & self
checkout systems

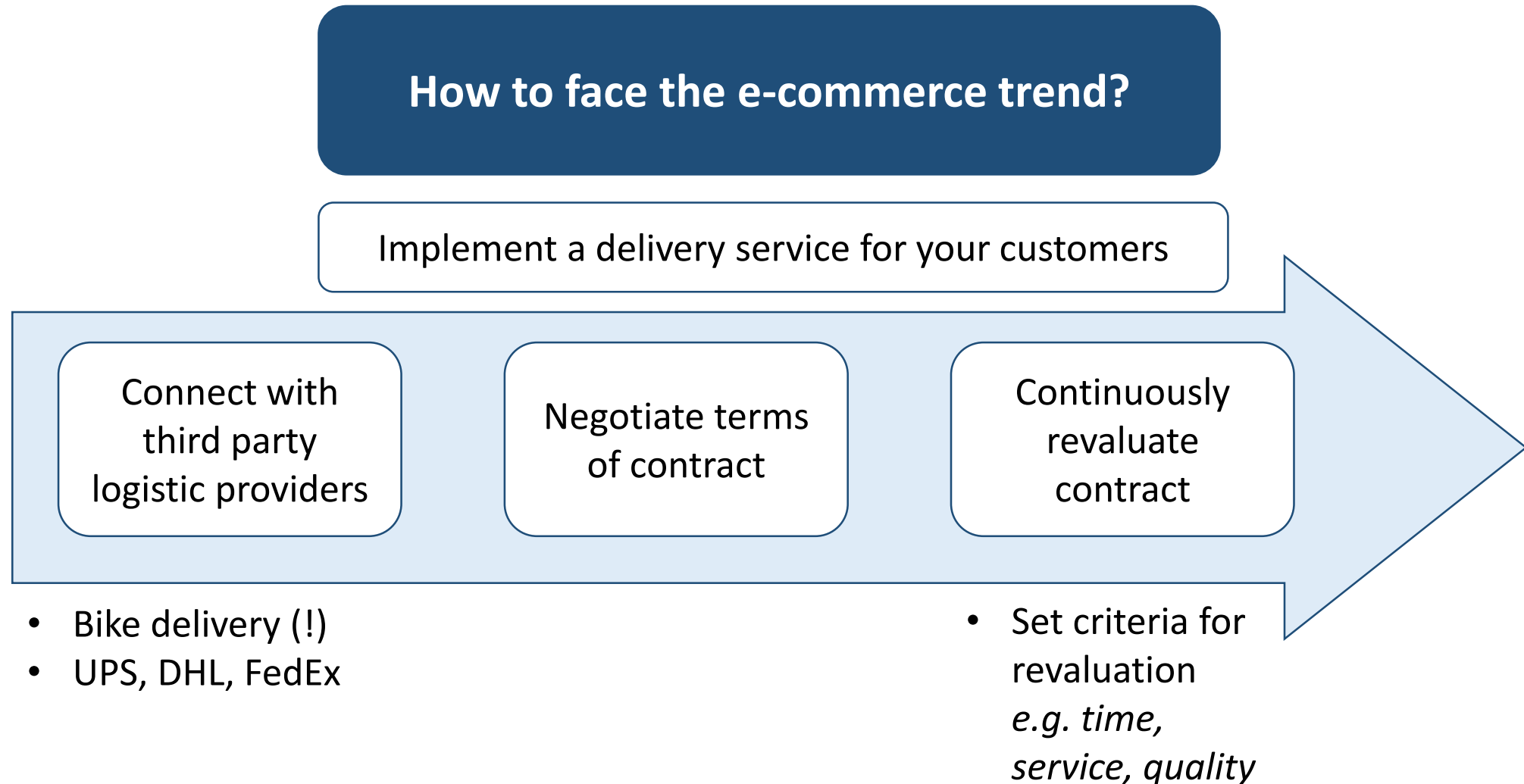
- Step-by-step implementation

Make use of
Technology in all
physical stores!

Strengthen the on
floor service

- Focus & training in terms of sales & service quality

3) Delivery service for offline channel



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?




Timeline

	2018	2019	2020
Sourcing - New suppliers - Technological substitutes			
E-Commerce and digitization - Delivery service - Find optimal partners			
Warehouse digitization - Find compatible software - Step by step automatization			

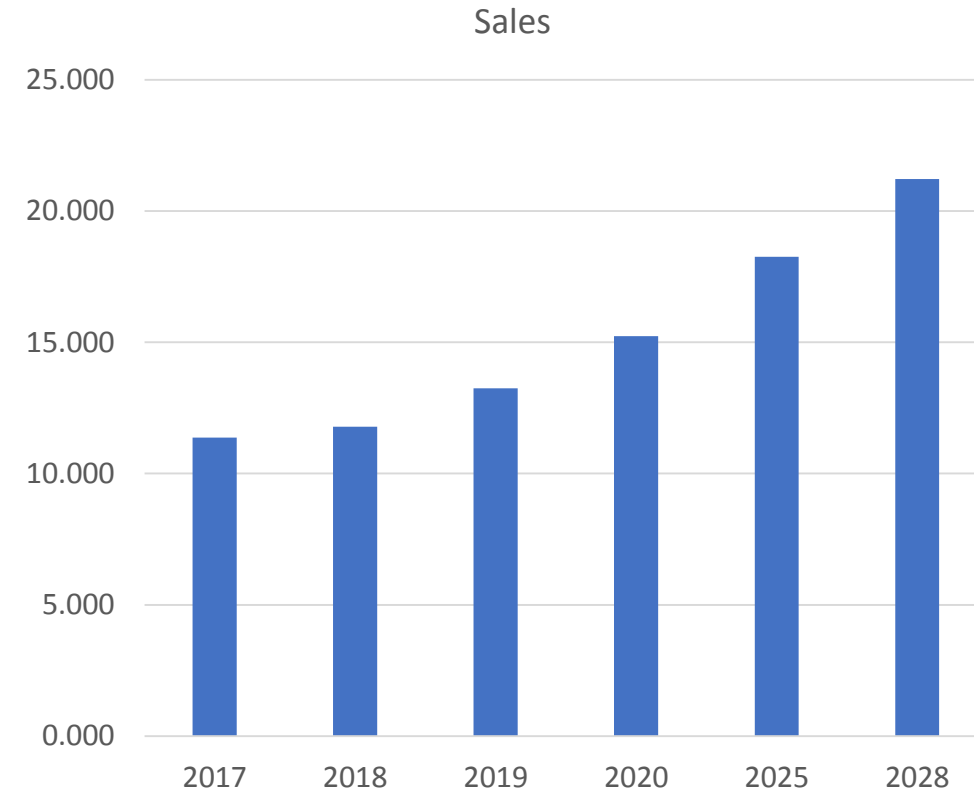
Financial Assumptions

	2017 in million Pounds	
Sales	11.374	
Revenue	10.026	88%
Operating Costs	478	0.43%
Profit before partnership bonus, tax and exceptional items	370	77%
Partnership Bonus in percentage	6%	
Partnership Bonus	89.4	24%
Profit for the year	354	96%



Sales

	2017	2018	2019
Sales	11.374	11.789	13.245
Revenue	10.026	10.392	11.675
Operating Costs	478	532	575
Profit before partnership bonus, tax and exceptional items	370	412	476
Partnership Bonus in percentage	6%	7%	8%
Partnership Bonus	89	94	102
Profit for the year	354	407	487
Average of full time employees	63000	62000	60000



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

Investments

Investments (in Million Pounds)	2018	2019	2020	Total
Technological improvement				
Self-Checkout one time investment	10	5	3	18
Self- Checkout and automized warehouses	1	1	1	3
Transformation form Offline to Online	1% per delivery			
Delivery system	5	7	10	22
Find Suppliers	Team with 10 employees			
Sourcing strategy	1.3	1.3	1.3	3.9
Trainings one time investment	10 Workshops/Trainings per year			
Trainings/Workshops	5	5	5	15
Total				61.9

Refinancing

Refinancing

10 % of profit per Year

40 Mio Credit



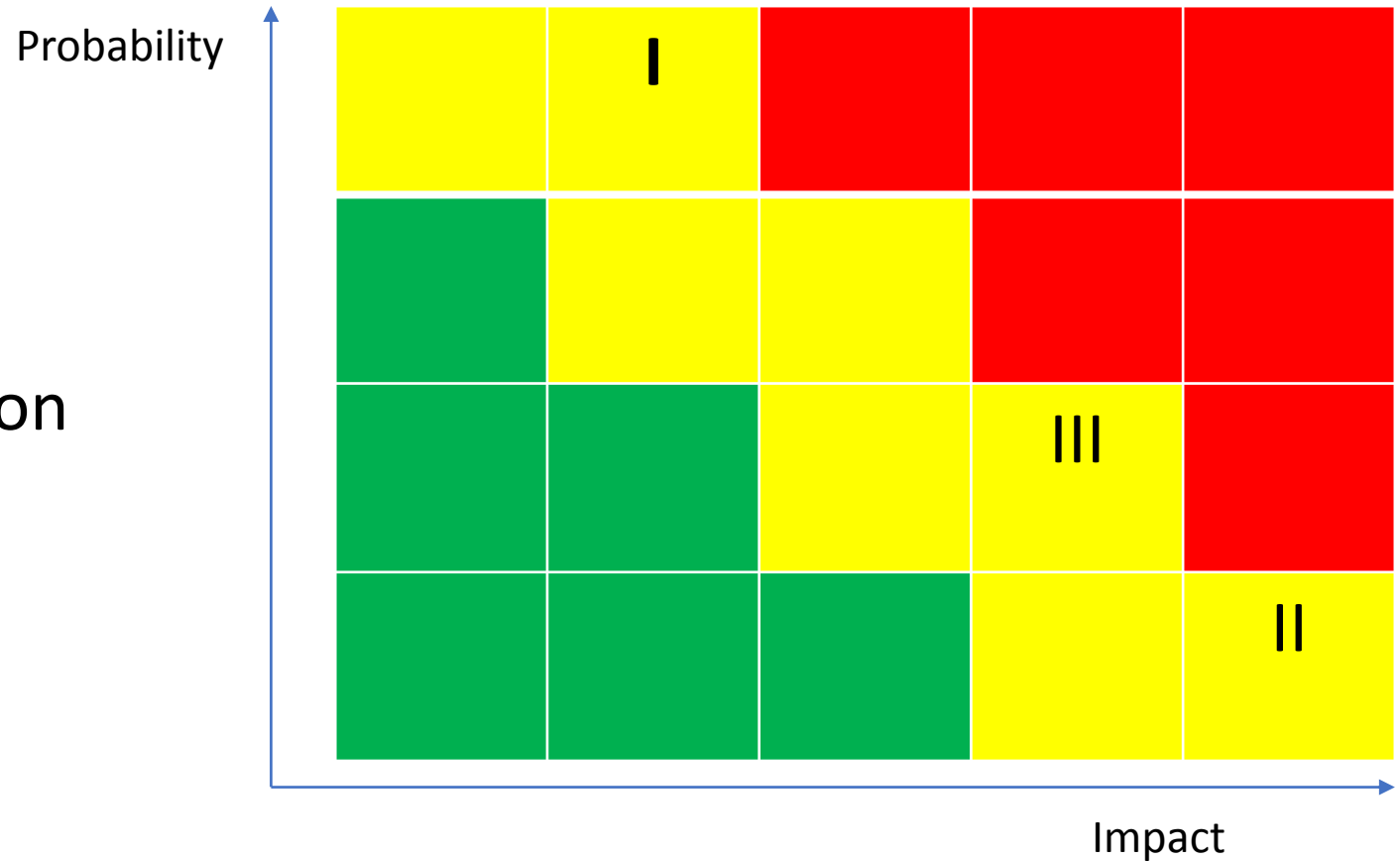
2020 covered Investment and 2024 paid back Credit

Risk

I. Competitors

II. Brexit outcome

III. Technological adaption



Thank you for your attention!
