Beyond the Brexit: Handle the new economic environment

Presented by: University of Paderborn
Presented to: John Spedan Lewis
Mandate

Face the consequences of Brexit and make it to your business in 2028
Key issues

Adjust Supply Chain

Sustainable jobs for partners
Recommendations

- Invest in automatized Warehouses
- Design new jobs
Agenda

A. The current status
B. Evaluation of alternatives
C. The road to success
D. The financials
E. The conclusion
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Partnerships as a key resource

Partnerships ultimate purpose: happiness of all its members

- Partnership owned company (87,000 staff or partners)
  - Be loyal and serve their needs

- Principle 7: community development
  - Encourage well-being on local community

→ Stick to your principles!
Key issues

Adjust Supply Chain

Sustainable jobs for partners
Multichannel business is divided into four segments

- Department stores
- Supermarkets
- Online & catalogue business
- Production Unit

**Key strengths:**
- Partner relationship
- Advice your partners
- Promoting niche products
Multichannel business is divided into four segments

- **Department stores**: 34 stores, 60% domestic supply, 40% import
- **supermarkets**
- **Online & catalogue business**
- **Production Unit**

JLP
Multichannel business is divided into four segments

- Department stores
- supermarkets
- Online & catalogue business
- Production Unit

353 stores

- Domestic supply: 80%
- Import: 20%

John Lewis Partnership
Brexit impacts business in terms of procurement costs and employment issues

- **Currency exchange rate**
  - Increase costs for import/export
  - Impact salary and procurement costs

- **Visa issues anticipated**
  - Currently high amount of EU employees
  - Lack of employees for low wage jobs

⇒ High impact on both, JLP and Waitrose
Current supply chain

- EU import
- Domestic
- Supplier
- Warehousing
- Stores
- Domestic demand

→ Difficult to recruit UK employees for the same jobs
Current supply chain

- EU import
- Domestic
- Supplier

→ Difficult to recruit UK employees for the same jobs

High amount of suppliers
Key issues

Adjust Supply Chain

Sustainable jobs for partners
Trends

Changing customer demands

Already acting in the online field

Technologies:

- Online purchase
- Self service terminals
- Smartphone scanning

→ Current jobs change

Growth in online sales 20%
Brexit impacts online competitors less

Online

Amazon
Hello Fresh

Offline & Multichannel

Tesco
Sainsbury
asda
Your are in a very stable financial position and increased margin

KPI’s
CAGR ‘13-’17
4.5%

Net profit margin
1.7% on average
Almost two thirds of revenues come from Waitrose. Get ready for digitalization

Gross sales

- John Lewis 42%
- Waitrose 58%

Increasing online sales

35% at JLP in 2017
eGrocery for Waitrose
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Criteria for alternatives

- Sustainable Growth
- Serving Partnership needs
You are facing two challenges

Supply Chain

Design Jobs
Solve supply chain problem

Supply Chain

- Outsource Warehouses
- Automated Warehouses
- Reconsider Suppliers
- Design Jobs
Outsource Warehouses

**Advantages**
- Lower risks
- Better scalability

**Disadvantages**
- Less control
- Higher costs in long term
- Shifts problems occurring through Brexit to outsourcer
Automated Warehouses

Advantages

• Solves problem of missing eastern Europe employees
• Long term cost reduction
• Focus on quality
• Faster Supplychain

Disadvantages

• High costs
• Loss of jobs
## Reconsider Suppliers

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<tr>
<th>Advantages</th>
<th>Disadvantages</th>
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<tr>
<td>• Option to negotiate lower prices</td>
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<td>• Local suppliers are getting more important</td>
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Face issues through automated warehouses and inland sourcing

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You are facing two challenges

1. Supply Chain
   - Outsource Warehouses
   - Automated Warehouses
   - Reconsider Suppliers

2. Design Jobs
You are facing two challenges

Supply Chain
- Outsource Warehouses
- Automated Warehouses
- Reconsider Suppliers

Design Jobs
- Integrate into Delivery-business
- Diversify into new business
- Acquire competitor
- Design new jobs
Integrate into Delivery Business

Advantages

- Employees can be shifted to new jobs

Disadvantages

- Unknown business
- Knowingly unprofitable business
- Employees are not trained
Diversify Business

Advantages
- If successful it lowers risks
- Built new jobs

Disadvantages
- No knowledge in other businesses
- High risks
- Employees are not trained for new business
Acquire Competitor

Advantages

• New jobs
• More Bargaining power

Disadvantages

• High costs
• High risks
• Does not address urging problem of brexit
Design new jobs within existing business

Advantages

• Low costs
• Servers customer orientation
• Serves partner need

Disadvantages

• Long term partnerships get questioned
Design new jobs within existing business

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Our recommendation for sustainable growth while serving partner needs

Supply Chain

Outsource Warehouses

Automated Warehouses

Reconsider Suppliers

Design Jobs

Integrate into Delivery-business

Diversify into new business

Acquire competitor

Design new jobs
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Adjust Supply Chain

Sustainable jobs for partners
Shifting product relation to more locally sourced products

Increasing prices because of taxes

- Customers want the whole product range any time
- Costs are increasing for import goods

Increasing the amount of local goods

- Focusing on more local products
- Focus on quality
- Testing new products
- Short deliveries

Diagram:
- EU import
- Domestic supplier
- Warehouse
- Stores
- Domestic demand
Shifting product relation to more locally sourced products

JLP (domestic vs. import)
- From 60 vs 40
- To 70 vs 30

Waitrose (domestic vs. import)
- From 80 vs 20
- To 90 vs 10

- Increasing prices of EU goods by 6% immediately
- If taxes raise above → adjust
Adjustment of the supply chain

Losing employees on support level

- Employees might have to leave UK because of Brexit
- Support level jobs in warehouses not attractive in UK

Automatization of process

- New robots delivering packages in the inner circle of warehouse
- Centralised control of product flow in warehouses by new software
Key issues

- Adjust Supply Chain
- Sustainable jobs for partners
Customer service is our greatest asset!
What can you do for the partnership?

- Service focus for the offline stores
- Creating an omni-channel experience
  - Customer experience while shopping
  - Events for new products (tastings and testing)
- Employees working previously as cashier switch into service for customers and consulting about products

750,000
What can you do for the partnership?

How to interact with customers?

How can I support while shopping?

Which are the best recommendations?

How to help on self check outs?

How to organize events?
Events in stores

- Every first Thursday of the month
- Evening hours after 6pm
- no price for attending
- Tasting and testing of products which fit to topic

- Wine
- Cookies
- Candies
- Clothes
- Home equipment

COSY WINTER
Time plan

2017 2018 2019 2020 2021 2022

Finding supplier for software and robots
Implementation
Checking workforce
Training of employees
Eventstart
Switch to local

SUPPLY CHAIN

JOBS

50 m
10.25 m

John Lewis Partnership
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Increase your profit margin from 3.1% to 3.5% through greater efficiency
Increase Revenues by 12.5% each year and increase profitability in the long run

KPI's
CAGR ‘18-’22 12.5%
Net profit margin 3.4%
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Risks and Mitigation

1. Partner do not want new jobs
   • Make a meeting to discuss plans

2. Automated Warehouses are not cost efficient
   • Step for Step implementation
   • Risk controlling

3. Brexit leads to economic shakedown
   • Built savings
   • Adjust risk Management
Key issues

- Adjust Supply Chain
- Sustainable jobs for partners