

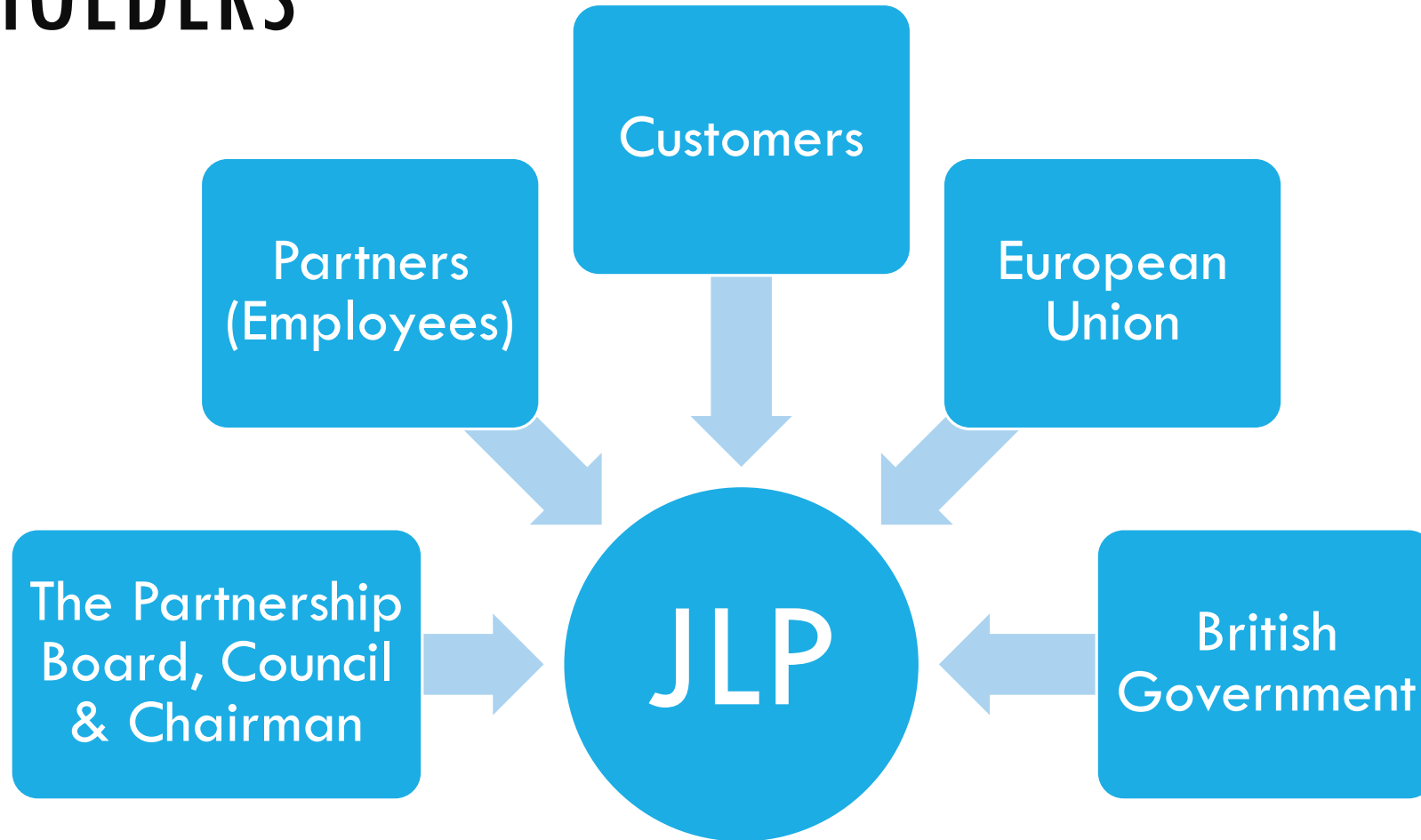
# JOHN LEWIS PARTNERSHIP

Kevin LEHMAN  
Rachel LUNSFORD  
Jessica CHAO  
Michalla NOLAN  
February 10<sup>th</sup>, 2017

# BEFORE WE START GIVING ANSWERS, WE HAVE TO UNDERSTAND THE DESTINATION.

- Where do we want to go?
- How is the best way to get there?
- How long can we expect this to take?
- What skills and abilities do we need to get there?

# STAKEHOLDERS



ANALYSIS

RECOMENDATION

IMPLEMENTATION

RESULTS

# WHAT DOES SUCCESS LOOK LIKE?

Success looks like....

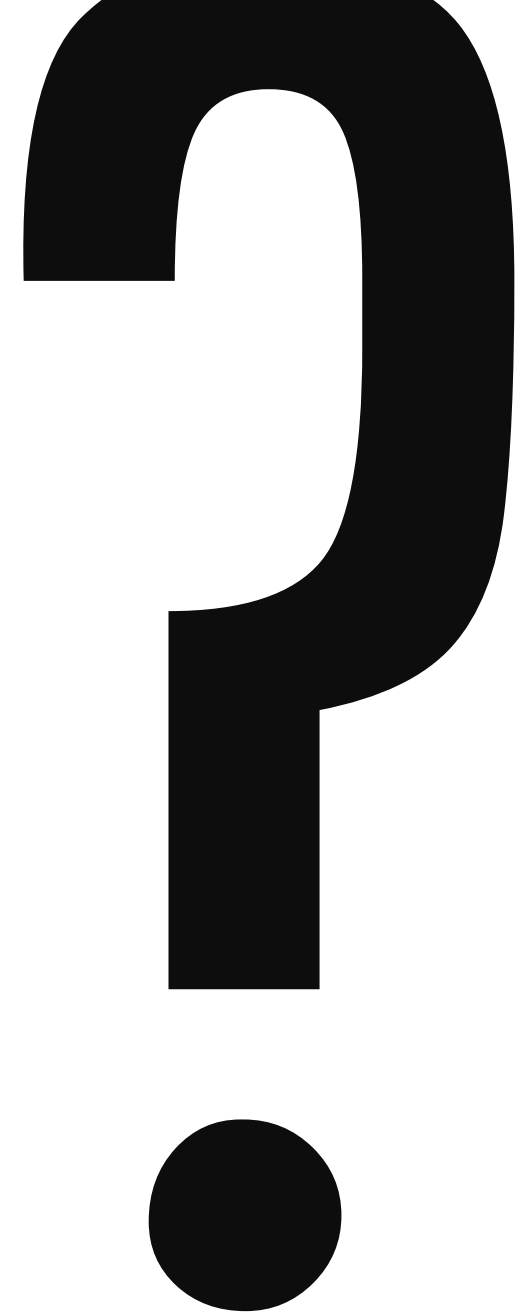
- Achieving EBIT **800 million** pounds by 2028
  - **90%** employee engagement
- Partnership Board continually reviewing **adaptations** to meet challenges

## YOU ASKED US

- What impact does leaving the EU have on us?
- How do we evolve job titles moving forward?
- What can we do for the partnership?

## REALITY

- How do we become a disruptor?
- How do we use technology to our benefit?



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# AGENDA



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# KEY STRATEGIC OBJECTIVES

## SHORT TERM

- Protect our capital
- React to changing competitive landscape

## LONG TERM

- Protect our capital
- Successful integrate technology
- Prioritize partner objectives

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# EXTERNAL ANALYSIS

## OPPORTUNITIES

TECHNOLOGY

SUPPLY CHAIN

DISRUPTOR

## THREATS

COMPETITION

UNCERTAIN FUTURE OF RETAIL

BREXIT

ANALYSIS

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RESULTS



# INTERNAL ANALYSIS

## Strengths

Longevity

Stakeholder Support

Brand Recognition

## Weaknesses

Demand Driven

Undiversified Locations

Important **BUT** just the beginning of our analysis.

ANALYSIS

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# WHAT ARE WE SELLING

- Convenience
- Price
- Brand Identity
- Trust
- Retailtainment (Experience)
- Relationship (Customer Service)

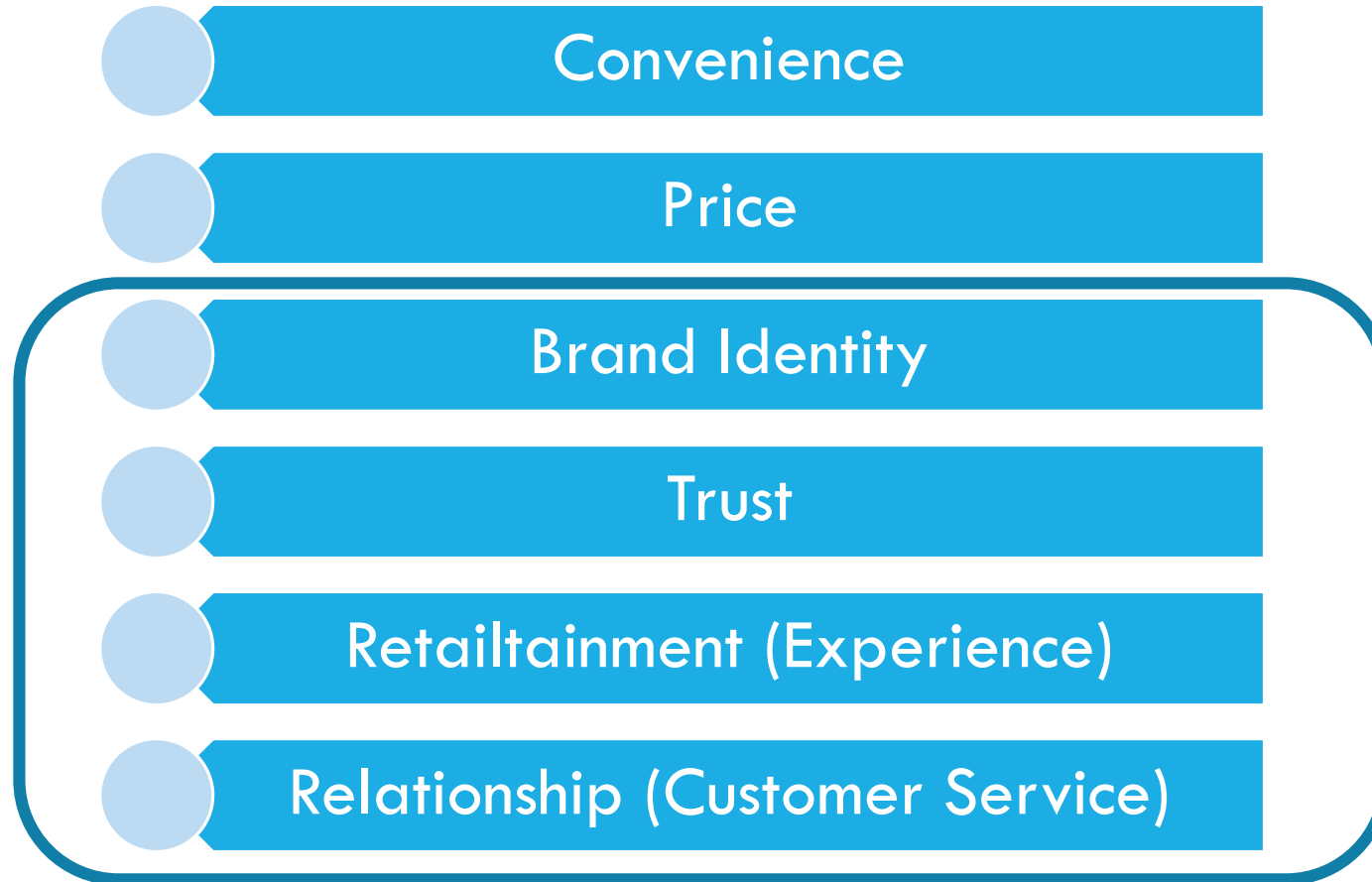
ANALYSIS

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# WHAT ARE WE SELLING



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# CUSTOMER

## Retail

### John Lewis

- Medium to High end products
- Higher income levels \$70,000+
- Out of town travelers
- Fashion forward, enjoy luxuries

### Peter Jones

- Medium to High end products
- Higher income levels
- Successful executives, millennials
- Fashion forward

## Grocery

### Waitrose

- 18-65+
- Health is important
- Quality food—fresh, non-GMO
- Know where food is coming from

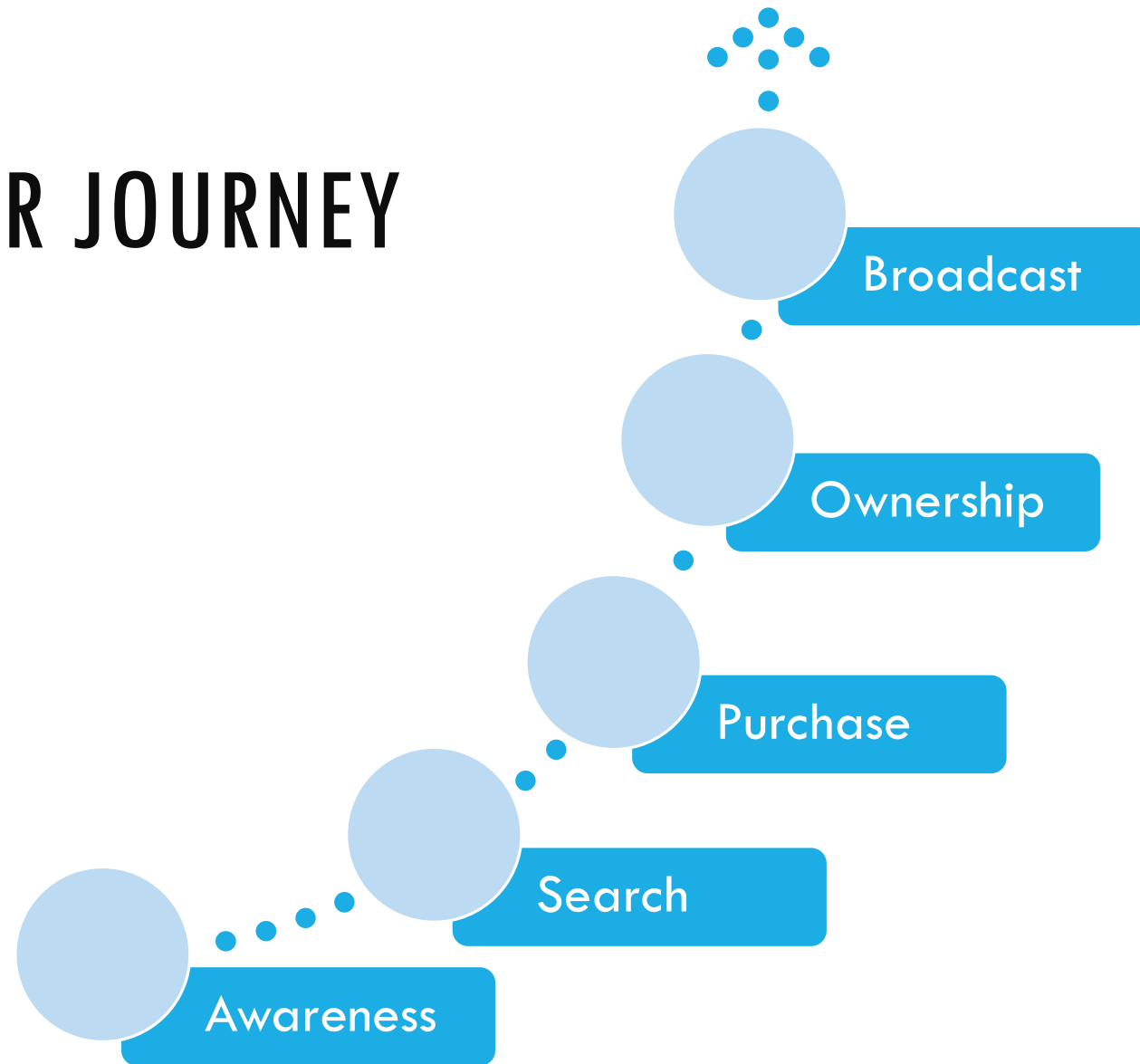
ANALYSIS

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# CUSTOMER JOURNEY



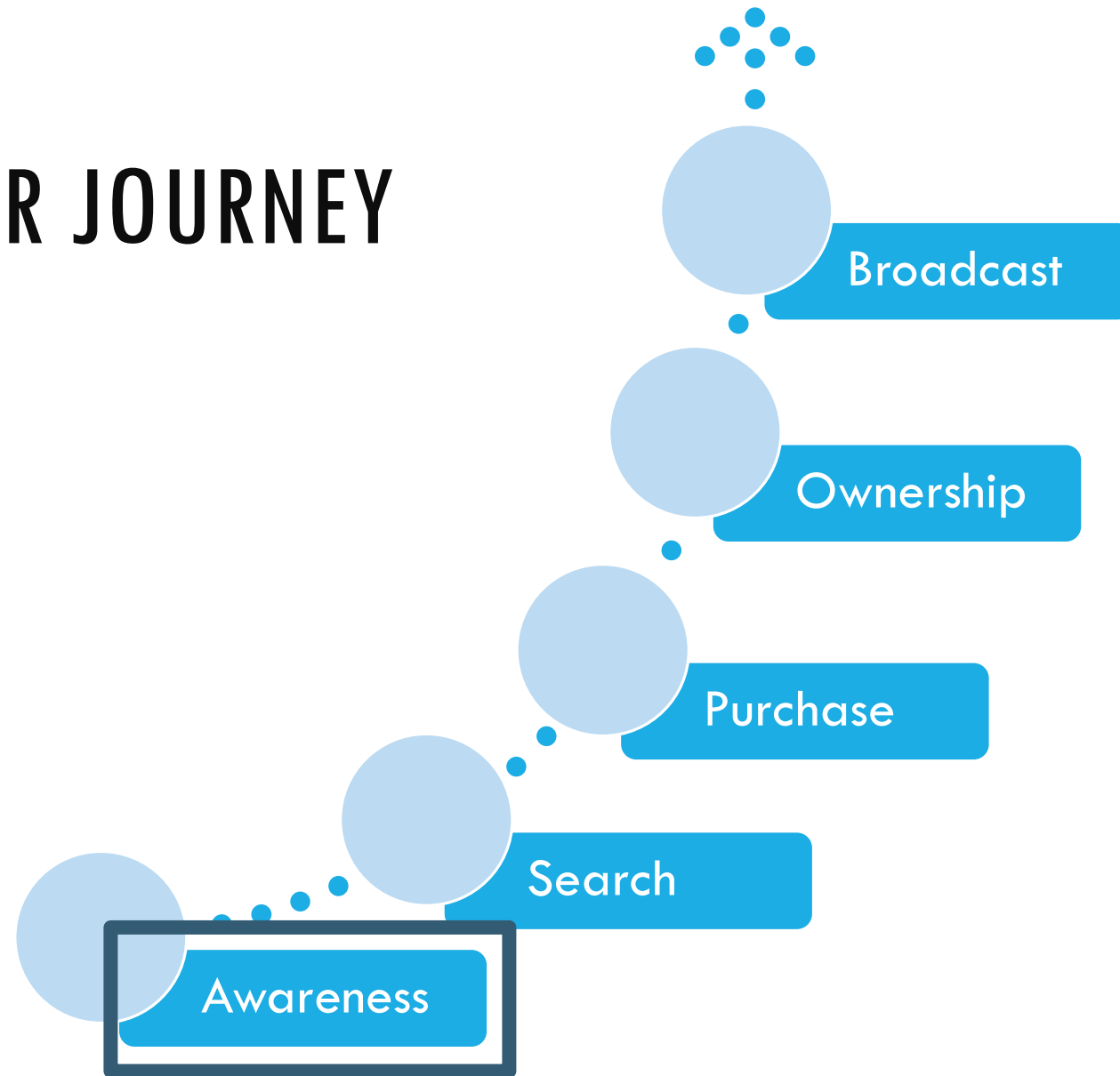
ANALYSIS

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# CUSTOMER JOURNEY



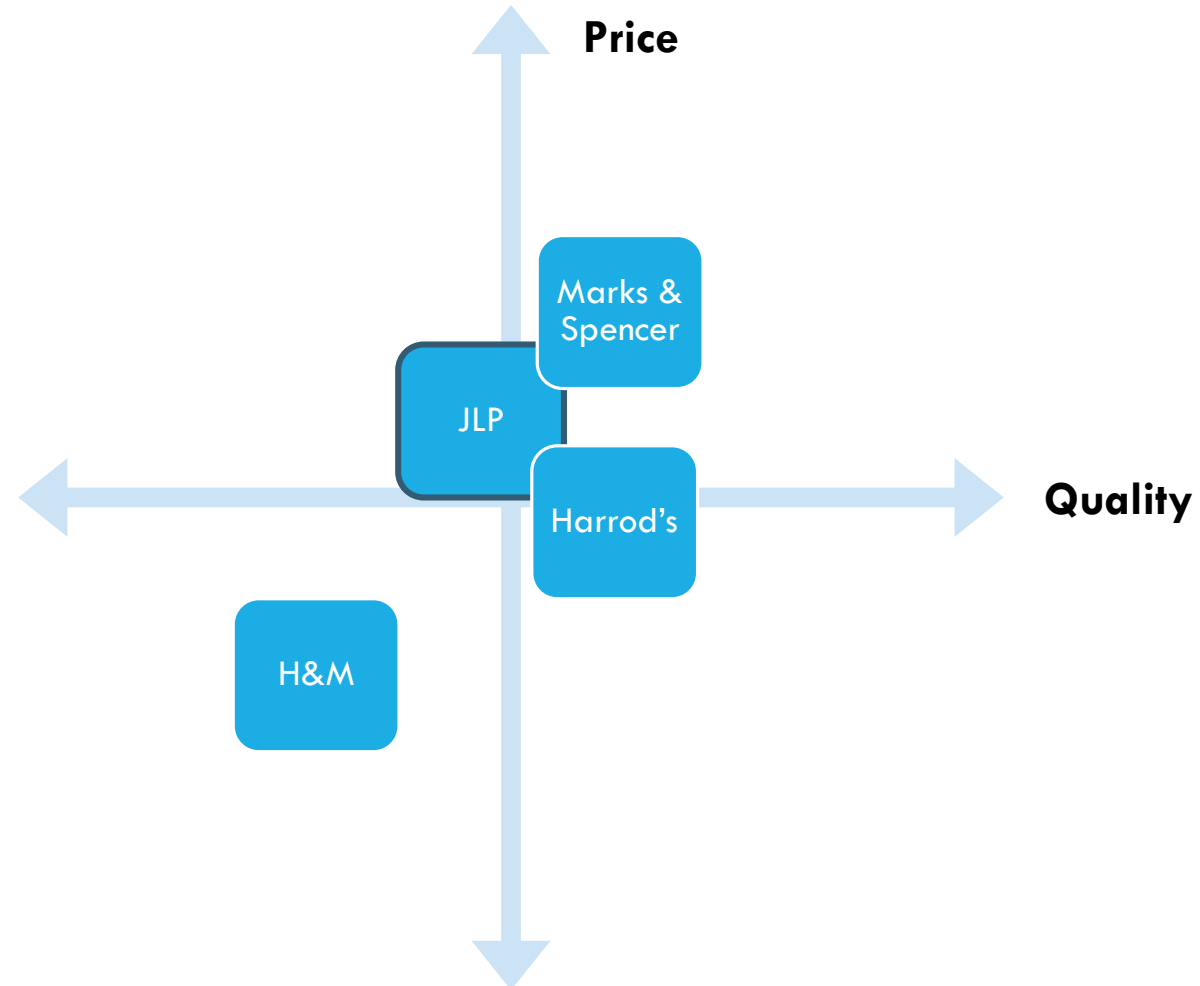
ANALYSIS

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# PERCEPTUAL MAP- RETAIL



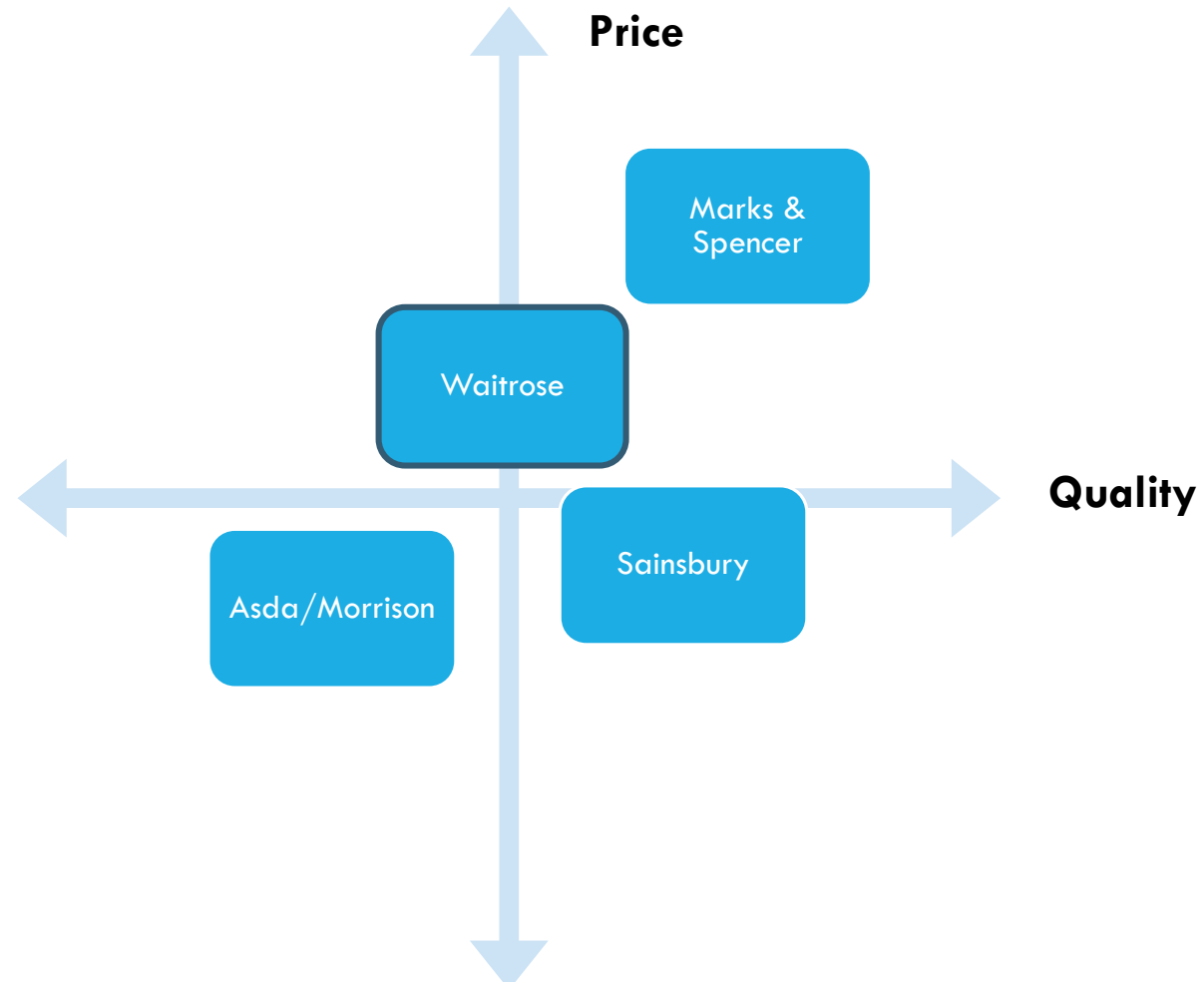
ANALYSIS

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# PERCEPTUAL MAP- GROCERY



ANALYSIS

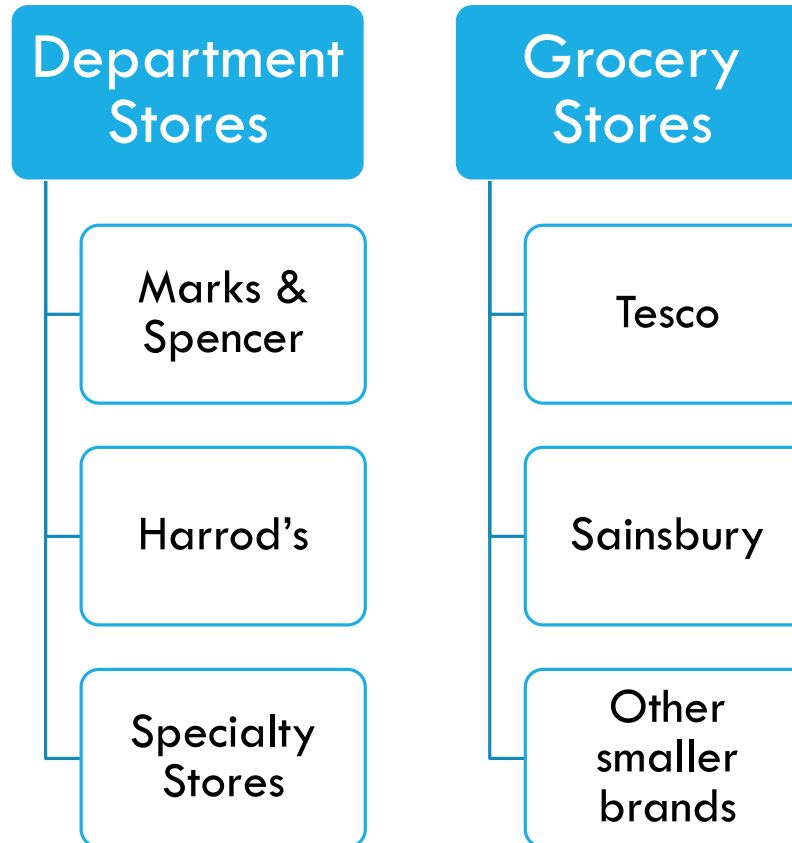
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# COMPETITORS IN THE FUTURE



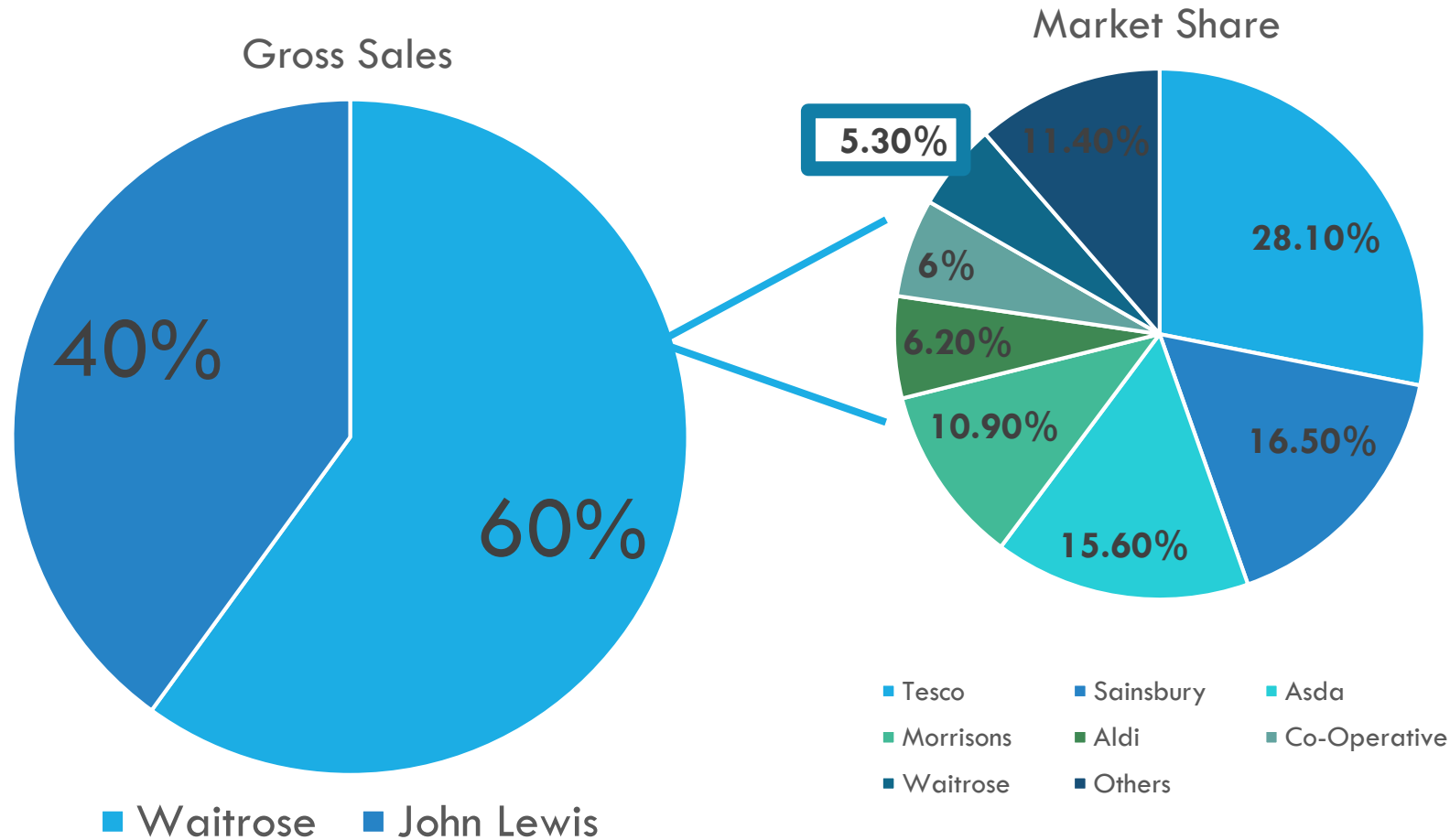
ANALYSIS

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# LOOKING AT THE NUMBERS



## Online

- **20%** growth in online sales (food and non-food)
- **30-35%** of our business is now online

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# TECHNOLOGICAL LANDSCAPE

## Amazon and Whole Foods

- Electronic Grocery Basket
- Synergies: Pick up Amazon package in grocery store

## Tesco

- Brick and mortar + online
- Only grocery chain to make profit online

ANALYSIS

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# PARTNERS

## CURRENT

- DIVERSE WORKFORCE
- SKILLED & UNSKILLED WORKERS
- INVESTED WORKFORCE
- CUSTOMER-CENTRIC

## FUTURE

- TECHNOLOGICALLY CAPABLE
- INNOVATIVE THINKERS
- ENGAGED WORKFORCE

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# EXECUTIVE SUMMARY

Key Issues	Pound-Euro exchange rate	Brexit and support staff	Cost of imported goods
Goal	Continue to thrive in 2028		
Alternatives	Sell off a division	Diversity abroad	Adapt and move forward
Key Performance Indicators	Profitable in 2028	Partners and Key Timers invested	Continually adapting

ANALYSIS

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# KEY SUCCESS FACTORS

PROFIT

7 PRINCIPLES

HEDGE  
AGAINST  
BREXIT

TECHNICAL  
INNOVATION

CUSTOMER  
& PARTNER  
SUPPORT

KEY SUCCESS FACTORS USED TO EVALUTE OUR ALTERNATIVES

ANALYSIS

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# ALTERNATIVE 1

## Sell or Spin-off a Division

- Identify division with weakest growth potential
- Choose to sell or allow to operate independently

### PROS

- Hedge against Brexit losses
- Incoming Cashflow
- Less complex organization

### CONS

- Drastically reduce Top-line
- Less diverse product offering means more risk

# ALTERNATIVE 2

## Diversify Abroad

- Identify target market for expansion
- Migrate displaced workers from Brexit
- Learn new techniques by new experiences

### PROS

- Increased customer base
- Potential innovations
- Remain in EU

### CONS

- Capital Intensive
- Not our Expertise
- Cultural Difficulties



# ALTERNATIVE 3

## Adapt and Move Forward

- Incorporate technology to improve customer experience
- Focus on financial techniques to hedge against currency risks
- Revise supply chain practices

### PROS

- Improved customer experience
- Reduced costs
- Reduced currency losses

### CONS

- Risk of investing in the wrong technology
- Potentially slow results

# EXECUTIVE SUMMARY

Key Issues	Pound-Euro exchange rate	Brexit and support staff	Cost of imported goods
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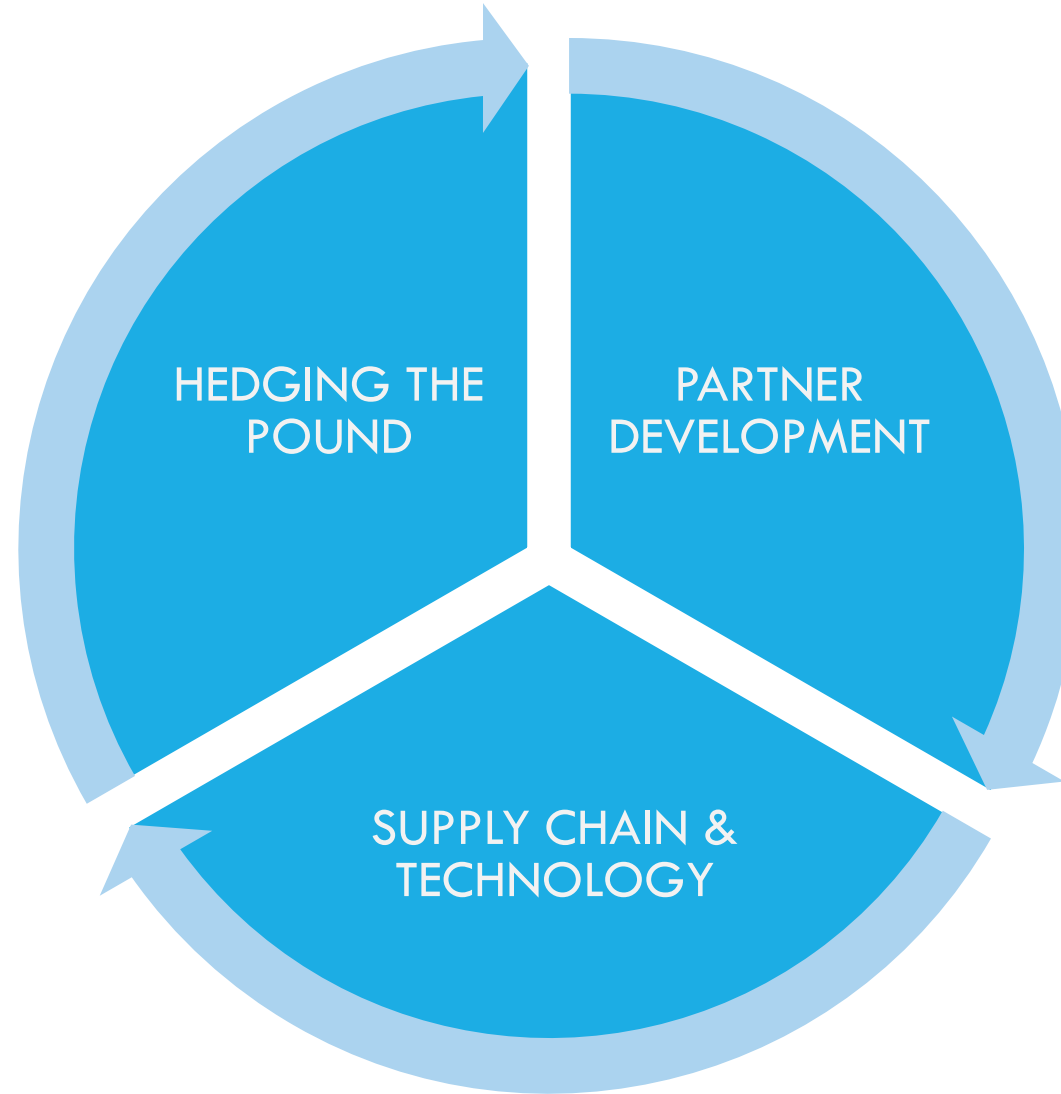
ANALYSIS

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# EVOLVING THE CUSTOMER EXPERIENCE



ANALYSIS

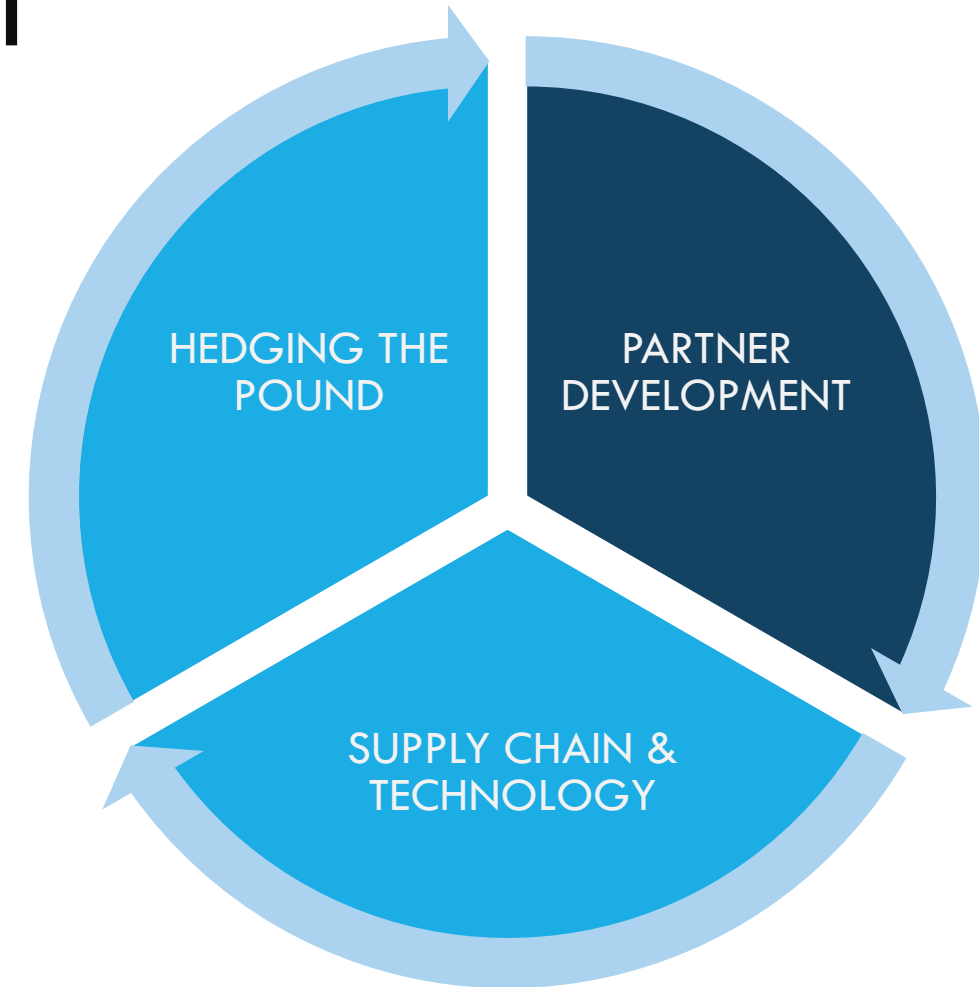
RECOMENDATION

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# STEP 1: PARTNER DEVELOPMENT

- Human Resources
  - Develop Partners
  - Job Duties & Engagement
  - HR Consultants



ANALYSIS

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# DEVELOP PARTNERS

- 60% OF EMPLOYEES IN LOWER LEVEL POSITIONS WILL BE REPLACED BY ROBOTS WITHIN 5 YEARS.
- CURRENT EMPLOYEES: CUSTOMER SERVICE & TECHNICAL ROLES
- DEVELOP EMPLOYEES FOR IN DEMAND POSITIONS (IT, TRADE SKILLS & LOGISTICS EMPLOYEES)

## PARTNERSHIP PATH PROGRAM

- 18 MO. DEVELOPMENT PROGRAM
- PROVIDE FUNDING AND ROTATIONAL OPPORTUNITIES IN HIGH DEMAND AREAS

ANALYSIS

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# JOB DUTIES & ENGAGEMENT

## JOB DUTIES:

- FORMALIZE POSITIONS
- IDENTIFY KEY EMPLOYEES

## ENGAGEMENT

- CRITICAL TO HAVE A HIGHLY ENGAGED WORKFORCE
- CONTINUOUS DEVELOPMENT OF DISENGAGED EMPLOYEES
- PREDICTIVE ANALYTICS

ANALYSIS

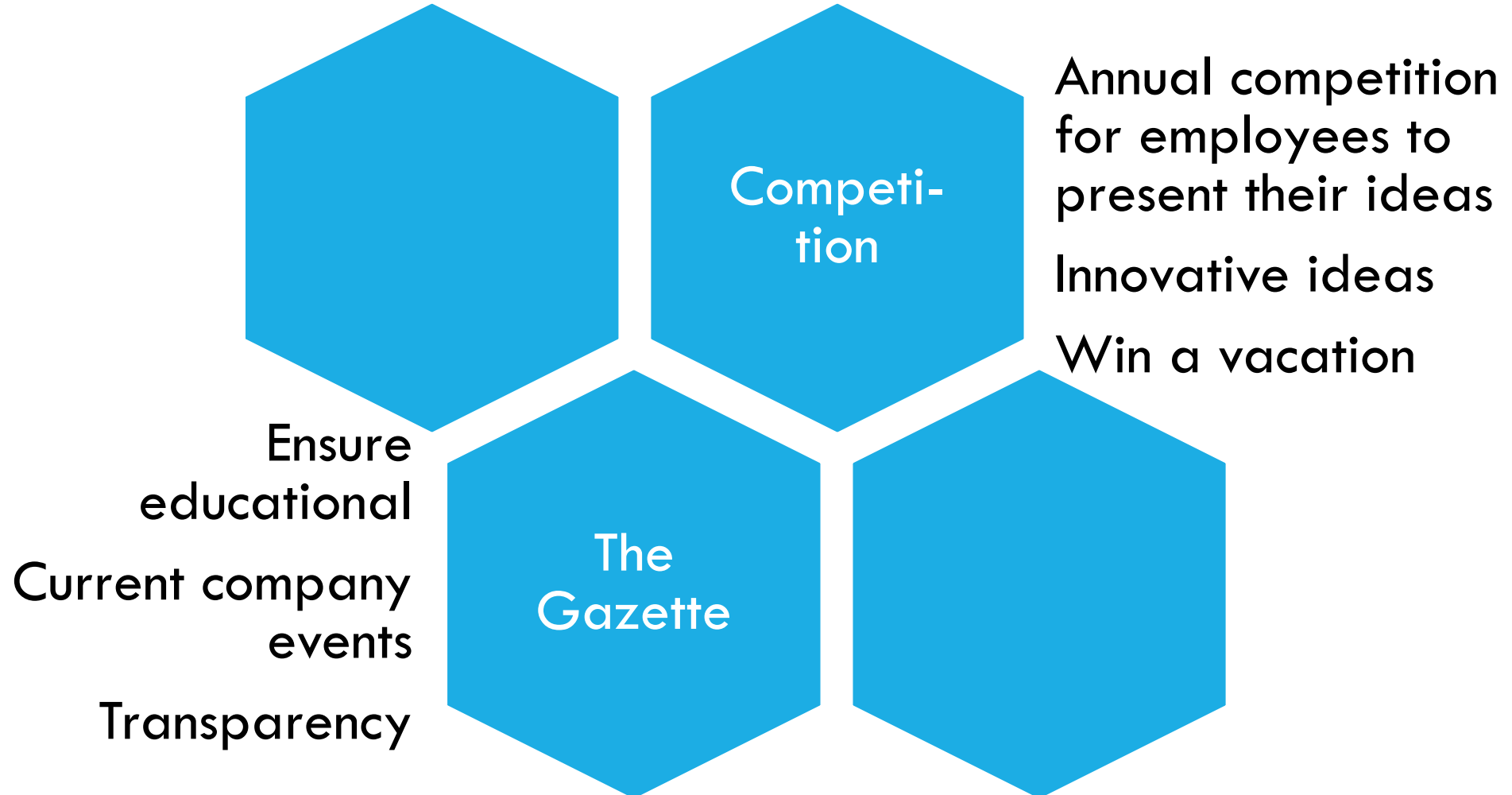
RECOMENDATION

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# INTERNAL MARKETING

Increase engagement—We are evolving, and we need your help to drive the change!



# HR CONSULTANT

We are highly invested in our **human capital**, especially their benefits. We need to do a deep analysis to determine a **sustainable** benefits program. Consultants can provide an **unbiased** opinion.

ANALYSIS

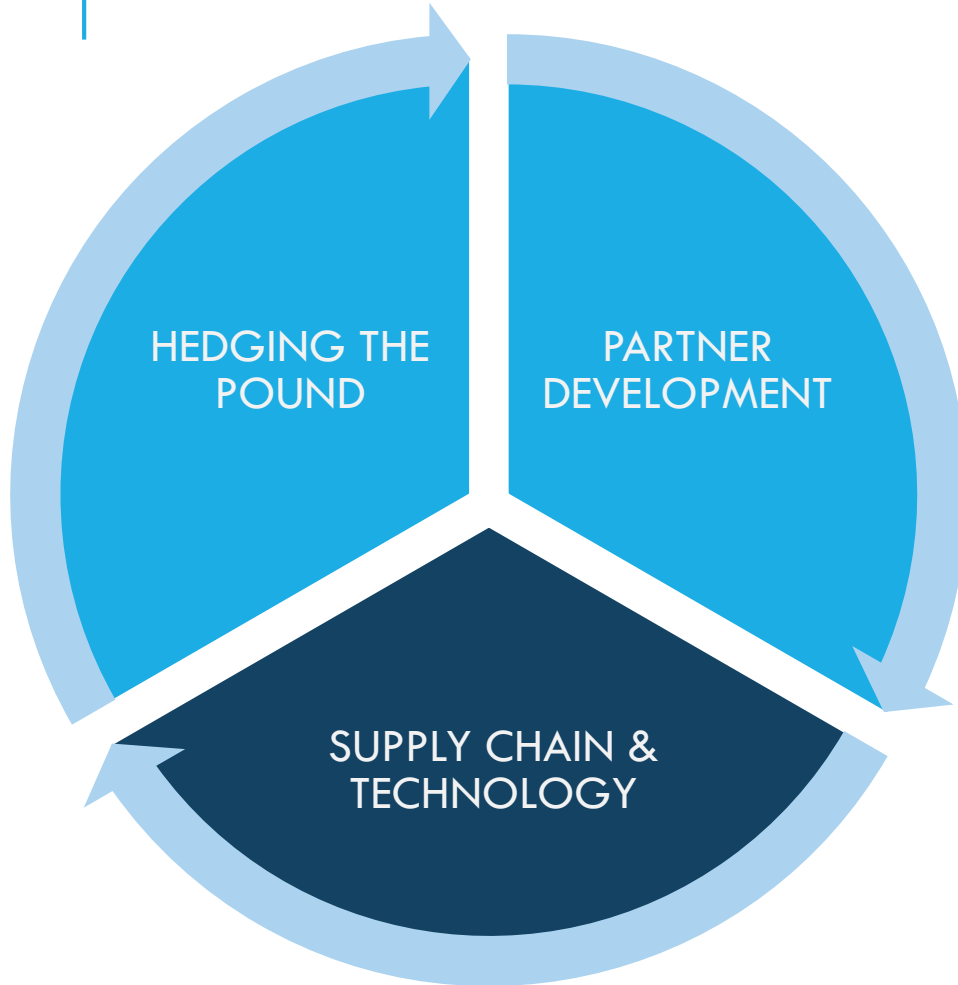
RECOMENDATION

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## STEP 2: SUPPLY CHAIN & TECHNOLOGY



- Implement technology changes
- Reconsider supply chain

ANALYSIS

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# TECHNOLOGY IMPLEMENTATION

## Grocery

- Implement electronic grocer basket
- Order online and deliver to door
- Remember customer purchases for online repurchase and delivery

## Retail

- Cameras and screens with virtual try-on software
- Data analytics to specify product offerings by specific tastes of each location

# EXTERNAL MARKETING

Strategy

Message: Customer  
Experience  
Evolution

Timing

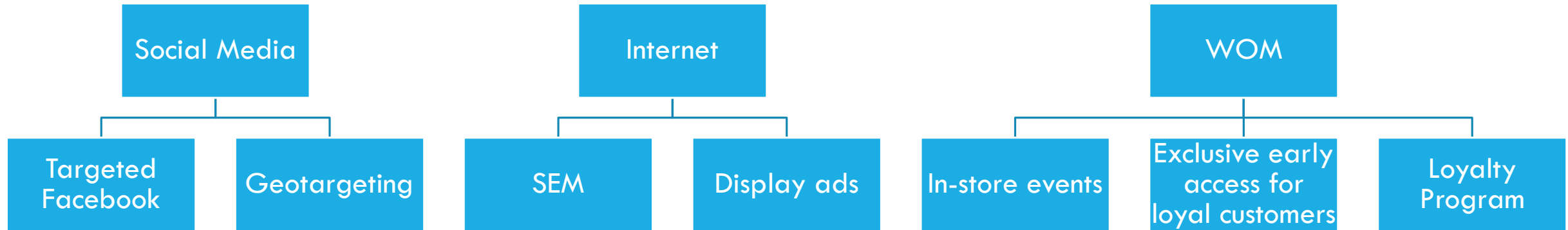
ANALYSIS

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# EXTERNAL MARKETING TACTICS



# SUPPLY CHAIN CONSIDERATIONS

## Potential Challenges

Pay more import fees

Increased time for imports  
(just in time – food and  
retail)

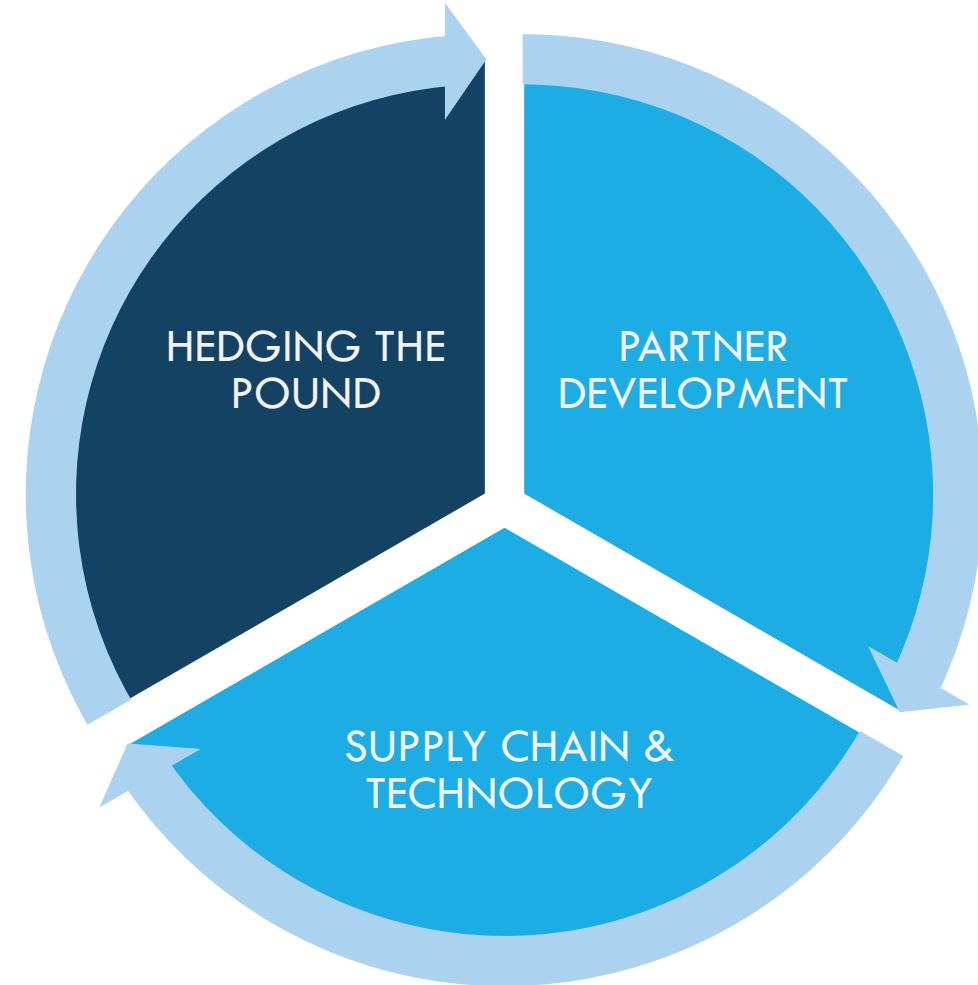
## Potential Solutions

Focus on strengthening  
relationships UK based  
distributors

Focus new distributors  
outside of the EU

- Diversify geographically

# STEP 3: HEDGING THE POUND



ANALYSIS

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# HEDGING

## Financial Tools and Considerations

- Cash Flow
- Tools
  - Options
  - Future
  - Forward
  - Swap
- Purchase Euro or Dollar

## Implementation with Stakeholders

- Audit and Risk Committee
- Responsibility for our Partners and Key Timers
  - Pensions
  - Total Rewards (including bonus)

ANALYSIS

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# PROJECTED TIMELINE

	2017				2018				2019				2020				2021			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
<b>PREPARATION</b>	■	■																		
<b>STEP 1 - Partner Development</b>																				
Formalize positions			■	■	■	■														
Employee training program							■	■	■	■	■	■	■	■	■	■	■	■	■	■
<b>STEP 2 - Supply Chain &amp; Technology</b>																				
Plan supply chain adjustments			■	■	■	■														
Begin supply chain adjustments							■	■	■	■	■	■	■	■						
Identify where robots are applicable							■	■	■	■										
Begin introducing robotics										■	■	■	■	■	■					
<b>STEP 3 - Hedge the Pound</b>																				
Evaluate options for hedge			■	■	■	■														
Reach consensus with Audit & Risk Committee					■	■														
Purchase foreign currency						■														
<b>FINAL RESULTS ANALYSIS</b>																				■
																				■





# FINANCIALS: CURRENT PROJECTIONS

## Key Financial Assumptions

Grow at 3% year

Costs increasing at continual rate

Income Statement	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
<b>GROSS SALES</b>	<b>11374.2</b>	<b>11715.4</b>	<b>12066.9</b>	<b>12428.9</b>	<b>12801.8</b>	<b>13185.8</b>	<b>13581.4</b>	<b>13988.8</b>	<b>14408.5</b>	<b>14840.8</b>	<b>15286.0</b>	<b>15744.6</b>
Waitrose	6633.2	6832.2	7037.2	7248.3	7465.7	7689.7	7920.4	8158.0	8402.7	8654.8	8914.5	9181.9
John Lewis	4741.0	4883.2	5029.7	5180.6	5336.0	5496.1	5661.0	5830.8	6005.8	6185.9	6371.5	6562.7
<b>REVENUE</b>	<b>10026.2</b>	<b>10397.2</b>	<b>10709.1</b>	<b>11030.4</b>	<b>11361.3</b>	<b>11702.1</b>	<b>12053.2</b>	<b>12414.8</b>	<b>12787.2</b>	<b>13170.8</b>	<b>13565.9</b>	<b>13972.9</b>
Waitrose	6245.5	6490.6	6685.3	6885.9	7092.4	7305.2	7524.4	7750.1	7982.6	8222.1	8468.7	8722.8
John Lewis	3780.7	3906.6	4023.8	4144.5	4268.8	4396.9	4528.8	4664.7	4804.6	4948.7	5097.2	5250.1
<b>OPERATING PROFIT</b>	<b>478.2</b>	<b>492.0</b>	<b>506.8</b>	<b>522.0</b>	<b>537.7</b>	<b>553.8</b>	<b>570.4</b>	<b>587.5</b>	<b>605.2</b>	<b>623.3</b>	<b>642.0</b>	<b>661.3</b>
<b>NET FINANCE COSTS</b>	<b>-108.1</b>	<b>-105.4</b>	<b>-108.6</b>	<b>-111.9</b>	<b>-115.2</b>	<b>-118.7</b>	<b>-122.2</b>	<b>-125.9</b>	<b>-129.7</b>	<b>-133.6</b>	<b>-137.6</b>	<b>-141.7</b>
<b>EBIT</b>	<b>370.1</b>	<b>386.6</b>	<b>398.2</b>	<b>410.2</b>	<b>422.5</b>	<b>435.1</b>	<b>448.2</b>	<b>461.6</b>	<b>475.5</b>	<b>489.7</b>	<b>504.4</b>	<b>519.6</b>

£ millions

ANALYSIS

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# FINANCIALS: CURRENT PROJECTIONS

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£ millions

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# FINANCIALS: UNDER NEW PLAN

## Key Financial Assumptions

Grow at increasing rate

Grocery growing at faster rate than retail

Income Statement	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
<b>GROSS SALES</b>	<b>11374.2</b>	<b>11942.9</b>	<b>12540.1</b>	<b>13313.3</b>	<b>14268.6</b>	<b>15436.4</b>	<b>16855.6</b>	<b>18406.7</b>	<b>20102.2</b>	<b>21955.5</b>	<b>23981.7</b>	<b>26197.0</b>
Waitrose	6633.2	6964.9	7313.1	7825.0	8451.0	9211.6	10132.8	11146.1	12260.7	13486.7	14835.4	16318.9
John Lewis	4741.0	4978.1	5227.0	5488.3	5817.6	6224.8	6722.8	7260.6	7841.5	8468.8	9146.3	9878.0
<b>REVENUE</b>	<b>10026.2</b>	<b>10599.1</b>	<b>11129.0</b>	<b>11824.4</b>	<b>12682.5</b>	<b>13730.9</b>	<b>15004.4</b>	<b>16397.3</b>	<b>17920.8</b>	<b>19587.4</b>	<b>21410.7</b>	<b>23405.4</b>
Waitrose	6245.5	6616.6	6947.4	7433.8	8028.5	8751.0	9626.1	10588.8	11647.6	12812.4	14093.6	15503.0
John Lewis	3780.7	3982.4	4181.6	4390.6	4654.1	4979.9	5378.3	5808.5	6273.2	6775.0	7317.1	7902.4
<b>OPERATING PROFIT</b>	<b>478.2</b>	<b>501.6</b>	<b>526.7</b>	<b>559.2</b>	<b>599.3</b>	<b>648.3</b>	<b>707.9</b>	<b>773.1</b>	<b>844.3</b>	<b>922.1</b>	<b>1007.2</b>	<b>1100.3</b>
<b>NET FINANCE COSTS</b>	<b>-96.7</b>	<b>-101.5</b>	<b>-106.6</b>	<b>-113.2</b>	<b>-121.3</b>	<b>-131.2</b>	<b>-143.3</b>	<b>-156.5</b>	<b>-170.9</b>	<b>-186.6</b>	<b>-203.8</b>	<b>-222.7</b>
<b>EBIT</b>	<b>381.5</b>	<b>400.1</b>	<b>420.1</b>	<b>446.0</b>	<b>478.0</b>	<b>517.1</b>	<b>564.7</b>	<b>616.6</b>	<b>673.4</b>	<b>735.5</b>	<b>803.4</b>	<b>877.6</b>

£ millions

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Waitrose	6245.5	6616.6	6947.4	7433.8	8028.5	8751.0	9626.1	10588.8	11647.6	12812.4	14093.6	15503.0
John Lewis	3780.7	3982.4	4181.6	4390.6	4654.1	4979.9	5378.3	5808.5	6273.2	6775.0	7317.1	7902.4
<b>OPERATING PROFIT</b>	<b>478.2</b>	<b>501.6</b>	<b>526.7</b>	<b>559.2</b>	<b>599.3</b>	<b>648.3</b>	<b>707.9</b>	<b>773.1</b>	<b>844.3</b>	<b>922.1</b>	<b>1007.2</b>	<b>1100.3</b>
<b>NET FINANCE COSTS</b>	<b>-96.7</b>	<b>-101.5</b>	<b>-106.6</b>	<b>-113.2</b>	<b>-121.3</b>	<b>-131.2</b>	<b>-143.3</b>	<b>-156.5</b>	<b>-170.9</b>	<b>-186.6</b>	<b>-203.8</b>	<b>-222.7</b>
<b>EBIT</b>	<b>381.5</b>	<b>400.1</b>	<b>420.1</b>	<b>446.0</b>	<b>478.0</b>	<b>517.1</b>	<b>564.7</b>	<b>616.6</b>	<b>673.4</b>	<b>735.5</b>	<b>803.4</b>	<b>877.6</b>

£ millions

ANALYSIS

RECOMENDATION

IMPLEMENTATION

RESULTS

# RISKS AND MITIGATIONS

Risk	Percentage	Impact	Mitigation
Overinvestment in wrong technology	20%	80%	Research & Development in specialty industries
Employee Disengagement	35%	70%	Internal marketing and engagement efforts
Political instability	80%	50%	Hedging the pound with other currencies

ANALYSIS

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# KEY PERFORMANCE INDICATORS AND METRICS

## Key Questions

- What impact does leaving the EU have on us?
- How do we evolve job titles moving forward?
- What can we do for the partnership?

Key Performance Indicators	Profitable in 2028	Partners and Key Timers invested	Continually adapting
Metrics	EBIT 800 million pounds by 2028	90% employee engagement	Partnership Board meets 10x per year to review challenges
Goal	Continue to thrive in 2028		

ANALYSIS

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# ADDITIONAL CONSIDERATIONS

Bitcoin and Blockchain

Ongoing Brexit Negotiations

- Hard or Soft Brexit

Drone Grocery Delivery

ANALYSIS

RECOMENDATION

IMPLEMENTATION

RESULTS

**QUESTIONS?**





# APPENDIX

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2. Success?
3. You asked us
4. Key strategic objectives
5. What are we selling
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7. Internal Analysis
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9. Customer Journey
10. Perceptual Map
11. Competitors in the future
12. Technological Landscape
13. Partners
14. Executive Summary
15. Key Success Factors
16. Alternative 1
17. Alternative 2
18. Alternative 3
19. Implementation Plan
20. Step 1
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25. Technology Implementation
26. Step 3
27. Hedging
28. Timeline
29. FINANCES
30. Supply chain considerations
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35. Key Performance Indicators
36. Questions

# SKUNKWORKS

Move exclusively online

- Rise of Amazon
- Quickening trend