



JOHN LEWIS PARTNERSHIP



PUTRA BUSINESS SCHOOL
MALAYSIA

Background

What : JLP runs UK's largest multi retailer

When : Established in 1928

Who : John Spedan Lewis (Found)

Where : 384 stores presence

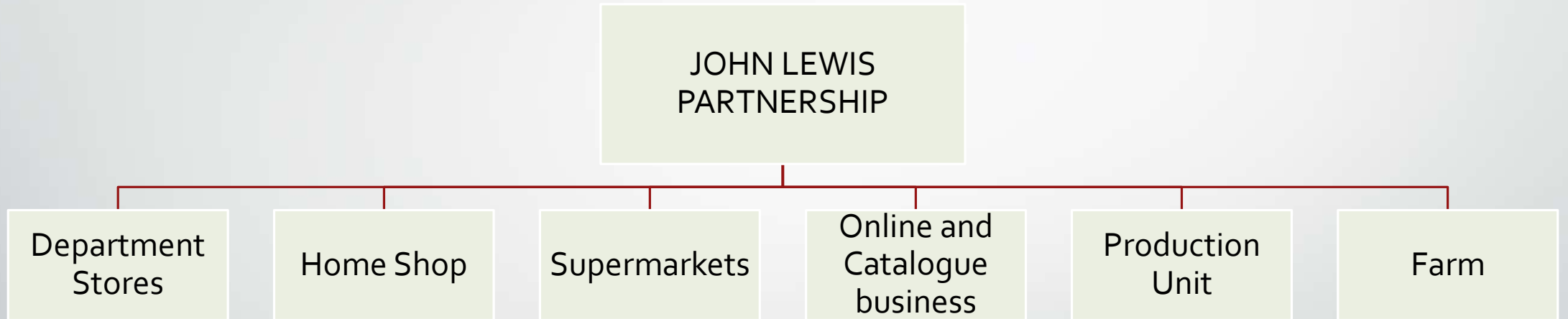
Key issues

- BREXIT - Supply chain management becomes more difficult
- Trend moving towards electronic and mobile payment and e-commerce
- Maintaining Spirit of Humanness = Staff as partners = more sales
- Understanding different demographic and ethnicity needs through racial diversity
- What is the right job design for the future?

Root Cause

- BREXIT is the trigger point
- Emergence of online businesses balancing need for diversity
- **Sustainability** of business under threat

ANALYSIS: ORGANISATION STRUCTURE



Competitive Advantage :

Quality Products

Customer Service

ORGANISATION

	Brand	Target	Product	Competitor
Department Stores	John Lewis, Oxford Street	Day visitors, tourists,	Fashion (33%) Home Goods (33%) Technology (33%) Medium to high end	Marks & Spencer
	Peter Jones, Chelsea	Iconic, premium store	Fashion (40%) Home Goods (40%) Technology (20%) Premium	Harrods Dickson, H&M, Nike
Supermarkets	Waitrose	Food retailing	Traditional supermarket with wide food selection Small convenience stores with localised choices High quality fresh food	Marks & Spencer, Tesco, Sainsbury, Asda, Morrisons, Aldi, The Co-operative, Lidl

PESTEL ANALYSIS



5 FORCES ANALYSIS



5 Forces

Relatively, department store and food retailing industry are facing high competition from :

- i) existing players with bigger market share and number of stores.
- ii) new competitors with lower capital through e-commerce channel.
- iii) evolving consumers demands and needs.
- iv) other smaller local retailers.
- v) big number of suppliers which requires better supply management.

SWOT ANALYSIS

Strength

- Quality Products
- Customer Service
- Strong brand and image
- Preferred employer

Weakness

- A lot of employees from Eastern Europe
- Labour dependent business

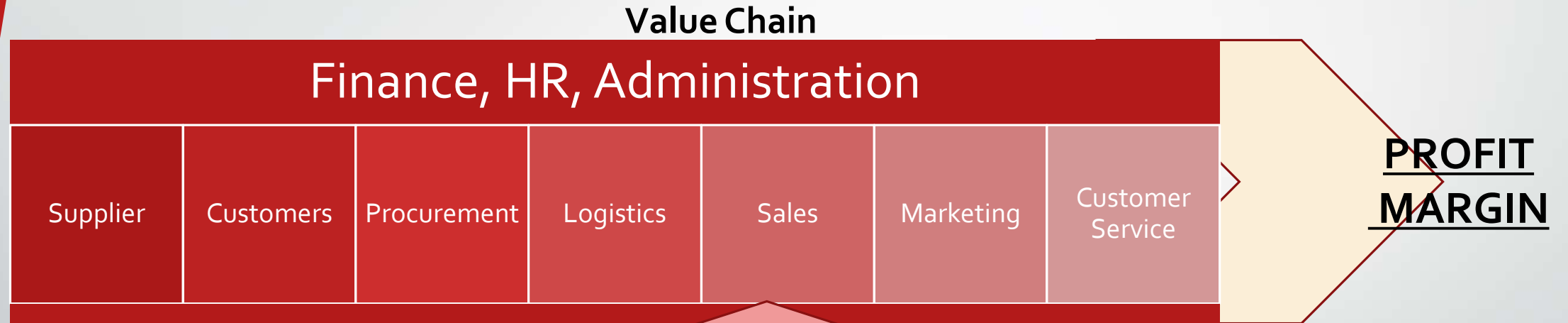
Opportunities

- Consumers looking for fresh, non-GMO foods
- Growth of e-commerce retailing

Threats

- Impact of BREXIT
- Adaption to new retailing trends

VALUE CHAIN ANALYSIS



Supported by

People	Employees Recruitment, Re-skilling, Up-skilling,
Technology	Customer Relationship Management (CRM), Supply Chain Management (SCM), Enterprise Resource Planning (ERP) Business Intelligence & Analytics System
Process	Pay by Phone, QR Code Scanning, Self-Checkout

ANALYSIS

Strategy Canvas

JLP and competitors



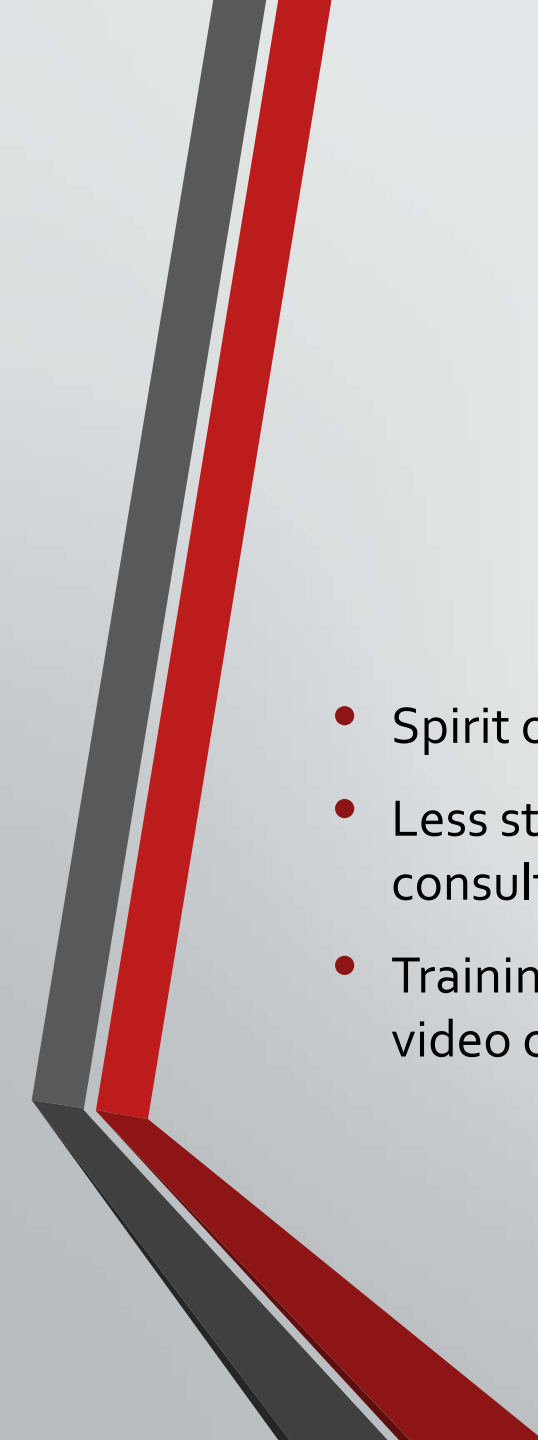


Alternatives and Recommendations

Strategies	Alternatives		
	Not Feasible	Feasible (Lower priority)	Recommended (Higher priority)
Redesigning jobs towards the future	AI customer service (Cons: Lose human touch, cannot reutilise current partners)		Implementation of "Kindle Fire-like" virtual customer service and reskilling of partners
	Total online presence (Cons: Need to lay-off partners)		
Improve Supply Chain Management to solve BREXIT issue	Maintain suppliers within UK (Cons: High costs of labour)	Lobby with Government for better tariffs	Find suppliers beyond internationally (not only EU) that provides best price (inclusive of tariffs)
	Collaboration with Tesco, Sainsbury (Cons: trade secret may be revealed)		
Managing Diversity of Workforce		Recruit top minds of different ethnicity from various universities and headhunting	Appoint Diverse group of Key-Timers
			Assist existing partners in getting PR to preserve loyalty



Implementations, Timelines and Milestones



Implementation of “KindleFire-like” consultants

- Spirit of the company: Believe in humanness, firing is the last resort
- Less staff needed in stores, but they can be relocated to back-end operations and online consultants
- Training needed to reskill partners to know how to deal with customers online over voice, video call and text chat

Implementation of improvement in Supply Chain Management

- Suppliers majority are not in the UK, mostly outside EU, and some inside EU
- Bilateral and multilateral agreements between countries with differing import duties
- As UK no longer part of EU, import duties may increase for costing of items within EU
 1. For items within EU, suppliers have to found within UK to reduce logistics cost
 2. find outside of EU. Those with Free Trade Agreement with UK are preferred.

Strategy and Alternative	Milestones	Implementation Costs (\$)	2018				2019				2020			
			Q 1	Q 2	Q 3	Q 4	Q 1	Q 2	Q 3	Q 4	Q 1	Q 2	Q 3	Q 4
Improve Supply Chain Management to solve BREXIT issue Activity: Lobby with Government for better tariffs	Identify strategies, agents of campaigns (ad companies) and target groups	100 k	█	█										
	Establish public campaigns and ambassadors	2.5 mn		█	█									
TOTAL COST FOR IMPLEMENTATION: \$3 mn					█	█	█	█						
	Rollout plan	400 k			█	█	█	█	█					

Implementation of managing diversity of workforce

- Existing non-local partners = Expedite PR
 - Blue Ocean Shift: Collaboration with Tesco and Sainsbury to lobby for expediting PR process for non-locals
- Ensure ratio of diversity in company by “key timers” by hiring foreign students
- For permanent staff’s diversity = choose top people = meritocracy and headhunting
- Consumer power in China, India and Middle East, hire Chinese, Indians and Arabs to understand culture

Risks and Mitigation

Strategies	Risks	Mitigation
Redesigning jobs towards the future	Partners may not be agreeable to plan	<ul style="list-style-type: none">• Talk to and convince partners' council• Engagement forums
Improve Supply Chain Management to solve BREXIT issue	<ul style="list-style-type: none">• Reduction in product quality• Trust and reliability issues with new suppliers• Increase in logistics cost	<ul style="list-style-type: none">• Visit and engagement sessions to establish trust• Stringent evaluation of new suppliers• Centralised logistics
Managing Diversity of Workforce	<ul style="list-style-type: none">• Reduction in service quality• Trust and reliability issues with new partners	<ul style="list-style-type: none">• Proper training and orientation• Establish clear objectives and KPI to new partners

Critical Success Factors

Strategies	Critical Success Factors
Redesigning jobs towards the future	<ul style="list-style-type: none">• Clear terms of references• Obtain support from partners• Great hardware and software capabilities to meet customers requirements
Improve Supply Chain Management to solve BREXIT issue	<ul style="list-style-type: none">• Strong negotiation skills• Improved management of logistic and procurement systems• Proper identification of key suppliers
Managing Diversity of Workforce	<ul style="list-style-type: none">• Proper job analysis and identification of key people



Financial Analysis

Revenue

Revenue										
Years	2013	2014	2015	2016	2017	2018E	2019E	2020E	CAGR	Growth
Waitrose	5416.10	5753.70	6135.30	6086.00	6245.50	6426.04	6611.80	6802.92	1.028907	2.89%
John Lewis	3049.40	3274.10	3565.70	3662.80	3780.70	3946.79	4120.17	4301.17	1.04393	4.39%
	8465.50	9027.80	9701.00	9748.80	10026.20	10372.83	10731.97	11104.10	1.036419	3.64%

- Revenue growing at a slow rate of 3.64% overall, with John Lewis leading at 4.39% and Waitrose at 2.89%

Net Finance Costs

Net Finance Costs										
Years	2013	2014	2015	2016	2017	2018E	2019E	2020E	CAGR	Growth
Net Finance Costs	-110.10	-94.50	-99.60	-96.60	-107.80	-107.35	-106.89	-106.44	0.995787	-0.42%
Net Finance Costs with Recommendations						-140.00	-139.00	-138.00		

- Net Finance Cost predicted to be in the range of \$110mn to \$100mn in the coming years without recommendation
- Predicted to increase to **\$140mn** with our recommendations

Operating Profits

Operating Profits										
Years	2013	2014	2015	2016	2017	2018E	2019E	2020E	CAGR	Growth
Waitrose	292.30	310.10	237.40	232.60	253.50	246.38	239.46	232.74	0.971918	-2.81%
John Lewis	216.70	226.10	250.50	250.20	243.20	248.88	254.69	260.63	1.023342	2.33%
	509.00	536.20	487.90	482.80	496.70	495.26	494.15	493.37	0.99763	-0.24%

- Profits are growing at a slow rate or even negative, signifying margins are low, and costs could be lowered to increase profit margin

Partnership Bonus

Partnership Bonus										
Years	2013	2014	2015	2016	2017	2018E	2019E	2020E	CAGR	Growth
Partnership Bonus	-210.80	-202.50	-156.20	-145.00	-89.40	-90.00	-90.00	-90.00	0.842352	-15.76%
Percentage	0.17	0.15	0.11	0.10	0.06	0.06	0.06	0.06		

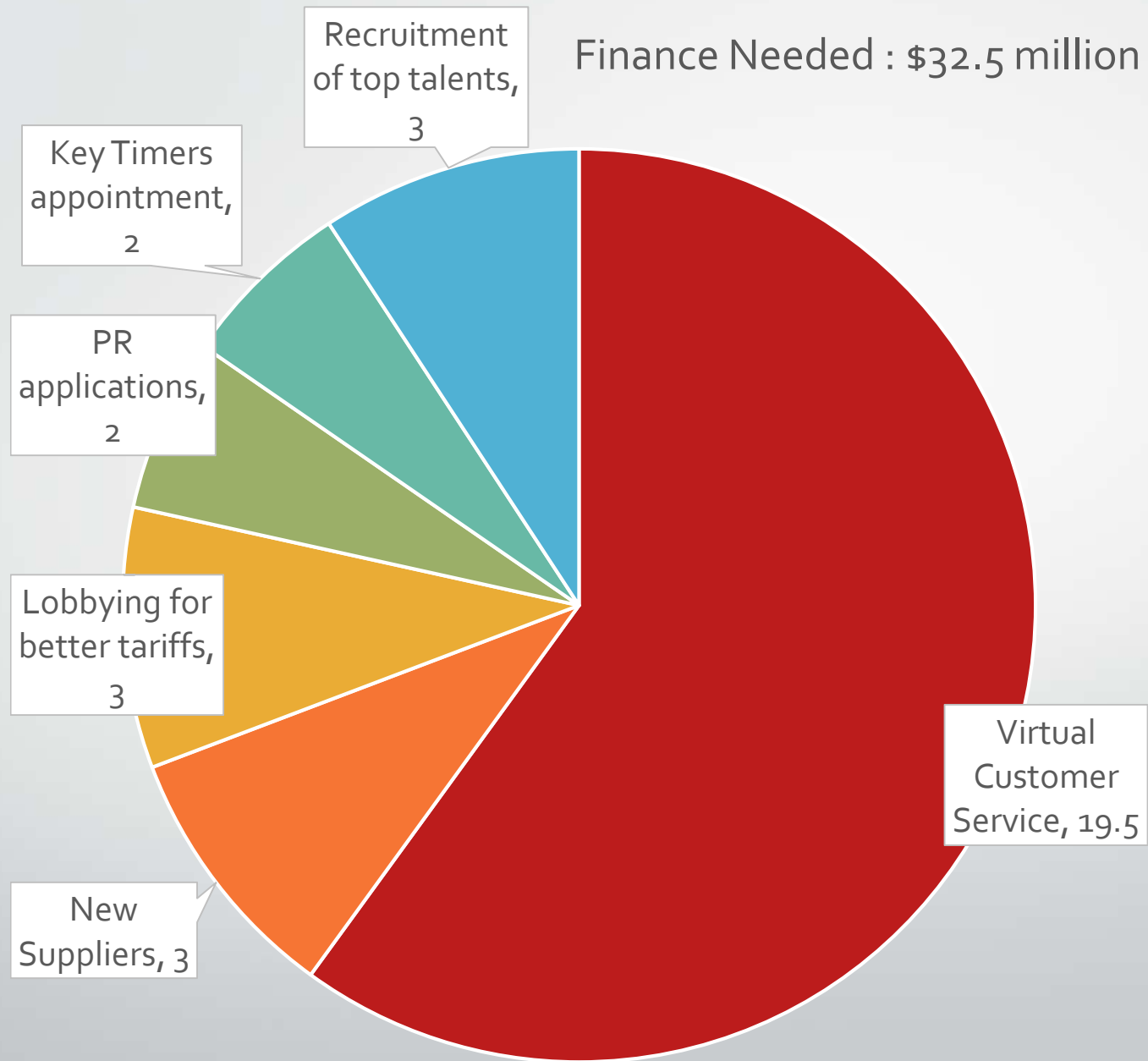
- To hover at the range of \$90mn per year



Financial Implications

THROUGH
CASH AND
DEBT

Finance Needed : \$32.5 million



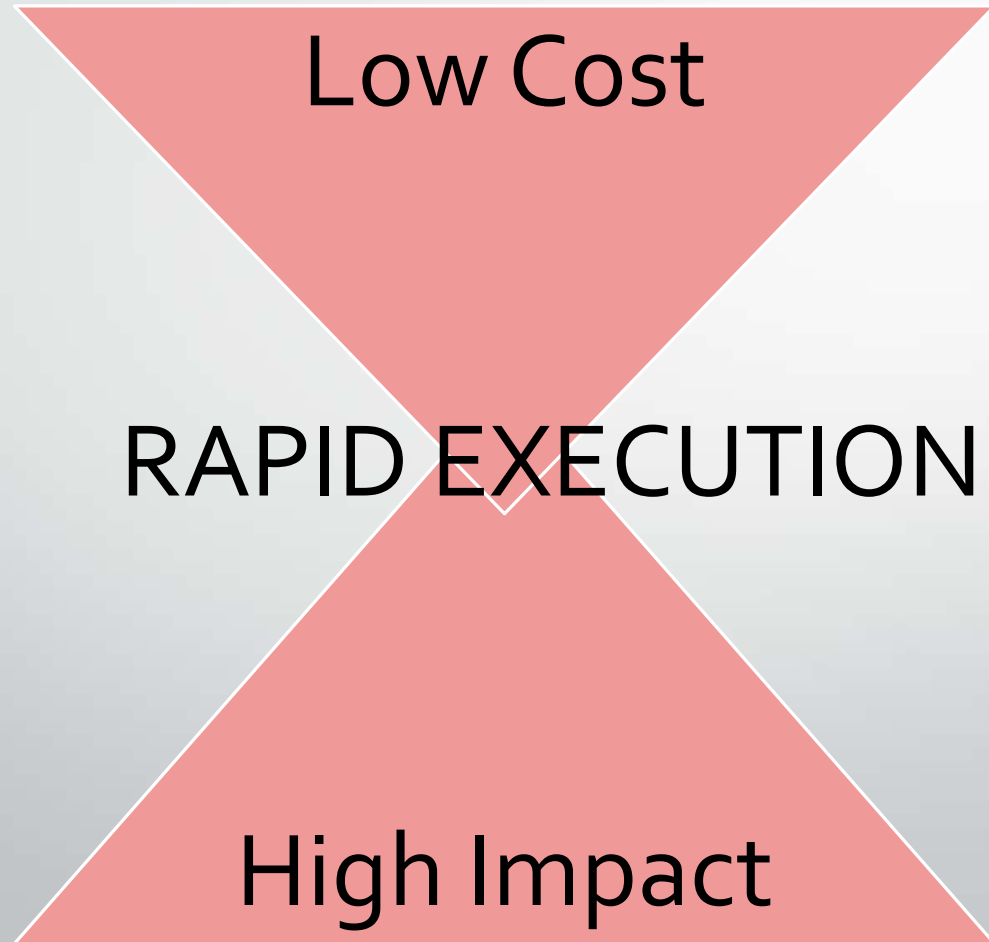
VALUE IN \$ Million



Non-Financial Implications as a Whole

- Partners are taken care of
- Supply chain management is not affected as much by BREXIT
- Ensure sustainability even though threatened by new trends
- Diversity of ethnics will be able to lead to bigger share of the market by penetrating into different consumer types

CONCLUSION



All strategies will be done with lower cost, bringing higher impact and rapid execution, to ensure sustainability of business