

Baciu Severina -2022009

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Component 1

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Executive Summary:

The purpose of this strategy formulation plan was to provide a roadmap for the John Lewis Partnership, outlining a proposed new strategy that aligns with the firm's long-term goals and aspirations. The plan takes into consideration the current position of the company in the market and aims to address the identified challenges and opportunities. The company aims to build enduring relationships with its customers and provide innovative solutions that meet their evolving needs. To achieve this, it is essential for the company to develop a new strategy that aligns with its long-term goals and aspirations.

In assessing the current financial and operational performance of the John Lewis Partnership, it is evident that the company has experienced both strengths and weaknesses. The company's strong brand reputation, loyal customer base, and extensive product range are notable strengths. However, challenges such as declining profitability, increasing competition from online retailers, and the need for investment in digital capabilities have been identified as areas requiring improvement.

Introduction to the Strategy:

The purpose of the strategy formulation plan for the John Lewis Partnership is to provide a structured approach to assess the current state of the business, identify areas for improvement, and propose a new strategy that aligns with the firm's goals and aspirations. This plan serves as a roadmap for the management team, guiding their decision-making process and ensuring that resources are allocated effectively to achieve the desired outcomes.

The objectives of the strategy formulation plan are multifaceted. Firstly, it aims to analyse the internal and external factors that influence the John Lewis Partnership's performance and competitive position. By conducting a thorough analysis, the plan seeks to identify the company's strengths, weaknesses, opportunities, and threats, which serve as the foundation for strategic decision-making.

Secondly, the plan aims to define the strategic intent of the John Lewis Partnership. This involves clarifying the long-term goals, aspirations, and core values that guide

the organization's direction. By establishing a strategic intent, the plan ensures that the proposed new strategy is aligned with the company's overarching vision and mission.

Thirdly, the strategy formulation plan aims to explore strategic choices and options for the John Lewis Partnership. It involves assessing different market segments, competitive dynamics, and potential growth areas. The plan examines various strategic alternatives and evaluates their feasibility, risks, and potential rewards. This process allows the management team to make informed decisions about the most appropriate strategic direction for the company.

Lastly, the strategy formulation plan aims to outline the potential impact of the proposed new strategy on the John Lewis Partnership. It assesses the anticipated benefits, risks, and resource requirements associated with implementing the strategy. By understanding the potential outcomes, the plan enables the management team to evaluate the feasibility and implications of the proposed strategy, ultimately leading to better decision-making.

Overview/Background of the Firm:

The John Lewis Partnership, founded in 1929, is a well-established retail business operating in the United Kingdom (John Lewis Partnership, 2023).

The partnership consists of two main retail brands: John Lewis & Partners, offering a wide range of goods including homeware, fashion, and electricals, and Waitrose & Partners, a reputable supermarket chain (John Lewis Partnership, 2023).

The John Lewis department stores offer a wide range of products, including fashion, homeware, electronics, and beauty. These stores have become synonymous with quality and style, attracting a loyal customer base across the United Kingdom (Kotler & Keller, 2021).

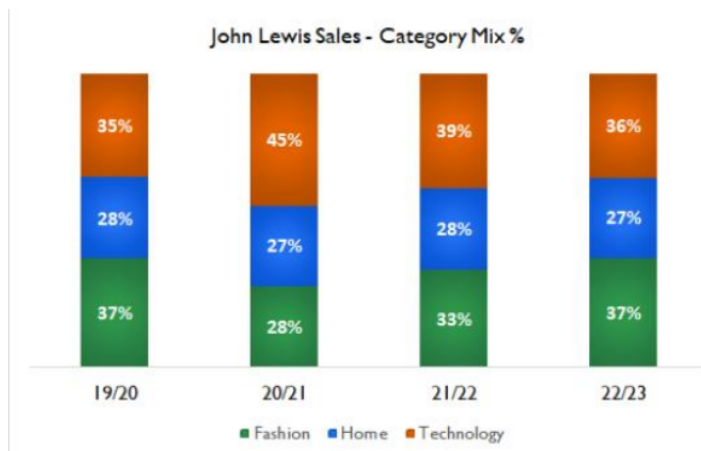


Figure 1. John Lewis Sales Mix(John Lewis Partnership, 2023)

Strategic Intent:

The partnership's mission is to provide customers with the best products and services while upholding the highest standards of business ethics (John Lewis Partnership, 2023).

THE PARTNERSHIP PLAN Working in Partnership for a Happier World	
RETAIL CUSTOMERS LOVE Customers shopping the way they want, with expert advice, brilliantly edited choice and truly memorable experiences	INSPIRATIONAL NEW SERVICES Trusted new propositions that allow us to play a bigger role in customers' lives
PARTNERSHIPS FOR GROWTH Accelerated growth by combining our unique strengths with the capabilities of others	LEAN, SIMPLE, FAST A lower cost, far simpler business that creates more pace and freedom for Partners and more cash for growth
A THRIVING PARTNERSHIP LOVED BY PARTNERS AND CUSTOMERS	

Figure 2. The partnership plan (John Lewis Partnership, 2023)

Their vision centres on building enduring relationships with customers, employees, suppliers, and the communities they serve (John Lewis Partnership, 2023). Trust, fairness, and a commitment to quality are the partnership's core values, which permeate its business operations (John Lewis Partnership, 2023).

In terms of market position, the John Lewis Partnership has established itself as a prominent player in the UK retail industry. Despite facing challenges such as shifting consumer behaviour and increased competition, the company has displayed resilience and adaptability (John Lewis Partnership, 2023).

	Waitrose					John Lewis				
	2022/23	2021/22	2019/20	% vs 21/22	% vs 19/20 **	2022/23	2021/22	2019/20	% vs 21/22	% vs 19/20 **
Total trading Sales (£m)	7,311.9	7,535.9	6,917.3	(3)%	+6%	4,938.3	4,925.6	4,829.9	+0.3%	+2%
Total trading Sales LFL*	7,311.8	7,530.8	6,765.0	(3)%	+8%	4,938.4	4,922.0	4,427.3	+0.3%	+12%
Revenue (£m)	6,750.1	6,983.6	6,373.3	(3)%	+6%	3,783.9	3,853.9	3,778.0	(2)%	+0%
Trading operating profit (£m)	894.3	1,019.6	1,063.2	(12)%	(16)%	675.6	757.7	733.6	(11)%	(8)%
Trading operating profit (%)	12%	14%	15%			14%	15%	15%		

Figure 3. Total trading Sales from operations (John Lewis Partnership, 2023)

Its focus on quality, unique ownership structure, and dedication to sustainability have contributed to maintaining a solid market position (John Lewis Partnership, 2023).

The rise of e-commerce and changing customer preferences have impacted the partnership's financial performance and market share (John Lewis Partnership, 2023). To navigate these challenges, it is crucial for the John Lewis Partnership to develop a robust strategy aligned with its mission, vision, and values.

The proposed new strategy aligns closely with the firm's strategic intent by addressing key areas of focus. ¹⁸ One of the primary goals of the new strategy is to enhance the partnership's digital capabilities and omnichannel presence, allowing it to meet evolving customer expectations in the digital age (John Lewis Partnership, 2023). This aligns with the strategic intent of maintaining a strong position in the market by adapting to changing consumer behaviour and technological advancements.

Furthermore, the proposed strategy emphasizes sustainability and responsible business practices. The John Lewis Partnership aims to become a leader in the retail industry in terms of environmental sustainability, social impact, and ethical sourcing (John Lewis Partnership, 2023).

The Partnership Purpose Working in Partnership for a Happier World		
Our Ethics and Sustainability strategy		
PEOPLE IN SUPPLY CHAINS Protecting the rights of workers in our supply chains and championing worker voice	CLIMATE ACTION AND BIODIVERSITY Reducing greenhouse gas emissions in our operations and supply chains, and protecting and enhancing nature through biodiversity	SOCIAL IMPACT Connecting and giving back to communities and charitable causes
AGRICULTURE, AQUACULTURE, FISHERIES AND RAW MATERIAL SOURCING Guaranteeing a fair deal for producers and supporting them to farm with nature	CIRCULARITY AND WASTE Designing with circularity in mind and eradicating waste	HEALTH, NUTRITION AND WELLBEING Enabling customers, Partners and communities to lead healthy and happy lives

Figure 4. Company Ethics and Sustainability strategy (John Lewis Partnership, 2023)

By aligning the proposed new strategy with the firm's strategic intent, the John Lewis Partnership aims to create a solid foundation for long-term success and sustainable growth in the retail industry.

Company's Current Performance:

The John Lewis Partnership has demonstrated a mixed financial and operational performance in recent years. Despite facing challenges in a highly competitive retail landscape, the partnership has made notable achievements.

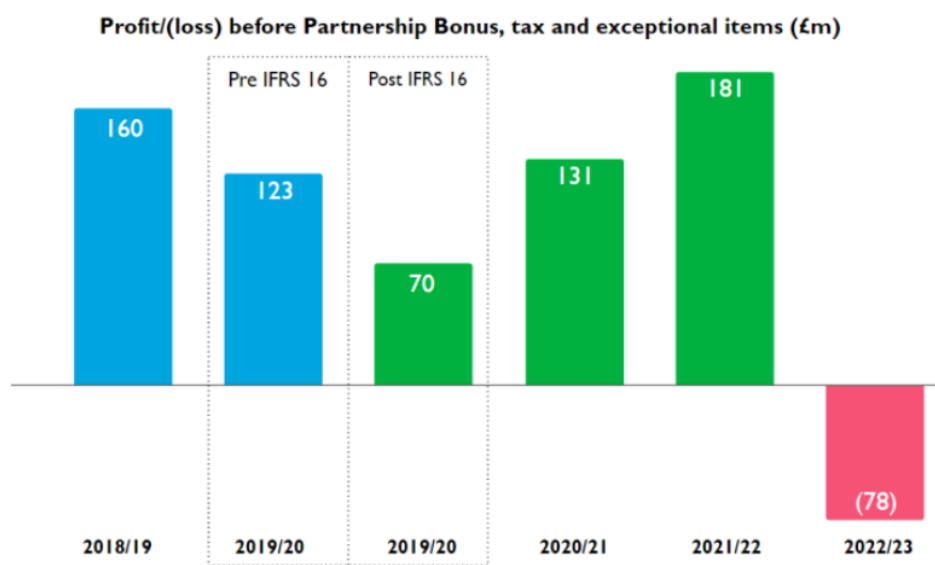


Figure 5. Profit/Loss recent years (John Lewis Partnership, 2023)

Financially, the John Lewis Partnership reported a total revenue of £12.1 billion in the fiscal year (John Lewis Partnership, 2023). However, the partnership also faced a decline in profits, with a profit before tax of £123 million (John Lewis Partnership, 2023). This decline in profitability can be attributed to various factors such as increased operating costs, market volatility, and changing consumer preferences.

In terms of operational performance, the partnership has made progress in enhancing its digital capabilities and expanding its omnichannel offerings (John Lewis Partnership, 2023). The partnership has invested in technology and infrastructure to improve online shopping experiences and provide seamless integration between its physical stores and digital platforms.

Key performance indicators (KPIs) provide insights into specific areas of the partnership's performance. The partnership's customer satisfaction index remained strong, indicating its continued focus on delivering exceptional customer service (John Lewis Partnership, 2023). However, the partnership has faced challenges in terms of cost management and operational efficiency, leading to a decline in profitability (John Lewis Partnership, 2023).

John Lewis Partnership has achieved commendable revenue growth and maintained a strong customer satisfaction index. However, there is a need to address profitability

concerns and ¹⁹improve operational efficiency to ensure long-term sustainability and success in the market.

Strategy Analysis:

To formulate an effective strategy, it is crucial to conduct a comprehensive analysis of the competitive environment in which the John Lewis Partnership operates. Several frameworks and models can be employed to assess industry dynamics and competitive forces. Widely used framework is ²⁴Porter's Five Forces, which ²³provides a structured approach to evaluating the competitive landscape (Porter, 1979).

Porter's Five Forces analysis enables a systematic examination of the following forces:

1. **Threat of New Entrants:** The retail industry is characterized by relatively low barriers to entry. Brands like John Lewis Partnership benefit from economies of scale, strong brand recognition, and customer loyalty, which act as deterrents to new entrants (John Lewis Partnership, 2023).
2. **Bargaining Power of Suppliers:** The John Lewis Partnership's ability to negotiate favourable terms with suppliers is essential to maintain profitability. The partnership's strong market position and long-standing relationships with suppliers may provide leverage to negotiate competitive pricing and favourable contract terms (John Lewis Partnership, 2023).
3. ¹**Bargaining Power of Buyers:** The retail industry is highly consumer-driven, and customers have a wide range of options. The Company's commitment to offering high-quality products, exceptional customer service, and unique experiences helps mitigate the bargaining power of buyers (John Lewis Partnership, 2023).
4. ¹¹**Threat of Substitute Products or Services:** The retail industry is susceptible to the emergence of substitute products and services. John Lewis Partnership's focus on differentiated offerings, including its own-brand products and exclusive partnerships, helps mitigate the threat of substitutes (John Lewis Partnership, 2023).

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5. **Intensity of Competitive Rivalry:** The retail industry is highly competitive, with numerous players vying for market share. The John Lewis Partnership faces competition from both traditional brick-and-mortar stores and e-commerce giants. Continuous innovation, differentiation, and strong brand positioning are key strategies employed by the partnership to stay competitive (John Lewis Partnership, 2023).

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External Environmental Audit (PESTEL Analysis):

The PESTEL framework encompasses six key dimensions: Political, Economic, Social, Technological, Environmental, and Legal. By examining each dimension, we can gain insights into the potential implications on the firm's strategic choices (Johnson, Scholes, & Whittington, 2021).

Political Factors: The John Lewis Partnership operates in a complex political landscape. Changes in government policies, regulations, and trade agreements can impact the retail industry. Shifts in tax policies, labour laws, and regulations related to consumer protection can influence the partnership's pricing strategies, employment practices, and overall market conditions (John Lewis Partnership, 2023).

Economic Factors: The economic environment significantly affects consumer spending patterns, purchasing power, and market demand. Factors such as economic growth, inflation rates, exchange rates, and interest rates can impact the John Lewis Partnership's profitability and investment decisions. Economic downturns may lead to reduced consumer spending, while favorable economic conditions can drive higher demand for the partnership's products and services (John Lewis Partnership, 2023).

Social Factors: Social trends and cultural factors play a vital role in shaping consumer preferences and behaviours. The John Lewis Partnership needs to consider demographic shifts, lifestyle changes, and evolving consumer expectations. Factors such as ethical and sustainable consumption, health, and wellness trends, and changing demographics can influence the partnership's product offerings, marketing strategies, and customer engagement initiatives (John Lewis Partnership, 2023).

Technological Factors: Rapid technological advancements impact the retail industry, and the John Lewis Partnership must embrace and leverage these changes.

Technological factors include innovations in e-commerce, automation, data analytics, and digitalization. The partnership's ability to adopt and integrate technology into its operations, supply chain management, and customer experiences will determine its competitiveness in the digital era (John Lewis Partnership, 2023).

Environmental Factors: The John Lewis Partnership needs to address factors such as climate change, resource scarcity, and eco-friendly practices. Consumer demand for environmentally conscious products and the need to reduce the partnership's carbon footprint present both challenges and opportunities for sustainable business practices and innovation (John Lewis Partnership, 2023).

Legal Factors: Compliance with laws and regulations is critical for the John Lewis Partnership's operations. Legal factors encompass areas such as consumer protection, intellectual property rights, employment laws, and competition regulations. Changes in legislation or regulatory frameworks may require adjustments to the partnership's business practices and strategies (John Lewis Partnership, 2023).

Internal Audit (SWOT Analysis):

By examining strengths, weaknesses, opportunities, and threats, the partnership can gain insights into its internal capabilities and competitive advantage (Hitt, Ireland, & Hoskisson, 2021).

1. **Strengths:** The John Lewis Partnership possesses several strengths that contribute to its competitive position in the market. These may include a strong brand reputation, a diverse product portfolio, a loyal customer base, and a well-established distribution network. The partnership's employee ownership structure and emphasis on employee welfare can be considered significant strengths, fostering a motivated and dedicated workforce (John Lewis Partnership, 2023).

2. **Weaknesses:** Weaknesses may include operational inefficiencies, high costs, limited digital presence, or gaps in specific product categories. Additionally, the partnership's reliance on traditional brick-and-mortar stores may pose challenges in the face of increasing online retail competition (John Lewis Partnership, 2023).
3. **Opportunities:** Opportunities may arise from emerging consumer trends, technological advancements, or changes in the market landscape. For example, expanding into new markets, enhancing the online shopping experience, or leveraging partnerships with complementary brands can present opportunities for the partnership to broaden its customer reach and diversify its revenue streams (John Lewis Partnership, 2023).
4. **Threats:** Intense competition from both traditional retailers and e-commerce giants, economic uncertainties, changing consumer preferences, or disruptions in the supply chain. It is essential for the partnership to anticipate and adapt to these threats to maintain its market position (John Lewis Partnership, 2023).

Strategy Formulation:

After analysing the internal and external factors, it is essential to discuss strategic choices for the John Lewis Partnership in its respective markets. By evaluating different strategic options, the partnership can propose a new strategy that aligns with its objectives, addresses identified opportunities and challenges, and ensures sustainable growth (Johnson, Whittington, & Scholes, 2019).

1. **Market Segmentation and Targeting:** One strategic choice for the John Lewis Partnership is to refine its market segmentation and targeting strategies. By identifying specific customer segments and tailoring its products and services to their needs, the partnership can enhance customer satisfaction and loyalty. For example, focusing on younger demographics and leveraging digital channels can help the partnership capture a larger market share (Kotler et al., 2021).
2. **Omni-channel Retailing:** Adopting an omni-channel retailing approach is another strategic choice for the partnership. By integrating its physical stores,

online platforms, and mobile applications, the partnership can provide a seamless and consistent customer experience across various touchpoints. This strategy can enhance convenience, accessibility, and customer engagement, thereby increasing sales and customer retention (Verhoef et al., 2020).

3. **Product Innovation and Differentiation:** Emphasizing product innovation and differentiation is crucial for the partnership to stand out in a competitive market. By continuously introducing new and unique products, leveraging sustainable and ethical practices, and collaborating with exclusive brands, the partnership can attract customers seeking novel and environmentally friendly offerings. This strategy can enhance the partnership's competitiveness and reinforce its reputation as a market leader (Porter, 2019).
4. **Customer Experience Enhancement:** Focusing on enhancing the customer experience is a strategic choice that can drive loyalty and repeat business. By investing in personalized services, improving the in-store and online shopping experience, and implementing customer feedback mechanisms, the partnership can build strong emotional connections with its customers. This strategy can lead to increased customer satisfaction, advocacy, and ultimately, higher sales (Meyer & Schwager, 2007).

The proposed new strategy for the John Lewis Partnership involves a combination of market segmentation and targeting, omni-channel retailing, product innovation and differentiation, and customer experience enhancement. This strategy aligns with the partnership's objective of achieving sustainable growth, maintaining a competitive edge, and meeting the evolving needs of its customers.

To implement the new strategy, the partnership should develop a roadmap that includes clear action plans, resource allocation, timelines, and performance metrics. Additionally, effective communication and engagement with employees, stakeholders, and customers are crucial for successful strategy implementation (Eisenhardt & Sull, 2001).

By adopting the proposed strategy and executing it effectively, the John Lewis Partnership can position itself for long-term success and maintain its relevance in the market.

Conclusion and Recommendations:

Through a thorough ²²analysis of the firm's internal and external factors, several strategic choices have emerged, leading to the proposal of a new strategy. The proposed strategy encompasses market segmentation and targeting, omni-channel retailing, product innovation and differentiation, and customer experience enhancement.

The main findings of the strategy formulation process indicate that the John Lewis Partnership possesses strong brand equity, a loyal customer base, and a reputable market position. However, it also faces challenges such as increasing competition, evolving customer preferences, and the need to adapt to digital transformation.

The proposed new strategy aligns with the partnership's strategic intent of achieving sustainable growth and maintaining a competitive advantage. By focusing on market segmentation, adopting an omni-channel retailing approach, emphasizing product innovation, and enhancing the customer experience, the partnership can enhance its market position, increase customer satisfaction, and drive long-term success.

To effectively implement the new strategy, the John Lewis Partnership's management should consider the following recommendations:

1. Establish clear objectives and key performance indicators (KPIs) aligned with the proposed strategy. This will facilitate the monitoring and evaluation of progress and ensure accountability.
2. Allocate appropriate resources to support the implementation of the strategy. This includes financial resources, technology infrastructure, talent acquisition and development, and organizational capabilities.
3. Foster a culture of innovation and agility within the organization. Encourage collaboration, experimentation, and learning to adapt to changing market dynamics and seize new opportunities.
4. Develop robust communication and change management plans. Engage employees at all levels, stakeholders, and customers to create buy-in, alignment, and support for the new strategy.

5. Continuously monitor the external environment and market trends to identify emerging opportunities and threats. This will enable the partnership to proactively adjust its strategy and remain competitive.
6. Regularly assess and review the performance of the implemented strategy. Conduct periodic evaluations to measure the effectiveness of strategic initiatives and make necessary adjustments.

By following these recommendations, the John Lewis Partnership can enhance its chances of successfully implementing the proposed strategy, driving growth, and achieving its long-term goals.

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