Introduction

This executive summary mainly focus on John Lewis. It uses strategic models and approaches to identify the current performance and its issues faced by John Lewis and provide appropriate solution for the issues identified. This essay will give a brief background information about John Lewis and then move on to explain about the techniques used and the reason for the selection. Then the performance of John Lewis is compared with its competitor Debenhams, IKEA and Marks and Spencer. Then it will move on to discuss about the finding of performance of John Lewis and then move on to list the issues identified and the suggested solutions for the identified issues.

John Lewis is one of the major departmental stores in Great Britain. This is mostly popular for middle class group of people as the high quality good are available for affordable price. Currently company have 29 stores in England and Scotland (The WritePass Journal, 2012). Moreover, 9 stores are expected to be open within 5 years. John Lewis received best Britain's Favourite Department Stores' award in 2007. The history of John Lewis start from 1864 (The WritePass Journal, 2012). It is famous that, almost all the stores have a self-service restaurants.

John Lewis main specialties are in selling of food and drinks, household goods and clothes. Furthermore, the company has recently diversified its investment into the financial service industry which includes the credit cards and insurance sector. At the beginning of year 2000, the company was hit with serious financial crunches as a result of tribulations in its supply chain as well as poor product offerings. The company had the worst period around the ending of March 31, 2001 were it only recorded a mere £2.8m on revenue totaling more than £8bn (John Lewis, 20015).

Nevertheless, the retail giant due to changes in its management has been able to turn the tables around in the preceding years and has since experience impressive growth in profits. This are due to some rigorous action taken which included widespread store refurbishment, rigorous cost cutting, promotions as well as aggressive marketing (The WritePass Journal, 2012). As a result, the company's profit before tax stood at £997 and its net profit was £860m for year ending March 31, 2011 was the highest profit margin recorded since 2001 (John Lewis, 2015). Nevertheless as a result of the credit crunch in the US as well as the difficulty of the trading environ in the UK during the 2010 Christmas period, its sales growth slowed down and its shares also plummeted almost overnight (The WritePass Journal, 2012).

John Lewis in recent time has attained the title of "bell-weather" in retail industry in the UK, which translate to the fact that if John Lewis is besieged, then the whole sector will struggle to stand firm. Moreover, the SWOT analysis given below examines the John Lewis operating environment, highlighting the company's strength as well as weaknesses and also throwing light on the opportunities that exist and the company can take advantage of and coming threats that it could encounter during its growth process

Roger Martin Five question model contains five questions which are 'What is your winning aspiration?', 'Where do you want to play?', 'How do you want to win there?', 'What capabilities are needed for that?' and 'what management systems are needed for that?'. These five question helped to study John Lewis business. After understanding the business of John Lewis then the value chain analysis was used. Value chain analysis was introduced by Porter in 1985 which categories the business activities in to 5 major activities such as inbound logistics, operations, outbound logistics, Marketing and sales and Services. This analysis helped to study the business activities of John Lewis. Then the financial analysis of John Lewis was conducted by studying its financial statements such as Profit and Loss account and balance sheet as well as its credit report for the years 2013 and 2014. Porters five forces model which includes level of competition, threat of substitutes, threat of new entrants and bargaining power of buyers, provide the study of market and the position of John Lewis in the market. Last but not least, SWOT analysis was conducted on John Lewis in order to identify the issues and to provide valuable feedback. In SWOT analysis SWOT stands for Strengths, Weaknesses, Opportunities, and Threats (Fine, 2009). The strategic models are not only used for John Lewis but also used on its competitors such as Debenhams and IKEA. SWOT analysis was conducted for Debenhams and IKEA. However, PESTLE and value chain analysis was conducted for IKEA. In PESTLE analysis, PESTLE stands for Political, Economic, Social, Technical, Legal and Environmental.

From the Roget Martin Five question model (See appendix A) it is clearly understood that the John Lewis have a vision to be number on departmental store in the United Kingdom. Moreover, it was also understood that good management skills, marketing skills, and loyalty programs are required to capture the heart of the people to order to win the major market share. Value chain analysis (See appendix B) for John Lewis provided the logistic structure of the business. John Lewis is franchised and it out source even its productions as well as the advertisement and marketing. The profit and loss account (See appendix C) for the year 2014 clearly states that John Lewis had a turnover of 9,027,800,000 GBP and the cost of sales for the period of 2014 was 6,008,900,00 GBP. However the retained profit was 101,700,000 GBP. On the other hand, the balance sheet 9 see appendix C) states that John Lewis have almost 4,384,500,000GBP value of assets and 358,900,00 GBP cash. The net assets analysis of John Lewis for the period from of 2005 and 2014, it is clearly indicate that till 2011 the assets were stable and then till 2012 mid-year it was increased drastically, then the net assets value of John Lewis rapidly decreasing. This is one of the indication which shows that John Lewis is facing crisis. Even the current assets of John Lewis is also drastically decreasing. The cash of John Lewis remain stable from 2013, however, from 2012 to 2013 there was a sudden decrease in the cash of John Lewis. Porter's five forces model clearly explain that there is a high competition and people have choice to make, therefore John Lewis require to take immediate action in order to keep up its market.

From the SWOT analysis (See appendix G) for john Lewis indicate that it has a strong brand name and good reputation. The company was growing steadily and rapidly since 2001. However from mid of 2012 company started facing crises. This is mainly caused by the high competition. On the other hand in 2010 December (Christmas Period) John Lewis underperformed and it was exposed out to the customer. This was caused by the lack of management and marketing. This caused John Lewis to lose 50% of its share value. Moreover, the prices of John Lewis was higher than its competitors, which caused the loss of sales and customers. In addition, it lost several investors because of its poor management and lack of transparency.

The strategic model analysis for John Lewis competitors such as Debenhams and IKEA provides the clearly states that there is a high competition. Moreover, IKEA is competing with John Lewis in product price. IKEA have low price products where as John Lewis do not have low price products. John Lewis have better online shopping service when comparing to IKEA. This is an advantage for John Lewis over IKEA. Debenhams have expensive products with high quality. They mainly focus on high or upper middle class people. However, during seasonal periods Debenhams used to do a sales up to 75%. Therefore, during sales period Debenhams become a direct competitor for John Lewis.

The overall strategic analysis of John Lewis clearly indicate that there are several issues available in the business which are

- John Lewis do not have range of prices
- John Lewis have inefficient management
- There is variety of goods available
- Decreasing demand for John Lewis products

John Lewis need to focus on having a good management for their stores and products. They should management their franchises effectively by having a central body which will monitor the performance and collect customer feedback store by store and consider them. Moreover, John Lewis should have different range of prices for the products in order to attract all the classes of people. Moreover, the stores of John Lewis must increase the variety of goods which can be furniture and other home related items. Currently, the income of the people are coming down therefore, the demand for high price products are decreasing gradually. Therefore, it is essential for the business to provide discounts, loyalty programs and organize sales during seasonal period. In addition, marketing is vital way to catch the attention of the people. John Lewis must consider to have innovative ideas to market their products by creating storyline and providing gifts to the customers.

Conclusion

In conclusion, the performance of John Lewis is coming down because of its lack of management structure and the competition. Therefore, it was suggested that John Lewis must enhance their management skills, marketing skills, also have Varity to goods and prices to attract more people.

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APPENDIX A: Roger Martin Five question model

Question 1: What is your winning aspiration?

The winning aspiration of John Lewis is to be the number one retail department store.

Question 2: Where do you want to play?

In the United Kingdom market

Question 3: How do you want to win there?

By providing the value for the money spend by the customers. Moreover, provide good quality goods for affordable price.

Question 4: What capabilities are needed for that?

Good management skills, good marketing skills, good loyalty programs, good sales options

Question 5: What management systems are needed to win there?

Standard and customer friendly management system is needed to win the market.

Appendix B: Value Chain Analysis

Inbound Logistics

The stocks are transported in an orderly manor among the stores.

Operations

The stores are franchised. The manufacturing is outsourced to reduce management cost.

Outbound logistics

The external marketing agency is used to do the marketing and promotion for John Lewis.

Marketing and sales

John Lewis do sales during seasonal periods. Moreover, it also do marketing by sponsoring social programs in the UK.

Services

John Lewis provide, online purchase and home delivery services. Moreover, it also have loyalty program which will give priority for the customer to get discounts;

Appendix C: Profit and Loss account and Balance sheet of John Lewis

(Duedil.com, 2015)

Reporting Period (Months)	12
Consolidated Accounts	Y
Number of Employees	86,600
Turnover	9,027,800,000 GBP
Cost of Sales	6,008,900,000 GBP
Gross Profit	3,018,900,000 GBP
Operating Profit	421,200,000 GBP
Pre-tax Profit	126,100,000 GBP
Taxation (charges are negati	-24,400,000 GBP
Post-tax Profit	101,700,000 GBP
Dividends Payable	—
Retained Profits	101,700,000 GBP

Balance Sheet	25 Jan 2014
Intangible Assets	**266,900,000** GBP
Tangible Assets	**4,117,600,000** GBP
Fixed Assets	**4,384,500,000** GBP
Stock	**554,000,000** GBP
Trade Debtors	**55,100,000** GBP
Other Debtors	**170,600,000** GBP
Miscellaneous Current Asset	**700,000** GBP
Cash	**358,900,000** GBP
Current Assets	**1,139,300,000** GBP
Total Assets	**5,523,800,000** GBP
Bank Loans & Overdrafts	**75,600,000** GBP

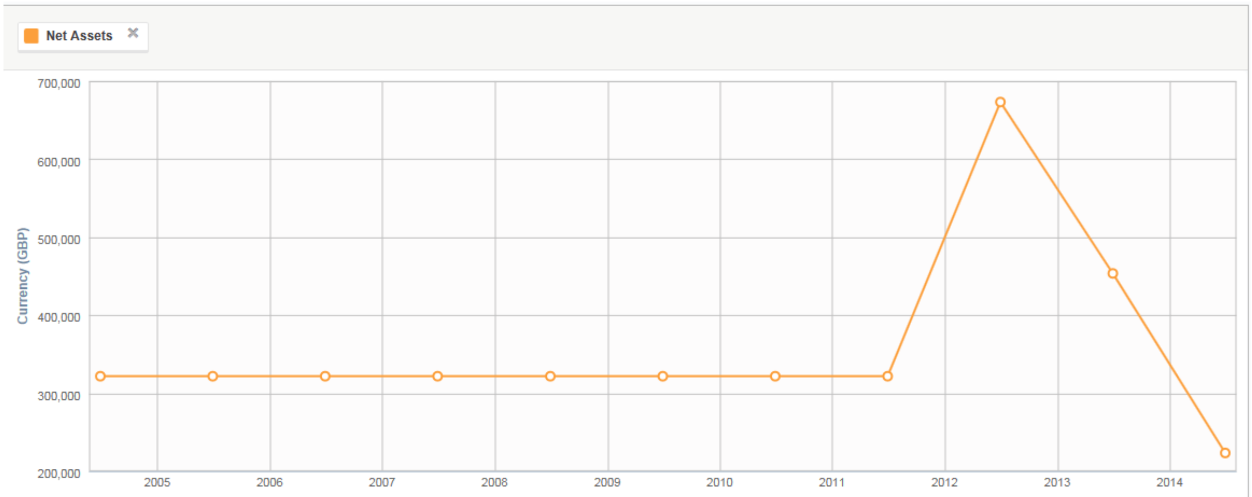
Trade Creditors	788,100,000 GBP
Miscellaneous Current Liabil	830,800,000 GBP
Other Short Term Finances	110,600,000 GBP
Current Liabilities	1,805,100,000 GBP
Contingent Liability	—
Other Long Term Finances	32,400,000 GBP
Total Long Term Liabilities	1,937,200,000 GBP
Total Liabilities	3,742,300,000 GBP
Net Assets	1,781,500,000 GBP
Equity Paid Up	6,700,000 GBP
Revaluation Reserve	—
Sundry Reserves	-3,900,000 GBP

Profit & Loss Account Reser	**1,778,700,000** GBP
Shareholder Funds	**1,781,500,000** GBP
Other	25 Jan 2014
Wages & Salaries	**1,817,200,000** GBP
Directors Emoluments	—
Audit Fees	**800,000** GBP
Depreciation	**254,600,000** GBP
Working Capital	**-665,800,000** GBP
Bank Overdraft & Long Term	**2,012,800,000** GBP
Capital Employed	**3,718,700,000** GBP
Net Cash Flow from Operatio	**453,500,000** GBP
Net Cash Flow before Financ	**-37,100,000** GBP

Net Cash Flow before Financ	**-37,100,000** GBP
Net Cash Flow from Financir	**-157,700,000** GBP
Debtor Days	**2.23**
Export	—
Interest Payments	**9,500,000** GBP
Audit	25 Jan 2014
Name of Auditors	Pricewaterhousecoopers llp
Joint Auditors (If Applicable)	
Name of Solicitors	Hogan lovells international llp
Name of Accountants	
Audit Qualification	The audit report contains no adverse comments

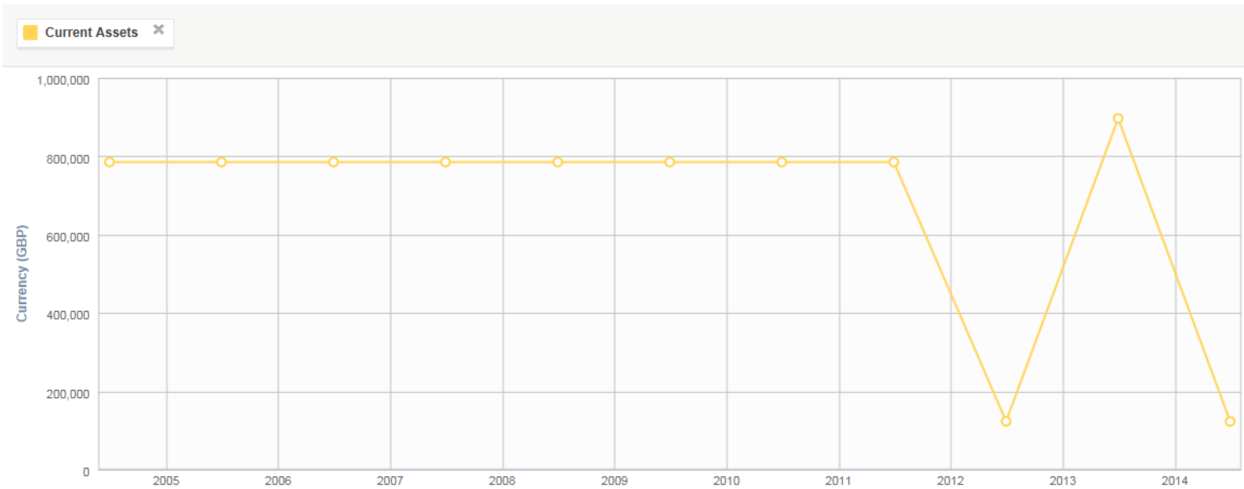
Appendix D: Net assets of John Lewis

(Duedil.com, 2015)



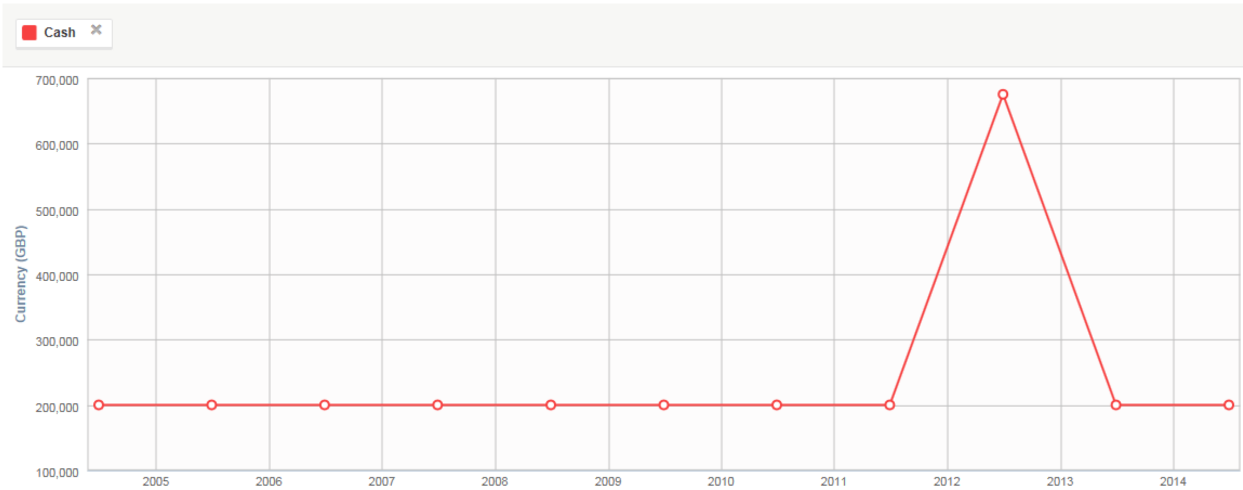
Appendix E: Current assets of John Lewis

(Duedil.com, 2015)



Appendix F: Cash of John Lewis

(Duedil.com, 2015)



Appendix G: SWOT Analysis of John Lewis

Strengths

- Enjoyment of a strong brand of concretize qualities, value for money and practicality which in turn promotes customer loyalty. (John Lewis, 2012)
- Strong profits as a result of steady growth since 2001 as well as strong cash position capping 10 years of huge growth (M&S, 2011).
- The company's management team has received the credit for turning the fortunes of the company around in the last 10 years. The company has good management team
- Using of brand ambassadors as an aggressive marketing technique has help the company grow. The company embarks on aggressive marketing. (John Lewis, 2012).

Weaknesses

- John Lewis slip in 2010 Christmas period was the highest amongst other retailers even though they all underperformed. As at writing the company share price stood at 361p with the 52-week low of 367p and high of 759p, meaning that it has lost more than 50% of its value during the year (Sunday Times, 2011).
- In similar light, the price/earnings ratio of 9.4 is relatively low when compared to that of its competitors i.e. Mark and Spenser. This is the key indicator of investor's assurance in a company (Arnold, 2002).
- Devaluation of the brand may occur as a result of price cut due to increasing competition. (The Economist, 2012).
- Recent criticism as a result of corporate governance, poor managerial incompetence and lack of transparency levelled against the company has not been received well by its large number of investors (Nugent and Hawkes, 2012).

Opportunities

- The Asian market development idea offers large opportunities for the company.
- Trendier clothes design would attract young potential customer to the company's store.
- Sales realised online offers great opportunity because online margins are on the high as seen in online companies like eBay (John Lewis, 2011).
- Selling of healthy sports gear and foods are fuelled by customers adopting a healthier lifestyle.
- The growth in the credit card and insurance industry over the past decade offers opportunity to the company due to its contribution of over 23% of its total revenue. This will lead to huge benefits if properly utilized.

Threats

- As a result of people’s desire nowadays to look younger and John Lewis target group being over 45 years old, todays 20-30 years tend to want to act trendy and look younger for the next 20 year which might pose some significant threat to the company (The Economist, 2012).
- As a result of lack of support in its underwear, Jeremy Paxman created huge negative public criticism of the company, even though out of every 3 women and out of every 5 men buy John Lewis underwear, this will still affect the sales of the company (John Lewis, 2012).
- Poor corporate governance can result in a fall in interest margins as well as reduced revenues accumulated from the company’s cash equity business. This can make client lose confidence in the ability of the company to meets its financial obligations. Also, reduction in returns is an indication of the lack of ability to channel resources into profitable businesses.

Appendix H: SWOT analysis of Debenhams

(UKEssays, 2015)

Strengths

- Strong brand name
- Good reputation
- There is an increase in revenue

Weaknesses

- Operating margin is decreasing
- cost of maintenance because of increasing stores

Opportunities

- have lot of store opening

Threats

- increase of employee wages
- reducing living standards.

Appendix I: PESTLE analysis of IKEA

Political

- Increasing tax (corporative tax, import tax and so on
- Political stability of the UK government

Economical

- Cost of labour is increasing
- inflation rate is increasing
- market trend is fluctuating

Social

- reduce income level will reduce the furniture purchase
- changing fashion trend

Technological

- lack of online shopping options
- Home delivery
- 24*7 customer service

Environmental

- Green friendly

Appendix J: SWOT analysis of IKEA

Strengths

- It take necessary steps to reduce manufacturing cost
- They are the leading manufacturing brand for furniture industry
- It has competitive price for its customers.

Weaknesses

- Highly competitive market
- Ineffective communication with customers
- Store plan in confusing to the customers
- Less customer service in the stores

Opportunities

- There is a huge opportunity in furniture industry
- increase in low price products
- green friendly measures

Threats

- Global recession
- unemployment