



PROGRESS UPDATE ON OUR STRATEGIC REVIEW SECURING OUR SUCCESS

THURSDAY 30 JULY 2020

LETTER FROM SHARON WHITE TO PARTNERS

Dear Partner,

I promised to update you this month on our strategic review. So today I want to give you a sense of where we are heading and to offer a further opportunity for Partners to contribute.

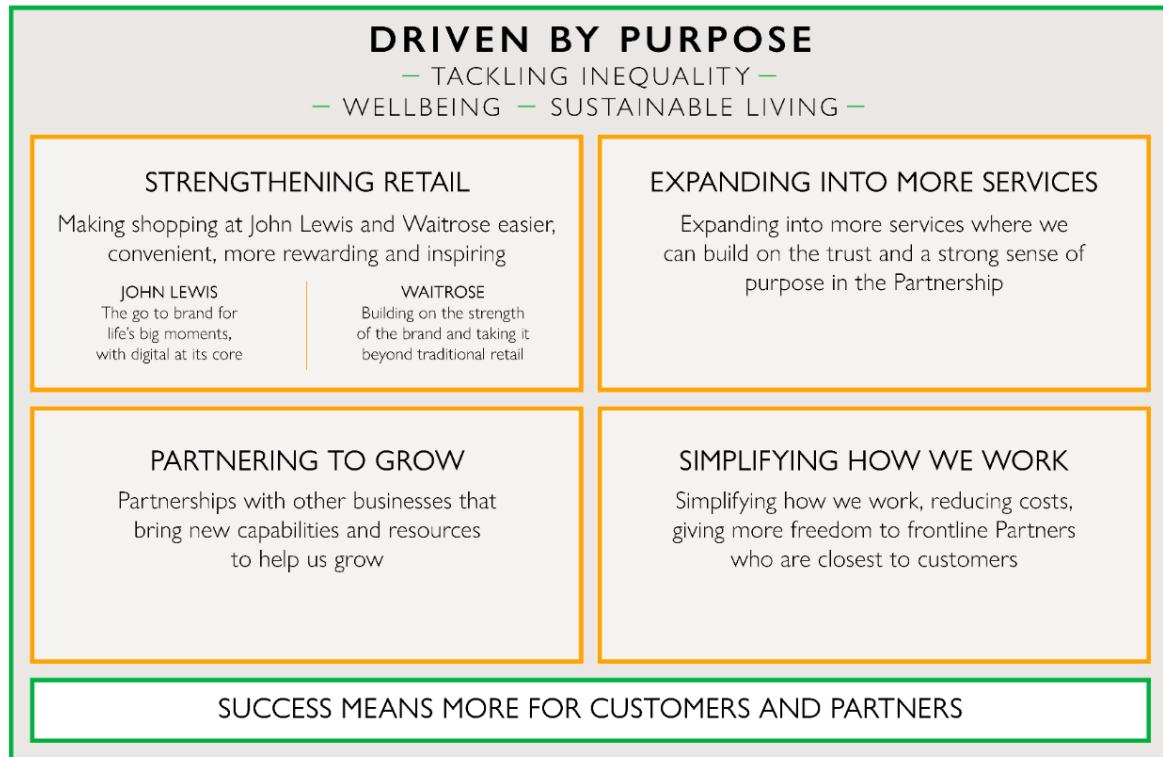
I'm pleased to say we are making good progress. And I'm confident that we will have a compelling, concrete plan that we can all get behind and deliver.

We've conducted a thorough review of our performance, how we are delivering for customers and how we compare to competitors. We've listened to feedback from more than 10,000 customers and more than 100 suppliers.

I have been blown away by the number of Partners who have got involved - over 12,000, with more than 650 ideas submitted.

As you all know, these are testing times, with profits this year and next likely to be challenged. But the beauty of being a Partnership is that we are able to take a long-term view. The strategic review should see green shoots in our performance over the next 9-12 months, and our profits recovering over the next three to five years.

In my recent note on 'resizing and regrowing' the Partnership, I talked about the opportunities to remain a thriving Partnership in 100 years' time. The review has highlighted five important areas where we will focus our efforts over the coming months:



1. DRIVEN BY PURPOSE

We are a business that is all about purpose. We have a real opportunity to update our purpose so that it resonates with today's customers and Partners. Customers and Partners have told us that our purpose should be modern, relevant and inspiring - while staying true to our core principles. The themes of tackling inequality, of wellbeing, and sustainable living will be at its core. These have never felt so relevant, with the economic uncertainty and social inequality coming out of the pandemic.

Our updated purpose will drive our commercial decisions and shape our employment practices. It will influence the services we offer to customers and how we work with new commercial partners. It could see us, for instance, taking firmer action on fair pay, working conditions, diversity and inclusion.

With customers more thoughtful about the environment, we want to make it easier to shop sustainably, with clearer information about the origins of our products and our supply chain - building on the fashion buyback and 'Unpacked' trials.

We will continue to develop our new purpose with customers and Partners in the coming weeks, and finalise it in the autumn.

2. SIMPLIFYING HOW WE WORK

We will simplify how we work, taking out duplication and cost. Our central teams will work in service of our customers and we will give more freedom to frontline Partners to do what's best for customers. We are still targeting at least £100 million of savings in head office costs. We have reduced the number of senior managers by one third, and our transformation of Tech & Change - which draws on new technology and expertise from outside suppliers - also helps with the target. We will aim to make savings as early as possible this financial year and

next. These are very difficult decisions and I deeply regret the personal impact on Partners.

3. STRENGTHENING RETAIL

We have two of the best loved and trusted brands in the UK, rated highly for our personal service and expert, impartial advice. Customers are, however, shopping in very different ways - younger people especially - with the pandemic accelerating the importance of digital. We expect John Lewis to be a 60% online retailer, from 40% pre-Covid-19; and Waitrose to rise above 20%, from 5%.

In both brands we will double down on making shopping easier and more convenient, investing in: availability in store and online; useability and personalisation of our apps and websites; better rewards for our most loyal customers; online personal services; convenient pick-up, like the 505 Co-op stores offering John Lewis Click & Collect; and introducing John Lewis into Waitrose.

John Lewis - the go to brand for life's big moments

John Lewis is the brand for life's big moments - first child, first home, first day at university, wedding or civil partnership. It is why customers feel such a strong emotional connection to the brand.

We now need to be as compelling and meaningful to the next generation of customers and how they want to live.

We will focus on home and nursery - our traditional strengths - with a new home collection and expanded gift lists launching this autumn; more exciting and inspirational design; more affordable 'entry point' pricing; stronger 'curation' so that shoppers can find what they want easily; and more local assortments that reflect the diversity of our customers.

As customers increasingly shop online, we will become digital first. We have 'catch-up' investments to make in johnlewis.com.

Shops will always be crucial to the brand but they will be in support of online. Over the next five years we expect to rebalance our shop estate so that we have the right space in the right locations where people want to shop. John Lewis Home will be available in Waitrose. We will get more experimental with store formats. Shops will showcase our brilliant products - displaying great design with more space given over to experiences that cannot be found anywhere else.

As flagged in March, we are reviewing our Never Knowingly Undersold price promise to ensure we offer fair value for how our customers shop today.

Waitrose - building on the strength of the brand and taking it beyond traditional retail

Customers love the quality of our food, our focus on sustainability and high standards of animal welfare. We will invest even more in the excellence of our own-brand food so that it stands out further from the market. This will also mean a more local offer with more multi-ethnic food.

We will make it easier for customers to shop, when and how they want through our own channels and through third parties. Rapid, our two-hour home delivery service, has over 23,000 customers, a three-fold increase compared to pre-Covid. Our home delivery through Waitrose.com now has over 160,000 weekly slots, from 60,000 pre-crisis, and we stand in

very good stead for the end of our Ocado relationship in September. We have plans to increase capacity to 250,000 weekly slots.

Outside of their regular grocery shop, we also know that our customers are spending a lot on food delivery services. We see significant scope for us to grow in this area, and are actively exploring early opportunities.

We expect to see continued rebalancing of stores, opening new ones where we see strong customer demand, and potentially closing others where demand wanes. Our existing stores will be updated to meet customers' expectations.

And we are looking at how we make our products available through other routes, reflecting the fact that Waitrose has a smaller presence in the convenience market than other supermarkets. Where we know customers want it, we will also make Waitrose food available in more John Lewis shops.

4. EXPANDING INTO MORE SERVICES

Retail profit margins are under pressure. For the Partnership to be sustainable over the long-term, we need to expand beyond retail. More than that - we have the opportunity to offer our customers new services where trust and a strong sense of purpose are important.

The Partnership has a strong track record of innovation and enterprise. We are at our best when we are at our boldest. Partners have put forward many exciting ideas and we have selected four for further development:

- Financial services: We have a long-standing, successful business offering customers financial products, including the Partnership credit card, insurance, personal loans and foreign currency exchange. Our ambition is to grow this business significantly over the next five years.
- Horticulture: This was the number one idea from Partners and is highly relevant to our target customers. We are exploring how we build a new business out of Waitrose Garden, Leckford Estate and the Waitrose Farm, landscaping and John Lewis Outdoor Living - potentially with new partnerships and acquisitions.
- Private rented housing: As we repurpose and potentially reduce our shop estate, we want to put excess space to good social use. We are exploring with third parties the concept of new mixed-use affordable housing.

Rental/Resale/Recycle: This is a growing priority for our customers. Options include creating a market leading channel for rental of our products or building a marketplace to sell 'used' products.

5. PARTNERING TO GROW

We clearly won't be able to achieve all this alone. So we will create partnerships with other businesses who respect our ethos and can bring resources or capabilities we don't have.

This will allow us to grow efficiently. Partnerships will give new meaning to our ' & Partners' rebranding. We are already in a number of commercial discussions and are also looking at acquisitions.

NEXT STEPS

We need a transformation in the business and the action we take over the next nine to eighteen months will be crucial. As you can see there's more work to do on detailed planning, but I hope that you get a good sense of our future direction.

I am very conscious that a strategy - unless it is supported by Partners and is well executed - is just another piece of paper. It is how we deliver on the plan and the commitment from all Partners that will make the difference.

The Executive team and I will be spending time with Partners, beginning this autumn, to discuss the strategy, and what it means for each of you. We plan on visiting every site over the course of the year, mixing virtual and physical meetings.

The next few months of trading are clearly crucial. Pippa and James will say more at the start of September about trading priorities in John Lewis and Waitrose to ensure we have the best possible peak.

A successful strategy will mean we can invest more in our customers and more in Partners. The innovation, commitment and passion of Partners gives me total confidence in our success.

Best wishes

SHARON
Partner & Chairman

Source : John Lewis Partnership

<https://www.johnlewispartnership.co.uk/media/press/y2020/progress-update-on-the-strategic-review.html>