Strategic Marketing

2019

Assessment Cover Sheet for Assignment Two

Assessment Due Date: Wednesday 1st May 2019

Please complete the following:

I confirm that this assignment which I have submitted is all my own work and the source of any information or material I have used (including the internet) has been fully identified and properly acknowledged as required in the school guidelines I have received.

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Word Count	2,140

This essay will critically analyse the business strategy of John Lewis Partnership (JLP) and it from the evidence developed that this essay postulates that the John Lewis Partnership is both a socially responsible company and a company that holds a positive influence on society through their achievement of corporate social responsibility (CSR) (John Lewis Partnership, 2019) aims in contrast with corporate social irresponsibility (CSiR) (Antonetti & Maklan, 2016, p. 429-444).

This is further bolstered through the principles and mission statement of JLP which are reflected in the actual operations of the partnership; these two arguments will be justified in this essay. Firstly, we shall analyse the business strategy of John Lewis Partnership (Emerald Group Publishing Limited, 2012, p. 6-8) and will employ the SWOT analysis (Hollensen, 2003, p. 265-271) (see Appendix One), Porter's five forces (Brassington & Pettitt, 2013, p. 517) (see Appendix Four), and a value chain analysis (Ellis-Chadwick & Jobber, 2013, p. 720-721) in order to achieve this.

As is visualised by the CSR Pyramid in Appendix Eight (Buchholtz et al., 2012, p. 38), a socially responsible company engages with exterior stakeholders through management techniques (Buchholtz et al., 2012, p. 62-86) in a way that benefits both the company, its employees, and wider society. This is part of a three-pronged marketing strategy oriented in such a way that it remains closely affiliated with sustainable development (Aaker, 2008, p. 143-144) and supports the company's endeavour to create a positive brand identity and corporate image (Crane et al., 2008, p. 177-205).

A socially responsible company is characterised by its commitment to the sustainability of the products its sells and the operations it conducts (Buchholtz et al., 2012, p. 47-54); upholding values in relation to a firm's corporate citizenship (Coleman et al., 1998, p. 40-51); finally, it is a company that engages with external groups (including the public, educational institutions, and charities) in any positive way, whether that be through donations, operational support, or through the development of social programmes to help individuals in an effort to establish and protect their good reputation (Coleman et al., 1998, p. 65-67). It is postulated in this essay that the John Lewis Partnership is an emulator of these characteristics and this argument will be justified by understanding the ethos and structure of the company internally and how those same principles are expounded to stakeholders and wider society so as to solidify John Lewis' place as a socially responsible company that upholds a meaningful contribution to society.

John Lewis is a British department store with 83,000 permanent staff, who are internally referred to as Partners, who own 51 John Lewis shops across the United Kingdom including 37 department stores, 12 John Lewis Home stores and two other stores at St. Pancras station and Heathrow Airport. In addition to the bricks and mortar retail business, John Lewis also owns a cataloging business, a website through which online retailing takes places, a production unit, and its farm in addition to also owning 349 Waitrose supermarkets dotted across the nation with total annual gross sales of £11.5 billion (John Lewis Partnership, 2019).

The target market of John Lewis is centred on the wealthy upper and middle class market segment in which consumers hold a higher than average disposable income; they are taste sensitive, but are also price insensitive (Hooley et al., 2017, p. 251-254; p. 280-283). In an effort to reaffirm the unique structure and identity of JLP, both John Lewis and Waitrose recently underwent a process of rebranding (Vizard, 2018) in order to further emphasise the important status of their employees as "Partners" and also as a tactic to differentiate John Lewis and its subsidiary from their rivals, particularly Marks & Spencer and Debenhams which do not share the same partnership structure.

The entire workforce of permanent staff are co-owners of the enterprise due to the partnership structure and so this creates a culture in which employees receive rewards according to the amount of effort they put into their work. This forms a loyal, satisfied, and trustworthy workforce that consider themselves to be part of an enterprise that they have a vested interest in seeing it succeed. Therefore, their level of commitment to the work is perhaps greater than an employer of a company in which the shareholders are completely separate from the employees. All employees hold a high motivation that is distinct from employees of other companies because they directly benefit from the extent of the effort that they put into their work. Monetary rewards are given in the form of a bonus each month and so the harder they work, the greater profits for the store, and the higher percentage bonus the employees make. By this structure, highlighted is how JLP has managed to become a socially responsible and sustainable company for its employees which play a crucial element to the Partnership's stakeholder management scheme.

The company's power structure is positioned in such a way that equal responsibility is given to three main interest groups and includes the Partnership Council which is directly elected by the Partners, the Partnership Board, which the Partnership Council appoints five directors to, and finally, the Chairman whom is ultimately accountable to the Partnership Council (John Lewis & Partners, 2011). This structure demonstrates the centrality provided to the Partnership Council which is essentially the voice of all the employees of John Lewis and also highlights their commitment to fulfilling their mission statement, particularly the element that focuses on the contribution of the Partners (John Lewis & Partners, 2011) which again, further demonstrates their commitment to being responsible to their internal stakeholders.

As an additional part of the company's structure, it upholds a Constitution which allows for a dynamic form of governance in which the company may move decisively in order to stay ahead of competitors (see Appendix Three for a Perceptual Map of John Lewis and its competitors) whilst also remaining democratic in its orientation so as to uphold the principle of allowing all its Partners to voice their opinions on what happens with regards to the future of John Lewis. This demonstrates a transparent and fair atmosphere in which the Partners are able to freely interact with topics regarding company strategy that would normally not ever be held in discussion with lower-level employees in other firms. The combination of these unique elements that form the John Lewis Partnership creates a corporate culture (Jain, 2004, p. 30-31) that is reflected in the company's operations, its brand image, and its accountability to the sustainable and responsible principles upon which it was founded.

Waitrose, as a major subsidiary of JLP which has owned and managed it own farm since 1929 (Waitrose Ltd, 2019), also shares the commitment to social responsibility. Furthermore, the highest concentration of organic products in any one supermarket in the UK is in the John Lewis-owned Waitrose with more than 1,600 stocked organic products which highlights the company's commitment to selling of products that are not artificially preserved which reflects the entire ethos and performance of the firm (Price & Sun, 2017, p. 82-97) as Buchholtz et al. (2012, p. 54) find that social responsibility as a core practice in a firm holds a correlation with greater financial performance.

Additionally, Waitrose sources nearly 100% of its meat from British owners and from either Ireland and New Zealand during out of season from only reputable farmers (John Lewis Partnership, 2018) which is another demonstration of the commitment of the subsidiary towards sustainable foodstuff sourcing as part of its wider social responsibility initiative. John Lewis established the Waitrose Foundation which involves consumers buying products with the Waitrose Foundation logo and the funds directly being transferred to community projects chosen by farm works and smallholders who grow and prepare produce in Senegal, Kenya, and Gamabia (Calnan, 2019).

Furthermore, in their 2017/18 Corporate Responsibility Report, John Lewis announced that they had sourced 12% more sustainable cotton than the previous year which demonstrates their commitment to sustainable sourcing. They published the John Lewis Factory List which allows their Partners and customers to see exactly which sources they are using for their products which again highlights their intentions in being a socially responsible company through their practice of transparency (John Lewis Partnership, 2018) and this is further demonstrated in Appendix Seven via a diagram of their supply chain (Sodhi, 2018). The Community Matters project by John Lewis and Waitrose that has been developed since 2008 donated £4.4 million to local charities chosen by the customers of the Partnership in 2017/18 (John Lewis Partnership, 2018). A way in which John Lewis could improve their CSR strategy would involve increasing the companies' interactions with education institutions through structured programmes sponsored by the company, or via donations directed towards education as a complement to the overall CSR strategy (Collins et al., 2018).

Now that we understand the characteristics of a socially responsible company, it is important to contrast this with a company that is socially irresponsible (CSiR), a prominent example would be Nestle (Andrei, 2017; IBS Center for Management Research, 2004) who have, on multiple occasions, been caught conducting practices that do not treat their stakeholders fairly, especially individual suppliers that do not have the voice to stand up to the company alone (IBS Center for Management Research, 2003). Corporate irresponsibility has been found to have a sharp correlation with impotency in a firm's ability to perform (Germann et al., 2016, p. 59-79) in addition to the hugely damaging impacts of media coverage in relation to a company's reputation and their financial stability due to their socially irresponsible actions (Busch et al., 2017, p. 2266-2284). All companies now have CSR strategies upon which many principles and missions are founded, but a company that does not stand by the principles upon which they were founded are quickly outwitted by both their employees and their customers (Pontefract, 2016) and in extreme cases, boycotts may occurs.

Alternatively, JLP holds a certain set of principles that formulate the entire CSR strategy of the Partnership (John Lewis Partnership, 2019) with the primary element of this centred on the purpose of the Partnership which is the happiness of all the members in the Partnership through their worthwhile and satisfying employment in a successful business. Due to the fact that the Partnership is owned by its members in trust, they all share equal responsibilities of ownership as well as the rewards that are derived from the work input.

This links to the other principles of power and profit, the former of which is equally vested in the Partnership Council, the Partnership Board and the Chairman (John Lewis Partnership, 2018). Meanwhile, the latter of which is essential to the trading operations of the Partnership to sustain its commercial vitality for the mutual benefit of all Partners through the distribution of those profits in proportion to the work input.

Also addressed within the principles of the Partnership are the business-to-business relationships established by John Lewis and its business partners in such a way that maintains integrity for both sides. This is directly linked to the way in which John Lewis interacts with the wider community as an extension of its internal relationships as well as those upheld with its business partners (Voinea, 2017). Finally, to consider the mission statement of John Lewis (see Appendix Five), it must be analysed in order to compare its stated mission with its actual operations and how these two elements align with one another in order to derive whether the company is at its core a socially responsible company. As is demonstrated through the fact that John Lewis pay their Partners a fair wage in direct proportion to the work they input and the fact that through the Partnership Council, employees of John Lewis are able to voice their ideas and contribute to the firm's operations demonstrates that the JLP is staying true to their mission statement.

In conclusion, the John Lewis Partnership has been an exemplar of sustainable business practice since its inception in 1928 which has formed a company in which the employees are all motivated individuals working towards the betterment of the company that is continuously endeavouring to benefit its stakeholders (Fifield, 2007, p. 38-41). By this fact, we can understand how JLP is a socially responsible company internally. By the many different foundations, projects, and partnerships that it has founded demonstrates the external social responsibility of the company. From its inception, the company has held an intertwined relationship between itself and its employees as they are considered one whole with the customers of the Partnership forming the third part of the structure. The JLP's culture of giving back, as demonstrated through the many causes that it provides donations with on a monthly basis, further affirms the Partnership to have a positive influence on society and is therefore not neglecting its social responsibilities.

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Appendix

Contents

Appendix One

SWOT Analysis

John Lewis have, for the last ten years in particularly, worked towards the establishment of a strong online presence with an integrated website grasping high functionality and conversion from visitors to customers. As an addition to their website, they have created an integrated marketing communications strategy involving both a mobile application and they maintain their activity across all the major social media platforms, of especial strength is their presence on Pinterest.

This is because Pinterest, which holds a particularly large demographic of middle class individuals (ref), specifically mothers, and John Lewis has taken advantage of this by branding themselves as an all-inclusive lifestyle brand from which women are able to gain inspiration for all aspects of their lives, including in particular home decor and clothing (John Lewis, 2019). This has positioned the brand with an almost unrivalled presence on the platform which demonstrates a strength in the company's ability to gauge the social media habits of their target consumers.

John Lewis holds another strength in their extensive product range in addition to their ability to increase the mobility of stock so that returning customers come across new items that they had not seen previously which provides customers with a refreshing experience each time they enter a store. Essentially, the ability of the company to do stock rotation presents them as a brand that is conscious of the latest trends and are dedicated to keeping up with such trends.

The final strength of John Lewis pertains to the loyalty and dedication of its partners which is motivated through the Partnership structure and identity of the business and so a higher purpose is granted to each and every person that works in the company as they affiliated in a familial sense with the company rather than a colder and more formal employer-to-employee atmosphere. Furthermore, after considering the different strengths of John Lewis, it is clear that they are succeeding in their pursuit of a strategic omnichannel approach (Thompson, 2018).

A major weakness for John Lewis is the fact that they hold little to no international expansion as they don't operate outside of the UK (Ruddick, 2014) unlike Debenhams which has benefited from its own international expansion (Debenhams, 2019). Additionally, there has been a recent downturn in the profits of the company (Nazir, 2019) as part of the domino effect that is occurring in the British retail sector in which traditionally dominant companies like Debenhams and John Lewis themselves are seeing major shifts in consumer habits away from them and more towards companies like Amazon and IKEA for all manner of lifestyle products due to the accessibility of the former and the affordability of the latter.

A major factor that has initiated this domino effect is the lack of competitive advantage on behalf of John Lewis in relation to the other major retailers which has caused the downward spiral in profits for the company throughout 2018 (Nottingham, 2019). Other companies, most prominently Marks & Spencer, have attempted to resolve the issue of their own lack of competitive advantage by investing in their food hall business yet they continue to suffer falling annual profits (Wood, 2018).

Opportunities for John Lewis primarily include international market expansion which would resolve the issue of the contracting market in the United Kingdom (UK) as they would be able to boost profits by strategically enter markets as a wholesome, middle class British department store with a brand that exemplifies good quality products. Another opportunity for John Lewis to consider amid their falling profits would be to take inspiration from Marks & Spencer’s food hall business and carve out a niche area for the company to invest in so as to become the superior company in that area in order to supplement the variety of their products and their income base.

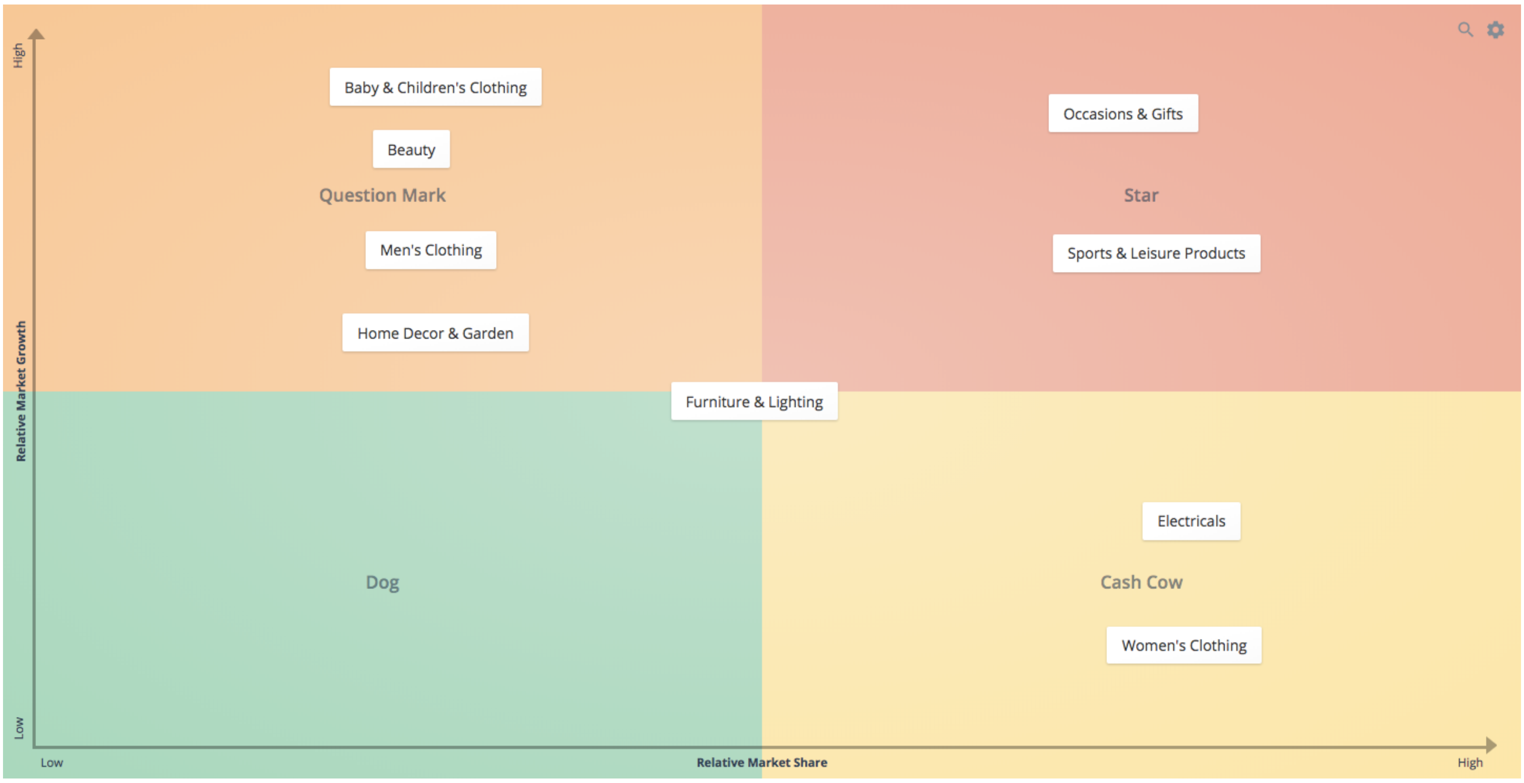
Finally, an opportunity for John Lewis further would be to incorporate its subsidiary business, Waitrose, into its largest stores in order to create luxury food halls which have become popular in Selfridges (Singh, 2018). John Lewis has benefited hugely by taking advantage of its Christmas advert to springboard its sales over the festive period for over a decade since 2007 (Belam, 2018), but also, the company became synonymous with Christmas advertising in the UK as a huge amount of consumers eagerly awaited the reveal of its Christmas advert every year.

In fact, in a documentary about the company, an employee said that their entire marketing strategy is pivoted around their Christmas advertisement because getting that right makes the difference between a strong Christmas or a disastrous one which holds a ricocheting impact on its profits for the entire year (Butler, 2018). However, this major strength for the company has, particularly in the last three years, begun to falter as many other companies have latched onto the trend of creating elaborate Christmas adverts so as to galvanise widespread attention around their reveal.

This has held a damaging effect on John Lewis as their primary marketing instrument has lost its uniqueness and the superiority that it once commanded as it is now saturated by many other companies and their own adverts which, at times, have garnered greater attention than the John Lewis advert itself (Sainsbury's, 2015). Furthermore, some companies, particularly Aldi (2018), have used the synonymity of John Lewis with Christmas advertising by subverting the John Lewis advert and creating one that is noticeably similar which ultimately undermines the John Lewis brand which at one time had been untouchable with regards to Christmas advertising. Essentially, their main marketing tool has been hijacked and this demonstrates a major threat for the brand's ability to continue to distinguish itself.

Appendix Two

BCG Matrix for John Lewis Partnership

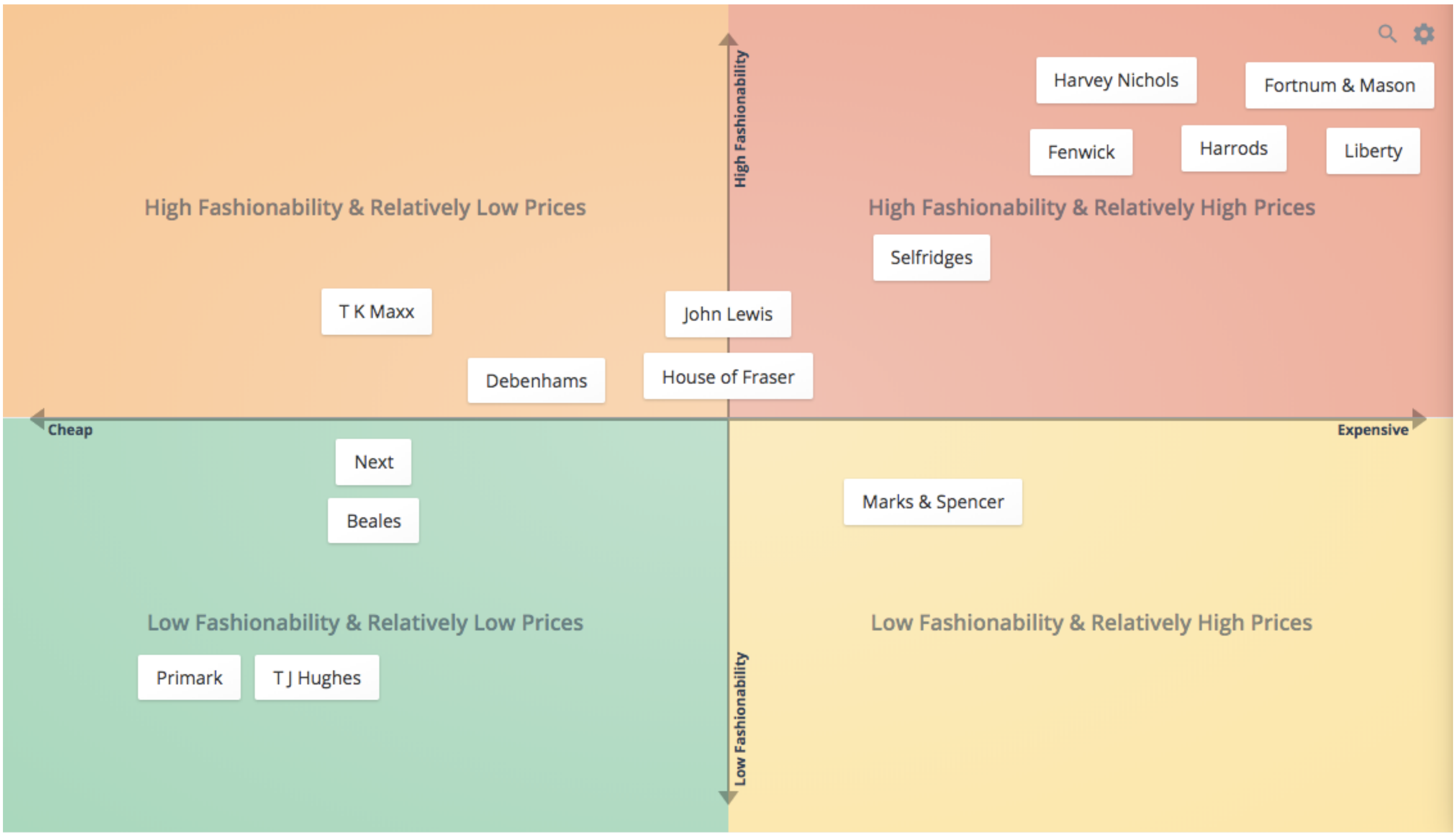


The BCG matrix (Gilligan et al., 2012, p.368-373) identifies that the most important product segments for John Lewis are its occasions and gifts as well as its sports and leisure products as it strives the furthest during the Christmas period like all other retailers and it is also benefiting from the boom in gym and fitness lifestyles that consumers of all ages are experiencing.

Furthermore, the cash cows for John Lewis are its electrical segment and women's clothing largely due to the fact that these departments are more saturated in the amount of products available within them and the fierceness of the competition within those segments. Women's clothing in particular has become a cash cow for John Lewis due to the large amount of stock that this department accounts for and the difficulties of moving that stock quickly whilst also The movement of unsold stock is costly both in time and money as staff are constantly needed to move and arrange stock to present it in a way that seems fresh and new to returning consumers. The most populated segment of the matrix is the question mark quadrant which is largely due to the fact that many of those departments are highly competitive with John Lewis struggling to make a distinct identity for itself within those departments.

Appendix Three

Perceptual Map



This Perceptual Map (Armstrong, et al., 2016, p. 209-210) of John Lewis in relation to its competitors according to the criteria of fashionability and expense demonstrates that John Lewis sits in the high middle category as it does not reach the same luxury perceptual identity achieved by Fortnum & Mason or Liberty London, but it still remains in front of department stores such as Debenhams, Marks & Spencer, and TJ Hughes. John Lewis is placed as having a relatively high fashionability with medium prices as its prices do not compare to those charged in Harrods or Fenwick, but they do exist more highly priced than those found in Beales department stores, Debenhams, and House of Fraser. From this Perceptual Map, we can see that John Lewis comfortably sits in the high middle category in relation to its competitors with its closest rivals on either side being Selfridges with its slightly higher fashionability and prices and Debenhams with its slightly lower fashionability and lower prices.

Appendix Four

Porter's Five Forces (Porter, 1998, p. 47-71)

Barriers to entry:

Due to the highly saturated market, the raising of capital would be the most prominent barrier to entry, but also the fact that any company wanting to enter the market would need to hold a very high competitive advantage in order for them to realistically achieve success and it is this lack of competitor advantage is what has caused even well-established brands to fail. The time it would take to begin to gain market share in this industry would be so great and would require enormous amounts of capital compared to the returns made that entry in the first instances may not be feasible.

Existing competitors:

The UK department store market remains an intense boiling pot of competitors due to the rising inability for each department store to carve out a niche in a market that persists to be crowded. John Lewis, Marks & Spencer, Debenhams, House of Fraser, Harvey Nichols, and Selfridges to name a few are all vying for a share of the middle to high range end of the market, but it is important not to forget online competition, including Amazon. The majority of these competitors are all offering luxury quality products with the latter three holding differentiation by their perceived rarity compared to the first three as they are in the majority of towns and cities while the latter three are only in select cities and large shopping malls, such as the Trafford Centre. Customers are now more prone to switching from different department stores to find the best quality for the best price and so customer loyalty has therefore reduced since fifteen to twenty years ago which has lead to squeezing margins and cost competition dominate.

Customer bargaining power:

The customer bargaining power (CBP) is very high in this industry again due to the saturation of the market. Department stores are constantly reducing the prices of their products in order to move the high quantities of stock they have in their stores due to the slow-moving inventory which only further highlights the high level CBP. Due to the rise of online retails such as Amazon, the number of customers using department stores regularly is expected to have decreased which further raises CBP. The ability to substitute for customers is high because of the saturated market as most towns and certainly all cities will have at least two department stores selling similar products and brands.

Supplier bargaining power:

The level of supplier bargaining power in the UK department store sector is low due to the slow movement of inventory, especially in non-peak times therefore it remains difficult for suppliers to hold much influence over the department stores due to the saturation of the market. This is also due to the vast range of products that are available as well as the amount of suppliers available and the similarity in the products and services provided with many suppliers being wholly dependent upon brand awareness for their USP.

Threat of substitute products and services:

Due to the saturation of the department store market in the UK, the substitution rate is high, especially because many of the department stores offer the same ranges of products with little differentiation. To consumers, they see these department stores as selling the same products just with different names above the doors which is a perception that certainly hasn't boded well for the crowded department store market.

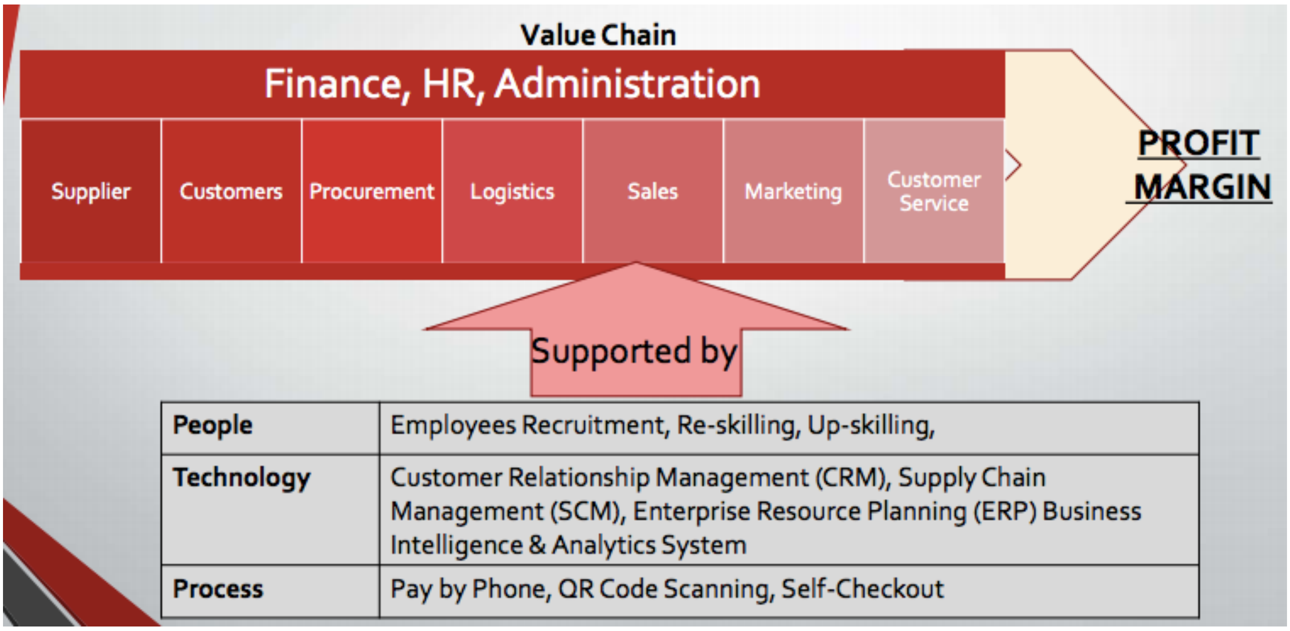
Appendix Five

Mission statement

“The John Lewis Partnership's reputation is founded on the uniqueness of our ownership structure and our commercial success. Our purpose is 'the happiness of all our members, through their worthwhile, satisfying employment in a successful business', with success measured on our ability to sustain and enhance our position both as an outstanding retailer and as a thriving example of employee ownership. With this in mind, our strategy is based on three interdependent objectives Partners, customers and profit.”

Appendix Six

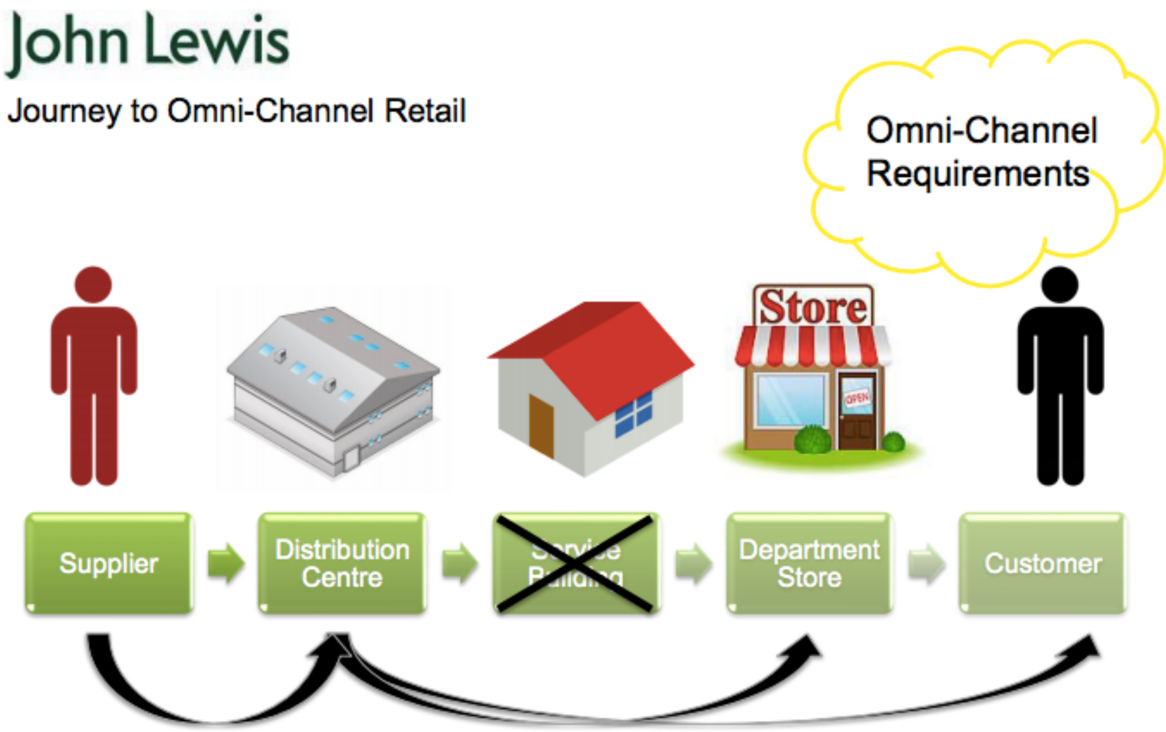
Value chain analysis



(Jurevicius, 2013; Putra Business School, 2018)

Appendix Seven

Supply chain model of John Lewis

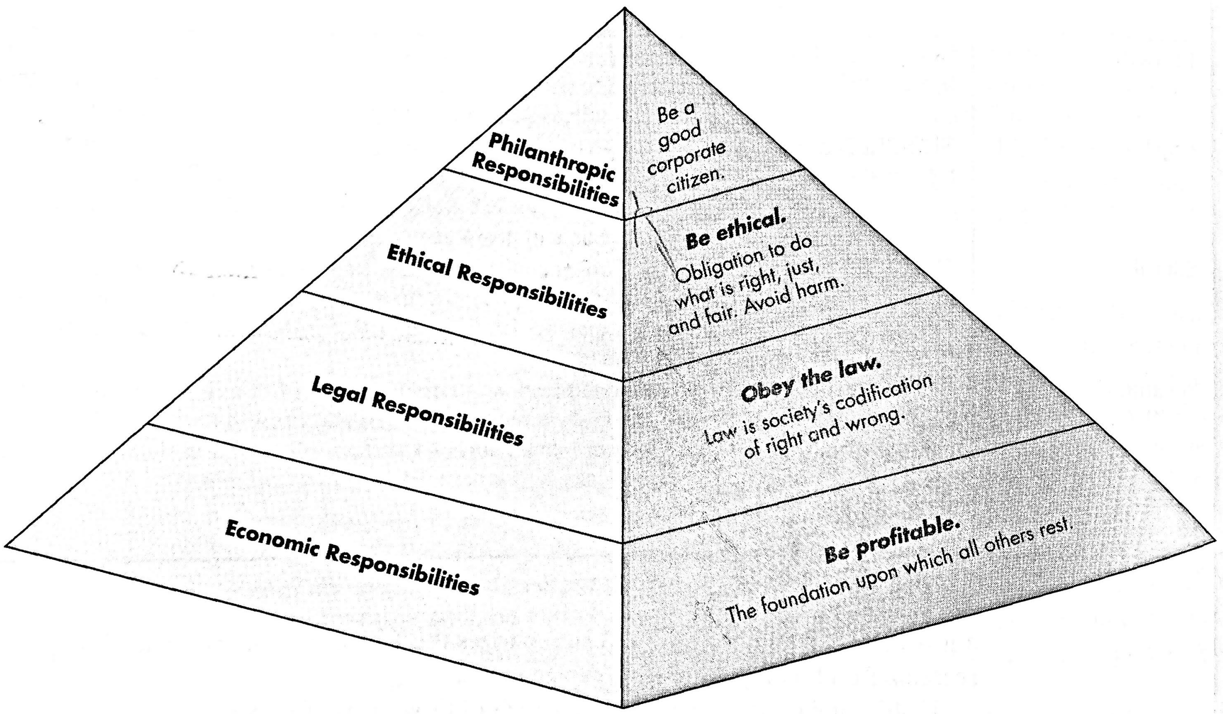


(John Lewis Partnership, 2018; Neitzel, 2016)

Appendix Eight

CSR Pyramid

FIGURE 2-3 The Pyramid of Corporate Social Responsibility



Adapted from: Archie B. Carroll, "The Pyramid of Corporate Social Responsibility: Toward the Moral Management of Organizational Stakeholders," *Business Horizons* (July–August 1991), 42. Copyright © 1991 by the Foundation for the School of Business at Indiana University. Used with permission.

(Carroll, 1991)