

# The john lewis essay sample



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## 1. Introduction.

The John Lewis brand was founded in 1864 by John Spedan Lewis partnered with his two brothers in Oxford Street, London (John Lewis Partnership, 2013). As being the UK's one of the leading department store retailer, John Lewis offers customers everything they need: fashions, furnishings and household goods of all kinds at competitive prices with excellent service and free delivery ( John Lewis Partnership, 2013).

## 2. Theory of Michael Porter's competitive five forces model.

The managers face such tasks as identifying analysing competitive forces. Michael Porter's model known as five forces model helps managers with their analyses. His model focuses on such forces as the risk of entry by potential competitors, the new market entrants, and the bargaining power of customers, the bargaining power of suppliers, and the closeness of substitutes to an industry's products. According to Charles Hill and Gareth R. Jones “ the task facing managers is to recognise how changes in the five forces give rise to new opportunities and threats and to formulate appropriate strategic responses; In addition, it is possible for a company, through its choice of strategy, to alter the strength of one or more of the five forces to its advantage” (2009).

## 3. Concept of value chain analysis.

Value Chain Analysis describes activities of the competitive strength of the business. A company is a chain of activities that converting inputs into outputs that customers appreciate. So the value chain is about identifying which activities are best. Michael Porter suggested activities that add value to product could be grouped as primary activities and support activities. Primary activities are concerned with creating and delivering a product,

while support activities are about increasing performance. 4. The role of information systems.

Nowadays most companies and organisations need information system because of the uncertainty of the future. The information system is a set of activities such as collecting, processing, storing and distributing information that helps to support decision making and controlling in an organisation (Ken Laudon and Jane Laudon, 2010). Application of the information systems allows companies to increase the accuracy, eliminate repetitive tasks, and integrate data from various sources for better performance. 5. John Lewis.

John Lewis's main activities are providing customers with high quality groceries, electrical goods, furniture, fashion, flowers and also financial services such as insurance and credit card services. As being one of UK's leading retailers, there are about " 84, 700 permanent staff who are Partners and who own 39 John Lewis shops across the UK (30 department stores and nine John Lewis at home), 291 Waitrose supermarkets, an online and catalogue business, a production unit and a farm. The business has annual gross sales of over £9. 5bn. Partners share in the benefits and profits of a business that puts them first" (John Lewis Partnership, 2013). John Lewis Partnership claims about " visionary and successful way of doing business, boldly putting the happiness of Partners at the centre of everything it does" (John Lewis Partnership, 2013). By giving 100% ownership to partners who are also staff of the company, John Lewis aims to be different from their competitors " serving customers with flair and fairness" (John Lewis Partnership, 2013).

Also, John Lewis was named ‘ Oracle Retailer of the Year’ and ‘ The Brandbank Multichannel Retailer of the Year’ at the Oracle Retail Week Awards 2013 (John Lewis Partnership, 2013). The company’s department store was voted ‘ Britain’s favourite electricals retailer’ and achieved the top accolade for customer service in the Verdict Consumer Satisfaction Index published in April 2012 (John Lewis Partnership, 2013). The other pride of the company is having been the Official Department Store Provider to the London 2012 Olympic and Paralympic Games (John Lewis Partnership, 2013). There are also a lot of awards in online shopping facilities: in May 2010 John Lewis achieved the accolade of the Best Online Retailer in the Which? Awards; two awards at the 2011 Drapers Retail awards, including the overall Gold Award for Retailer of the Year and the Best Multichannel Retailer (John Lewis Partnership, 2013). Technical Infrastructure:

According to John Lewis Information System Website the technology is used by John Lewis are barcodes and scanners to input information into the system. This information is stored in a central data base that is then accessed by other staff. Mobile handheld devices are also used; these are mobile scanners that are used to scan bar codes. The information can be entered into the central database and it is accessible worldwide to higher staff. Goals and challenges:

The purpose of the company is about satisfying employment in a successful business which increases the position as an outstanding retailer. This strategy is based on three objectives such as partners, customers and profit which together can make the company successful. As it was stated before partners should gain personal satisfaction by being a co-owned enterprise.

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The good reputation should be by providing value, choice and honesty to the customers. Also the company should make the profit to sustain commercial vitality. Achieving these three objectives demonstrates the benefits of co-ownership and the behaviours that differentiate the company. The John Lewis Partnership states: “ Our ability to compete against and outperform conventional companies will be the most important illustration of the effectiveness of our approach to business” (2013). IT and IS strategy:

“ John Lewis IT director Paul Coby intends to focus on deploying a new web platform, deploying a new POS system and integrating the retailer’s distribution centres. Coby said that the distribution centre systems need to be more fully integrated to better support new services, such as late night and same day deliveries. As part of the strategy, John Lewis customers will also be able to pick up items they have purchased online from a number of Waitrose grocery stores” (Julian Goldsmith, 2011). “ The Information System (IS) at John Lewis is basically a stock control system. The human activity the IS is supporting is the stock levels. It monitors stock coming in and going out. The system can automatically request for more stock should the stock levels decrease to a certain point It monitors what stock is removed from the shop itself, and this is relayed back to the warehouses. The warehouses themselves use headsets and voice recognition to organise the stock, this is directly fed into the IS By doing this the lives of the staff working in the warehouses are made a lot easier, having most of the work done electronically” (John Lewis, 2013).

6. The implementation of Michael Porter’s competitive five forces model 6. 1.

Traditional competitors:

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\* John Lewis is highly exposed to competition because it provides different types of items. It makes the company available to compete with supermarkets such as Sainsbury's, Tesco, Asda and clothes retailers such as Primark, Topshop, and H&M. \* Porter (1985) wrote that "companies pursue one of three generic strategies: low cost, differentiation or hybrid". In this regard, John Lewis has long tried to distinguish itself from competition by placing itself as a higher quality value-for-money brand. However, this has been greatly affected by the cuttings in apparel prices which poses a risk of de-valuing the brand in the market and losing the scope of specialization (Arnold, 2012). \* However, John Lewis credit cards and insurance face a lot of competition from banks and building societies.

#### 6. 2. New market entrants:

\* Due to the huge capital investments required in setting up a chain store the level of threat of new entrants is low. . Also, new entrants will face difficulties in the market competition because of maturity of the retail industry. \* All key retailers have strong reputable brand names therefore benefit from customer loyalty, which becomes increasingly important in homogenous markets (Doyle, 2002). \* The lack of market knowledge and makes a barrier to new entrants.

#### 7. 0. Concept of value chain analysis.

#### 6. 3. Substitute products and services:

\* The Waitrose is a threat in the food market, for example, the reason is Marks and Spencer provides focuses more in providing high quality clothing. Asda and Tesco have also introduced less affordable alternatives (Wilkes, 2012). At this point, the threat of substitutes is relatively high.

#### 6. 4. Customers:

\* The customers' concentration is high giving them an advantage in dictating tastes and rules. \* The costs are low and there are lots of alternatives.

#### 6. 5. Suppliers:

\* John Lewis as being a huge chain suppliers always want their products on the retailer's shelves in order to reach a large customer base enjoyed by John Lewis (Davey and Laurence, 2008). \* John Lewis is not completely dependent on suppliers as the company sells their own branded products too. This is favourable for margins (John Lewis, 2013). 7. 0. Value chain analysis.

John Lewis Partnership a retailing company doing its businesses online and in store. Their primary activities concerns with the creation and delivery of product and services. The success of the company because of providing the excellent customer service. The systems of warehouse and workforce management allows to focus on efficient distribution and performance. John Lewis increased the efficiency 16%, labour costs reduced by 8%, enhanced stock availability, 40% improved of warehouse order picking and also delivery time decrease by 25% (John Lewis, 2013). As a result, the support activity underpinning the added value focused on technology development. The company is allowed to cut overheads that lead to development of business growth and increase customer service due to simplicity of the system. All these lead to a competitive advantage.

#### 8. 0. Conclusion.

As the spending power of consumers decreases, customers get more cautious and start to shop around more for cheaper products (John Lewis,

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2013). John Lewis has a lot of strength to help keeping its leading position in the UK as retail market, but it should also take into consideration their weaknesses and be particularly cautious with regard to the good reputation. The company also should consider all possible means of maintaining investor relations and reforming its executive management to improve its corporate image. The BBC stated “ developing in to other markets and online sales present great opportunities and John Lewis should not vacillate in embracing them” (2012). The strategic aims of John Lewis Partnership illustrates the high level coherence between the Partnership and the strategic choices, resources and capabilities that have been used to achieve its aims. The strategic choice of differentiation has enabled the company to focus more on developing capabilities that improve efficiency and add value to customers. In total, this has led to the growth of the business throughout the period 2000 to 2010 evidenced by increasing market share, turnover, profit, including increase in sales of products and services and strategic coalitions and partnerships were also raised. Therefore, the paper clearly shows that a competitive advantage has been achieved.

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