

# Business model and strategy

## CREATING VALUE FOR OUR STAKEHOLDERS

### OUR RESOURCES AND RELATIONSHIPS

#### People

We employ around 27,000 colleagues in the UK, the Republic of Ireland, Denmark and in our sourcing offices in Hong Kong, Shanghai, Bangladesh and Sri Lanka. They support our own-operated stores in the UK and Europe and our digital operations, and serve 19 million customers

[+](#) Read more on page 20

#### Expertise and insight

We recruit and train experts in design, buying and merchandising, supported by excellent creative, marketing, logistics, financial and administrative functions. Our customer insight unit provides us with valuable feedback on our customers' spending habits and their view of our offer

[+](#) Read more on page 5

#### Channels

We have 183 stores across major retail locations in the UK, the Republic of Ireland and Denmark. We have a flagship digital store in the UK and a localised online service in a number of overseas markets. With over 280 million online visits each year to our UK website, it is one of the top online UK retail destinations

[+](#) Read more on page 6-7

#### Suppliers and partners

We have a well-established network of more than 1,000 suppliers, as well as concession, logistics and franchise partners, who provide us with high quality product, logistical support and local market expertise. in locations where we trade with a partner

[+](#) Read more on page 21

#### Finance

We have a strong balance sheet, with flexible financing provision through a £320 million financing facility and a £200 million bond, both of which are available until 2021. These resources are more than adequate to provide working capital, support our capital spending programme and pay a dividend to shareholders

[+](#) Read more on page 35

### HOW WE CREATE VALUE TODAY

#### Innovation and culture

We are developing a culture that puts our customers first, enabling product creation and development in an inspiring environment, supported by data-informed decision-making

#### Developing and managing brands

Approximately half our sales come from our own or exclusive brands. We use the insight from 19 million customers to inform brand development, and to edit and curate the choice of products and brands we sell

#### Serving our customers

We have worked hard to make shopping easier and more fun for our customers: reducing colleague tasks; equipping them with technology and data; and giving them more time in front of customers

#### Creating inspiring places to shop

We are reducing clutter in our stores, reducing stock options and improving visual merchandising. We have continued to upgrade our digital presentation for mobile display, to improve conversion

#### Leveraging partnerships

We continue to strengthen our relationships with third parties to broaden our reach. This includes accessing new customers both in the UK and overseas through partners for our own brands, and working with service providers to exploit growth categories such as food and beauty services in our stores

### THE VALUE WE CREATE

We create value for our stakeholders and our business by carefully managing the use of, and the return on, our resources and relationships

#### Gross transaction value

£3.0bn

#### EBITDA\*

£217.0m

#### Underlying EPS\*

6.4p

#### Digital sales growth (52 weeks)

12.7%

#### Return on capital\*\*

11.1%

#### Direct employment

c27,000

\* Before exceptional charges.  
\*\* Lease-adjusted.

### OUR VALUE CREATION IS UNDERPINNED BY

#### Risk management

A systematic approach to managing risk to ensure strategic goals are met

[+](#) Read more on page 26

#### Governance

Governance framework designed to safeguard long-term shareholder value

[+](#) Read more on page 42

**WHAT WE DO**

We aim to make shopping confidence-boosting, sociable and fun for our customers, through our 246 department store destinations and online in more than 60 countries. We give our customers around the world a unique, differentiated and exclusive mix of own brands, international brands and concessions.

**THE VALUE WE SHARE**

By running a profitable, sustainable, responsible business, we create value which is used to strengthen our financial position, invested to enable growth, and shared with all of our stakeholders

**Shareholders**

We pay a dividend (2017: £42.0 million) which is approximately twice covered by earnings per share

 [Read more on page 35](#)

**Suppliers**

We source globally from more than 1,000 suppliers adopting ethical trading principles. We have increased our business through direct sourcing operations in Hong Kong, Shanghai, Bangladesh and Sri Lanka

 [Read more on page 21](#)

**Colleagues**

We invest in training and support for our colleagues in order to enable them to create and manage brands and to serve our customers well

 [Read more on page 20](#)

**Customers**

We invest in our stores and integrated digital offer (2017 capex of £125 million) in order to provide our customers with an inspiring environment and a convenient customer journey

 [Read more on page 34](#)

**Communities**

We raised over £1.7 million through the Debenhams Foundation in 2017 to support charitable giving and community involvement

 [Read more on page 21](#)

**Environment**

We seek to operate our stores, logistics and sourcing operations in a way that minimises the use of energy and resources

 [Read more on page 22](#)

**HOW WE MAXIMISE VALUE THROUGH OUR NEW STRATEGY**



 **Destination**

By making Debenhams more of a Destination, especially for Beauty and beauty services; Fashion and accessories; and Food and events, we will grow “Social Shopping” and increase frequency of visits

 **Digital**

By using mobile to integrate our channels and become the primary means of interacting with our customers, we will increase loyalty and personalisation and broaden our reach

 **Different**

By being different in how we create and manage our brands and product, we will increase innovation and differentiation, building the desirability and value of our brands

 **Underpinned by Simplify & Focus**

By simplifying our operations and processes and focusing on doing fewer things better, we will increase the efficiency of our business

 [See our strategy in action on page 10](#)

**Sustainability**

Respecting human rights is fundamental to our company ethics and integrity

 [Read more on page 20](#)

**Culture**

Taking a customer first approach, fostering innovative thinking underpinned by data

 [Read more on page 14](#)