

John Lewis pins hopes on robo-advisor to mitigate brick-and-mortar losses

Article

The news: The UK department store giant partnered with JPMorgan-owned robo-advisor **Nutmeg** to launch investing services, [per](#) AltFi.

Product zoom in: Nutmeg is powering the underlying infrastructure for John Lewis customers to access a junior or a stocks-and-shares individual savings account (ISA) or a general investment account.

Why launch investing? John Lewis is building out its financial services to reduce reliance on its suffering brick-and-mortar retail model.

The department store has 34 shops left nationwide, having closed **16** of them after the pandemic greatly reduced foot traffic on high streets. But even though the UK has come out of lockdown, the pandemic's legacy will carry on: Insider Intelligence expects further store closures as customers continue to make more purchases online, just as they've grown used to doing over the past 18 months. **This year, the gap between ecommerce and physical retail will shrink to 37.5% and 62.5% respectively, per our UK Ecommerce Forecast 2021.**

At the same time, a recent John Lewis **survey of its customer base found that 72% would consider investing**, but nearly 60% do not know where to start. With its robo advisory solution, the department store is adapting to customers' changing demand and opening a new revenue stream for its **existing** fintech arm—which already offers credit and insurance services. It also brings it closer to its target of deriving **40% of its profits from sources outside of retail by 2030**, per Altfi.

Looking ahead: John Lewis' expansion highlights a potential shift in the face of retail investing, raising the question of where financial firms will end up within the reimagined supply chain. Some examples in the US offer a clue:

- API brokerage platform **DriveWealth** lets global brands add investing options to loyalty rewards toolkits, such as topping every customer credit card swipe with fractional shares of their stock.
- **Walmart** is building its own fintech offering, and it may even “reward consumers who come to the store every week to buy groceries with Walmart stock or a wider portfolio,” **CEO Bob Cortright said** in an interview with Insider Intelligence.

Retail giants offering investing could become valuable allies for financial incumbents defending themselves from fintech disruption. In December 2020, the **FCA** stated it expects that all major UK retail banks will offer automated investing within the next few years. However, UK banks have so far engaged in a **series** of unsuccessful attempts to build their own digital offshoots. Joint robo-advisory offerings in partnership with **trusted** retail brands like John Lewis could be more successful: These brands tend to enjoy **higher** consumer trust than **banks** and are capturing a trove of data on their customers' shopping habits that banks could use to better tailor fintech offerings.