

Module Title: Problem Solving and Decision Making

Module Code: LCLM 4004

Assessment: Component 2 Report – Basil's Bakery

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## **Task 1: Overview of Case Study**

Basil's Bakery is a small independent bakery located in a retail park in Coventry, UK. Since it was established, in 2015, the annual sales grew consistently each year until 2019. During the COVID pandemic in 2020, there was a significant decrease in sales due to lockdown restrictions. Despite the restrictions being lifted afterwards, the sales remained approximately 25% below the 2019 figures. Basil noticed that many shops around that area closed, moving their businesses to online services. Besides, a lot of the office workers from nearby businesses started to work from home some days of the week. Overall, less people are frequenting the retail park, causing Basil's Bakery to have reduced sales. At the same time, the overhead costs continue to increase.

## **Task 2: Two Proposed Solutions**

### **Solution 1: Use a Third-Party Delivery Service**

By introducing a delivery service using a third-party delivery provider, customers would place their orders through an app, while an external delivery company would collect and deliver the food. By doing that Basil could reach customers who no longer go to the retail park or are working from home. It responds to the requests Basil has already received from existing customers as well as allows Basil's Bakery to reach new customers who would come to know about it through the delivery apps. Furthermore, the delivery costs would depend on the amount of orders placed, providing more financial flexibility than adding new employees. (Liu and Li, 2023)

### **Solution 2: Hire Employees and Provide Basil's Own Delivery Service**

The second solution is for Basil to employ staff and operate his own delivery service, which also addresses the requests made by customers for Basil to provide delivery services. Customers would place orders through an online system to be delivered by a permanent employee. This would give Basil greater control over delivery quality and customer service. Permanent employees could also assist with other bakery duties when not making deliveries. However, this solution would increase the bakery's fixed costs while not knowing if the amount of delivery orders would be enough to cover the additional costs and generate profit. (Business Growth Service, 2026)

### **Task 3b) Evaluation Results and Justifications**

Based on the PMI analysis, solution 1, using a third-party delivery service, is the best option as it presents lower financial risk. Basil, being in a situation where the sales are stagnant and the overheads increasing, would be taking a huge risk with the introduction of new employees, as it would increase his fixed costs before he knows what is the delivery demand is and how profitable it will be. The costs are the most pressing concern.

The third-party ordering system and delivery also allow Basil to focus on baking, which is one of his concerns, since Basil is unable to receive the orders himself so as to not disrupt the production. Furthermore, Basil can benefit from the existing customers who already use the delivery apps and can become Basil's customers in the future.

Basil should monitor delivery costs, revenue, customer satisfaction and the consistency of delivery orders before deciding if the service should be expanded.

### **Task 4b) Justifications for the Implementation Plan**

The plan has been decided focusing on achieving the objective in a short amount of time while also minimising the implementation costs. Basil should first research potential delivery companies to avoid selecting one that could result in high costs or poor customer service. Establishing a delivery area and minimum order price is important to avoid small orders located far from the bakery. (Tao, Gou & Zhang, 2018) Using a delivering app for ordering can solve Basil's problem of not being able to answer the phone.

While the transportation of the orders would be done by the delivery company, Basil should monitor the performance, guaranteeing product quality, good customer relationships and steady pricing. By making contact with the loyal customers to announce the existence of the delivery service, Basil can get direct feedback on improvements needed while also spreading the knowledge about the new service.

Three to four months is enough to evaluate if the delivery service is working consistently, analyse customers' satisfaction and conclude if the delivery service is a worthy commitment.

### **Task 5b) Justifications for the KPI and SMART Objectives**

The KPI and SMART Objectives should be used to monitor the service provided by the delivery system. By comparing the costs and revenue from before

and after implementing the service, it is possible to assess the efficiency of the solution in dealing with the problem.

Basil should record the amount of delivery orders received as well as the delivery costs and the costs of the products separately. Therefore, it is easier to identify where the revenue is coming from and measure how much of it is profit. Customer satisfaction should also be analysed. It can be done through surveys and feedback requests. Basil should guarantee the products are being delivered in time, efficiently and in good condition. (Asawawibul et al., 2025)

By comparing performance with the SMART Objectives, the revenue should be increasing while the costs remain controlled and stable. As time passes, Basil would be able to know if adjustments are needed, such as changing the products offered for delivery, increasing delivery charges or increasing the minimum order price. This approach ensures decisions are based on evidence and reduces the risk of implementing an idea with low probability of success. Following this plan should help Basil's Bakery increase their revenue by around 10% after 6 months and 15% after 1 year.

### **Task 6) Key Findings**

- Basil's sales problem is mainly caused by changes in customer behaviour and declining movement of people frequenting the retail park.
- Employing delivery staff would provide greater control but would introduce high additional expenses, such as vehicle and employment costs. Increasing overheads and operating costs make additional fixed costs highly risky.
- Third-party delivery would allow Basil to reach customers who work from home or no longer visit the retail park, while still focusing on baking.
- PMI indicates that third-party delivery presents lower risk. Monitoring sales amounts, repeated orders, delivery costs and customer satisfaction can help determine if the solution is effective and financially viable.
- The KPI is a 10% increase in revenue in 6 months and 15% in one year.

## **Reference List**

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# Appendices

## **Appendix 1 – Task 3a**

### **PMI Evaluation Table**

| <b><u>Use a Third Party Delivery Service</u></b>                                                                          |                                                                                        |                                                                      |
|---------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------|----------------------------------------------------------------------|
| <b>Plus</b>                                                                                                               | <b>Minus</b>                                                                           | <b>Interesting</b>                                                   |
| Allows the bakery to reach a larger range of customers (+5)                                                               | High fees for delivery companies (-4)                                                  | Aggregator commissions are becoming increasingly strict (-4)         |
| There is less risk of performance issues (+2)                                                                             | Needs a lot of paperwork done (-2)                                                     | There are different options of aggregators with different costs (+3) |
| Delivery companies have an already established base of customers (+3)                                                     | The bakery needs to follow operational standards dictated by the delivery company (-2) | Aggregator commissions are highly negotiable (+3)                    |
| Customer services can be handled by the delivery company (+2)                                                             | Bakeries usually have a lower average order (-3)                                       | There might be necessary to implement a minimum order quantity (-2)  |
| The bakery can transfer the service costs to customers by adjusting the prices of products and charging service fees (+4) |                                                                                        | The couriers are paid by the delivery company (+3)                   |
| <b>TOTAL: +16</b>                                                                                                         | <b>TOTAL: -11</b>                                                                      | <b>TOTAL: +3</b>                                                     |

**Therefore: Overall Total for Name (for Solution A) = +8**

| <b><u>Hire Employees and Provide Basil's own Delivery Service</u></b> |                                                                                        |                                                                             |
|-----------------------------------------------------------------------|----------------------------------------------------------------------------------------|-----------------------------------------------------------------------------|
| <b>Plus</b>                                                           | <b>Minus</b>                                                                           | <b>Interesting</b>                                                          |
| Staff to handle orders and delivery (+5)                              | Costs to hire and maintain staff (-5)                                                  | It is possible to limit the amount of orders accepted (+3)                  |
| The bakery can have more control over customer services (+3)          | The costs for maintaining a private delivery service are high (-5)                     | The bakery will need to invest in creating their own platform (-2)          |
| The bakery already has loyal customers willing to order (+4)          | The delivery services might be limited to a smaller area (-3)                          | More than one person will need to be hired to handle delivery services (-4) |
| Online presence will increase the number of customers (+3)            | The bakery is responsible for dealing with any unexpected setbacks or extra costs (-3) |                                                                             |
| <b>TOTAL: +15</b>                                                     | <b>TOTAL: -16</b>                                                                      | <b>TOTAL: -3</b>                                                            |

**Therefore: Overall Total for Name (for Solution B) = -4**

(Finley, 2012)

## **Appendix 2 – Task 4a**

### **Implementation Plan**

Name the problem you are solving: Stagnant sales and low figures in Basil's Bakery

Name the solution you are implementing: Using a third-party delivery service

|          | <b>WHAT</b>                               | <b>HOW</b>                                                                                                                                                          | <b>WHEN</b>   | <b>WHO</b>                 |
|----------|-------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------|----------------------------|
| <b>1</b> | Research and select a delivery company    | Research different delivery providers, comparing costs, reliability and customers' reviews. Select the one offering the best cost and service quality.              | 1 to 2 weeks  | Basil                      |
| <b>2</b> | Create a delivery menu                    | Decide what products will be available for delivery and establish the prices.                                                                                       | 1 to 2 weeks  | Basil                      |
| <b>3</b> | Set up the delivery system                | Contact the delivery provider to establish a contract and negotiate terms, such as costs, delivery area and minimum order prices as well as the method of ordering. | 2 to 3 weeks  | Basil and delivery company |
| <b>4</b> | Implement the delivery service            | Announce to the loyal customers the implementation of the new service and start providing the deliveries.                                                           | 1 to 2 weeks  | Basil and delivery company |
| <b>5</b> | Monitor and evaluate the service provided | Monitor sales, delivery costs and customer feedback to evaluate the effectiveness of the solution. Based on the results, decide on how to continue.                 | 3 to 4 months | Basil                      |

### **Appendix 3 – Task 5a**

- The Key Performance Indicator is: 10% increase in revenue in the first 6 months, and 15% in one year.

| Specific                                                                                                                             | Measurable                                                                                                                                                                                                                                                                    | Attainable                                                                                                                                                                                                                                                                                                                          | Relevant                                                                                                                                                                                        | Time-Bound                                                                                                                                                                                                                                                                                                      |
|--------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Introduce a third-party delivery service to allow customers who no longer visit the retail park to purchase Basil's Bakery products. | The objective is to increase the sales by implementing a delivery service and, through that strategy increase the revenue. Measure the number of delivery orders and the revenue generated from them each month. 3% increase in revenue per month is a realistic expectation. | Basil's Bakery has loyal customers who suggested the introduction of delivery services. Therefore the service has a high chance of being well received. Using a third party delivery provider avoids costs of hiring staff. During the first 3 months mistakes or unexpected problems could happen. It should stabilise afterwards. | The solution provides a way for existing and new customers to buy without physically visiting the bakery. The solution directly addresses Basil's declining customer numbers and reduced sales. | Within three to four months of implementing the delivery service, it is possible to evaluate the consistency of the service and the difference in revenue. After around 6 months, if the implemented plan is successful, the bakery is expected to increase its revenue by at least 10% and 15% after one year. |

(Gilsing et al., 2021)