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COMPONENT 1: BASIL'S
BAKERY



Basil's Bakery: An Investigation into the Causes of Sales Stagnation
PRESENTATION (5-10 MINUTE)

The background image shows the exterior of Basil's Bakery. The storefront has a dark wooden frame with large glass windows and doors. Above the entrance, a sign reads "BASIL'S BAKERY" in large, serif capital letters, with "ARTISAN BAKERY • ORGANIC INGREDIENTS • MADE WITH CARE" in smaller text below it. To the left, a circular hanging sign also displays the bakery's name and ethos. The windows are filled with various baked goods, including loaves of bread and pastries, some labeled with names like "Olive", "Rustic", and "Sourdough". A small sign in the window says "Organic Flour Natural Ingredients". The entrance is flanked by potted plants and small, warm-toned lights. The overall atmosphere is rustic and inviting.

Presentation Overview

- ☐ In my presentation I will :
- ☐ Provide an overview of Basil's Bakery and its current challenges.
- ☐ Examine the factors contributing to declining sales performance.
- ☐ Critically evaluate the PESTEL framework.
- ☐ Apply the PESTEL framework to Basil's Bakery.
- ☐ Critically evaluate the Cause-and-Effect Model.
- ☐ Apply the Cause-and-Effect Model to identify root causes.
- ☐ Summarise the key findings from the analysis.

Overview of Basil's Bakery

Business Background

- ❑ Independent artisan bakery established in Coventry in 2015.
- ❑ Specialises in premium organic breads, pastries and cakes.
- ❑ Located within a retail park serving shoppers, retail employees, office workers and warehouse staff.
- ❑ Experienced consistent sales growth between 2015 and 2019.

Current Business Position

- ❑ Sales declined significantly during the COVID-19 pandemic.
- ❑ Despite post-pandemic recovery, sales remain approximately 25% below 2019 levels.
- ❑ Rising operating costs and changing consumer behaviour continue to affect business performance.





Analysis of the Problem

- ❑ **Root Problem**

- ❑ **Persistent sales stagnation since 2023.**

- ❑ **External Factors**

- ❑ Declining retail park footfall.

- ❑ Closure of neighbouring retail outlets.

- ❑ Growth of hybrid and remote working practices.

- ❑ Increased inflation and reduced consumer spending power.

- ❑ Rising utility, rental and insurance costs.

- ❑ **Internal Factors**

- ❑ Absence of a delivery service.

- ❑ Inefficient pre-order system.

- ❑ Dependence on physical customer visits.

- ❑ Difficulty forecasting organic ingredient costs.

- ❑ **Evaluation**

- ❑ The majority of external factors are beyond Basil's direct control,

- ❑ whereas operational issues such as delivery and ordering systems represent intern

- ❑ factors that can be addressed strategically.



Definition

PESTEL is a strategic analysis framework used to evaluate the external macro-environmental factors affecting organisational performance (Johnson et al., 2020).

Advantages

Encourages systematic environmental analysis.

Supports strategic planning and decision-making.

Identifies external opportunities and threats.

Provides a comprehensive overview of the business environment.

Limitation

Focuses solely on external influences.

Does not prioritise the significance of identified factors.

May oversimplify complex business environments.

Findings can become outdated quickly in rapidly changing markets (Benzaghta et al., 2021).

Critique of the PESTEL Framework

PESTEL Analysis of Basil's Bakery

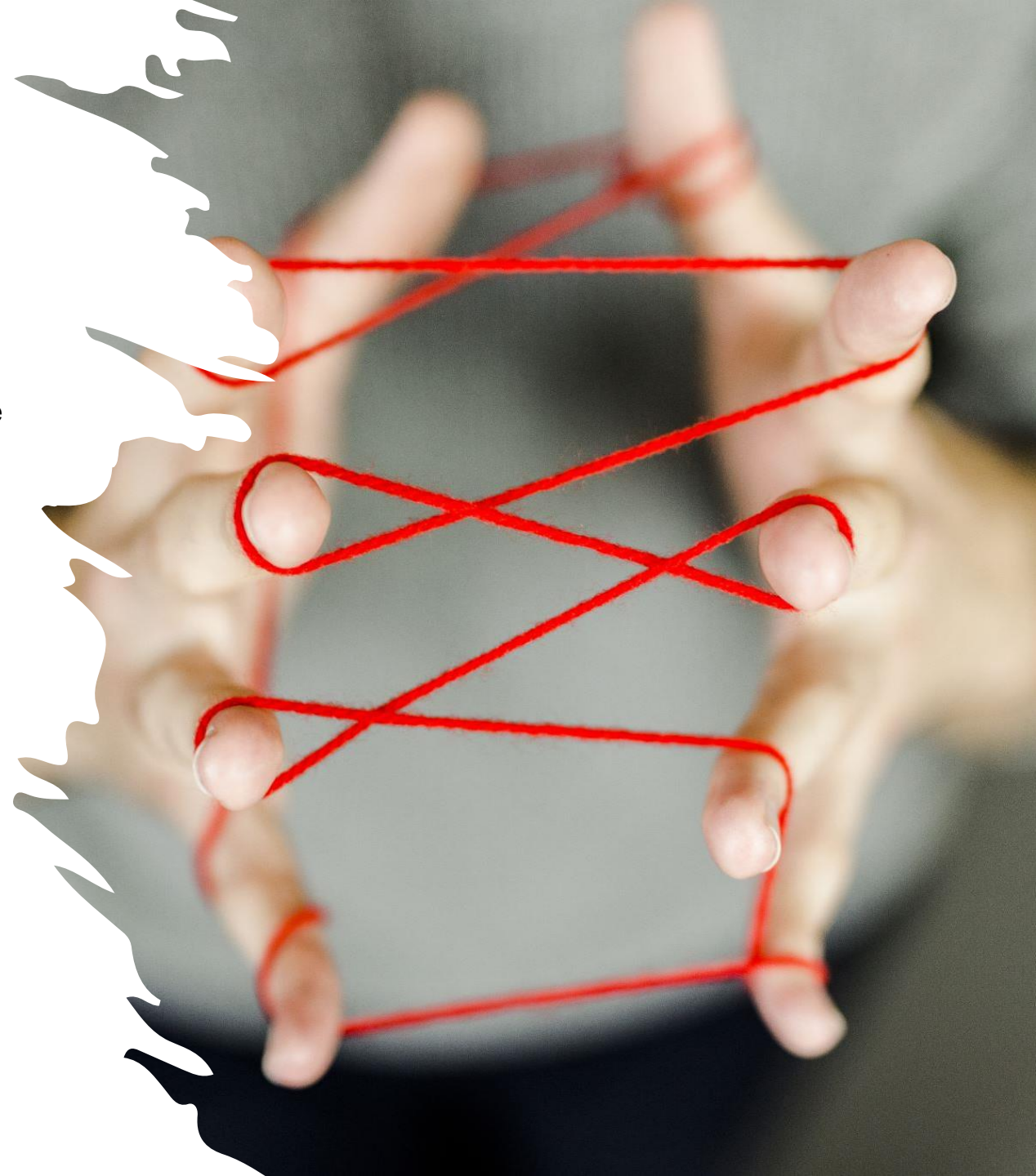
Factor	Application to Basil's Bakery
Political	Business rates and government economic policies influence operating expenses.
Economic	Inflation has increased ingredient, utility and rental costs while reducing consumer purchasing power (ONS, 2024).
Social	Hybrid working has reduced the number of office workers visiting the retail park (ONS, 2024).
Technological	Lack of online ordering and delivery services limits accessibility and customer convenience.
Legal	Compliance with food safety and employment regulations increases operating costs.
Environmental	Organic ingredients are vulnerable to climate-related disruptions and supply shortages.

❑ Discussion

❑ Economic, social and technological factors appear to have the greatest influence on business performance. These factors have simultaneously reduced customer demand while increasing operating costs.

Critique of the Cause-and-Effect Model

- ❑ The Cause-and-Effect Model, also known as the Ishikawa or Fishbone Diagram, is used to identify and categorise the root causes of organisational problems (Ishikawa, 1985).
- ❑ **Advantages**
 - ❑ Facilitates root cause identification.
 - ❑ Encourages structured problem-solving.
 - ❑ Supports informed decision-making.
 - ❑ Enables visual representation of complex problems.
- ❑ **Limitations**
 - ❑ Relies on subjective judgement.
 - ❑ Does not indicate the relative importance of causes.
 - ❑ Can become complex when analysing multiple variables.
 - ❑ Does not provide direct solutions to identified problems (Dale et al., 2016).



Cause-and-Effect Analysis

Root Problem

Sales remain 25% below pre-pandemic levels.

Category	Causes
Methods	No delivery service; ineffective pre-order system.
Machines	Limited digital technology; absence of online ordering platform.
People	Increase in remote working; redundancies among retail employees.
Materials	Volatile organic ingredient prices; supply chain uncertainty.
Measurement	Limited customer data collection; lack of demand forecasting.
Environment	Reduced retail park footfall; closure of neighbouring stores.

- ❑ **Analysis**
- ❑ The evidence suggests that declining sales are caused by a combination of external environmental pressures and internal operational limitations. The interaction of these factors has reduced customer demand and restricted the bakery's ability to adapt to changing market conditions.

Summary of Key Findings

Key Finding 1

Sales stagnation is the result of multiple interconnected factors rather than a single issue.

Key Finding 2

Changes in consumer behaviour, particularly hybrid working, have significantly reduced customer footfall.

Key Finding 3

Economic pressures, including inflation and rising operating costs, have negatively affected profitability.

Key Finding 4

Operational limitations, particularly the absence of delivery and digital ordering services, have reduced the bakery's competitiveness.



Conclusion



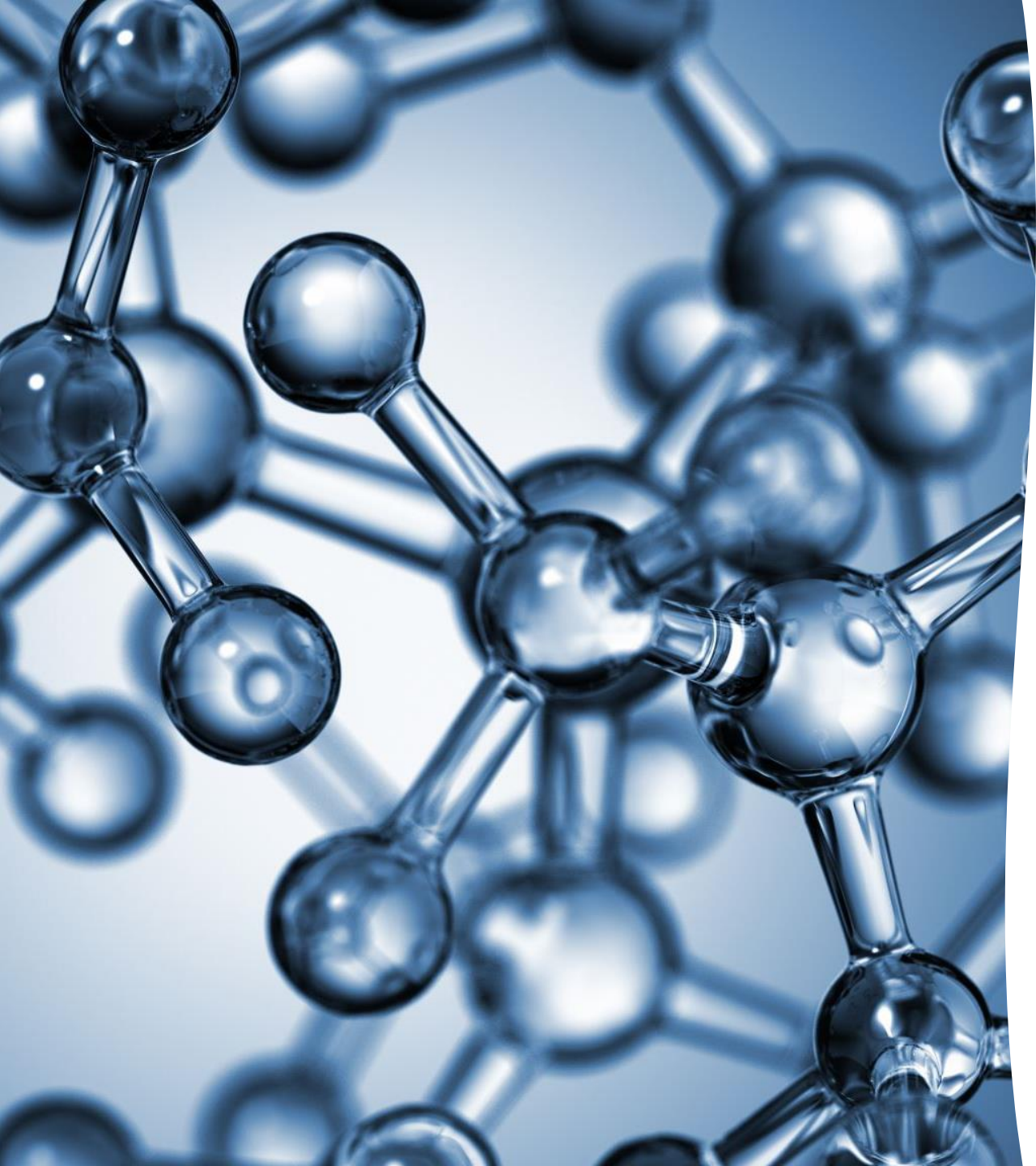
The analysis has demonstrated that Basil's Bakery is experiencing a sustained decline in sales due to a combination of external and internal factors.



The PESTEL analysis identified significant economic, social and technological challenges, including rising operating costs, changing consumer behaviour and the increasing demand for digital convenience. These factors have reduced customer footfall and negatively affected business performance.



Furthermore, the Cause-and-Effect analysis revealed that operational limitations, such as the absence of delivery services and an ineffective pre-order system, have restricted the bakery's ability to respond to changing market conditions.



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