

LCLM4004 Problem Solving and Decision Making

Basil's Bakery - Report

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Introduction

Basil's Bakery is an independent artisan bakery located in Coventry and was established in 2015. The business focuses on producing high-quality bakery products using organic ingredients, which helps create a strong reputation for quality and customer satisfaction.

The bakery experienced positive growth until 2019. However, following changes in consumer behaviour and increasing business pressures, sales have remained approximately 25% below 2019 levels. This creates a significant problem because declining sales combined with increasing costs can reduce profitability and threaten the long-term sustainability of the business.

The main problem facing Basil's Bakery is caused by a combination of external and internal factors. External factors include reduced retail park footfall, changes in working patterns and rising costs. Internal factors include limited digital services, a lack of delivery options and customer experience issues such as long waiting times.

Problem-solving tools are useful because they allow businesses to identify the causes of problems and make informed decisions. This presentation will analyse Basil's Bakery's situation using two tools: PESTEL analysis and the Fishbone diagram. These methods will identify the key factors affecting performance and provide recommendations for improvement.

Nature and Scope of the Problem

Basil's Bakery is experiencing a decline in sales performance despite previously being successful. The issue is not caused by one single factor but by several connected problems affecting customer demand, operating costs and competitiveness.

External Issues

One major external issue is reduced retail park footfall. Customer shopping habits have changed significantly, with more people using online shopping and fewer people visiting physical stores. In addition, the increase in hybrid working has reduced the number of people commuting and visiting retail areas during weekdays.

This creates a challenge for businesses that depend on customers visiting physical locations. As fewer customers pass through retail areas, Basil's Bakery has fewer opportunities to generate sales.

Another external issue is increasing operating costs. The bakery has experienced rising expenses including rent, energy bills and ingredient prices. Since Basil's Bakery uses organic ingredients, it may be more affected by increases in supply costs. Higher expenses reduce profit margins and make it more difficult for the business to maintain competitive prices.

Internal Issues

Basil's Bakery also faces internal challenges. One issue is the lack of digital services. Many customers now expect businesses to offer online ordering, delivery and convenient purchasing options. Without these services, Basil's Bakery may lose customers to competitors that provide easier access.

Another internal issue is customer experience. Long waiting times may reduce customer satisfaction and discourage repeat purchases. Customer experience is important because satisfied customers are more likely to return and recommend the business to others.

PESTEL Analysis

PESTEL analysis is a strategic management tool used to examine external factors that influence an organisation. The model considers Political, Economic, Social, Technological, Environmental and Legal factors.

According to Johnson et al. (2023), analysing external environments helps organisations identify threats and opportunities before making strategic decisions.

Political Factors

Political factors include government policies, business rates and regulations that affect small businesses.

For Basil's Bakery, changes in business rates or government policies could increase operating expenses. Although regulations are necessary, additional costs can create financial pressure for smaller businesses.

Economic Factors

Economic factors are one of the biggest challenges affecting Basil's Bakery. Inflation, increasing energy prices and rising ingredient costs have increased the cost of running the business.

The cost-of-living crisis may also affect customer behaviour because consumers may reduce spending on non-essential purchases. This means the

bakery may experience lower demand while also facing higher production costs.

Social Factors

Social factors relate to changes in consumer behaviour and lifestyle.

Hybrid working has changed how customers interact with local businesses. Previously, workers may have regularly visited shops and cafes near workplaces. However, working from home has reduced customer visits to retail locations.

Customers are also increasingly looking for convenience, meaning businesses that offer online ordering and delivery may have an advantage.

Technological Factors

Technology is an important factor affecting Basil's Bakery. Many modern customers expect businesses to provide digital services, including online ordering, delivery tracking and online payments.

The absence of an online ordering system limits Basil's Bakery's ability to reach new customers and compete with businesses that have stronger digital platforms.

Environmental Factors

Environmental factors are particularly relevant because Basil's Bakery uses organic ingredients.

Climate change and unpredictable weather conditions can affect crop production, creating uncertainty around ingredient availability and prices. This can increase costs and make supply management more difficult.

Legal Factors

Legal factors include food safety regulations, employment legislation and business requirements.

Basil's Bakery must ensure it follows legal responsibilities to protect customers and employees. However, meeting these requirements can create additional costs and administrative responsibilities.

Evaluation of PESTEL Analysis

PESTEL analysis is useful because it provides a structured method for identifying external influences affecting business performance. It helps

managers understand wider challenges and opportunities when making decisions.

However, PESTEL also has limitations. It focuses mainly on external factors and does not identify the root causes of internal problems. It also does not show which issues have the biggest impact on business performance.

Because of these limitations, another problem-solving tool is needed. The Fishbone diagram can be used to explore the underlying causes contributing to Basil's Bakery's declining sales.

Fishbone Diagram Analysis

The Fishbone diagram, also known as the Ishikawa diagram, is a problem-solving tool used to identify the possible causes of a specific problem. Ishikawa (1986) explains that the method helps organisations investigate problems by separating causes into different categories.

The main problem identified is:

Sales remain 25% below 2019 levels

People

Staff-related issues may contribute to operational problems.

**Staff redundancies may reduce workforce capacity.
Reduced staffing levels may increase pressure on employees and affect customer service.**

Methods

The bakery's processes may affect customer satisfaction.

**Long waiting times may discourage customers from returning.
Limited pre-ordering options reduce convenience.**

Technology

Technology is an important area for improvement.

**No online ordering system limits customer accessibility.
No delivery platform prevents the bakery from reaching customers who prefer home delivery.**

Environment

External environmental changes have affected customer demand.

**Reduced retail park footfall decreases potential customers.
Hybrid working has changed purchasing patterns.**

Materials

Ingredient costs create financial pressure.

**Organic ingredients may have increased in price.
Supply problems may affect availability.**

Money

Financial pressures affect profitability.

**Increased rent costs increase operating expenses.
Higher energy bills reduce profit margins.**

The Fishbone diagram demonstrates that Basil's Bakery's sales decline is caused by several connected factors rather than one isolated problem.

Key Findings

The analysis identified several important findings.

Firstly, reduced customer footfall is a major factor affecting sales. Changes in shopping habits and hybrid working have reduced the number of customers visiting physical retail locations.

Secondly, increasing costs are creating financial challenges. Rising ingredient, rent and energy costs increase expenses and reduce profitability.

Thirdly, technology is a significant area requiring improvement. Customers increasingly expect convenient digital services, and Basil's Bakery's lack of online ordering and delivery options may reduce competitiveness.

Finally, customer experience issues such as waiting times may affect customer loyalty. Improving service efficiency could encourage repeat purchases.

Recommendations

Based on the analysis, several recommendations can be made.

Introduce Online Ordering and Delivery. Basil's Bakery should consider introducing an online ordering system and delivery service. This would improve convenience for customers and allow the bakery to generate sales beyond physical visitors.

Improve Pre-ordering Systems. A pre-ordering system could reduce waiting times and improve customer satisfaction. Customers would have greater control over purchases, creating a more efficient experience.

Increase Digital Marketing. The bakery should increase its use of social media platforms to promote products, attract new customers and strengthen brand awareness.

Review Operating Costs. The business should review costs and identify areas where savings can be made without reducing product quality. Effective cost management would improve profitability.

Conclusion

Basil's Bakery is facing a complex business problem caused by multiple external and internal factors. The PESTEL analysis identified economic pressures, social changes and technological challenges affecting performance. The Fishbone diagram highlighted the root causes contributing to declining sales.

The analysis shows that improving digital services, reducing customer barriers and managing costs effectively are important steps for recovery.

By using structured problem-solving tools, Basil's Bakery can make better-informed decisions and develop strategies to improve competitiveness, increase customer satisfaction and restore sales performance.

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