

MODULE CODE: LCLM4004

**MODULE TITLE: PROBLEM SOLVING AND DECISION
MAKING**

**COMPONENT 2: INDIVIDUAL REPORT (BASIL'S
BAKERY)**

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1. Introduction

As the appointed business consultant, the major financial and operational constraints that are currently limiting the growth of Basil's Bakery will need to be critically assessed. The aim of this report is to examine the market dynamics that are impacting on the business and to suggest a strong strategic shift that will result in curbing the rising overheads while promoting a rise in the number of customers who enter the store. Grid Analysis will be used to allow for quantitative evaluation for a rigorous and objective decision making process, and a thorough Risk Analysis matrix will be used to analyse feasibility and facilitate risk mitigation.

2. Business Context and Problem Identification

Basil's Bakery is an artisanal small independent bakery, founded in 2015 in a retail park in Coventry, which is highly dependent on good quality but unpredictable organic ingredients (Basil's Bakery, 2021). In recent times, the business has faced huge external and internal challenges.

External Challenges: The bakery has lost most of its city office customers because they are working remotely and there are surrounding store closures that have reduced the amount of customer traffic to the bakery.

Internal Challenges: Sales have stopped growing and are approximately 25% lower than in 2019. At the same time, expenses for running the business, including rent, utilities, insurance, and business rates, are increasing at a fast pace (Perini PraveenaSri et al., 2023). Also, as a sole trader, Basil is too busy to deal with a long line, deliveries and phone orders, which has a direct impact on lost sales.

3. Solutions

For the sake of the bakery to be financially sustainable, two operational strategies aiming at space and cost management are suggested:

Solution A: Sublet Space to Synergistic Vendor (e.g., Artisan Coffee Roaster). Basil might create a new location in the underutilised front-of-house spaces to sublet it to a

nearby complementary business, such as a specialty barista (Dolbec, Arsel and Aboelenien, 2022). One would be sharing the space, which would effectively reduce the cost of rent and utilities by half, since they are prohibitively expensive. Moreover, a specialty coffee seller is an ideal fit with artisan baked goods, bringing loyal customers each day that will shop at the bakery without Basil having to hire extra personnel.

Strategy B: Move to a more affordable dark kitchen. Alternatively, the company can replace the costly Coventry retail park with a low cost dark kitchen location nearby. In this scenario, Basil would turn 100% B2B, wholesale or digital click and collect (Alho, Sakai and Dalla Chiara, 2023). This means Basil can focus on baking, delivering online without the retail friction, front-of-house rent and retail utility costs.

4. Strategy Assessment

A Grid Analysis framework was used to objectively compare both the options. It guarantees that the decision-making process will be quantitative and based on the weighting process, thus preventing the occurrence of emotional factors (Theodorakopoulos, Theodoropoulou and Halkiopoulos, 2025).

There were three points awarded for each criterion. From the analysis, it is evident that Strategy A (Subletting) is significantly better (Appendix 1). The initial investment in setting up a new dark kitchen is high and operating expenses are high, while subletting does not require much initial investment. Moreover, subletting offers unparalleled convenience since Basil can stay in the existing location, thus preventing the logistical turmoil that a complete move would cause, which would most likely result in loss of business from the remaining walk-in clients.

The quantitative results of the Grid Analysis strongly support Strategy A (Subletting Space) as the recommended direction to move forward in. Dark kitchen (Strategy B) requires significant capital investment and may potentially forever alienate loyal walk-in customers of the retail park. On the other hand, Strategy A provides instant monetary relief with the splitting of overhead expenses. Importantly, it does this without requiring Basil to change its current baking processes or hire new employees.

5. Risk Evaluation and Practical Viability

Identified Risk	Likelihood	Impact	Score	Prevention Strategy	Mitigation Strategy
Landlord rejects subletting	2	5	10	Analyse lease conditions and make a professional offer.	Switch any leases to the Dark Kitchen.
Subtenant business fails	2	6	12	Check the vendor's business plan and financial history.	Get a legally binding 3 month rent deposit.
Brand aesthetic clashes	2	3	6	Partner up with someone with a different specialisation and an organic focus.	Have clear operational codes and a dispute clause.

Table 1: Risk Analysis

(Source: Learner)

Although subletting is a great thing, it can come with its risks. The main issues here are potential legal issues with the current lease agreement with the landlord, operational issues with the new sub-tenant or financial problems if the partner business suddenly goes out of business and is unable to pay rent (Honsa, Tattara and Sterken, 2023).

While there are risks involved, the approach is very pragmatic and economically sound. The main financial risks can be mitigated by robust contractual protections. Basil is protected by a legally binding commercial sublease with a minimum 3-month financial upfront payment from the vendor. This deposit will give sufficient time to replace the tenant without risking default on the original rental commitments should the partner pull out.

6. Implementation Plan

The following implementation timeline will be considered.

- **Phase 1 (Weeks 1-2):** Legal Verification; Basil will be looking at the commercial lease and formally asking the landlord of the retail park for permission to sublet in order to verify legal compliance.
- **Phase 2 (Weeks 3-4):** Partner Sourcing; The space will be promoted locally through social media and business networks for additional serious vendors that may be synergistic, such as an artisan coffee roaster.
- **Phase 3 (Weeks 5-6):** Contracting and Redesign; Contracts will be prepared and signed, which will include the 3-month deposit clause, once a suitable partner emerges. There will be some minor design changes on the shop floor to accommodate the secondary vendor.
- **Phase 4 (Week 7):** Unified Launch; Both companies will be launching a marketing campaign in tandem to let their respective audiences know that a new, unified space is now open.

The particular time is carefully managed to avoid disruption of operations. Landlord approval is required at the start (Phase 1) or it is a breach of contract and could lead to eviction (Raymond, Green and Kaminski, 2022). Moreover, it is feasible to set aside a full 7-week window. It gives Basil the space to thoroughly assess a stable player, instead of a hasty, poorly thought-out match up that occurs because of money pressure.

7. Success Metrics and Monitoring

7.1 KPI and SMART Objectives

To measure how well this strategic shift is working, there needs to be clear metrics of performance.

Criteria	Description
Specific	Sublet a section of the retail space to reduce overheads on rent and utilities and increase the cross traffic throughs in the bakery every day.
Measurable	Decreasing daily operating expenses by 40% and increasing daily visitors by 15%.
Achievable	The mathematical reduction of the cost is guaranteed by halving the lease, and the complementary vendor organically gains footfall.
Relevant	Addressed Basil's key vulnerabilities: rising fixed costs and falling visitations to retail parks.
Time-bound	Target metrics need to be met in full within 3 months of the sub-tenant's official occupancy.

Table 2: SMART Objectives

(Source: Learner)

7.2 Tracking Methods

Basil will embed these performance tools into current business applications. Monthly cash-flow statements will be compared to the historical average of the last 3 years (2023–2025) to ensure that the 40% cost reduction target is being maintained. Point-of-Sale (POS) data will be analysed on a weekly basis to determine whether daily pastry transactions have positively moved as a direct result of the new coffee vendor in the shared space to measure footfall improvements.

8. Key Findings

From the research and analysis, the following key takeaways have been synthesised:

1. The current business model is most at risk from permanent changes in the way that people work (WFH), and rising fixed overheads.
2. Subletting the front-of-house space is the most feasible, economical and immediate approach to reducing overheads and driving cross-promotional traffic.
3. The risk of the sub-tenant either failing or not paying for their operations and financials can be completely mitigated with strong legal agreements and a 3-month upfront deposit requirement.
4. It is important to note that this pivot will only come to pass if explicit legal consent is acquired from the landlord, and the targeted 40% rent reduction is successfully negotiated.

9. Conclusion

Hence, although macro-economic issues like the local retail park, and the long-term trend of working remotely are out of Basil's control, it is quite possible to manage the physical estate that has been in existence. The bakery will have to deal with a sub tenant that is strategically aligned and can significantly reduce the financial burden whilst gaining a new and valuable customer acquisition channel. In the end, the decision will allow Basil to focus less on front-of-house duties and will certainly help secure the future of Basil's Bakery.

10. References

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11. Appendices

Appendix 1: GRID Analysis

Criteria	Cost (Initial Output)	Time (Implementation)	Convenience (For Basil)	Total Score
Weight	5	4	3	
Solution A: Sublet Space	3 (15)	2 (8)	3 (9)	32
Solution B: Relocate (Dark Kitchen)	1 (5)	1 (4)	1 (3)	12

Appendix 2: Implementation Plan / Gantt Chart

Phase	Activity / Task	Timeline	Responsibility
Phase 1	Analyse the commercial lease and formally ask landlord of retail park for subletting rights.	Weeks 1 - 2	Basil (lawyer if necessary)
Phase 2	Start a local marketing campaign to identify complementary artisan vendors (Coffee Roasters, etc.).	Weeks 3 - 4	Basil / Business Consultant
Phase 3	Vet applicants, draft formal sub-lease agreements, collect deposits and make minor changes to the shop layout.	Weeks 5 - 6	Basil / Legal Counsel

Phase 4	Sub-tenant moves in; launch a joint, grand reopening marketing push to customers from both lists.	Week 7	Basil & New Sub-Tenant
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