

Module Title: Problem Solving and Decision Making

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Assessment: Component 2 Report – Basil's Bakery

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Abstract

This report examines the factors that affect Basil's Bakery and the reason of declining sales, which have remained 25% below 2019 levels. Using secondary research and case study analysis, the report identified that the key issues are reduced customers, rising costs, and limited digital services. Online ordering and delivery is recommended as the best solution and with this, it could increase customers convenience and sales growth.

Introduction

Basil's Bakery is a small independent bakery located in Coventry, UK, established in 2015 by an artisan baker named Basil where they sell organic bread, pastry and cakes. Before 2020, the business experienced steady sales growth. However, due to the restrictions because of lockdown, the bakery's sales remained approximately 25% below its 2019 levels, while operating costs, including rent, utilities, insurance, and organic ingredient prices, continued to increase. As a result, the bakery's overall sales performance and profitability have declined, raising concerns about how can the bakery sustain the costs in the future. This report aims to identify and determine the key factors affecting Basil's Bakery's performance, look for possible business solutions, recommend the most appropriate and strategic way and provide an implementation plan to support sales growth, improve customer satisfaction, and achieve long-term business stability.

Nature and Scope

Basil's Bakery is experiencing several challenges that are directly affecting its sales, profitability, and overall business performance. The decline in customer footfall, the continuous closure of shops within the retail park, and the increasing number of employees working from home due to lockdown restrictions have reduced the bakery's regular customer base. As a result, fewer people visit the bakery, leading to a low daily sales. In addition, customer expectations have changed, customers are requesting to have online ordering, delivery, and reliable pre-order services, which the bakery is currently unable to provide. Furthermore, Basil's Bakery is facing rising operating expenses such as higher rent, utility bills, business rates, insurance, and unpredictable prices of organic ingredients. Because of these issues, it stand financial pressure on the business, limiting its ability to grow and remain competitive. Therefore, identifying and determining an effective and sustainable solutions is essential to improve sales, customer satisfaction, and long-term business viability.

Solution 1

Introduce Online Ordering and Delivery

One possible solution for Basil's Bakery is to introduce an online ordering and delivery service to make its products more accessible to every customers. Customers would be able to order cakes, pastries, and breads through a website or any other online platforms and deliver it in their homes. This solution would help Basil reach customers who work from home or no longer visit the retail park regularly, allowing them to continue purchasing from the bakery. It would also improve the

existing pre-order process, reducing waiting times during busy periods and providing more convenient experience to the customers. Moreover, an online service could attract new customers living outside the retail park, increasing the bakery's market reach and improving sales opportunities. According to Garcia del Toro et al. (2023), online food delivery has become an important part of consumer purchasing behaviour in the UK, making it a practical strategy for food businesses seeking to improve customer accessibility and business performance. Therefore, this solution is a good option since it could support long-term sales growth and sustainability.

Solution 2

Introduce Customer Loyalty Program

On the other hand, second possible solution is for Basil's Bakery to introduce a customer loyalty program that rewards customers for making regular purchases. For example, customers could earn points for every purchase and redeem them for discounts, free bakery products, or exclusive promotional offers after reaching a certain number of points. This strategy would encourage customers to return more frequently, increasing repeat purchases and strengthening customer loyalty. It could also improve customer relationships by making customers feel valued and appreciated for supporting the business. In addition, a loyalty program may encourage customers to spend more during each visit to earn rewards more quickly, helping increase overall sales and it could also provide useful information about customers' purchasing habits, allowing Basil to identify popular products and develop targeted promotions. According to Smith et al. (2004), customer loyalty schemes are effective tools for building customer loyalty and supporting long-term business

performance when they are properly managed. Therefore, implementing a loyalty program could help the bakery maintain a stable customer base and improve business sustainability.

PMI for Solution 1

<u>Introduce Online Ordering and Delivery (Solution1)</u>		
<i>Plus</i>	<i>Minus</i>	<i>Interesting</i>
Reaches customers who work from home (+9)	Delivery and online system may have additional cost (-5)	Can expand the customer base beyond the retail park (+7)
Increases customer convenience because of home delivery(+6)	Incorrect or delayed orders may lead to customers complain (-5)	Customer feedback can improve products and services (+7)
Can make additional sales (+7)	Requires staff training and additional workload (-3)	If demand becomes too high, operations may become too manage (-4)
Reduces waiting times through online ordering (+7)	Food quality maybe affected during transportation (-4)	Bakery may need to adjust its delivery strategy if it cost too much (-4)
TOTAL: +29	TOTAL: -17	TOTAL: +6

Therefore: Overall Total for Introduce Online Ordering and Delivery (for Solution 1) = +18

PMI for Solution 2

<u>Introduce Customer Loyalty Program (Solution2)</u>		
<i>Plus</i>	<i>Minus</i>	<i>Interesting</i>
Strengthens customer loyalty (+7)	Rewards may reduce profits (-7)	Customers may expect increasingly larger rewards over time (-3)
Encourages repeat purchases from customers (+5)	Requires monitoring of customer points or rewards (-5)	Can encourage customers to recommend the bakery to family and friends (+7)
Encourages customers to spend more to earn rewards (+4)	Reward must be carefully managed to remain profitable (-6)	Can strengthen bakery's image and customer relationship (+6)
Increases the frequency of daily customers (+7)	Too many rewards could increase business cost (-5)	Bakery could introduce different rewards for frequent customers (+4)
TOTAL: +23	TOTAL: - 23	TOTAL: + 14

Therefore: Overall Total for Introduce Customer Loyalty Program (for Solution 2) = +14

Results of the Best Solutions

The best solution for Basil's Bakery is Solution 1, which is to introduce an online ordering and delivery service, as it achieved the highest PMI score of +18, making it the most beneficial option. This solution directly addresses customers request and the bakery's main problem by allowing customers who work from home or no longer visit the retail park to continue purchasing its products. It also provides

convenience by allowing customers to place orders online and have them delivery it to their homes, reducing waiting times during busy periods. Furthermore, the service can expand the bakery's customer reach beyond its physical location, attract new customers, and increase sales opportunities. However, Basil must carefully manage potential risks such as delivery costs, food quality during transportation, food safety, and increased staff workload. By implementing appropriate control measures, the bakery can achieve sustainable business growth, improved profitability, and can sustain in the future.

Risk Analysis for the Best Solution

What could cause risk	What is the likelihood of the risk counting	What is the impact of the risk	Risk factor likelihood impact
High delivery, fuel and packaging costs	4	4	Set minimum order value and charge a reasonable delivery fee
Food quality during delivery	3	5	Use insulated and good quality of packaging to maintain the quality
Incorrect or delayed customers order	3	4	Verify every orders before delivering the products
Increased workload for the bakery and staff	4	3	Allocate responsibilities and provide staff training

Implementation Plan for the Best Solution

Name the problem you are solving: Declining sales of Basil's Bakery due to the effect of lockdown restrictions and high business costs.

Name the solution you are implementing: Introduce an online ordering and delivery

What - Actions	How - Descriptions	When - Tme Frame	Who - Staff Responsible
1. Research customer references and delivery requirments.	Research customer preferences, trendy products, delivery area, delivery cost and accurate online ordering system.	Before implementation (1 month or 4 weeks)	Basil
2. Arrange the online ordering system.	Fill the information in the online system such as product descriptions, prices, allergen information and customer location.	After the research (2 weeks)	Basil and the Staffs
3. Train and prepare staff, packaging and delivery procedures.	Train every staff to process every online order details, to pack the products safely and maintain product quality.	Before launching the service (1 month or 4 weeks)	The staffs
4. Launch and evaluate a pilot service.	Start with limited area as testing, collect feedback from customers, monitor sales and costs.	After preparing the staffs and the systems. (1 month or 4 weeks)	Basil and the staffs

Key Performance Indicator

The key performance indicator (KPI) for Basil's Bakery is monthly sales revenue because the main goal and objective of introducing an online ordering and delivery service is to increase sales and improve overall business performance. Basil should compare monthly sales before and after implementation to determine whether the new service is able to achieve its intended outcomes. A consistent increase in revenue, together with growth in online orders and repeat customers, would indicate that the implementation is successful. According to the UK Government 2023, KPIs are measurable factors used to assess performance against defined objectives and support continuous monitoring and improvement of business performance.

Conclusion

- Basil's Bakery has experienced declining sales and rising operating costs since the restrictions caused by lockdown.
- Reduced customer footfall, customers work from home, and increasing business costs have affected its overall performance.
- Two solutions were evaluated: introducing an online ordering and delivery service and introducing a customer loyalty programme.
- Based on the PMI analysis, online ordering and delivery was identified as the most effective solution.
- A risk analysis, implantation plan and key performance indicator were developed to support the best solution.

- Successfully implementing this strategy will help to improve sales and customer satisfaction that will ensure the bakery's long-term sustainability and growth.

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