

Understanding and solving the problem of profit decline at TM Lewin

BMSW4004: Problem solving and decision making.

Name: Ana Maria Camelia Balteanu

Student number:2132981

Lecturer Name: Chijoke Uba

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Introduction

Many times, people are told that starting a business is risky, there are a lot of factors that can lead to risk to stop them from achieving the objectives set within themselves or even bring them to a failure. What brings businesses to this is the inflexibility of their organisational management and the lack of skill in what implies problem solving and decision making. To avoid situations like these, it is vital to possess good decision-making skills, and if unavoidable, excellent problem-solving skills. Success, in the business industry is achieved only when managers make sure that these skills are put into place in the whole team. Dostal (2015) gives a definition of problem-solving as it being “an ability of the individual to use the cognitive skills for understanding of the problematic situations and its resolution in case when no obvious way of solution is presented”. This goes in correlation with decision making, which is defined as being “the process of making choices by recognizing the problem, gathering information about possible solutions, and finalizing the best alternative.”

The Guardian has an article that shows that businesses have collapsed because of their inability to fight back the dynamicity of their environment. This has been spotted right after Brexit, in the retail sector within the UK and again after the COVID pandemic. These factors, so the inability to control the ongoing activity of the environment, and the pandemic, were what caused profit decline to many companies within, as mentioned before, the retail sector. The pandemic has set the retail sector exceedingly difficult challenges. Our focus is the declining profitability at TM Lewin, which has fallen into administration twice this year.

What this report aims is to understand what caused profit decline at T.M Lewin, an UK men's formalwear company, and to solve this problem and get the company up and running, successfully.

Firstly, the cause and nature of the problem will be discussed, because if the problem is not identified correctly, it cannot be solved. The section will elaborate the nature of the problem and only then, we will be able to understand and have an idea of how this decline in profit has impacted the company and its employees. Then, the cause will be tackled using a range of relevant frameworks such as the fishbone diagram and the PESTLE analysis, these will be used to get a larger and more extended view on the external factors of the main causes of the problem. The next step will be producing as many practical solutions as possible to solve the problem, and only afterwards, decide and evaluate which one is the most appropriate to solve the problem, using a grid analysis.

Nature and impact of profit decline on T.M Lewin and staff

When it comes to the nature of the problem of profit decline at TM Lewin, and of any business, it is important that the greatness of the problem is understood, in this case the problem of profit decline starts affecting the entire organisation, from the CEO and the Executives, down to the shop floor. One cause of this problem can be the pandemic, which has led to a lockdown, its restrictions meant people were instructed to work from home, and therefore, there was no need to buy tons of new formal wear, because one or two shirts were just enough or a ZOOM call. People were instructed not to leave their houses either, this equals no shopping in stores, therefore there was no traffic in the shops. Social events were banned, so no one was really looking forward to buying a new fit. The pandemic and its rules, that were ought to be followed, impacted heavily the sales at TM Lewin, of which's profit, declined by a lot. The pandemic goes hand in hand with another reason to be found having a significant impact on the decline, which is cost of living and inflation, this led to a huge inflation of prices, which was not at all helpful towards neither the company, that found it very difficult and risky, a loss, to demand and order pieces of clothing from their retailers, that were no longer being requested and or sold, but also neither to the customers, as it was too big of an investment for customers to purchase items that could not do their duty of being worn, as no social or work event was going on due to the restrictions.

Impact on the staff

As mentioned before, people were instructed to work from home, and this included the employees of TM Lewin, that were also remotely working. This had a massive impact on their mental health and psychological, too. Of course one may think that the biggest toll of failure of a business is taken upon the CEO or the executives, but we all know that if we love the job that we are doing, we will never work a day in our lives, due to the fact that the company has had a great profit loss, the employees could feel like it is their responsibility and they could take accountability for it, and this could lead to a great motivation loss. Because the company was labelling as risky, investing in stock that could or could not have been sold, the employees of the company could not feel at ease and comfortable, working in a place that could not grant them a long-term contract and therefore financial stability. Nowadays, with the cost-of-living crisis and the abnormous inflation of the necessities of a healthy and balanced life, no one wants to have the stress of not offering their families food and clothes. This could have potentially been a great stress factor put onto the employees of TM Lewin, because undeniably, their loyalty for the company was greatly shadowed by the responsibility of a family or personal needs. Because costumers were less and less, they felt powerless in the closing of the shops, often leading to the loss of their job.

Identifying what is the cause of the problem using PESTEL analysis and a Fishbone diagram:

PESTEL

PESTEL analysis is going to be used to understand the external factors causing profit decline at TM Lewin, as it is relevant in figuring out the nature of the problem, that could be political, economic, social, technological, legal, or environmental.

Political: The COVID-19 lockdown suggested people to stay at home as much as possible, unabling them to physically shop at stores, leading to a sale decrease

Economic: The arising cost of living has put both costumers and companies in difficulty. The high price of the goods is not attractive to costumers, and companies are not eager in investing.

Social: The pandemic lockdown has shut every social event; this did not give costumers reasons to buy formal attire

Technology: People were forced to work from home, via online platforms, there was no need to buy new office clothes

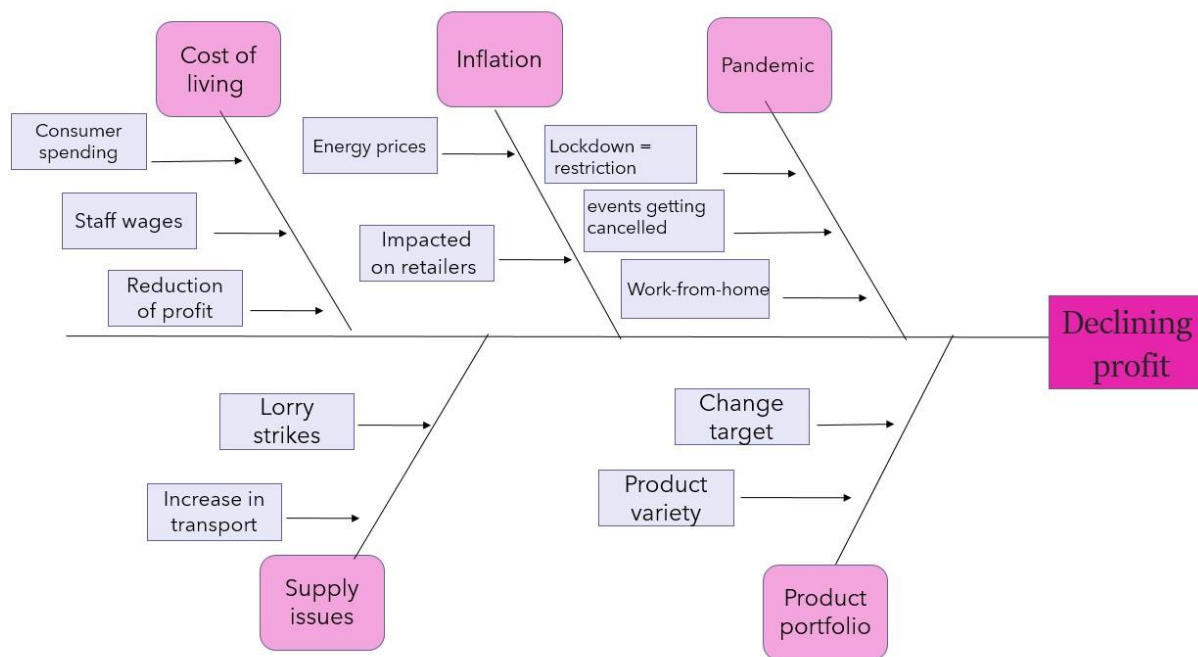
Environmental: n/a

Legal: Lorry drivers were restricted from traveling, to avoid spreading the virus, companies had supply issues.

FISHBONE DIAGRAM

Cause and effect analysis: Fishbone diagram.

A fishbone diagram is the most effective way to connect causes and effects of a problem, it helps team members communicate with the rest of the organization.



This fishbone diagram shows the main reasons that could have led T.M Lewin to profit decline, more reasons are extracted to help determine the causes. A fishbone diagram an efficient power tool as it gives a visual representation.

From this diagram the main causes here would have to be

- Pandemic
- Inflation
- Cost of living
- Supply issues
- Product portfolio
- Motivation of the employees

Profit decline at TM Lewin: proposing alternative solutions

There are many practical possible solutions for the head team at T.M Lewin to put into practice in order to help reduce profit decline, below are a few solutions considered that will work best for the business.

Updated skills courses

A possible solution that could get to the main cause and tackle it, would be to offer a larger and more detailed course of updated skills on how to solve problems and make decisions in the specific workplace of the CEO's and Executives but also the employees on the shop floor. Although this could be time consuming and require an amount of money invested, based on the number of participating persons, it would also be a definite betterment and acquired knowledge that would definitely help the employees and motivate them. Seeing that the company and the head of the business are willing to invest in their knowledge will help employees feel validated and important, this would definitely rise the level of loyalty and make them try new tactics and work at their best to increase profit via their attitude and positive vibes.

Creating an online store:

Because of the pandemic, a lot of stores were closing down for lockdown. Opening an online store would be an attraction for costumers, they would shop the collection from the comfort of their own home without the need to leave the house and spread the virus. TM Lewin would also gain a lot more costumers if they had an online platform, and it would be beneficial in the marketing part too, since placing ads online is really easy and accessible. The online shop would also be an occasion for them to ship worldwide or even just internationally and get more costumers and sales.

Inflation:

If TM Lewin were to open an online store, it would name them own suppliers, with this, they would be able to supply for other small online boutiques that purchase in bulk. This would erase both problems at once, Inflation and Supply issues. The fact that they would supply other businesses will also give them the security of not going into a profit decline again and will guarantee sales and profit.

Product portfolio:

The best alternative solution for this company, would be to build a bigger product portfolio. This does not mean that they need to change what they originally were born as, a formal wear shop, this solution only intends to better their range of clothing and fit everyone's needs. Introducing new products will start to attract new customers, which is a goal that all businesses want to achieve. This will give them the opportunity to excel the other brands and increase sales.

Grid evaluation:

Below is a grid evaluation of the practical solutions and their cost and risk factors, as well as time.

In order to plan the best course of action, it is vital to understand the possible key issues and identify on the other hand, what the key success indicators could be based on the outcomes wanted.

“Planning is deciding in the present what to do in future. It is the process whereby companies reconcile their resources with their objectives and opportunities”

- Philip Kotler

This grid analysis was made in order to get a visual and numeral probability of which of the solutions would be less problematic and expensive.

	Cost 5	Time 3	Risk 4	
Wider portfolio	0	2	3	18
Updated skills course	1	2	3	23
Online shop	3	3	3	36

Conclusion:

To bring this report to an end, the best possible solution for T.M Lewin is to set up an online shop. During the times that we live in, most people spend most of their time online, and this would bring TM Lewin profit on two ways, which could be marketing but also sales. Setting up and advertisement online and on social media platforms is really easy and accessible these days, in fact we see advertisement and products being publicized every day. Creating an online shop would also enable customers to shop the garments from the comfort of their own home, without the need to leave their house, for personal comfort or health issues. This solution will also help them advertise their new range of clothing if they were to decide they want to expand their product portfolio.

There are many benefits to expanding their product portfolio, and it will for sure bring them good business. Adding new products will aid them see the most popular product is, and which are not selling that well. Adding items to their clothing line would be really helpful in ensuring the needs and wants of their customers are met, this could also mean selling womenswear. Stock is really important in clothing companies, and although this has been a problem within this company and inflation makes it scarier to buy lots of categories and pieces of products, it is necessary. TM Lewin as every other business wants to fully content and give their costumers a pleasant experience, and not having one piece that one costumer desires, would mean that they do not get this enjoyable experience, remaining disappointed. Another thing that would help the business gain faithful clientele and costumers would be offering membership cards or even discounts, that can be seasonal or even when a certain amount of money is spent on their clothing pieces. This comes as the priciest alternative solution but is one that will definitely attract customers and satisfy them. Expanding their company and becoming worldwide or even just international will help get the word going, and this is one pf the best marketing strategies, as we all know, valuable feedback is the best in whichever domain.

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DR CHIJOKE UBA– MOODLE BMSW4004 Problem solving and decision-making weeks 1-7

What Is Problem-solving Ability? Carmen M. Latterell

