

BASIL'S BAKERY REPORT

LCLM4004 – Problem Solving and Decision Making

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Individual Report

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Introduction

Basil's Bakery is an artisan bakery established in 2015 and located in Coventry Retail Park. The business is well known for producing high-quality organic bread and cakes; however, it has recently experienced a decline in sales, with revenue remaining approximately 25% below pre-pandemic levels. According to the case study, several factors have contributed to this decline, including reduced customer footfall caused by increased home working, rising ingredient costs, limited digital services, and the absence of a delivery option. These challenges have affected both the bakery's profitability and its ability to remain competitive within a changing market.

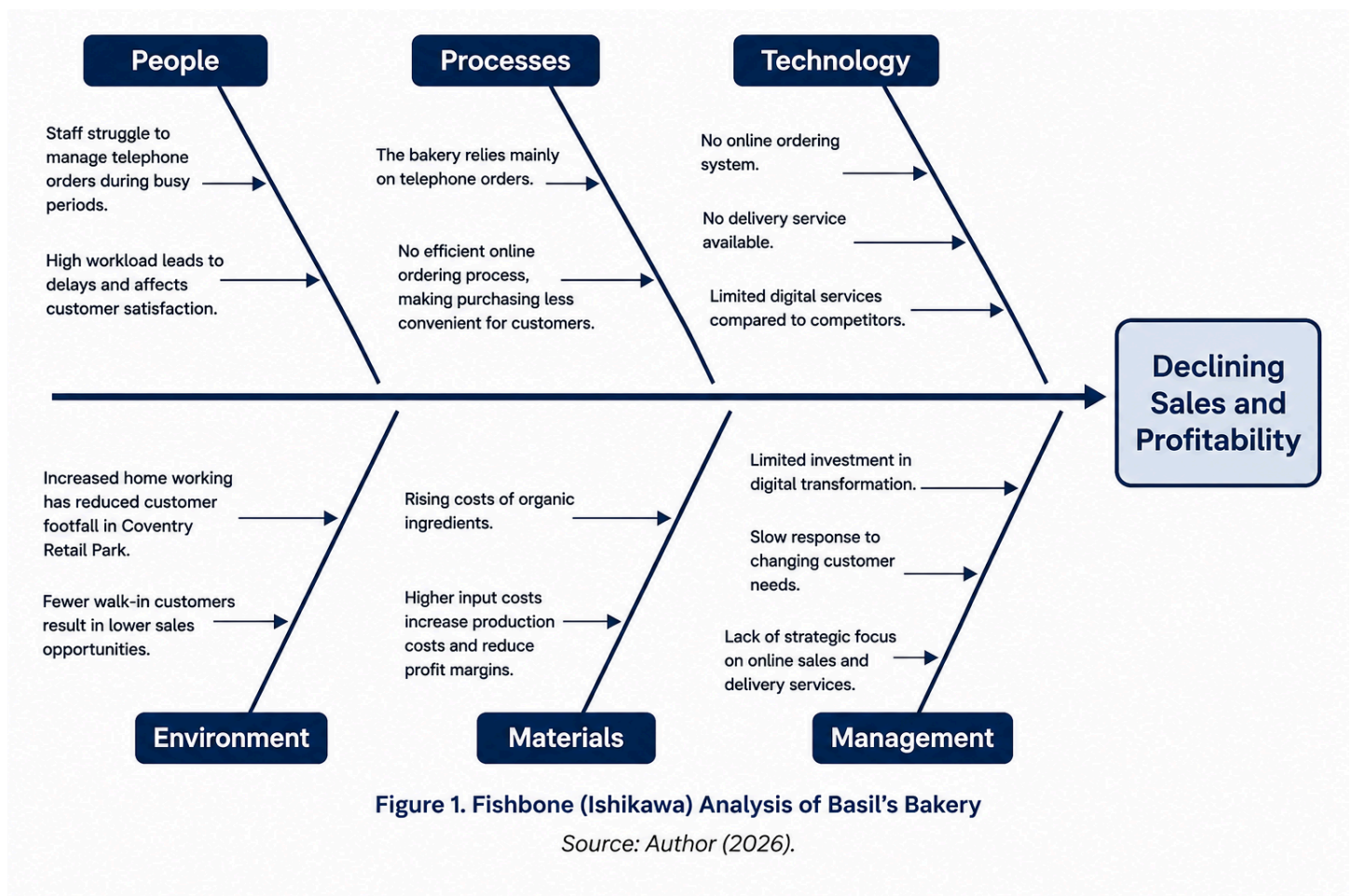
This report critically analyses the problems affecting Basil's Bakery by applying a range of business analysis tools, including the PESTEL framework, the Cause-and-Effect (Fishbone) diagram, PMI analysis, SMART objectives and Key Performance Indicators (KPIs). These frameworks are used to identify the bakery's internal and external challenges and to develop realistic recommendations that will improve operational performance, increase customer satisfaction and support the long-term sustainability of the business.

Task 1 – Applying PESTEL Analysis to Identify External Factors Influencing Basil's Bakery

The PESTEL framework is a strategic analysis tool used to examine the external factors that influence an organisation's performance (Johnson, Scholes and Whittington, 2017). It considers six key areas: Political, Economic, Social, Technological, Environmental and Legal factors. Applying this framework helps Basil's Bakery understand the external challenges affecting the business and identify opportunities for improvement.

PESTEL Factor	Impact on Basil s Bakery
Political	Basil s Bakery must comply with UK food safety, hygiene and business regulations. Changes in taxation, business rates or government policies may increase operating costs and affect profitability.
Economic	Rising inflation, increasing energy prices and higher costs of organic ingredients have reduced profit margins. The case study also states that sales remain approximately 25% below 2019 levels , making financial recovery more challenging.
Social	Increased home working has reduced customer footfall in Coventry Retail Park. Customers also expect greater convenience, including quicker ordering methods and more flexible purchasing options.
Technological	The bakery currently has no online ordering system or delivery service, and staff struggle to manage telephone orders during busy periods. Competitors with digital services are likely to attract more customers.
Environmental	Consumers increasingly value environmentally responsible businesses. Basilâ€™s Bakery can strengthen its reputation by reducing food waste, using recyclable packaging and promoting its use of organic ingredients.
Legal	The bakery must comply with food hygiene legislation, allergen labelling requirements, employment law and health and safety regulations. Failure to comply could result in legal penalties and reputational damage.

Table 1. PESTEL Analysis of Basil's Bakery. Source: Author (2026).



Discussion

The PESTEL analysis shows that **economic and technological factors currently have the greatest impact on Basil's Bakery**. Rising ingredient costs, inflation and reduced customer spending have placed significant pressure on profitability, while the lack of an online ordering system and delivery service limits the bakery's ability to meet modern customer expectations. Furthermore, changes in consumer behaviour following the increase in home working have reduced footfall within Coventry Retail Park, contributing to lower sales.

Although political, environmental and legal factors also influence the business, they present opportunities as well as challenges. Maintaining high food safety standards, complying with legislation and promoting sustainable business practices can strengthen customer trust and improve the bakery's reputation. Understanding these external influences provides a solid foundation for identifying the bakery's internal problems and developing practical recommendations for long-term business improvement.

Task 2 – Examining the Problems Affecting Basil's Bakery Using a Cause-and-Effect (Fishbone) Analysis

The Cause-and-Effect (Fishbone) diagram, also known as the Ishikawa diagram, is a problem-solving tool used to identify the root causes of a specific business problem (Ishikawa, 1990). Rather than

focusing only on the symptoms, it helps organisations understand the underlying factors contributing to poor performance. In the case of Basil’s Bakery, the main problem identified is the decline in sales and profitability. The Fishbone analysis highlights several interconnected causes that have affected the bakery’s performance.

Category	Root Causes Identified
People	Staff struggle to manage telephone orders during busy periods, leading to delays and reduced customer satisfaction.
Processes	The bakery relies mainly on telephone orders and does not have an efficient online ordering process, making purchasing less convenient for customers.
Technology	There is no online ordering platform or home delivery service, limiting accessibility and reducing competitiveness against businesses offering digital services.
Environment	Increased home working has reduced customer footfall in Coventry Retail Park, resulting in fewer walk-in customers.
Materials	Rising costs of organic ingredients have increased production costs and reduced profit margins.
Management	Limited investment in digital transformation and changing customer needs has prevented the business from responding effectively to market changes.

Discussion

The Fishbone analysis demonstrates that the bakery’s declining performance is not caused by a single issue but by several interconnected factors. One of the most significant causes is the reduction in customer footfall following the increase in home working, which has directly reduced the number of

daily customers visiting Coventry Retail Park. At the same time, rising ingredient and operating costs have placed additional financial pressure on the business.

Technology is another major weakness. The absence of an online ordering system and delivery service means that Basil's Bakery cannot meet the expectations of customers who increasingly prefer digital and convenient purchasing methods. Furthermore, staff experience difficulties managing telephone orders during busy periods, creating inefficiencies and negatively affecting customer service.

Management decisions have also contributed to the bakery's current challenges. Although the business has built a reputation for producing high-quality organic products, it has been slow to adapt to changes in consumer behaviour and advances in digital technology. Investing in online ordering, improving operational processes and responding more effectively to changing customer expectations would help address many of the root causes identified through the Fishbone analysis.

Overall, the Fishbone analysis provides a clear understanding of the factors contributing to the bakery's declining performance. Identifying these root causes supports the development of practical recommendations that will improve operational efficiency, increase customer satisfaction and strengthen the long-term sustainability of Basil's Bakery.

Task 3 – Evaluating a Business Solution Using PMI Analysis

The PMI (Plus, Minus, Interesting) analysis, developed by Edward de Bono (1985), is a decision-making tool used to evaluate the advantages, disadvantages and potential opportunities associated with a proposed solution. It encourages balanced thinking by considering both the positive and negative aspects before making a business decision. For Basil's Bakery, the proposed solution is to introduce an **online ordering system combined with a Click & Collect and local delivery service.**

Plus (+)	Minus (-)	Interesting (I)
Improves customer convenience by allowing online orders at any time.	Initial costs for developing a website and online ordering platform.	Customer purchasing data can be collected to identify popular products and buying patterns.
Increases sales by reaching customers who work from home or cannot visit the bakery.	Staff will require training to use the new ordering system effectively.	Online promotions and loyalty rewards could encourage repeat purchases.
Reduces pressure on staff by replacing telephone orders with a digital system.	Delivery services may increase operating costs, including transport and packaging expenses.	The bakery could expand its customer base beyond Coventry Retail Park.
Improves customer satisfaction through faster and more accurate order processing.	Technical problems may occur during implementation or system maintenance	

Table 3. PMI Analysis of Introducing an Online Ordering System. Source: Author (2026).

Discussion

The PMI analysis suggests that the advantages of introducing an online ordering system significantly outweigh the disadvantages. The main benefits include improved customer convenience, increased accessibility and greater sales opportunities, particularly for customers who now work from home and no longer visit Coventry Retail Park regularly. Replacing telephone orders with a digital system would also improve operational efficiency and reduce the likelihood of ordering errors during busy periods.

Although the implementation of an online ordering platform requires financial investment and staff training, these challenges are temporary and can be managed through careful planning. The long-term benefits, including higher customer satisfaction, improved business efficiency and increased revenue, are likely to justify the initial costs.

Furthermore, the ability to collect customer data and monitor purchasing trends provides valuable information for future decision-making. This information can help Basil's Bakery improve marketing activities, introduce targeted promotions and strengthen customer loyalty.

Overall, the PMI analysis supports the implementation of an online ordering and delivery service as the most appropriate solution for improving Basil's Bakery's competitiveness and long-term sustainability.

Task 4– Developing SMART Objectives and Key Performance Indicators (KPIs)

Following the analysis of the bakery’s internal and external challenges, it is important to establish clear objectives that will guide business improvement. The SMART framework, developed by Doran (1981), ensures that objectives are **Specific, Measurable, Achievable, Relevant and Time-bound**. By combining SMART objectives with Key Performance Indicators (KPIs), Basil’s Bakery can monitor progress and evaluate whether the proposed improvements have been successful.

SMART Objective	KPI (Key Performance Indicator)
Launch an online ordering system and Click & Collect service within three months to improve customer convenience.	Online ordering system operational within 3 months and at least 100 online orders per month after launch.
Introduce a local delivery service within six months to reach customers who work from home.	Achieve 15% of total monthly sales through delivery orders within six months.
Increase total monthly sales by 20% within twelve months through digital services and improved customer accessibility.	Monthly sales reports showing a 20% increase compared with current sales figures.
Improve customer satisfaction by reducing waiting times and simplifying the ordering process within six months .	Achieve an average customer satisfaction rating of 4.5 out of 5 through online reviews or customer feedback surveys.
Increase the bakery’s online presence by regularly promoting products on social media over the next six months .	Gain at least 1,000 followers across Facebook and Instagram and increase customer engagement through likes, comments and shares.

Table 4. SMART Objectives and KPIs for Basil's Bakery. Source: Author (2026).

Discussion

The SMART objectives provide Basil’s Bakery with a clear and structured improvement plan. Rather than introducing multiple changes at the same time, the objectives focus on practical actions that directly address the problems identified in the PESTEL, Fishbone and PMI analyses.

The priority is to introduce an online ordering system and Click & Collect service, as these improvements respond directly to changing customer behaviour and the reduced footfall experienced

since the increase in home working. Expanding to a local delivery service will further improve accessibility and help the bakery reach customers who are unable to visit the retail park.

The KPIs allow Basil to measure progress objectively by monitoring sales performance, online orders, customer satisfaction and social media engagement. Regularly reviewing these indicators will enable the business to identify any areas requiring improvement and adjust its strategy where necessary.

Overall, the combination of SMART objectives and measurable KPIs provides Basil's Bakery with a realistic action plan that supports business growth, improves operational efficiency and strengthens long-term sustainability.

Task 5– Implementation Plan

After identifying the most appropriate solution, Basil's Bakery should develop a structured implementation plan to ensure that the recommended changes are introduced effectively. A clear action plan helps allocate responsibilities, monitor progress and minimise disruption to daily operations.

Task	Action	Time Scale	Responsible Person	Status
Develop an online ordering system	Design and launch a website with online ordering and Click & Collect facilities.	Within 3 months	Basil and Web Developer	Not Started
Introduce a delivery service	Partner with a local delivery provider or employ a part-time driver.	Within 6 months	Basil	Not Started
Staff training	Train employees to manage online orders and improve customer service.	Within 3 months	Basil	Not Started
Social media marketing	Create regular promotional content on Facebook and Instagram.	Weekly	Marketing Assistant/ Basil	Ongoing
Monitor business performance	Review monthly sales reports, customer feedback and KPI performance.	Monthly	Basil	Ongoing

Table 5. Implementation Plan for Basil's Bakery. Source: Author (2026).

Discussion

The implementation plan provides a structured approach for introducing the recommended improvements. By assigning responsibilities and realistic timeframes, Basil can manage the transition more effectively while continuing normal business operations. Regular monitoring of progress will ensure that any issues are identified early and corrective action can be taken where necessary.

Task 6 – Conclusion

This report has analysed the challenges facing Basil's Bakery by applying a range of business analysis tools, including the PESTEL framework, the Cause-and-Effect (Fishbone) diagram, PMI analysis, SMART objectives and Key Performance Indicators (KPIs). The analysis demonstrated that the bakery's declining performance is mainly influenced by rising operating costs, reduced customer footfall following increased home working, limited digital services and changing customer expectations.

The PESTEL analysis highlighted the external factors affecting the business, while the Fishbone analysis identified the root causes of the bakery's operational problems. The PMI analysis showed that introducing an online ordering system together with Click & Collect and a local delivery service offers more advantages than disadvantages. Finally, SMART objectives and KPIs provided measurable targets that will allow Basil to monitor business performance and evaluate the success of the proposed improvements.

Overall, implementing these recommendations will improve customer convenience, increase sales opportunities, strengthen operational efficiency and enhance the bakery's competitiveness within a changing business environment. Although the proposed changes require investment and careful planning, they provide a realistic and achievable strategy for supporting Basil's Bakery's long-term sustainability and future growth.

References

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