

PART A SET TASK INFORMATION

You work for a management consultancy contracted by the Board of Cost Less Stores Limited (CLS). The Board of CLS has asked for your support in their preparations ahead of a meeting. They have sent you the text and data contained in the Part A Set Task Information. They have asked you to spend at least six hours to familiarise yourself with this information before preparing a report and presentation for the Board.

Cost Less Stores Limited (CLS)

Cost Less Stores Limited (CLS) is a supermarket chain that competes using low prices. Founded in 1972 by Terry Brown, the company has grown steadily to 50 stores after starting as a single shop in Preston, Lancashire. Most of the stores are in the north of England.

50 years under Terry Brown's leadership

CLS is privately owned by the Brown family. Throughout his 50 years leading the business, Terry took a paternalistic approach. He treated employees generously with above-average wages and benefits such as discounted groceries, free dental and health care, and opportunities for staff to stay at the beautiful CLS-owned holiday homes in the Lake District. Every year, Terry also organised an "away day" at a luxurious location where store managers and Head office staff could meet to hear about how CLS was performing and to discover the amount of the annual bonus paid to all staff. Not surprisingly, employees at CLS were loyal to the business and labour turnover was much lower than the industry average.

As CEO Terry always prioritised customer service objectives over sales and profit objectives. Store managers had little autonomy, as Terry preferred centralised control from head office dealing with all aspects of marketing, operations, and finance. Terry instead wanted his store managers and staff to focus on a high level of customer service, such as always making sure the checkouts queues were short and greeting customers as they arrived. CLS stores became renowned for being a key part of the local community. Many groups used the CLS cafes as meeting points, and the community notice boards in each store were a key source of information about events, jobs, and local services.

In 2022, after 50 years leading the business, Terry stepped down as CEO, although he remained Chairman of the Board and the majority shareholder. He appointed Alicia Hastie as CEO. Alicia previously worked as a Marketing Director for a leading online fashion retailer and is an expert in e-commerce.

New leadership

On taking over as CEO, Alicia's view was that CLS needed to change its culture if it was to compete against fast-growing rivals such as Aldi and Lidl who were opening stores near to CLS locations. Alicia was concerned that the existing culture at CLS had caused the business to become too complacent and comfortable. She admired that staff were so loyal to Terry

and the business, however she was concerned with the lack of innovation and focus on efficiency which she believes is essential if a business like CLS is to succeed.

After three weeks visiting a selection of CLS stores and analysing the business' performance, Alicia brought all Head office staff and store managers together on a Zoom call where she communicated her aims for the business and her proposed strategy.

Her three key aims are:

- Significantly increasing the sales of the business from £45 million to at least £100 million
- Increasing the store portfolio from 50 to 200 within five years.
- Improving profitability to at least the industry average

To support these aims, Alicia announced plans to:

- Delay the store management structure, reducing the total number of middle managers in stores by at least 300.
- Introduce workforce flexibility by employing more store staff on zero-hours contracts, using more temporary staff at busy times, and by sub-contracting store security and cleaning to specialist suppliers.
- Close the CLS store cafes to create space for selling a wider range of non-food products such as clothing and electrical goods.
- Set individual store managers sales targets and provide detailed performance appraisal. Including store rankings.

During 2023 Alicia started putting her strategy into action and made changes to support her aim of culture change. She cancelled the annual bonus that Terry had paid to all employees and replaced it with new performance-related rewards based on individual store performance. Alicia also decided to sell CLS's holiday homes to raise finance for the store expansion plan. A redundancy programme was announced for the 300 middle managers. All these changes had a negative impact on staff morale at both head office and in stores, resulting in an increase in labour turnover during 2023 as many experienced staff moved to competitors or into different jobs.

Terry recently visited his first store in Preston and was dismayed by what he found. Maggie Stevens, a store manager for over 12 years, said the loyalty from her regular customers had plummeted in 2023, with customers complaining that the personal touch and warm rapport long-time customers value has been lost. Also, once the closure of store cafes was announced, the weekly "Knit & Natter" group that had met at CLS Preston every week for the last 15 years moved its base to a nearby Morrisons store.

An investment in E-Commerce

As part of her aim to grow the business, Alicia wants Board approval for a first move by CLS into e-commerce. Her plan would allow customers to place grocery orders through a new app and website, then pick up their order in-store.

Alicia believes enabling online ordering and in-store pick-up will provide a vital service that consumers increasingly demand from retailers. The number and value of online orders placed and picked up by customers will be included in the sale performance data for each store. The new system will require extensive training and upskilling of store staff.

However, Terry has pushed back on the proposal. Terry worries an e-commerce focus could negatively impact the customer service experience in stores, which has already worsened recently following some of Alicia's changes. Terry is also worried that this significant change will face resistance from many CLS store staff who are uncomfortable with new technology and lack the required digital skills.

Figure 1: Selected CLS performance measures for operations and human resources

	Recent average when Terry was CEO	Since Alicia became CEO
Labour turnover	9%	26%
Average number of staff per store	75	60
Number of middle managers per store	12	6
Customer satisfaction rating	94%	78%
Average customer waiting time at checkout	2 minutes	5 minutes

Figure 2: Benchmarking data against competitors (2022)

	CLS	Competitors
Sales per store	£9 million	£15 million
Net profit margin	1.5%	3.1%
Percentage of supermarket sales made online	0.0%	12.7%
Percentage of sales from non-food products	5%	14%
Average annual pay per employee	£21,500	£17,200

ACTIVITY 1

With reference to the information and data in the Part A Set Task Information, you are to prepare a report for the Board of CLS.

Your report should:

- show your understanding of the current leadership and management issues at CLS and how they may impact the success of the new strategy.
- recommend how Alicia could improve leadership and management at CLS to help the business achieve the stated aims.

ACTIVITY 2

With reference to the information and data in the Part A Set Task Information, you are to prepare a presentation to be given to the Board of CLS. The presentation must be accompanied by speaker notes/script.

The presentation should:

- show your understanding of how the culture at CLS may impact Alicia's ability to effect the changes she is proposing.
- recommend the change management actions that could be taken to enable the business to make a success of Alicia's proposed strategy