

Baggings & Co

The case:

John Baggins is CEO and the 3rd generation of Baggins to head the company. The company is situated in UK, and sells plastic bags to British retail stores (Marks & Spencer, Tesco etc.)

The business has kept a solid focus on the plastic bag industry since its establishment back in the late 19th century. The core focus of the company was uttered by John's grandfather Adam Baggings and hasn't changed since; "Baggings & Co consider itself a proud servant of the British families, as it enables them to safely carry their groceries, clothing and other items from the store to their home"! However, lately Baggings & Co has experienced a sharp decline in its profit, and has there invited you (the team of consultants) to help uncover the underlying issues. John Baggins has a strong feeling that the problem the problem is threefold, he just cannot get his head around what these three factors might be?

Instructions:

You now have 15 minutes and 15 questions to solve this case! Hence, think carefully before you ask a question, but also be aware of the time limit.

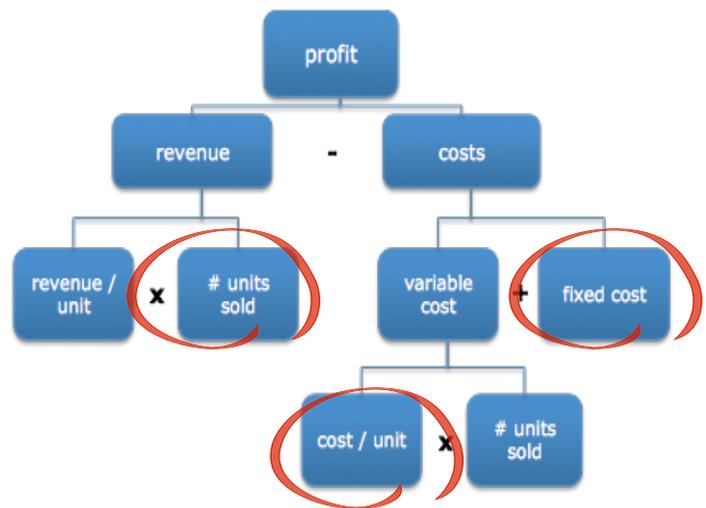
Points will be given on basis of the numbers of questions asked and time left, when the "case interviewer" considers the case solved.

(1 point per full minute remaining, and 1 point per question remaining – as maximum of 30 points)

The three problems: (For case interview only!)

The reason for Baggings & Co's decline is due to three factors:

1. (# Units sold / Revenue) A recent introduction of plastic bag taxes in both Scotland and Wales has decreased the use of plastic bags tremendously. And with England soon to follow the future looks bleak for Baggings & Co.
2. (Fixed Cost) A recent negotiation with the union representing the majority of workers at Baggings & Co's plant in UK, has resulted in a steep increase in labor cost. Up from £6/hr. to £9/hr. The impact is great as Baggings & Co's plants are slightly outdated, and therefore more labor intensive than the newer more automated plants.
3. (Cost/Unit) The price of oil (main material/ingredient for plastic bags) has risen sharply in the past year. Analysts believe there is little chance of this trend reversing.



Scotland's plastic bag usage down 80% since 5p charge introduced

Dramatic reduction reflects similar falls in single-use carrier bag consumption in Wales and Northern Ireland, with England in charge this year



Plastic bag usage in Scotland has plummeted following the introduction of a 5p charge. Early figures from retailers show that single-use carrier bag usage has fallen by more than 80% since the charge was introduced on 20 October 2014.

The results are in line with the [dramatic reduction in plastic bag usage in Wales](#), which introduced the charge in 2011. It was also brought in by Northern Ireland in 2013 and a [drop in usage of nearly 72% was reported the following year](#).

The figures were welcomed by environmental campaigners. Helen Bingham, a spokesperson for Keep Britain Tidy, said: “This is proof that a bag charge does work and significantly cuts carrier bag use in one fell swoop.

It was also reported on Friday that charities in Scotland have benefited too. Scotland’s environment secretary, Richard Lochhead, announced that four major retailers have donated more than £1m to good causes since signing up to Zero Waste Scotland’s carrier bag commitment. Marks & Spencer has raised £214,374 for good causes, with funds going to the Marine Conservation Society, WWF, the Orkney sustainable Fishery Improvement Programme and numerous smaller local charities.

Lochhead said he was delighted the charge was making such an impact.

He said: “It suggests that many consumers are now in the habit of reusing bags, which should reduce the amount of litter that blights our communities and natural environment, and costs a fortune to clean up.”

He declared that it was fantastic the charge has raised so much for worthy causes.

Lochhead added: “This is just the tip of the iceberg and I am looking forward to seeing fuller figures later in the year.”

Iain Gulland, the chief executive of Zero Waste Scotland, said: “Over the past six months, we’ve seen an incredible change to shopping habits in Scotland. Shoppers have embraced the 5p charge and rapidly reduced their consumption of single-use carrier bags more readily than we ever hoped.”

Also, the number of single-use plastic bags has declined by more than 70% since charges were introduced in Wales, a report reveals on Friday, weeks before [a similar scheme is launched in England](#).

The scheme was launched amid suspicion from some shoppers and shopkeepers in 2011. Since then, Welsh shoppers and visitors have become used to arming themselves with “bags for life” before heading for the shops.

Under the scheme, consumers are charged a minimum of 5p for each plastic bag. Between £17m and £22m raised from the sales of the bags has gone to charities and other good causes.

Wales’s natural resources minister Carl Sargeant said the introduction of the charge had led to a “significant shift in consumer behaviour and important benefits to the environment”.

Barrel price of Brent Crude Oil (\$)

