**Kate’s Cupcakes……**

Kate is a successful entrepreneur operating 10 stores in the North East; she sells only cupcakes and knows the cupcake market well, recently though trends are changing and more patisseries are opening in the region. In the last 6 months Kate's profits have fell by 36% and this has her worried, she decided to complete a leaflet drop in the areas that she operates in but this has not worked and only 20 people have brought in the leaflets to get 20% off any order. Her bakeries have the capacity to make 60’000 cup cakes per month; they are currently making 42’000 per month. Kate has a very ambitious business goal to open a further 3 shops in 2015 and is worried that she will not make her target, she has also committed to the extra machinery and has bought 5 new ovens in order to meet demand of 3 new shops. There is also a new competitor on the market who is growing rapidly – these sell much more than just cupcakes!!! Kate employees 5 staff at each store and she has noticed that they have recently become demotivated and a little demoralised and she is afraid that this could be because staff are bored due to under-utilised capacity.

You are Business consultant and Kate has asked for your advice on the following:

1. A calculation of her Capacity utilisation

2. The causes of Kate’s under-utilisation of capacity

3. What are the advantages to the business of working under capacity?

4. What are the disadvantages to the business working under capacity?

5. How could she reduce capacity - what steps could she take?

6. If she wanted to increase capacity what could she do? How could she create extra demand?