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## Case study – the Ho Li Takeaway

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Chan Ho and his wife Li came to London from Hong Kong in 2007. They had £4,000 of savings, borrowed £6,000 from an uncle and started up the Ho Li Chinese Takeaway in Tooting. The kitchen was short of equipment, as they couldn't afford much. But Li was such an inventive cook that Chan was not worried.

The takeaway opened on 1 February 2008. Weekly fixed costs were £800, and Chan estimated taking £2 profit from each customer. Unfortunately the first week went very slowly, with only 100 customers. By week 8 sales had trebled, and customers were coming in saying they'd heard the food was great. Li was very happy, but Chan kept tapping on the keys of his calculator, worried. He had to go back to his uncle, asking to borrow an extra £1,000, which he found embarrassing.

By March 2009, the position was transformed. Word of mouth had spread and around 600 customers were coming per week. Even better, the average customer spent £8, with variable costs of £5. They were making a profit of £1,000 per week! They needed more staff, but there was no room in the tiny kitchen for more than Li.

Flushed with success, Chan offered £10,000 for the two-year lease on the (struggling) shop next door. It was accepted, and builders came in to provide Li with a much bigger kitchen. In fact, it took much longer to sort things out than they expected, and it was only in December that the new, expanded takeaway was ready. In the meantime all their profit had been invested in the building work and new equipment.

December 2009 proved terrific, but sales simply would not pick up after Christmas. By April 2010 the position was worrying. They were no longer making real profits. It was time for a careful re-think. What could have gone wrong?

### **Questions (30-40 minutes)**

1. Why was Chan still unhappy with the sales at week 8? Calculate the profit/loss being made. (3 marks)
2. Outline two things that might have caused sales to be slow when the business started up. (4 marks)
3. Prove that the business was making £1,000 profit per week in March 2009. Show your workings. (3 marks)
4. Discuss what could have gone wrong for the business after December 2009. (10 marks)

20 marks
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