

**AQA**  
**Business Studies**  
**Units 2 and 3**  
**Case Study for June 2005**  
**Chinatown**

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**28 March 2005**



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## **Introduction**

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These resources are aimed at helping you to get to grips with the AQA Business Studies Case Study for the June 2005 exam for Units 2 and 3. It has been prepared in the form of a dialogue between Jack Wei and an interviewer. This approach allows us to take all of the issues that arise from the case and give Jack's point of view (as we see it anyway!). This dialogue is entirely fictional since Jack doesn't exist and neither does the interviewer.

There will be six interviews overall: one for each section of the case study. The titles of each interview will be

- ◇ The beginning
- ◇ **Great Leap forward**
- ◇ From tertiary to secondary
- ◇ Making it happen
- ◇ Running the business
- ◇ Another step forward?

The interviews will be released at weekly intervals from now on with the first interview, the beginning, being released on 28 March 2005.

The case itself is the copyright of the AQA Board and can be downloaded free of charge from this address: <http://www.aqa.org.uk/qual/gceasa/qp-ms/AQA-BUS23-W-PM-Jun05.pdf>

We are using the case study as the basis of all of the interviews but are then adding our analysis of the case plus a wide variety of additional materials that we feel are appropriate for a full analysis of it.

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## Part Two: Great Leap Forward

After a year, the Lisle Street restaurant was profitable enough to repay the cousin in full, to build up capital to invest in bigger premises nearby, and to pay for a spectacular wedding ceremony. Jack wanted Ling to head the *front of house* section of the new restaurant, in other words to manage the waiting staff and to deal with customers. She was desperate to leave the bullying head chef behind, and quit her job on the day before their wedding.



**The Bride and Groom**

**Jack:** Welcome back! I knew you couldn't resist our delicious green tea and my beautiful wife is with me too of course.

**Interviewer:** Thank you Jack: you're making me blush!

**Jack:** So, we left Lisle Street in October 1998 after a really happy and successful year and a bit. I was fortunate in that everything went well for me, Ling kept her old job so that we had some money to live on; and I managed everything as well as I could.

I was able to pay off my cousin and that not only paid for my new restaurant ideas but it paid for our wedding: Ling is the perfect bride and wife!

We didn't move very far from Lisle Street and the new restaurant premises were huge, seating 400 customers on three floors. Everything was different: the annual rent was ten times the size of the Lisle Street premises. I was confident: I was happy, I felt my style and my approach couldn't fail.

**Interviewer:** It must have been a shock for you though: after all, providing up to 60 covers with a break even point of just 300 covers *a week* is a lot different from being able to provide up to 400 covers *at a time*. That's what you were facing now isn't it?

**Jack:** Your readers will think I'm running a hotel or a bedroom furniture shop! A cover is a diner or a customer: so 60 covers means 60 diners or people eating at a time.

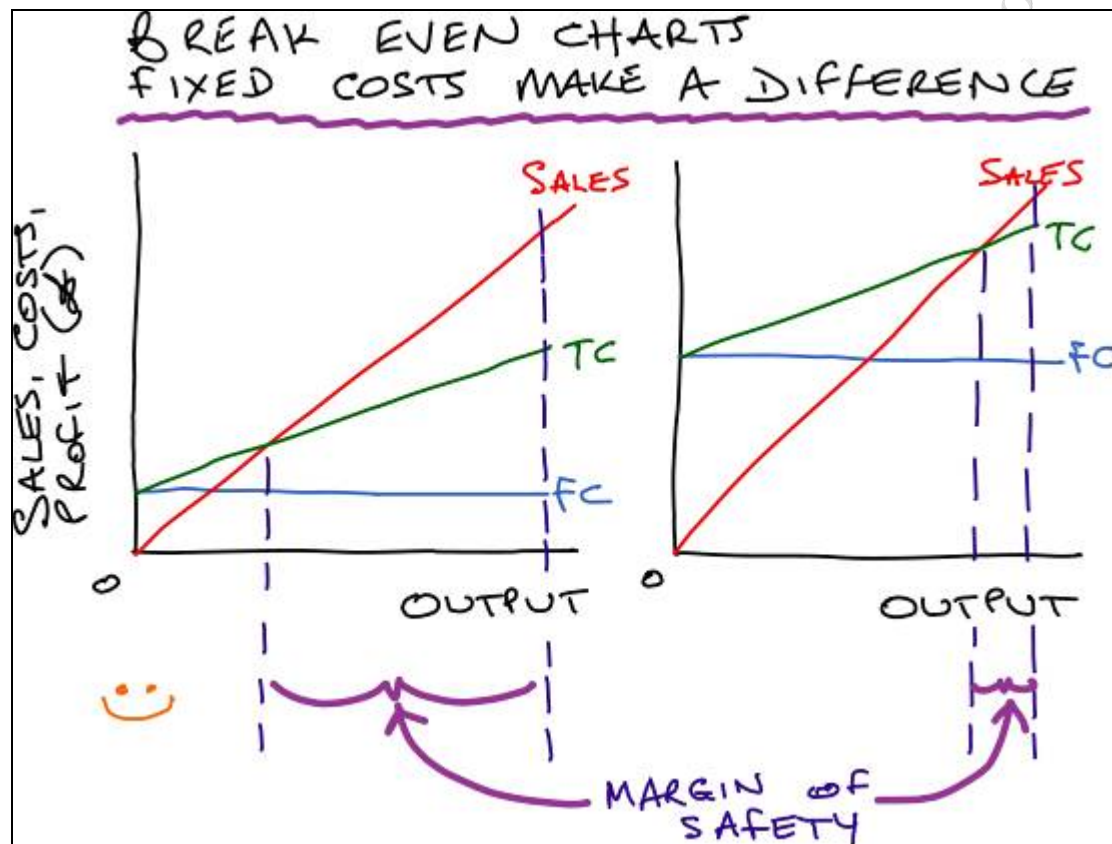
**Interviewer:** You're right, Jack, sorry!

**Jack:** Just teasing! No, you're right, everything was different. Firstly, my fixed costs went through the roof ... that's a joke! ... and that meant our break even point became much higher and our margin of safety was much smaller. On the other hand we now had a kitchen we could work properly with and we needed it. For that scale of operation I took on 24 chefs and 50 waiters and waitresses. We were ready for the avalanche of customers.

We spent a long time getting the place and the people ready: as usual, it took a lot longer than I'd wanted because in the real world dreams and reality often don't match. Especially in a place like London and more especially in a place like China Town.

**Interviewer:** My readers might not appreciate the comment you made about how your fixed costs increased a lot and so your break even point rose as well. Then you said that your margin of safety would fall as well.

**Jack:** Let me teach you this, then: here are two diagrams to consider. The diagram on the left shows what Lisle Street was like and the diagram on the right shows what the new restaurant was like. The difference between them is just the amount of fixed costs they incurred.



See what happened? Fixed costs always have the effect!

**Interviewer** Thanks Jack that was interesting: I'll use those diagrams if I can. I'm interested in what happened in the kitchen though. After all, your chefs could spread out, so how did you layout the kitchen? Secondly, were you able to do things like moving from individual order preparation to, say, batch production?

**Jack:** Yes, two big problems. Let's look at the kitchen first.

Heat is important! The Chinese chef will typically use propane gas to cook with because it burns at a high temperature so our cookers were propane based.

Remember this, errors made in the planning stages of any new project can be very costly in the long run. A poorly planned kitchen can result in high wages, slow preparation, unhappy staff and dissatisfied guests.

I also learned at Lisle Street that the kitchen needs to be planned according to the menu. I learned that this allows us to make the proper equipment selection and to determine exactly what space we should allocate to what. Once we moved to the new restaurant, the high rent meant that we had to be wise and use every square inch of space. My own experience as a chef has taught me that it's vital to know a lot about cooking and space allocation.

So, the first things I had to think about when I was planning this new restaurant were:

- splitting everything up so that we could benefit from the division of labour
- smooth traffic flow
- increased efficiency
- acceptable sanitary conditions: we must be clean at all times

Then I could work on these ideas:

- Lighting
- Ventilation
- Fire protection
- Floor covering
- Wall covering

**Interviewer:** You earn your money, Jack; I never thought of half of that!

**Jack:** You're right, cooking's the easy part!

**Interviewer:** So how did you layout the kitchen then and what alternatives did you consider?

**Jack:** I went for a four section functional layout. I didn't consider anything else to be honest because I knew we weren't going to do any fast food or canteen style cooking. I also knew that we would have to do some batch production and that influenced layout too.

Here's one idea:



I can see what you're thinking: where's the puddings? I know my Englishmen! We never intended to produce our own desserts: we buy them in and we buy the best! There are a lot of high quality suppliers of Chinese and English style desserts, just like our customers like them.

Here's another alternative:



**Interviewer:** Ah, that second one is an example of what they call fixed position layout in factories. That makes sense for a restaurant too. I got a table when I was student that told us all about layouts. I'll include it in my article (it's at the end of this file, Ed)

**Jack:** See, I learn from you every time! I didn't know that. I think I'll call myself *the foreman* from now on!

You see the central preparation area, though, that needs a bit of explaining. We just mentioned that we are doing some batch production: well, that needs a bit of a different layout. What's happening is that we will part cook our crispy duck and other meats in advance to be ready for serving four hours later, between 12.00 and 12.30, 12.30 and 1.00 and so on.

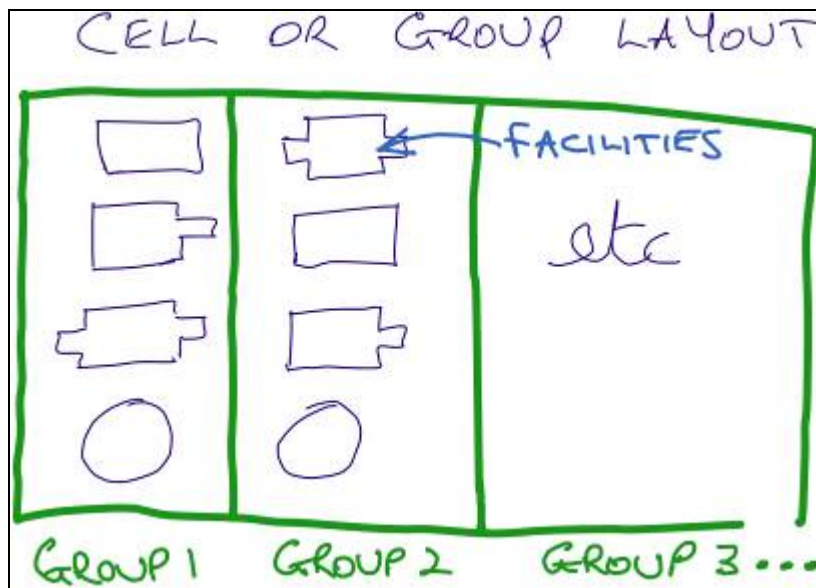
We also need to prepare our soups and other starters in batches early each morning.

Don't worry, though because we know that we need to keep the quality of our food very high so most items are cooked to order. The initial plan was to have 24 chefs to cope with surges in demand at lunchtime and in the evening.

**Interviewer:** I know that one, too. You need cell layout there.

**Jack:** I need to sell my layout? What does that mean?

**Interviewer:** No, cell, c - e - l - l, layout. I've got a diagram of that too. Here let me sketch it for you and I'll put a good one in the article (it's also at the end of this page, Ed).



**Jack:** Mmmm! Smart drawing! Seriously, I see what you mean and this is what we are trying to do even though I might not have drawn my central preparation area exactly like that.

**Interviewer:** It didn't work out the way you wanted it though did it? What went wrong Jack?

**Jack:** I'm what you call a glass half full person and I believe that nothing went wrong, we had to adjust our plans, that's all. If I didn't think like that I might have given.

For several weeks the second and third floors were hardly used at all; even the ground floor was rarely more than half full. For several weeks we had a lot of business issues to deal with. Our cash was being drained rapidly because the restaurant was operating below our break even point. Then we had to take a huge and painful decision: to avoid a financial disaster we had to close the second and third floors and to cut back two thirds of the kitchen and waiting staff.

This was an awful experience and even though I am very decisive in some areas I can be bad with people sometimes.

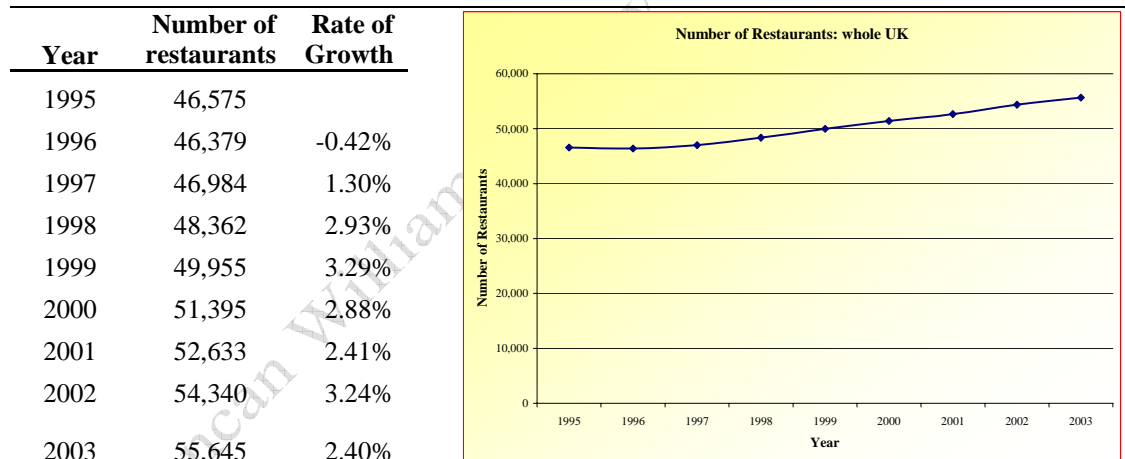
I knew that I wanted to keep the staff I knew from Lisle Street, so the level of dismissals among the newly appointed staff was very high.

My plan was to post notices to the home addresses of the staff we were going to have to lose to avoid seeing them face to face. That was my rubbish idea but my beautiful Ling convinced me that this was the wrong way to do it. Ling prepared herself to tell the whole staff, at the end of a lunchtime service. When the time came, I realised I had to act like a man and both Ling and I spoke to staff.

Can you imagine having to tell these people to go home and tell their wives, husbands, children that they won't be going to work on Monday? It's awful and I felt I'd let them down.

We put up with some hostile comments I'm afraid but in the end we convinced everyone that we were trying our hardest but that it was going to take longer than we had expected to achieve the same level of success as we had in Lisle Street.

Things didn't get much easier for a couple of years. We talked last time about the growth in the number of restaurants generally and it's true that we weren't the only new restaurant in this part of London. There was also a bit of a downturn in the market.



**Annual Business Inquiry at <http://www.statistics.gov.uk/abi/>**

**Jack:** See, the number of restaurants across the UK was increasing but the rate at which they were increasing was slowing down: just take a look at the rate of growth column to see what I mean.

**Interviewer:** I think the quality of your cooking and the high standards you demanded from your staff helped to keep the customers coming. Do you agree with that?

**Jack:** I think you're right: I am a cross between Gordon Ramsey and Jamie Oliver in the kitchen. Still, an increasing number of regular customers was supplemented by more tourists and the restaurant started to get good write ups in the guidebooks. The good news is that eventually I managed to re open the second floor

re opened and then the third floor as we needed to provide extra capacity. All of our hard work turned the restaurant into a good quality profit centre for the benefit of everyone.

**Interviewer:** Well, I've run out of time again, Jack: can I come back again next week because I'd like to talk to you about how you went from being a restaurateur to being the foreman you talked about earlier!

**Jack:** Good, no problem. I think these interviews are useful for me too because you're asking me about things that are making me think about what I'm doing. You are welcome at any time. Would you like some Chinese tea?

**Interviewer:** Yes please!

Types of Layout: examples				
Type of Operating System	Process Layout	Product Layout	Fixed Position Layout	Group Layout
Service Systems	Hotel	Automatic car wash	Hospital Operating Theatre	-
	Reference Library	Medical screening and diagnosis		-
Supply Systems	Supermarket	Self Service Restaurant	Restaurant Dining Room	-
	Warehouse			
Manufacturing Systems	Jobbing Production	Motor Vehicle Assembly Line	Ship Yard	Batch Production of components for a variety of products
	Small Batch Production	Chemical Process Plant	Civil Engineering	

Source: Wild page 130

