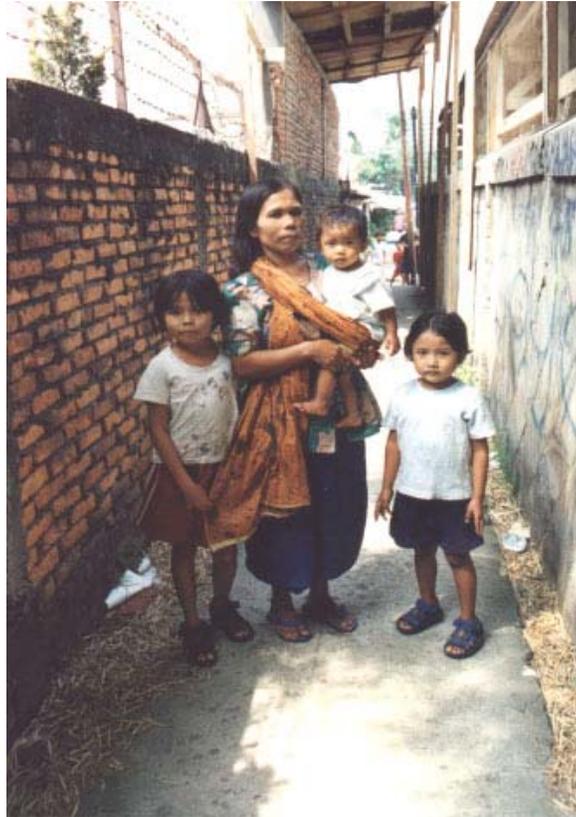


## Case Study 1

### **Mrs. Dian, the Overlocking Lady.**



An over-locker is a machine that wraps thread around a raw edge or hem so that it does not fray (unravel). When a piece of clothing is made from a pattern, each piece should ideally be overlocked before the pieces are stitched together. Many people in developing countries like to make their own clothes to save money. They may own (or can borrow from a neighbour) an old treadle (foot-powered) sewing machine. However, not many people own the kind of (expensive) modern machine that includes an overlocking attachment. These people take their cut-out pattern pieces to someone who owns an overlocking machine.

Mrs. Dian works from home. She has set up her overlocking machine in the front room that opens directly onto the crowded narrow alley that runs through her neighbourhood. People come to her door when they have items to be overlocked. Dian has three children. Two go to school for a few hours each morning. The youngest is a toddler, and plays around her feet as she works. Mrs. Dian likes being able to work from home. If she worked in a clothing factory, she would have travel expenses and would have to pay a neighbour to mind her toddler.

Dian's current equipment for operating her business consists of :

- One overlocking machine
- 18 spools of synthetic thread in different colours
- 1 bottle of sewing machine oil
- 1 pair scissors

She charges Rp. 2,000 (= Indonesian Rupiah) per metre for overlocking; or Rp. 500 each for small items such as hankies and napkins. Generally Dian has about four customers per day. Most live within 300 metres of her home. In between serving these customers, there is a lot of time when Mrs. Dian and the overlocking machine sit idle. The table below shows her takings for one month:

DAILY TAKINGS FOR ONE MONTH OF DIAN'S OVERLOCKING BUSINESS

Monday	Tuesday	Wednesday	Thursday	Friday*	Saturday	Sunday**	Weekly Total
12,000	28,000	16,000	22,000	6,000	16,000	36,000	136,000
14,000	18,000	4,000	14,000	4,000	18,000	26,000	98,000
18,000	22,000	8,000	14,000	8,000	70,000***	30,000	170,000
20,000	22,000	10,000	16,000	8,000	22,000	32,000	130,000

Notes:

\* Fewer customers come on Fridays because businesses close at 11 am for Muslim prayers.

\*\* More customers come on Sundays because this is the only full day off for most working people.

\*\*\*On the third Saturday Dian made Rp. 70,000 from one customer. This was unusual. This customer brought four dresses being made up for a family wedding. Mrs. Dian would very much like to get more wedding business.

Activities:

1. Calculate the grand total of Dian's earnings for the month and the weekly average.
2. Prepare a graph of her average daily takings for each day.
3. Which is the busiest day (ie: most customers?)
4. Which is the most profitable day?
5. If she chose to close her shop one day per week to do some other income-earning activities, which day should she choose?
6. How could Dian increase the amount of wedding business she gets?
7. Can you think of any other things that Dian could make using her overlocking machine to increase her weekly income?
8. How else could Dian expand her business? Think as broadly and creatively as possible. Include a list of things she would need to obtain, and try to estimate what it might cost and how much she might earn as a result.
9. Find out what the exchange rate is: one Australian dollar = ..... Indonesian Rupiah

Ideas for expanding Mrs. Dian's business:

- 1) Buy fabric from factories and hem to make pretty sets of napkins and table-clothes; cloth nappies for babies; ladies' head-scarves and Islamic prayer shawls. Cost of fabric: Rp. 5,000 per metre if bought from factory door.
- 2) Buy an industrial sewing machine second-hand from a factory. (Estimated cost Rp. 500,000) Take in clothing alterations, shortening of hems and trousers and simple dress-making.
- 3) Buy a machine for self-covering of buttons.
- 4) Employ a relative or neighbour part-time to help produce the goods and take them round the district selling to restaurants, prayer houses, door-to-door.

## Case Study 2

### IBU SARI, COOL DRINK SELLER.



Ibu (Mrs.) Sari sells a deliciously refreshing drink of crushed sugar cane at a little stall outside the university in her town. Most of her customers are students. She 'rents' the tiny patch of ground the stall stands on from the security guards at the university. Sometimes the guards also buy her drinks.

Each morning Mrs. Sari gets up very early and walks to the market. Here she buys a large quantity of sugar cane and a block of ice. She then takes public transport to carry her heavy purchases to her stall. At the stall she washes the cane free of dirt and uses a hammer to smash the ice into lumps.

By this time it is mid-morning and everyone is getting thirsty. When a customer comes Mrs. Sari pushes several pieces of cane through her crushing machine, tips the juice into a glass and adds a chunk of ice. She keeps doing this all day until all her sugarcane is gone. Mrs. Sari's is a very simple stall: she does not sell anything besides sugar-cane juice. There is no-one else selling sugar-cane juice outside the university, although there are many other snack sellers. The security guards provide her with water for washing up, which she does using one bucket for the soapy water and one for rinsing.

Mrs. Sari owns the following equipment:

- 1 cane crusher
- 4 tea-towels
- 10 glasses
- A large plastic tub for storing ice
- two buckets

Here are her daily expenses:

Sugar cane	Rp. 12,000
Ice	Rp. 5,000
Transport	Rp. 1,500
'Rent' of space	Rp. 3,500
Total	Rp.

Daily sales and profit.

The sugar cane will produce about 50 glasses of juice. Mrs. Sari charges Rp. 750 for each glass. The students think this is a good price, so she usually sells all the juice she has squeezed.

Question 1: How much profit does Mrs. Sari make in a day?

Question 2: How much profit does she make in one week?

Expanding the business.

Mrs. Sari's eldest daughter will soon be getting married and the celebrations will cost a lot of money. Can you think of some ways in which she could expand or diversify her business to earn more money?

List them here:

- 1.
- 2.
- 3.
- 4.

Ibu Sari's market research.

Mrs. Sari has given this matter some thought and has done a bit of 'market research' herself. Here are her results:

- 1) She has thought of charging more for her drinks. But the students are poor and she does not think they could pay more than Rp. 750 per drink.
- 2) She could dilute the drinks with a little water and make a bigger profit on each drink. However, the customers might not like the diluted drink.
- 3) She estimates that she could sell up to 20 more glasses of juice each day, but she could not carry all the raw sugar cane and ice from the market to the minibus and again to her stall.
- 4) She could employ someone to help her.

Question 3: Paying someone to help her carry extra sugar cane will cost Rp. 2,500 for the labour and another Rp. 1,500 for the minibus fare.

How much is the total cost?

How much extra profit can she make? Is it worth doing this?

- 5) The students say that what they like best about Sari's stall is that they can get refreshment at the hottest time of day. This has set Mrs. Sari thinking about making icy poles. No-one she knows has ever thought of selling frozen sugar cane juice, and it could be quite a draw-card. She thinks that the university lecturers and even people from offices might come to buy icy-poles. Her market research indicates that she could sell 35 icy poles per day at Rp. 1,000 per item, and still sell 50 drinks. The trouble is that freezing the juice requires electricity and there is no power supply to her current stall. There is a small shop with power available for rent about 250 metres away: close enough for her current customers to walk to and closer to other shops and offices. She would not have to buy ice any more. However, there would be extra costs, as set out below:

Start-up costs:

Rent on the small shop	Rp. 100,000 per month
Cost of freezer (small, second-hand)	Rp. 750,000
Icy pole moulds (4 @ Rp.10,000ea.)	Rp.
Total:	Rp:

Production costs:

Cost of electricity (per week)	Rp. 15,000
Cost of sugar cane	Rp. 8,500
Icypole sticks (pack of 100)	Rp. 2,500

Question 4: How much money would Sari make in one week from selling icy poles alone?

Question 5: How much of this would be profit?

Question 6: How long would it take before the profits would cover start-up costs?

Question 7: How much total profit would she make in one week if she sells both cold drinks and icy poles?

Approaching the bank for a loan.

Mrs. Sari has no *capital* to expand her business. She will need to go to a bank or money-lender to get money for buying a freezer unit and for one month's rent in advance from the stall.

EXERCISE: Pretend to be Ibu Sari. Make up a presentation for the local bank manager outlining why you think this is a good business idea, how much you will need to borrow to start up the business, and how much you could repay each week. Make sure you have enough money left over to feed your family and cover your other daily expenses.