higher education & training

Department:
Higher Education and Training
REPUBLIC OF SOUTH AFRICA

N490**(E)**(J10)H
JUNE EXAMINATION

NATIONAL CERTIFICATE

ENTREPRENEURSHIP AND BUSINESS MANAGEMENT N6 (Second Paper)

(4090336)

10 June 2016 (X-Paper)
(09:00—11:30)

Candidates may take 5 reference works, consisting of dictionaries, textbooks and student files containing lesson notes, into the examination venue.

Pocket calculators may be used.

OPEN-BOOK EXAMINATION

This question paper consists of 8 pages.

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DEPARTMENT OF HIGHER EDUCATION AND TRAINING
REPUBLIC OF SOUTH AFRICA

NATIONAL CERTIFICATE
ENTREPRENEURSHIP AND BUSINESS MANAGEMENT N6
(SECOND PAPER)
TIME: 2½ HOURS
MARKS: 150

NOTE: If you answer more than the required THREE questions, only the first three questions will be marked. All work you do not want to be marked, must be clearly crossed out.

INSTRUCTIONS AND INFORMATION

1. Answer any THREE of the FOUR questions.
2. Read ALL the questions carefully.
3. Number answers according to the numbering system used in this question paper.
4. Start each question on a NEW page
5. Marks will not be allocated for copying directly from the textbook.
6. Systematic presentation of facts are required.
7. Write neatly and legibly.

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SECTION B

Answer any THREE questions in this section.

QUESTION 1

Read the following case study and then answer the questions.

SUGAR AND SPICE is a business in Pietermaritzburg, KwaZulu-Natal which provides South African outlets with sugar. The owner, John Morara, wants to export internationally. He decides to export to Botswana to test his export readiness.

The following information about Botswana is made available to him by die Department of Trade and Industry:
Population –
Mid-sized country with 2.1 million people.
Hardest hit by HIV/AIDS epidemic with around a quarter of the population estimated to be infected.
Life expectancy is 54 years.
Economy –
Botswana has one of the fastest-growing economies in the world.
In recent years Botswana has changed from one of the poorest to a middle-income country.
Language –
Official language is English and Setswana is widely spoken.
Education –
The adult literacy rate is 83%.
Environmental problems –
Severe droughts.
Livestock uses 71% of country land for grazing.
Culture –
Women possess the skill of crafting baskets from Mokola Palms and are also involved in the Thamage Pottery industry.

Botswana is one of South Africa's biggest trading partners in Africa. There are many things that the two countries have in common, for example Christianity, food (pap, boerewors, samp, mopani worms), a high level of economic freedom et cetera.

[*Wikipedia.org*]

1.1 Give THREE possible reasons why John Morara decides to export to Botswana to test his export readiness. (3 × 2) (6)

1.2 State FOUR factors that will encourage SUGAR AND SPICE to export to Botswana. (4 × 2) (8)

1.3 Give FOUR reasons why the South African government will encourage the export of sugar to Botswana. (4 × 2) (8)

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1.4 Explain the assistance that SUGAR AND SPICE can expect from the Department of Trade and Industry with their export opportunity. (4 × 2) (8)

1.5 Botswana has a weaker currency than the Rand. Will this have a positive or a negative effect on John Morara's exports, if he decides to export to Botswana? Motivate your answer. (2 × 2) (4)

1.6 Discuss the cultural environment of Botswana by referring to the following:

1.6.1 Material culture (2 × 2) (4)

1.6.2 Language (2 × 2) (4)

1.6.3 Education (2 × 2) (4)

1.6.4 Religion (2)

1.7 What is *international trade*? (2)
[50]

QUESTION 2

Study the following case study and then answer the questions.

AB Johnson is the owner of a coffee shop, AB's Coffee Shop, in Cape Town. His coffee shop is in the main road (Adderly Street) and has been doing business for the past ten years. His staff consists of three well-trained assistants, one confectioner and one cleaning lady. AB's Coffee Shop has many loyal customers and many walk-in customers.

Last month, a new coffee shop opened its doors for business across the road.

AB Johnson is considering selling his business. The market value of the net assets is R150 000. The net profit of the coffee shop over the last three years was: R80 000 for 2012, R100 000 for 2013 and R120 000 for 2014. The current interest rate is 10% and a reasonable salary for an owner of a similar business is R120 000 per year.

2.1 Calculate a fair price for AB's Coffee Shop. (26)

2.2 AB Johnson decides not to sell his coffee shop. Explain with practical examples how he can use the following strategies to remain competitive:

2.2.1 Differentiation strategy (2 × 2) (4)

2.2.2 Low-cost strategy (2 × 2) (4)

2.2.3 Focus strategy (2 × 2) (4)

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2.3 AB Johnson plans to expand his business.

Give THREE ways in which to bring about the external growth of AB's Coffee Shop. (3 × 2) (6)

2.4 AB Johnson is an entrepreneur.

Give any THREE ways in which he contributes towards the economy. (3 × 2) (6)
[50]

QUESTION 3

Read the following case study and then answer the questions.

Steers founder, George Halamandaris, was one of the first entrepreneurs to bring the franchising concept to South Africa. By attracting new consumers as well as increasing the consumption frequency of existing customers, Steers succeeded in reaching their target of double-digit system-wide sales growth in 2012.

To keep their brand innovative and to cater for a variety of customer needs, Steers extended their range to include breakfast burgers, flame-grilled beef and chicken burgers, as well as vegetarian and halal options.

To ensure that all Steers franchises are operated in the same manner, franchisees and their staff undergo an intensive one-month training programme through the Famous Brands training institute, which includes food preparation and presentation procedures, customer relations, MARKETING, business and FINANCIAL management.

When the quick-service restaurant industry diversified and competitors began specialising in segments similar to the Steers menu by also offering chicken, ribs and breakfasts, Steers chose to continue their focus on the core product which had made them stand out from the beginning: their flame-grilled burgers.

To broaden their customer base, they actively target the children's market (three- to eight-year-olds) with their Steers Brat Pack meal, which offers a specially packaged, single-serving child's meal, and a GIFT to go with it.

Steers identified a lucrative gap in the 12- to 18-year-old age group market, and to target this market they released a series of catchy adverts for their 'Hoohah' campaign. This 'teens and young adults' group is a large market, which has gained global attention as a prime marketing target. This group is often bombarded with the latest trends in fashion, entertainment and technology, and interaction with this sector demands a relevant message and a unique offering geared to the group's particular likes and trends.

[http://www.mweb.co.za/Entrepreneur/ViewArticle/tabid/3162/Article/7947/Real-business-made-real-good-The-story-behind-Steers.aspx]

3.1 What does Steers specialise in? (2)

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3.2 With reference to Steers:

3.2.1 Identify the franchisor.

3.2.2 Identify the industry.

(2 × 2) (4)

3.3 Name the areas in which training is provided in the one-month training programme by Famous Brands. (6)

3.4 Discuss the advantages for the franchisee/franchisor of buying a Steers franchise in South Africa. (5 × 2) (10)

3.5 Complete a SWOT analysis for Steers and give ONE example for each component. (4 × 2) (8)

3.6 Identify what type of franchise Steers is. (2)

3.7 'To broaden their customer base'.

3.7.1 Identify the generic strategy that Steers used in this attempt. (2)

3.7.2 Motivate your answer in QUESTION 3.7.1. (2 × 4) (8)

3.8 Explain how Steers address the influence of the cultural environment on the business. (2 × 2) (4)

3.9 To be effective, objectives (targets) have to be measurable and time-bound.

Identify an objective from the case study where the above-mentioned criteria are used. (2 × 2) (4)

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QUESTION 4

Read the following case study and then answer the questions.

A fine arts graduate, Carrol Boyes was also a realist. Recognising that superior design addresses people's needs, Boyes initially focused on knives, forks and spoons, objects that quickly became fun to hold and to use. 'Cutlery is traditionally quite plain and unadventurous.' She recalls applying for an overdraft, but the business was unknown and she was turned down.

Boyes was comfortable with the rate at which her enterprise grew; others would be ecstatic – it thrived, experiencing 100% growth every year for the first six years. 'Every six months the premises would suddenly become too small and we would have to employ more staff.'

The business was given its first big shot in the arm by Peter Visser in 1989. Situated in Cape Town's Loop Street, his trendy store, Peter Visser Interiors, was the last word in home décor. 'People went to the shop to see what was hot and because my products were displayed there, they were immediately given the stamp of approval. It really all came about by word of mouth. I believe that is the strongest marketing tool available.'

By 1992 Boyes was not coping. Help arrived in the form of her family. The company's head office in Cape Town was bolstered by the construction of the main manufacturing plant on her father and brothers' farm in Letsitele, Limpopo. This facilitated future expansion, enabling Boyes to bring on board a general manager and a management team to oversee production.

One of the factors that contributed to the phenomenal success of Carrol Boyes was the early establishment of an export arm that has taken the brand on a worldwide journey. It was also in the early 90s, that the signature pewter and stainless steel pieces began to receive attention.

2003 saw the beginning of the second phase of growth, with the first dedicated Carrol Boyes store opening at the Cape Town Waterfront and the second in Pretoria. There are 20 local stores today, three overseas.

Worldwide, the Carrol Boyes brand has come to represent a coveted, high-end product range associated with fine living. 'My interest was in creating three-dimensional, sculptural forms. The hand finishing and composition of my creations takes them into a completely different realm from ordinary cutlery, and enables me to find a specific market for them.'

When Carrol Boyes pieces came onto the market they were unique. But is it possible to maintain the edge when the competition hots up? The truth is that Boyes has had many imitators, but no real competition.

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'No-one can match the product quality standards or uniqueness of what we do. If you copy someone, you can only ever be a copier,' she says. 'But our customers know what a Carrol Boyes original is and they do not want second best. We have never felt the impact of imitators on the bottom line.'
Her focus is on growing the overseas market and opening more dedicated stores.

[http://www.entrepreneurmag.co.za/advice/success-stories/entrepreneur-profiles/carrol-boyes/]

4.1 Give TWO possible reasons why Carrol Boyes' application for an overdraft was turned down. (2 × 2) (4)

4.2 'Word of mouth'

4.2.1 Explain in your own words what is meant by 'word of mouth'. (2)

4.2.2 Explain how 'word of mouth' benefited Carrol Boyes' business. (2 × 2) (4)

4.3 Explain how Carrol Boyes managed the growth of her business for the first six years. (2 × 2) (4)

4.4 'Help came in the form of her family'.

State the advantages for the business. (2 × 2) (4)

4.5 Explain the influence of the 'competitor' as a dominant economic factor on Carrol Boyes' business. (2 × 2) (4)

4.6 Give any THREE reasons for Carrol Boyes' competitive advantage. (3 × 2) (6)

4.7 List the THREE most important stages of growth of Carrol Boyes' business. (3 × 2) (6)

4.8 Carrol Boyes decides to introduce products made of porcelain into her product line.

Explain how she can manage the resistance to change from the staff that are trained to work with steel and pewter. (4 × 2) (8)

4.9 Explain why you think that Carrol Boyes would be able to start a consultancy. (4 × 2) (8)

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TOTAL SECTION B: 150
GRAND TOTAL: 200

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