higher education & training

Department:
Higher Education and Training
REPUBLIC OF SOUTH AFRICA

N490**(E)**(J6)H

NATIONAL CERTIFICATE

ENTREPRENEURSHIP AND BUSINESS MANAGEMENT N6

(Second Paper)

(4090336)

6 June 2019 (X-Paper)
09:30–12:00

OPEN-BOOK EXAMINATION

FIVE reference works, including dictionaries, textbooks and student files containing class notes, are allowed.

Calculators may be used.

This question paper consists of 6 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

INSTRUCTIONS AND INFORMATION

1. Answer ALL the questions.
2. Read ALL the questions carefully.
3. Number the answers according to the numbering system used in this question paper.
4. Start each section on a NEW page.
5. Use only a blue or black pen.
6. Write neatly and legibly.

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SECTION B

QUESTION 2

2.1 Read the extract and answer the questions.

STARBUCKS

Local licence holder for Starbucks in South Africa, Taste Holdings, has halted any plans to open more outlets of the US coffee chain as it struggles to make ends meet. Taste, which also owns the jeweller Arthur Kaplan and Domino's Pizza, suffered operating losses of R87 million in the six months up to the end of August, with sales down 3%. The group said that while the store network of twelve Starbucks outlets is profitable at a sales level, it is not producing the required return on its investment.

Setting up a new Starbucks store in South Africa costs R5 million to R8 million the group previously said. This is very expensive, says Simon Brown, founder and director of investment website JustOneLap.com. Brown estimates that the actual cost could now be higher than previously stated – perhaps even reaching R20 million.

Hitesh Patel, director of new business at Starbucks competitor Vida e Caffè, says the average cost of setting up one of its stores is only around R1,5 million. That is less than a third of the minimum cost of a new Starbucks outlet.

Taste has a 25-year licence deal to operate Starbucks stores in SA – and has to pay royalties to the US brand, which are proving to be costly, says Michael Treherne, retail analyst at the fund manager Vestact.

Due to the royalties and expensive store set-up costs, Treherne says Starbucks South Africa has had to resort to premium pricing – which is not a good strategy during a recession.

[Adapted from: *Business Insider SA*]

2.1 What type of franchise is Starbucks? (2)

2.2 Why has Taste Holdings stopped opening any more Starbucks stores in South Africa? (3 × 2) (6)

2.3 Name ONE disadvantage of setting up a Starbucks store. (2)

2.4 Who is a competitor of Starbucks in South Africa? (2)

2.5 Why is it expensive to pay royalties to the US brand? (2)

2.6 Explain *premium pricing*. (2)

2.7 You are interested in buying a Vida e Caffè, but you need more information.

Write down FOUR questions to ask Vida e Caffè about the operational details of the franchise. (4 × 2) (8)

2.8 You want to set up your own small business and you need a business plan to apply for financing.

Give an outline (summary) of the business plan you would present. (7 × 2) (14)

2.9 What questions would you ask yourself to clarify your financial needs once your business is operational? (6 × 2) (12)
[50]

QUESTION 3

3.1

MISSION STATEMENT OF FIRST NATIONAL BANK

Our aim is to be the leading financial services group, earning consistently good profits through outstanding customer service, innovation and professionalism achieved by a motivated and committed team who are proud of what we are, what we do and how we do it.

3.1.1 Identify TWO main components FNB addressed in its mission statement. (2 × 2) (4)

3.1.2 Which benefit do they promise customers? (2)

3.1.3 Give TWO driving forces in the financial services industry. (2 × 2) (4)

3.2

SOAP CLAIM WASHED OUT

The makers of LUX soap can no longer claim that it moisturises 40% more than other soaps following a ruling by the Advertising Standards of South Africa. The authority said the long-lasting moisturising claim had been substantiated from within the manufacturer, Unilever, not by a credible independent research entity acceptable to the authority. The claim is suggesting that the product has been tested against competitors' soaps.

The authority also dismissed a complaint from Johnson & Johnson, whose baby products with the slogan 'No More Tears' are well-known, and who complained that Nature Goodness's claim 'No Tears' on Tiny Tots Baby Shampoo and liquid wash packaging was not substantiated.

3.2.1 Which generic strategy is used by the makers of Lux soap and Johnson & Johnson? Substantiate the answer. (2 × 2) (4)

3.2.2 How does Johnson & Johnson defend its competitive advantage? (2)

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3.2.3 Identify TWO major driving forces from the scenario. (2 × 2) (4)

3.2.4 What problems could a new business encounter when trying to enter this industry? (2 × 2) (4)

3.3 Moringa Miracles decided to expand into international markets. An agent was appointed to sell and promote its products in four African countries as well as to make credit facilities available to new customers. The Moringa Miracles products sold very well in Africa and two years after their initial entry into the international market the company and a Botswana moringa farmer set up a factory and started to manufacture Moringa Miracle products in Botswana.

3.3.1 What method did Moringa Miracles use to enter markets in African countries? (2)

3.3.2 What method did they use to enter markets in Botswana? (2)

3.3.3 What are the advantages of the method used in QUESTION 3.3.2? (2)

3.3.4 Suppose the South African currency is weaker than Botswana's, will that have a POSITIVE or a NEGATIVE effect on the decision to export? Substantiate the answer. (2 + 2) (4)

3.4 Briefly explain how the following aspects can influence the success of Moringa Miracles in Botswana:

3.4.1 Material culture

3.4.2 Language

3.4.3 Commercial infrastructure

3.4.4 Urbanisation

(4 × 2) (8)

3.5 State a long-term objective for each of the following functions of a business:

3.5.1 Finance

3.5.2 Operations

3.5.3 Personnel

3.5.4 Marketing

(4 × 2) (8)

[50]

QUESTION 4

Read the scenario below and answer the questions.

SALON M

John Mbethe has been working for Beyonce Hair and Beauty products for the past 10 years but the company has been restructured and he has received a retrenchment package. John is 39 years old and has decided that he wants to buy his own enterprise and be his own boss from now on. John's wife, Chrissy, is a hairdresser and she suggested that they buy a well-established hairdressing salon in a busy mall in Umtata.

John and Chrissy have done thorough research about the hairdressing salon they are interested in buying. The price is high, but the salon is always full because of its high quality of service. The staff will remain if they buy the salon. The replacement value of the equipment is R540 000 but R40 000 must be paid as last instalment for the new salon chairs. The stock in the salon is worth R100 000. The best interest rate is currently 20%. A fair salary for the manager is R250 000.

Profit margin for the last four years:

2015 – R300 000
2016 – R350 000
2017 – R420 000
2018 – R550 000

4.1	Calculate a fair selling price for this business.		(20)
4.2	Why would you advise the Mbethe couple to buy the salon?	(3 × 2)	(6)
4.3	The staff will remain when the new management is established but why may they resist change?	(4 × 2)	(8)
4.4	How can the Mbethes manage this resistance to change?	(3 × 2)	(6)
4.5	Explain the importance of goodwill when buying an existing business.	(3 × 2)	(6)
4.6	Give TWO ways in which the Mbethes can relaunch the salon.	(2 × 2)	(4)
			[50]

TOTAL SECTION B: 150
GRAND TOTAL: 200

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