



# higher education & training

Department:  
Higher Education and Training  
**REPUBLIC OF SOUTH AFRICA**

N460(E)(N21)H  
NOVEMBER EXAMINATION

NATIONAL CERTIFICATE

**ENTREPRENEURSHIP AND BUSINESS  
MANAGEMENT N6  
(Second Paper)**

(4090304)

**21 November 2014 (X-Paper)  
09:30–12:00**

**OPEN-BOOK EXAMINATION**

**This question paper consists of 9 pages.**

**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 the 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.
-

**QUESTION 1**

- 1.1 Read the following mission statement of the Ford Motor Company and evaluate it according to the criteria/characteristics of a good mission statement.

'We are a global family with a proud heritage passionately committed to providing personal mobility for people around the world.'

(4 x 2) (8)

- 1.2 Read the section below and answer the questions.

KFC plans to introduce the new Kentucky Breakfast Menu, available to drive-through and sit-down customers. This new offering is aimed at consumers searching for a quick and easy breakfast meal. In order to create an effective marketing campaign for the new menu, KFC has taken their key success factors into consideration.

- 1.2.1 Briefly explain the term *key success factor*. (2)

- 1.2.2 Name and describe the application of five key success factors in the fast-food industry to KFC. (5 x 2) (10)

- 1.3 There is strong rivalry (competition) in the fast-food industry and it is important for KFC to understand how this will affect the success of their new Kentucky Breakfast Menu.

- 1.3.1 Explain the term *rivalry among competing sellers*. (2)

- 1.3.2 Who are KFC's main competitors for the new breakfast menu? (4 x 1) (4)

- 1.3.3 How will the competition in the fast-food industry be affected if there is a decline in the economy and people have less money to spend? (3 x 2) (6)

- 1.4 Read the case study below and answer the questions.

Stacy and James have just completed their national diploma and have decided to pursue their dreams and start their own clothing brand – 'Passion'. This brand is targeted at South African students aged 18–25. Stacy and James are determined to incorporate the latest trends to attract both female and male consumers and will purchase their stock from stores in Thailand and China at affordable prices. James has advised Stacy to make use of Facebook to advertise various specials as well as to conduct promotional campaigns at the various FET and University campuses in South Africa. Before further marketing decisions are made, the owners have requested that you assist them in analysing the clothing industry and identifying the factors that may influence their business.

- 1.4.1 Name and explain the impact of FIVE driving forces that may affect the industry in which 'Passion' is. (5 x 2) (10)
- 1.4.2 What other electronic media would you advise them to use to market their business? Why would you advise them to do so? (2 x 2) (4)
- 1.4.3 What type of consultant will you be for 'Passion'? Motivate your answer. (2 x 2) (4)
- [50]

## QUESTION 2

- 2.1 Explain the following concepts when determining the value of a business.
- 2.1.1 Tangible assets (3 x 1) (3)
- 2.1.2 Stock (1)
- 2.1.3 Intangible assets (2 x 1) (2)
- 2.1.4 Goodwill (4 x 1) (4)
- 2.2 When Toyota entered the American car market in the late 1970s, the company advertised that its cars were far more fuel efficient than American automobiles, better designed, and less expensive. These three product differentiators allowed Toyota to gain a considerable share of the US car market.
- 2.2.1 Which generic competitive strategy did Toyota use according to Porter's framework? (1)
- 2.2.2 What are the benefits that Toyota would gain from using the above strategy? (7 x 1) (7)
- 2.3 Maxwell intends to buy a well-known shoe store in a very busy shopping complex. Most of the staff are from the local community. The net assets of the business is R300 000. The best available interest rate currently is 10%. The salary for the manager is R3 000 per month.
- The net profit figures for the last four years:
- |        |         |        |         |
|--------|---------|--------|---------|
| Year 1 | R80 000 | Year 2 | R70 000 |
| Year 3 | R90 000 | Year 4 | R80 000 |
- 2.3.1 Calculate a price for the business. (10)
- 2.3.2 What profit period figure did you use to calculate the goodwill of the business? Explain why you used that figure. (3 x 2) (6)

- 2.3.3 Would you advise Maxwell to buy this business? Give ONE reason for your answer. (2)
- 2.4 Give the correct term for the following descriptions when determining the value of the fixed assets of a business:
- 2.4.1 What the owner will get if his house is sold at an auction
- 2.4.2 Cost price minus depreciation
- 2.4.3 What it will cost if you had to buy the asset in the current market (3 x 2) (6)
- 2.5 As the head of the human resource department you have noticed that the productivity of your workforce has decreased over the past financial year. To help you solve this problem you want to employ the services of a consultant.
- Give FOUR reasons to top management to motivate your proposal for the use of a consultant. (4 x 2) (8)
- [50]

### QUESTION 3

- 3.1 Read the following case study and then answer the questions.

The IQS (I Quit Smoking) method is a **totally safe and natural way to quit smoking after just ONE hour** without any side effects or the usual withdrawal symptoms.

The international franchise company Quit Smoking International (QSI) was established in 2001 when the worldwide franchise model started to roll out. Our head office is in Waterford, Republic of Ireland. Through our international franchising manager countries are opened as soon as a suitable candidate is identified. To take IQS, a fantastic product, around the world and help as many people as possible, the franchised model was adopted. Currently 35 countries are opened and more than 250 franchised outlets are operating daily.

#### About Quit Smoking South Africa

Quit Smoking South Africa (Pty) Ltd was registered late in 2011 with head offices in Pretoria. The company became provisional members of FASA (Franchise Association of South Africa) in 2012. The Directors, Gerhard and Sanet Mohrmann, successfully obtained the Master Franchise License for South Africa after their pilot center had great success in Windhoek, Namibia.

IQS Namibia opened in July 2011 and outperformed the initial goals by 150%. In the first year they treated more than 350 customers and maintained the worldwide success rate of up to 90%. IQS franchises are now available in all major cities and towns in South Africa. Some 40 franchise areas have been identified of which 8 have been sold and are opening during April and May 2013.

The areas are large and strong enough to enable the franchisee to expand within the area. The franchise business opportunity enables anyone who would like to earn extra income as an add-on to an existing business or run it as a stand-alone business.

**The IQS franchise opportunity**

The franchisee will operate independently; they will run their own business with our guidance and direction. There are no ongoing royalties or management fees. Daily tasks would include, but are not limited to, ensuring marketing is done, calls/e-mails/SMS requests are answered with information, bookings are arranged and then customer treatments are performed. The franchisee is in many cases not the daily therapist but manages the operations. A therapist can be employed or hired on your own terms.

**How much does an IQS franchise cost?**

**Initial capital of about R250,000** is required to secure the exclusive area licence and to procure the patented IQS equipment for the treatments. This includes delivery to your door. Full on-site training by an internationally accredited trainer is also included. The new franchisee will be able to earn money from day one and it happens already during the training. The expected return on investment is 8–10 months, but in the case of Namibia it was within 5 months. The monthly income is normally estimated at a conservative figure based on only one new customer per day. That equals to R60 000 per month as income and with very low overheads, profit is realised from the first few months.

**How we train and support you**

We offer a 3-day on-site, hands-on training by internationally accredited trainers. The training covers the following aspects: Understanding smoking, the cessation industry, the IQS concept and presentation, IQS - operating the R.I.S.E. Machine, performing customer treatment, marketing, customer care, etc.

**What we look for in a franchisee**

No medical or therapeutic background is required, though it could be an advantage. Everything you need to know is covered and taught in the training. The following personal attributes are necessary: Good communication skills, diligent working habits, like to work with and help people, ability to follow a simple success recipe and naturally, nonsmokers or anyone desperate to quit too!

- 3.1.1 Is this franchise regulated? Motivate your answer. (2 x 2) (4)
- 3.1.2 Why are franchises regulated? (2 x 2) (4)

- 3.1.3 What specific franchise fee must IQS franchisees pay? (2)
- 3.1.4 What normal franchise fees are IQS not charging their franchisees? (2 x 2) (4)
- 3.1.5 What type of franchise is IQS? (2)
- 3.1.6 Indicate from the case study 10 advantages of joining the IQS franchise. (10 x 1) (10)
- 3.1.7 For what type of person is IQS looking as a prospective franchisee? (4 x 1) (4)
- 3.1.8 Why is this franchise business growing so fast? (3 x 2) (6)
- 3.1.9 Which TWO types of entrepreneurial profiles would be most suitable for this franchise opportunity? (2 x 1) (2)
- 3.2 The 2015 Rugby World Cup will be held in England. You own a tourism company and plan to market South Africa at the various places in England.
- 3.2.1 Explain how the following factors will influence your business
- Language
  - Education
  - Political environment
  - Currency
- (4 x 2) (8)
- 3.2.2 Give a SWOT analysis for your tourist business. (4 x 1) (4)
- [50]

#### QUESTION 4

Read the case study below and answer the questions.

**Nando's, the popular and well-known brand in South Africa, has become one of the country's greatest international success stories.**

In 1987, an entrepreneur named Robert Brozin and his friend Fernando Duarte went to a Portuguese takeaway restaurant named Chickenland in Rosettenville, southern Johannesburg. Brozin was so impressed with the restaurant's flame-grilled chicken that he proposed the pair of them buy the restaurant. They renamed the restaurant Nando's, abbreviating Duarte's first name. Within two years, Nando's had three outlets in Johannesburg and one in Portugal.

Their growth and popularity continued, and today there are over 1,000 restaurants in 30 countries around the world, making Nando's South Africa's most successful restaurant group export.

The business struggled at first and was on the verge of collapse when the chairman, Richard Enthoven, handed it over to his son Robert, who shifted the emphasis from takeaways to what is known as a mixed service model. Under the mixed service model, the way customers are encouraged to act is different and there's an element of responsibility in that you have to go to the counter to order and you help yourself to your own cutlery, soft drinks and sauces, before servers bring the meal to your table. All this moving about helps to create a fluid, busy atmosphere and an environment which customers enjoy spending time.

Individualised store design and the mixed service model proved to be a highly successful formula. By 2001 there were 29 branches in the UK, and by 2005 the number had risen to 114. In 2012, Nando's registered a profit of £14.7 million, up from a loss of £7 million in 2010–11 – a 26 per cent increase over a year. Since then, the UK's love for Nando's has grown so much that there are over 250 outlets across the country.

Enthoven also came up with the idea of individualising the design and decor of each outlet, thereby avoiding the uniformly bland feeling of a restaurant chain. Nando's commissions its own artworks and runs a Worldwide Art Project, where artists from local communities are invited to interpret Nando's in their chosen local art form. The artist is then profiled along with their art, and the restaurant wall is transformed into a gallery showcasing their work. Nando's has the largest collection of South African art in the UK, with over 3,000 works displayed in their restaurants.

Nando's professed unique selling point is that it is all about the family feel. It prides itself on its spicy chicken and it does seem that the Nando's peri-peri sauce remains its basic selling point, but it's the friendly atmosphere, both for workers and clientele, that keeps its fans loyal. Customers know what they're getting, which is quick, friendly service, clean surfaces, big tables over which you can spread out, unique art on the wall, and a different architectural style in each restaurant.

But there is more to the brand. In a shrewd move, they have added something unique to their marketing campaigns: a dash of comedy, entertainment and the ability to make people laugh. Nando's are well-known for their adverts and have made use of witty, astute, and occasionally controversial marketing campaigns to promote themselves. They have built their brand to extend beyond food, and they use humour and political satire to create popular adverts which range from being hugely controversial to simply providing a good laugh.

- 4.1 Where does the Nando's name come from? (2)
- 4.2 What form of ownership do the international stores have? (2)
- 4.3 Why would Nando's start stores overseas? (4 x 1) (4)
- 4.4 How did the exchange rate benefit their business in the last few years? (2)
- 4.5 What are the reasons for Nando's success? (8 x 1) (8)
- 4.6 How did Nando's contribute towards social responsibility? (2)
- 4.7 What marketing strategy did they use? How did this strategy benefit them? (3 x 1) (3)



- 4.8 Which generic competitive strategy did Nando's use to succeed? Substantiate your answer. (1 + 2) (3)
- 4.9 When Robert Brozin and his friend Fernando Duarte took over the Portuguese takeaway restaurant the existing staff might have showed resistance to the change in ownership.
- 4.9.1 State FOUR reasons why there might have been a resistance to change. (4 x 1) (4)
- 4.9.2 Give FOUR ways how they could reduce this resistance to change. (4 x 1) (4)
- 4.10 Identify and explain the type of growth from the above case study. (4 x 1) (4)
- 4.11 Do you agree with the statement that female entrepreneurs are enjoying the same opportunities as male entrepreneurs? Motivate your answer. (6 x 1) (6)
- 4.12 How can the following factors have an influence on Nando's?
- 4.12.1 Government
- 4.12.2 Employees
- 4.12.3 Suppliers
- 4.12.4 Competitors
- 4.12.5 Customers
- 4.12.6 Technology
- (6 x 1) (6)
- [50]**
- TOTAL: 150**