higher education & training

Department:
Higher Education and Training
REPUBLIC OF SOUTH AFRICA

N490**(E)**(N23)H

NATIONAL CERTIFICATE

ENTREPRENEURSHIP AND BUSINESS MANAGEMENT N6

(Second Paper)

(4090336)

23 November 2018 (X-Paper)
09:30–12:00

OPEN-BOOK EXAMINATION

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

Calculators may be used.

This question paper consists of 9 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 number of questions, only the required number will be marked. Clearly cross out ALL work you do NOT want to be marked.

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. Marks will NOT be allocated for copying directly from the textbooks.
5. Neatness and systematic presentation of facts are required.
6. Write neatly and legibly.

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SECTION B

QUESTION 2

2.1 Read the case study below and answer the question.

All-Over Shuttle Services

In 2006 Sanele and Dinky started the All-Over Shuttle Services business in Soweto. They obtained a loan from African Bank.

During October 2016 the governor of the South African Reserve Bank announced an increase in the interest rate by 1%. The price of petrol increased by 59 cents per litre in January 2017 because of an increase in the international price of crude oil.

All-Over Shuttle Services had no choice but to increase their rate to R5 per kilometre. The Department of Higher Education and Training (DHET) has informed All-Over Shuttle Services that it was going to discontinue the use of its services. DHET stated that they are going to use Sweet Go Travellers which charges R3,50 per kilometre.

As the financial consultant of All-Over Shuttle Services, state THREE challenges that your business is facing and give suggestions as to how you could solve them. (3 × 2) (6)

2.2 Read the case study below and answer the questions.

Local marketer sparkles at global event

High-flying Kabelo Ncholo, 33, took the Global Entrepreneurship Week (GEW), which ran from November 14 to 20 by storm as he explained the success of his marketing agency over the past 12 years. Ncholo started Yourself Event Management in Johannesburg in 2001, with R350, which he earned as a waiter.

He noticed a good business opportunity in organising matric dances for schools that hired out the restaurant where he worked. He started out using his hospitality industry connections to provide entertainment, a venue, catering and décor for his clients. As his business expanded, he started organising and promoting events for universities and clubs. In 2009, Ncholo found his niche in marketing aimed at consumers in the townships.

As the founder and managing director of Yourself Event Management, a through-the-line marketing agency, Ncholo, who grew up in Bapong village, near Gelukspan in the North-West province, embodies the GEW. GEW is the world's largest celebration of innovators and job creators who launch start-ups, bring ideas to life, drive economic growth and expand human welfare.

Ncholo is one of those entrepreneurs who has to date made huge strides, has innovative plans for the future and is creating employment opportunities for large numbers of people. Over the past 12 years, he has run a profitable award winning agency, servicing numerous blue-chip clients including Tiger Brands, Nestlè, L'Oreal, Microsoft, Cell C and Platco Digital (e.TV) among others.

Yourself Event Management, a 100% black-owned agency, employs more than 300 staff operating throughout Southern African development communities with a head office in Johannesburg and regional offices in Cape Town, Durban, Namibia and Zambia. His hard work, focus, vision and creativity have been recognised through numerous awards.

I am a typical entrepreneur who gets his hands dirty, takes risks and does what has to be done. As the founder and managing director of Yourself Event Management and Mosela Ncholo Investment Trading, known as MN Investment (an investment company), I am responsible for implementing both company's policies, developing strategic plans, building and maintaining an effective management team, putting in place adequate operational planning and financial control systems and ensuring that the operating objectives and standards of performance are not only understood but owned by the management and other employees. I am a team player, I believe in collective efforts and sharing of skills. My company's successes are due to the fact that I believe in human capital. I invest in people, my staff is my biggest asset. Realising that his competitors usually source promoters from universities, Ncholo decided to partner with TVET colleges to work with their students. Now 80% of Yourself Event Management contractors are TVET graduates who initially connected with the company during their studies.

Kabelo explains that he has managed to run a sustainable company through following its three unique values, namely Simplicity (being able to relate to clients), Believing (keeping to the company's ethics) and Empowering (loving to inspire and provide opportunities to others).

While Kabelo enjoys running Yourself Event Management, he says dealing with cash flow and expertise can be major challenges. He adds that it can be tough when clients take long to pay and it can be costly to train staff to ensure they have the necessary expertise.

2.2.1 Give THREE reasons why Ncholo's business is ready for growth. (3 × 2) (6)

2.2.2 State FOUR indicators that shows that there is internal and external growth in this business. (4 × 2) (8)

2.2.3 The marketing industry is very competitive in South Africa. How can Ncholo protect the competitive advantage he has?

Use the case study to give an example for each strategy. (4 × 2) (8)

2.2.4 Name the characteristics that Ncholo has that make him an entrepreneur and give an example from the case study to substantiate your answer. (4 × 2) (8)

2.2.5 Name and briefly explain TWO values that Ncholo has continuously maintained in his business in order to keep it sustainable. (2 × 1) (2)

2.2.6 State THREE challenges that Ncholo faces in his business and advise him on how he can overcome these challenges. (3 × 2) (6)

2.2.7 How would the following driving forces impact on Ncholo's business?

(a) Technological changes

(b) Product innovation

(c) Marketing innovation

(3 × 2) (6)

[50]

QUESTION 3

Read the case study below and answer the questions that follow.

Domino's Pizza
OH YES WE DID
Yesterday, today and tomorrow

Domino's Pizza is the world's leading pizza delivery chain both in store numbers and unit sales. Ranked amongst the world's top restaurant brands, Domino's has been offering customers globally a slice of pizza heaven since 1960. With over 10 800 outlets in 70 countries serving their share of the more than one million pizzas delivered across the globe every day.

Now the time has come for South Africans to experience the Domino's effect as Domino's Pizza opens its doors in Johannesburg, Cape Town and Durban.

The concept under the spotlight

The Domino's Pizza economic model is built on strong cash-on-cash returns. Their industry-leading technology platform enables online ordering, direct e-mail marketing, cost controls and store management. Domino's has a significant business in carry-out pizza and has achieved global retail sales of $8-billion in 2013. In 2014 Taste Holdings announced it would bring the brand on board, initially establishing in South Africa, Lesotho, Swaziland, Namibia, Botswana, Zimbabwe and Mozambique with Zambia and Malawi to follow on the fulfilment of certain conditions.

While Taste Holdings will introduce authentic American-styled pepperoni to the market, they have also retained the tastiest local pizzas on the menu to accommodate local pizza connoisseurs. 'We have been working fervently to ensure the Domino's experience in South Africa exceeds the expectations of anyone who has tried it abroad. We want to ensure that we not only offer consumers the world-renowned taste that makes Domino's so successful, but that the brand attains some South African flavour to keep it relevant for local pizza lovers,' said Taste Holdings CEO, Carlo Gonzaga. Besides the mouth-watering ingredients carrying an international stamp of approval, Domino's offers consumers a 'FREE delivery in 30 minutes' delivery guarantee – a service others will find hard to match and something South African consumers have never before experienced.

Consider your support

In supporting its franchisees, Domino's Pizza draws on the extensive experience of its knowledgeable local and international management teams. Outlets are visited regularly by a head office consultant who, based on a business performance assessment, provides assistance and support in areas that require attention. Regional operations managers and trainers provide ongoing product and on-site training and assistance with local marketing support.

Franchisees and managers complete an intensive five-week induction course covering the business and operations of a Domino's outlet. The course addresses such aspects as stock management, basic business skills, finance, store administration, human resources, point-of-sale training and marketing.

Domino's value-added supply system ensures quality, consistency and leverages their purchasing power.

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3.1 What type of franchise is Domino's pizza? (2)

3.2 Discuss the advantages for the franchisee/franchisor when buying a Domino's Pizza franchise. (4 × 2) (8)

3.3 Name any TWO competitors that Domino's Pizza would have in South Africa. (2 × 1) (2)

3.4 'The Domino's Pizza economic model is built on strong cash-on-cash returns.'

Explain what you understand by this term. (2 × 2) (4)

3.5 Explain how Domino's Pizza would use their industry-leading technology to ensure that this is a successful franchise. (4 × 2) (8)

3.6 Discuss the advantage to the franchisee that Domino's Pizza is accredited with FASA (Franchise Association of South Africa). (2 × 2) (4)

3.7 Domino's Pizza is an American franchise.

How will they ensure that they satisfy the South African market's taste? (2)

3.8 How does Domino's Pizza maintain a hands-on approach with its franchisees? (5 × 2) (10)

3.9 Why would a business consider franchising its business? (5 × 2) (10)
[50]

QUESTION 4

Read the case study below and answer the questions.

Sipho Khuzwayo, owner of Trojan Contractors, a well-established contracting company in Pretoria, decides to emigrate to Botswana. He wants to sell his contracting business. The staff has been loyal to the business with between 5–15 years of service between them. They have also indicated that they would like to continue working for the new owner. Trojan Contractors has contracts with five government departments in Pretoria and has recently signed a new contract with one of the large shopping malls in the area. Sipho has built the business up from scratch and has grown it to a multimillion rand enterprise.

The assets of the company amount to R10 000 000,00. The liquidation value is R9 000 000,00. The net profit is as follows: R8 000 000,00 for Year 2014, R8 500 000,00 for Year 2015 and R9 200 000,00 for Year 2016. He gets 30% on interest on investments. The salary of the owner-manager for a similar business is R1 000 000,00 per annum.

4.1 Calculate a fair price for Trojan Contractors. (26)

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4.2 Purchasing a business is a huge decision that will impact your life and livelihood for many years.

Discuss the following factors when considering buying an existing business:

4.2.1 Location

4.2.2 Size

4.2.3 Industry

4.2.4 Lifestyle

(4 × 2) (8)

4.3 State FIVE matters that a buyer must be aware of before he/she purchases an existing business. (5 × 2) (10)

4.4 What is resistance to change in the workplace and how does it manifest itself? (3 × 2) (6)

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QUESTION 5

The **Namibian economy** has a modern market sector, which produces most of the country's wealth as well as a traditional subsistence sector. Although the majority of the population engages in subsistence agriculture and herding, Namibia has more than 200 000 skilled workers, as well as a small, well-trained professional and managerial class.

Namibia is a higher middle income country with an estimated annual GDP per capita of US$5,828 but has extreme inequalities in income distribution and standard of living. Since independence, the Namibian Government has pursued free-market economic principles designed to promote commercial development and job creation to bring disadvantaged Namibians into the economic mainstream. To facilitate this goal, the government has actively courted donor assistance and foreign investment. The liberal Foreign Investment Act of 1990 provides guarantees against nationalisation, freedom to remit capital and profits, currency convertibility and a process for settling disputes equitably. Namibia also is addressing the sensitive issue of agrarian land reform in a pragmatic manner. However, government runs and owns a number of companies such as Air Namibia, Transnamib and NamPost, most of which need frequent financial assistance to stay afloat.

The country's sophisticated formal economy is based on capital-intensive industry and farming. However, Namibia's economy is heavily dependent on the earnings generated from primary commodity exports in a few vital sectors, including minerals, especially diamonds, livestock, and fish. Furthermore, the Namibian economy remains integrated with the economy of South Africa, as the bulk of Namibia's imports originate there.

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The Namibian economy is closely linked to South Africa with the Namibian dollar pegged to the South African rand. Ninety percent of Namibia's imports originate in South Africa and many Namibian exports are destined for the South African market or transit that country. Namibia's exports consist mainly of diamonds and other minerals, fish products, beef and meat products, karakul sheep pelts and light manufactures.

5.1 State FOUR factors that could serve as motivation for a South African company to export to Namibia. (4 × 2) (8)

5.2 State FOUR factors that could serve as a deterrent for a South African company to export to Namibia. (4 × 2) (8)

5.3 What kind of assistance can a South African business enterprise expect from the Department of Trade and Industry (DTI)? (4 × 1) (4)

5.4 Why is it in the best interest of the South African government to encourage trade with other countries? (5 × 2) (10)

5.5 Name TWO methods you could use to enter the Namibian market. (2 × 1) (2)

5.6 Draw up a marketing plan to open up a Spur franchise in Namibia. The plan must include:

5.6.1 Target market

5.6.2 Media for advertising

5.6.3 Spur slogan

(3 × 2) (6)

5.7 The Small Enterprise Development Agency (SEDA) noted that 72% of micro-enterprises and 40% of small enterprises are currently owned by women. Government and private enterprises have put programmes and funds in place aimed at empowering the women of South Africa.

What advice would you give to a woman entrepreneur in South Africa in order to make a success of her business? (3 × 2) (6)

5.8 In order to find start-up success, you need a great business idea. However, a winning business idea is more than just something you're excited about or good at – you have to make sure your idea is actually viable.

Provide THREE questions you would ask yourself before pursuing a business idea. (6 × 1) (6)

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TOTAL SECTION B: 150
GRAND TOTAL: 200

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