higher education & training

Department:
Higher Education and Training
REPUBLIC OF SOUTH AFRICA

MARKING GUIDELINE

NATIONAL CERTIFICATE

ENTREPRENEURSHIP AND BUSINESS MANAGEMENT N6

(Second paper)

15 September 2020

This marking guideline consists of 8 pages.

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SECTION B

QUESTION 2

2.1 Service/trademark holder – retail franchise (2)

2.2
- Launched in Perth, Australia, in 1984
- Launched in South Africa in 1994
- More than 750 stores in 22 countries and the brand is still growing (3 × 2) (6)

2.3
- Cash and asset conversion
- Provider of short-term loans (2 × 2) (4)

2.4
- Customers who want to sell their second-hand household goods
- Customers who want to pawn their goods for a cash advance
- Customers who want to loan money against their salaries (Any 2 × 2) (4)

2.5
- The success of the business concept has been proven in the market
- The type of product/service can be marketed nationally and internationally
- The product/service can be sold at a good profit
- The product/service is in the growing phase of its life cycle
- The product/service has the potential for repeat sales (Any 2 × 2) (4)

2.6
- Intellectual and commercial property issues
- Operational details such as the supply of materials and employee skills
- Financial arrangements, including franchise royalty fees and other payments
- Rights and obligations of the franchisor
- Rights and obligations of the franchisee
- What happens when the contractual period ends, or a breach of contract occurs (Any 5 × 2) (10)

2.7
- Marketing plan
- Financial plan
- Operational plan (3 × 2) (6)

2.8 Finance:
- Sorting out poorly kept financial records
- Helping to produce a financial business plan
- Helping to produce an annual budget
- Helping the business to secure a loan

Marketing:
- Carrying out market research
- Creating and controlling a marketing campaign
- Negotiating with point-of-sale outlets

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Human Resource management
- Helping the business to produce an HR policy and an employment plan
- Designing a training programme

Information and Technology

- Setting up an IT system for a business
- Negotiating competitive quotes for IT equipment (Any 2 × 2) (4)

2.9 Candidates must:
- Describe the core activity of the business
- Identify the target market
- Identify the customer base

- To continue to be recognised as a world leader in the trading and marketing of second-hand goods.
- To provide exciting, valuable, innovative business opportunities to people from all walks of life with sufficient financial resources, ability and commitment to succeed.
- To earn the respect and support of the whole community through integrity and the manner in which we conduct business.
- To maximise returns to franchised operators annually, by commitment, leadership, innovation and support of our management team
- To significantly increase the market presence of Cash Converters both nationally and internationally. (Any relevant 5 × 2) (10)

[50]

QUESTION 3

3.1 She is a teenage entrepreneur. (2)

3.2 Her main purpose is to provide her customers with the best product at the best price and build a sustainable business that will bear fruit in the future. (2)

3.3
- Novelty: Start-ups have more novelty than big businesses, and people crave novelty in their purchases and daily lives. It makes an enterprise more surprising, more interesting, and oftentimes, more valuable, by sheer virtue of the fact that it is relatively unknown.
- Agility: Big businesses are often forced to make decisions via bureaucracy or with teams of people, making them slower and less able to adapt. To make matters worse, they have to keep their existing customers happy or risk ruin. Start-ups are much faster and nimbler, giving them more opportunities to change and grow.
- Loyalty: When people buy from a start-up, they're more likely to stay loyal. This is especially true in a local environment, where supporting small businesses is greatly encouraged.

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- Personality: Start-ups tend to have more personality. This is in part due to the fact that only a small number of people are running them, and in part because they haven't had much time to develop. Either way, it makes start-ups more appealing for many.
- Teamwork: Start-ups work with smaller, tighter-knit teams. This makes it easier to make group decisions, and usually leads to a more immersive, enjoyable, satisfying work environment.
- Funding: There is also more funding and training available for start-ups. Government also supports start-ups through initiatives like incubators. Even banks are more prepared to fund start-ups. (Any 3 × 2) (6)

3.4
- Flexibility – work your own hours
- More spare time to spend with family and friends
- Call the shots – nobody else sets the rules and you set the deadlines
- Sell in the way that you want to
- Create your own environment – you can set the formality and culture of your organisation
- Pursue your passion – you can do whatever makes you happy
- Create something from scratch
- Meet new people – network with other entrepreneurs and professionals
- Build a team – you decide who to hire and bring into your organisation
- Create jobs – improve the economy with new job opportunities
- Invest in yourself – the one who takes the risk will reap the reward
- Financial independence – no one else signs your pay cheques

(Any 4 × 2) (8)

3.5
- Passion and motivation
- Not afraid to take risks
- Self-belief, hard work and disciplined dedication
- Adaptability and flexibility
- Product and market knowledge
- Strong money management
- Effective planning skills
- The right connections
- Exit preparedness
- Ability to question themselves (Any 5 × 2) (10)

3.6
- Investing in products and services people need.
- Providing employment opportunities.
- Commerce and regional economic integration – technology has made it possible for SMMEs to expand into national and international markets.

- The new technologies promote efficiency – economic growth is driven by new technologies.
- Addressing environmental challenges – combating climate change, lowering global greenhouse gas emissions, and preserving biodiversity in the environment.
- Innovation happens where there is competition – new and growing businesses represent the principal sources of job creation and innovative activity in an economy, two factors that generally result in raising standards of living for all. (Any 5 × 2) (10)

3.7
- Establish a value proposition. To sustain long-term growth for your business, you must understand what sets it apart from the competition. Identify why customers come to you for a product or service. What makes you relevant, differentiated and credible? Use your answer to explain to other consumers why they should do business with you.
- Identify your ideal customer. You got into business to solve a problem for a certain audience. Who is that audience? Is that audience your ideal customer? If not, who are you serving? Determine your ideal customer and revert back to this audience as you adjust business to stimulate growth.
- Define your key indicators. Changes must be measurable. If you're unable to measure a change, you have no way of knowing whether it's effective. Identify which key indicators affect the growth of your business, then dedicate time and money to those areas.
- Verify your revenue streams. What are your current revenue streams? What revenue streams could you add to make your business more profitable? Once you identify the potential for new revenue streams, ask yourself if they're sustainable in the long run.
- Look to your competition. No matter your industry, your competition is likely excelling at something that your company is struggling with. Look toward similar businesses that are growing in new, unique ways to inform your growth strategy.
- Focus on your strengths. Sometimes, focusing on your strengths, rather than trying to improve your weaknesses, can help you establish growth strategies.
- Invest in talent. Your employees have direct contact with your customers, so you need to hire people who are motivated and inspired by your company's value proposition. (Any 5 × 2) (10)

3.8
- Twitter
- Facebook
- Instagram
- WhatsApp (Any 1 × 2) (2)

[50]

QUESTION 4

4.1 4.1.1 An acquisition is a situation in which one company purchases most or all of another company's shares in order to take control. An acquisition occurs when a buying company obtains more than 50% ownership in a target company.

4.1.2 The process that a company goes through to expand its market or locations.

4.1.3 A business arrangement in which two or more parties agree to pool their resources for the purpose of accomplishing a specific task. This task can be a new project or any other business activity.

4.1.4 An enterprise controlled by another (called the parent) through the ownership of greater than 50 per cent of its voting stock.

4.1.5 An intangible asset that arises when one company purchases another for a premium value. The value of a company's brand name, solid customer base, good customer relations, good employee relations, and any patents or proprietary technology represent goodwill.

4.1.6 The net sales generated by a business

(6 × 2) (12)

4.2
- The company will add two more retail stores in Sri Lanka
- Spar entered into a 50/50 joint venture with Ceylon Biscuits in Sri Lanka
- Their UK subsidiary, BWG Group, added another two retail stores through its subsidiary, GLC
- They purchased 60% shareholding in Fifth Season Investments, a pharmaceutical wholesaler
- Spar reported a 5,6% increase in turnover to R50 billion, an increase from the R47,5 billion in the previous year
- The group purchased a shopping centre in Pinetown, KwaZulu-Natal.

(Any 5 × 2) (10)

4.3
- They are growing bigger by merging and have more bargaining power
- They would be pre-empting competition
- To create synergies and economies of scale
- To achieve domination
- For tax purposes (Any 2 × 2) (4)

4.4
- Higher output – total production of goods and services is raised, and quality can be improved
- Variety – consumers have access to a greater variety of higher quality goods

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- A bigger market – specialisation and global trade increase the size of the market offering opportunities for economies of scale
- Competition and lower prices – increased competition acts as an incentive to minimise costs, keep prices down and therefore maintains low inflation

(Any 2 × 2) (4)

4.5 A mission statement:

- Provides direction.
- Helps to resolve conflict.
- Removes any ambiguity surrounding the existence of a business.
- Acts as a communication tool.
- A framework for decision making. (Any 2 × 2) (4)

4.6

- Pick n Pay
- Checkers
- Woolworths
- Shoprite (Any ONE) (1)

4.7

CHALLENGES (4.7.1)	**PESTEL ELEMENT (4.7.2)**	**RECOMMENDATIONS (4.7.3)**
Profitability has decreased✓	Economic✓✓	Add new product lines✓✓ Do more marketing Run specials and sales
High inflation rates✓	Political✓✓	Government to implement policies that reduce the money supply within an economy by decreasing bond prices and increasing interest rates✓✓
Customers' low income levels✓	Social✓✓	Government can also set a minimum wage for employees✓✓
They had to pay a heavy fine	Legal	Ensure that their licence is renewed timeously

(15)
[50]

QUESTION 5

5.1

Value of tangible net worth			700 000,00✓✓
Average net earnings of business			
500000 + 550000+ 600000 + 700000 =		587 500,00✓✓	
2 350 000/4✓✓			
Less: Reasonable income for buyer			
Earning power @ 16%		382 250,00✓✓	
(14% × 587500)✓	82 250,00✓✓		
Plus: Reasonable salary for owner	300 000,00✓✓		
Extra earning power of the business		205 250,00✓✓	
Value of intangibles (goodwill)			
(205 250.00 × 5)✓			1 026 250,00✓✓
FINAL PRICE			1 726 250,00✓✓

(20)

5.2 Yes✓
Profits have been increasing since 2014✓
They have loyal customers to whom they deliver in KwaZulu-Natal (2)

5.3 Crowd funding is the practice of funding a project or venture by raising money from a large number of people who each contribute a relatively small amount, typically via the internet. (2)

5.4
- It is situated in a popular seaside resort, which means there are always customers
- It was started by well-known chef, James Strawbridge
- They use the highest quality local ingredients to produce several flavours of pies
- They have a maximum output of 34 200 pies per year
- They deliver to delicatessens and cafes across KwaZulu-Natal (Any 4 × 2) (8)

5.5
- No taxes, benefits or human resource issues
- Contract work is scalable
- Easy to terminate when it is no longer needed
- Independent advice
- Diversity of ideas from other experiences
- Flexible for project specific work
- Usually a business professional of a higher level than may be hired

(Any 3 × 2) (6)

5.6
- Differentiation strategy
- They used crowd funding to obtain start-up capital, which meant less expenses for them
- They use the highest quality local ingredients
- They supply to delicatessens and cafes only (Any 2 × 2) (4)

5.7 5.7.1 Candidates must explain how they will communicate effectively in the country of their choice

5.7.2 Candidates must explain the education levels of the target country bearing in mind the higher the average education levels are, the higher the average income is

5.7.3 Candidates must explain whether their target country is willing to trade with other countries

5.7.4 Candidates must name the currency of their target country and also explain, compared to the South African rand, its strength or weakness

(4 × 2) (8)
[50]

TOTAL SECTION B: 150
GRAND TOTAL: 200

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