

READ THE CASE STUDY AND ANSWER ALL THE QUESTIONS THAT FOLLOW

CASE STUDY: NEW ROMANTICS

Nadene Marx started New Romantics ten years ago in Bergbron, a small suburb in Northcliff. Nadene is a qualified fashion designer who specialises in making bridal gowns, bridesmaid's gowns, mother-of-the-bride outfits and couture evening gowns.

After the birth of their first child, Nadene and her husband decided that she should resign from her job. She started her own enterprise and registered it as a sole proprietorship. After careful consideration, they decided that Nadene should rather work from home instead of paying thousands of rands per month on renting a small space in a shopping mall. Nadene contributed R100 000 of her savings to convert their double garage into a studio. She also applied for a loan of R50 000 to buy new sewing machines, overlockers and furniture for the studio. The studio consisted of a small reception and display area, a fitting room and a workshop for 2 seamstresses.

Nadene's business became so popular that she could not accept all the orders anymore. She had to employ another 2 seamstresses and she appointed Vera to do the administration for the business. Administration plays an extremely important role in this business, as the brides must come to the studio for at least four fittings before the dresses can be finished. New Romantics must therefore keep record of the dates of each bride's fittings and of their wedding dates to ensure that the dresses are completed in time. Vera had to handle the record-keeping, schedule all Nadene's appointments and answer the phone.

Due to the appointment of the additional staff members, Nadene's premises became far too small. When their neighbours wanted to sell their home, Nadene decided to buy the building for her enterprise. She had to apply for a loan of R900 000 to buy the premises and offered their own home, worth R1 million, as security. She also applied for financing of R80 000 to buy more advanced sewing machines, overlockers, office equipment and furniture.

The new premises had enough space for Nadene to open a small shop that sells accessories such as veils, hair accessories, jewellery and underwear. She appointed a full-time shop assistant to handle the sales. After numerous complaints from clients that they could not find affordable bridal shoes, one of the new seamstresses, Nicky, suggested that they should use off-cuts of the fabric to cover ordinary shoes with the same fabric of which the wedding gown is made. The brides will then buy shoes of their choice and Nicky will cover them with matching fabric.

The process of making a wedding gown starts when a potential bride phones Nadene to make an appointment to see her at the studio. Nadene will then sketch a design according to the bride's preferences and show her samples of fabric that will suit that particular design. As soon as the bride has decided on a design and matching fabric, Nadene will work out a quotation for the dress. The bride must then sign a contract to confirm acceptance of the quotation and pay a deposit of 50% of the final price so that Nadene has enough cash to buy the fabric and accessories. Nadene will then cut the fabric according to the design and the seamstresses will start with the sewing.

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The bride has to come to the studio for regular fittings and a final fitting will take place one week before the wedding. The remainder of the money has to be paid when the bride collects the dress from the studio.

Nadene buys most of her fabric from Fiona's in Randburg and from haberdashery stores at the Oriental Plaza in Fordsburg. Fiona's specialises in bridal fabric and sells a large collection of local and imported material. The stock for her shop is bought from a wholesaler in Randburg and the jewellery from a designer in Roodepoort.

Nadene's target market is in Randburg and Roodepoort and she competes with various other dress designers in the nearby areas, as well as with big businesses such as Bride & Co and The Bridal Couture in Rivonia. Although her dresses are more expensive than those of Bride & Co, she has the competitive advantage that her designs are unique – each bride decides for herself what her dress should look like. A bridal gown usually costs between R7 000 and R12 000, depending on the design, the type of fabric and the finishing. If a bride decides to hire the dress, the price will be about R1 000 less.

Although Nadene's designs are original, she has to be aware of the latest trends in fashion, and overseas designs play an extremely big role in the choices of her clients. The fabric, designs and trimmings of bridal gowns change constantly and Nadene has to be aware of new methods of stitching and ironing. Her equipment also has to be of the best quality and she has to upgrade her sewing machines and overlockers regularly.

The enterprise is located in a busy street, which makes it clearly visible for passers-by. Nadene's husband also put up a big billboard in front of the shop. Nadene decided not to advertise in bridal magazines as her competitors do, as a single advertisement can cost as much as R8 000. She advertises on the internet where she pays an annual fee of R2 500 for placing 9 photos of her wedding gowns. The name of her business, her website and her contact details are also displayed on her car. In addition, she displays some of her gowns at various local wedding expos. Participation in these expos created the opportunity for Nadene to make friends with caterers and photographers, and some of them came to a mutual agreement to display one another's business cards in their respective reception areas and to refer potential clients to one another. However, most of Nadene's clients are referrals from previous, satisfied clients.

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QUESTION 1

(Entrepreneurship in perspective and basic business concepts)

1 1 a) Draw a table, similar to the one below, to indicate the following characteristics of an entrepreneur and an intrapreneur

Characteristics	Entrepreneur	Intrapreneur
Risk	Willing to take it	Doesn't take
Creativity and innovative ability	Creates and innovates	Imitates
Growth	Creates growth	Ensures growth

b) Based on your answer to question 1 a), would you classify Nicky as an entrepreneur or an intrapreneur?

(1)

c) Based on your answer to question 1.1 a), would you classify Nadene as an entrepreneur or an intrapreneur?

(1)

1.2 Indicate the two (2) sectors under which New Romantics can be classified and motivate your answers by giving a practical example that would be applicable to the case study of each sector

(4)

1 3 List the three (3) variables in the market environment of New Romantics and give a practical example that would be applicable to the case study of each of them.

(6)

1 4 Give one (1) practical example that would be applicable to the case study of each of the following variables in the macro-environment of New Romantics

- a) Technological
- b) International

(2)

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QUESTION 2

- (The identification of feasible business ideas and the viability of a business idea)
- 2 1 Give the **definition** and a **practical example** that would be applicable to the case study of each of the following approaches to generate business ideas

- (4)
- a) Skills - manual work and can be learned
b) Expertise - knowledge acquired through experience
- Apprentice - learns from work experience*

- (3)
- 2 2 Explain to Nadene what a feasibility study entails and on what this study focuses
- General examination of a potential idea to be converted into a business*

- (8)
- 2 3 Nadene needs your help to compile a SWOT analysis for New Romanics after she has moved the business to the new premises

- (4)
- List the four (4) components of a SWOT analysis and give one (1) example that would be applicable to the case study of each of them

- (6)
- 2 4 List the two (2) factors that would determine the size of New Romanics' market share and give a practical example that would be applicable to the case study of each of them
- Capacity of enter state of economy*

- (25)
- 2 5 Explain to Nadene how she could calculate the total cost per unit of making one bridal gown
- depends on type of enter*

QUESTION 3

(The business plan and setting-up of a business)

- 3 1 Give any five (5) practical examples from the case study which Nadene would have included in the executive summary of her business plan

- (5)
- 3 2 Give one (1) example that would be applicable to the case study of each of the following entries on New Romanics' financial plan
- Product target market require capital need expected sales own capital investment*

- a) Own capital —
b) External/loan capital —
c) Security —
d) Fixed assets —
e) Current assets —

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3 How would Nadene calculate the ending cash flow of her cash budget? (3)

3.4 Without considering the importance of legal personality, Nadene decided to register New Romanics as a sole proprietorship.

- a) Explain to Nadene what legal personality entails. (2)
- b) List any other four (4) factors that Nadene also had to consider when she decided on the form of enterprise (4)

3.5 Give the definition and a practical example that would be applicable to the case study of each of the following functions of New Romanics.

- a) The operations function
b) The purchasing function
c) The administrative function

(6) [25]

QUESTION 4 (All chapters)

Multiple-choice questions
Write the letter of your choice next to the question number.
It is not necessary to provide reasons for your answers

Example.
4.1 a
4.2 b

Please note:
Answer question 4 in your answer book – NOT on the question paper and NOT on a mark-reading sheet!

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