



**MNE3701**

October/November 2015

**ENTREPRENEURSHIP AND SMALL BUSINESS MANAGEMENT**

Duration 2 Hours

70 Marks

**EXAMINERS**

FIRST

SECOND

EXTERNAL

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MS NM MMAKO

PROF M PRETORIUS

Closed book examination

This examination question paper remains the property of the University of South Africa and may not be removed from the examination venue

This paper consists of 23 pages

**THIS IS A FILL-IN EXAMINATION PAPER AND THE WHOLE PAPER MUST BE SUBMITTED AT THE END OF THE EXAMINATION SESSION.**

**INSTRUCTIONS:**

This paper consists of two sections, namely **section A** and **section B**.

**Section A**

- **This section is compulsory.**
- The total for this section is **30 marks**
- The questions must be answered on the **examination paper**, in the spaces provided

**Section B**

- Section B consists of **three** questions
- You must answer **any two** of the three questions
- Each question is worth **20 marks**
- The total for this section is **40 marks**
- Indicate the numbers of the questions you have answered on the **cover** of this book

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**SECTION A**

- Read the following case study and answer **ALL FIVE** questions in this section. Use the space provided below each question for your answer.
- The total for this section is **30 marks**.

**Buying Diamonds Online**

Mark Vadon, looking for an engagement ring for his fiancé, was completely turned off when a jeweller advised him to pick a ring that “spoke” to him. At home he went to his computer looking for websites dealing with diamond rings and found a site run by Doug Williams, an independent Seattle diamond wholesaler. Williams had discovered that by listing basic information about purchasing diamonds, he attracted men like Vadon.

After buying a diamond ring from Williams, Vadon flew to Seattle to talk to him about business. Both men were impressed with each other. Williams was blown away by Vadon’s research and knowledge of the subject. Vadon was impressed that Williams with two helpers could not answer all the calls they were getting. Vadon surmised that if there are a lot of guys out there like him, this could be a winner. Over dinner he struck a deal with Williams to buy his business, went back to California, raised \$57 million from venture capitalists and closed the deal in May 1999. Vadon’s venture not only survived the dot-com explosion, it has thrived ever since.

Vadon used the money to build a full-service e-commerce website (bluenile.com) and to assemble teams to handle various business activities. Within six months, Blue Nile generated \$14 million in sales. Vadon’s focus is on marketing to men rather than women. He feels that educated men making good incomes would be drawn to a website offering more insight into selecting fine jewellery. His aim is to educate the customer, make him feel comfortable and sell as cheaply as possible.

If Blue Nile were a traditional bricks and mortar jeweller, Vadon says, it would take 150 stores and 1000 employees to sell \$125 million worth of goods. “Our overhead is low and we pass that savings on to our customers. We don’t understand why anybody would trade anywhere but with us.” His approach appears to be working. In January 2004, Forbes magazine named Blue Nile the Favourite Online Jeweller for the fifth consecutive year.

[Adapted from Byrd, M J & Megginson, L.C. 2013 Small Business Management An Entrepreneur’s Guidebook 7<sup>th</sup> edition McGraw Hill New York ]

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ROUGH WORK PAGE 2

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**ROUGH WORK PAGE 3**