



University of Fort Hare  
*Together in Excellence*

**DEPARTMENT OF BUSINESS MANAGEMENT**

**DEGREE EXAMINATIONS: NOVEMBER 2016**

**MODULE: BUSINESS RESEARCH**

**COURSE CODE: BEC 321 / BEC 321E**

**MARKS: 50 - DURATION: 2 HOURS**

This paper consists of **5 pages** (including the cover page)

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**INSTRUCTIONS**

1. **Question 1 from SECTION A is COMPULSORY.**
2. Answer **ANY ONE QUESTION** from **Section B.**
3. **LABEL** your **ANSWER BOOKS** correctly.
4. **Enter** the correct question number for each answer.
5. **Insert the numbers of the questions answered** on the front cover of your answer books.
6. **Indicate the number of answer books** handed in on the front cover of each book.
7. **Write legibly.**
8. A **Case study** is incorporated into **QUESTION 1.**

## SECTION A

### QUESTION 1 (COMPULSORY)

Instructions: Read the case study carefully and answer the questions that follow.

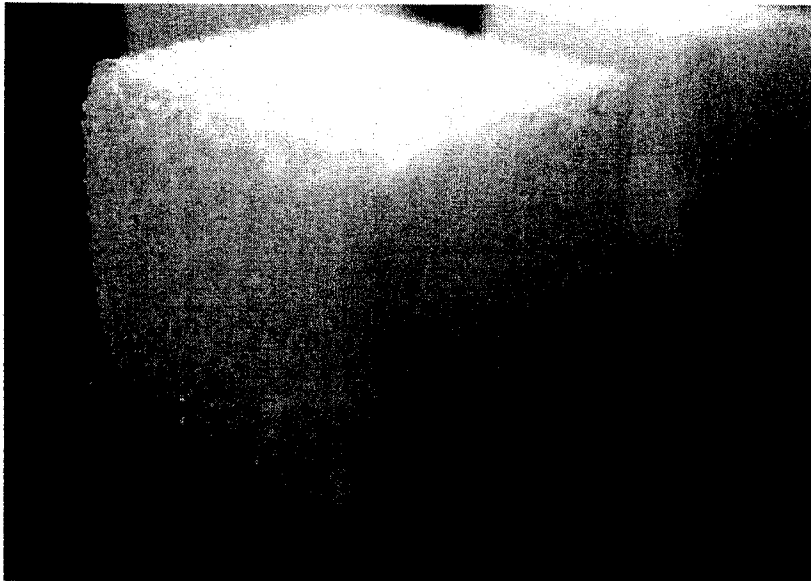
### **Sugar tax 'bad news for jobs'**

Business News / 15 August 2016, 11:01am

**Joseph Booysen**

**Cape Town** - The proposed implementation of a sugar tax could have a major impact on the Western Cape's small businesses, particularly those in the soft-drink industry, which could lead to business closures and thousands of job losses, say experts.

Minister of Finance Pravin Gordhan announced plans during his budget speech in February to tax sugar-sweetened beverages.



**File picture: Uew Hermann. Credit: FLICKR**

The tax, to be introduced on April 1 next year, has been proposed as a health measure, to reduce excessive sugar intake and cut high levels of obesity and diabetes. The deadline for public comments on the policy paper was 22 August 2016.

Priscilla Urquhart, spokeswoman for Coca-Cola Peninsula Beverages, said although the firm recognised the global efforts to reduce the impact of non-communicable diseases such as obesity, it did not believe punitive taxation was effective in achieving the desired behaviour outcomes among consumers. Urquhart said the firm was concerned about the unintended

economic outcomes for the Western Cape, resulting in loss of employment and the closure of small businesses.

“First, as a business we have never, and hope to never find ourselves in a position where we will retrench people. “We will adjust what we do in the business to ensure that we do not impact anybody’s employment within the business. “Second, we will also find ourselves under pressure to continue investing in future growth.”

Urquhart added the firm’s business plan entailed opening an average of 2 000 new outlets a year, leading to more employment directly and indirectly. She said these plans would be severely challenged if the proposed sugar tax was implemented. “We foresee that some of the smaller outlets might close their doors, due to the fact that their businesses will not be sustainable selling less of our products. “We currently contribute a huge percentage to the overall turnover of smaller businesses.”

Urquhart said the beverage firm believed an effective solution could be achieved by a more holistic, consultative and multi-level approach and was against discriminatory and punitive tax regimes and the social and economic impact it would have on the Western Cape economy.

Mapule Ncanywa, executive director of the Beverage Association of South Africa (Bevsa), said a tax on sugar-sweetened beverages (SSBs), as proposed by National Treasury, may be a cost-effective way for the government to raise additional revenues, but would have little or no impact on tackling obesity. Ncanywa said according to research by a Joburg-based endocrinologist, there could be 250000 fewer obese people in three to five years if the SSB tax was introduced. She said, however, the science was flawed, as there were many contributing factors to obesity, a lifestyle disease that was the result of consuming too many kilojoules and exercising too little. SSBs contributed to 3 percent of the total kilojoules consumed by the average person on a daily basis. Even if the tax did reduce consumption of sugary drinks, and there is little global evidence to show this, it would have a negligible impact on the total kilojoule intake of consumers.”

She said taxing sugar-sweetened beverages without providing incentives for consumer education and advice on a balanced approach to diet and lifestyle was “just a drop in the caloric ocean”. Ncanywa added a tax on SSBs assumed people would consume less sugary drinks if they became more expensive, but experience in developed and developing countries showed otherwise.

She said a standalone tax on soda would have little health benefits and was a money spinner for the government: “The economic and social consequences of this headline-grabbing tax, however, should be scrutinised. Some 60 000 jobs are on the line, many of those are among small spaza owners and vendors in the informal sector.” Soft drink manufacturers may also have to increase the price of other drinks, including bottled water and fruit juice to cross-subsidise losses or, in the case of smaller soft drink manufacturers, to stay in business.

“The regressive nature of this tax is that the poor simply pay more. If the government’s intentions are truly to address obesity, we must look at evidenced-based interventions, rather than misguided, potentially damaging fiscal policies that could affect the livelihoods of thousands of South Africans with negligible health benefits.”

Anton Lockern from Shepstone & Wylie Attorneys, said tax on SSBs had already been used as a strategy to decrease obesity in countries such as Finland, France, Hungary, Ireland, Mexico, Mauritius and Norway. "The purchases of SSBs in these countries have decreased considerably. However, it has also resulted in unemployment, product substitution and tax evasion. The introduction of SSBs could have a similar effect in South Africa, which goes against the grain of economic growth."

He said the impact and nature of the proposed tax should ideally be examined a little closer before implementation. "The reality is that lower-income earners and the sugar industry will bear the highest burden of tax on SSBs. It is our view, therefore, that tax on SSBs in RSA will result in a #notsosweet effect for the country."

### **Required:**

- 1.1 Recent Government decisions and taxation legislation (e-toll, sugar tax, etc.) have been negatively experienced by consumers and businesses because of a lack of proper consultation. **Discuss the critically and beneficial role played by Business Research in business success and consumer well-being in South Africa.** (10)
- 1.2 You are commissioned to investigate the impact that the implementation of a sugar tax will have on SMMEs in the Buffalo City Metropole. **Do the following:**
- (a) **Formulate ONE primary and TWO secondary objectives for the study.** (3)
  - (b) **Construct THREE hypotheses that support the above objectives.** (3)
  - (c) **Briefly describe in short the research approach that you will adopt and provide theoretical support for your choice.** (5)
  - (d) **You succeeded to secure an up to date sampling frame for the study; Describe the sampling procedure that you will adopt.** (4)

[25 Marks]

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## SECTION B

**INSTRUCTIONS:** Answer **ONE** of the following questions:

### **QUESTION 2**

- 2.1 **Web-based surveys** have become quite popular for primary data collection in marketing research. Discuss their application, benefits and limitations. (10)
- 2.2 When selecting an appropriate statistical technique, a number of issues need to be taken into account. Discuss **THREE** of these issues. (3x2=6)
- 2.3 With the aid of suitable marketing research question examples, **differentiate between a Likert scale, a Semantic differential scale and a Stapel scale.** (3x3=9)

[25 Marks]

### **QUESTION 3**

- 3.1 **Questionnaire design** demands careful consideration. Discuss in detail. (20)
- 3.2 You are investigating the probability of opening an Internet Café in your local suburb. A pilot study (sample of 15) disclosed that the local population would be willing to support such a new venture. The expectations (based on the number of rate payers) are that you would be able to rely on an average support of 49 customers per day (ranging between 24 and 72 customers per day) utilising the facilities for 1 hour at a rate of R20.

**Calculate:**

**The sample size** to use to obtain a confidence level of 95% if the maximum allowable error you are prepared to accept is 2 customers. (**Z value = 1.64 and Sample size(n) =  $\delta^2/\delta x^2$** ) (5)

[25 Marks]

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END

