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ENTERPRISE **0454/13**

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PRE-RELEASE MATERIAL

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INSTRUCTIONS

- Read and discuss the case study thoroughly and carefully before the examination. The examination questions will be based on the case study and your own enterprise experience and knowledge.

INFORMATION

- This copy of the case study is for you to use during your preparation for the examination. You may annotate this copy of the case study but you must **not** take it into the examination.
- You will be provided with a copy of the case study, as an insert to the question paper, for use in the examination.

This document has **4** pages. Any blank pages are indicated.

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The cartoon enterprise

The background

Adam started blogging about his interests while at school. He attracted a loyal online following from students and staff. The cartoon drawings he added to blog posts were very popular. Adam has continued his blog while studying at university.

Mr Lin, an art teacher at Adam's previous school, contacted him. The school was holding a 50th year celebration day, and Mr Lin wanted Adam's permission to display some of his cartoons at the event. The event would be attended by present and former staff and students.

The start

Adam's drawings attracted much interest at the event. Some people asked if they could buy his cartoons, whilst others asked Adam if he could teach them how to draw cartoons.

After the event, Adam posted a video tutorial onto his blog, explaining how to draw cartoon characters. He was surprised at its popularity and decided to produce more of these tutorials. Promoting the tutorials on social media attracted more followers to Adam's blog.

The idea

With so many followers, Adam considered his blog a success. However, creating content took a great deal of time and effort for which he was not being paid. He wanted to earn money from his blog.

Adam knows that many bloggers earn money by recommending products for a fee. However, he is worried that his followers may think this is not ethical therefore he rejects this idea. Adam thinks that selling his cartoons through his blog would be a better choice for him. To do this he will need to set up a website. He produces an action plan to help him with his research for this idea.

The research

Adam knew that he did not have the skills to build his own website, so he used the internet to research website building packages. The packages included help with designing the website. These packages cost $40 each month. Adam estimated he used $1.50 of art materials when producing each cartoon. As he would be selling his cartoons on his website, the only other cost would be postage and packing.

Next, Adam researched the price competitors would charge for similar cartoons. The average price for an original cartoon was $20. Adam posted a questionnaire on his blog asking his followers if they would be willing to pay $20 to own an original cartoon drawn by him. The response was positive.

With his research complete, Adam produced a financial forecast, shown in Table 1.

Table 1

Item	Cost $
Website package	40.00 each month
Costs for each cartoon	**$**
Art materials	1.50
Postage and packing	5.00
Selling price	**$**
Each cartoon	20.00

Adam thinks he may be ready to set up his website to sell cartoons, but he is unsure. He decides to ask a friend for some advice.

The advice

The friend likes Adam's enterprise idea. However, he is concerned that potential customers may be unwilling to pay $20 for a cartoon. The friend suggests that Adam asks Mary, a local entrepreneur, for advice. Adam arranges a meeting with Mary, who is the owner of the local newspaper.

The meeting

At the meeting, Adam shows Mary his cartoons. She is impressed and offers to pay Adam $120 each week to produce a daily cartoon for her weekday newspaper. Adam is confused. He thinks the purpose of the meeting is to gain advice on his proposed enterprise. Mary seems to think it is a job interview where they are negotiating his pay.

Adam explains his enterprise idea. Mary suggests that he considers the risks and rewards before starting his enterprise. She asks him to identify his attitude to risk. A SWOT analysis might help him to do this. Mary also states that Adam has forgotten to include some costs in his table, such as his time.

Adam is unsure what to do. He has two potential choices:

- sell his cartoons through a website
- produce cartoons for Mary's newspaper.

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