# UNIVERSITY OF SWAZILAND
## FACULTY OF COMMERCE

## DEPARTMENT OF BUSINESS ADMINISTRATION

# MAIN EXAMINATION 2006

TITLE OF PAPER : STRATEGIC MARKETING MANAGEMENT
COURSE : BA522
DEGREE AND YEAR :BCOM5
TIME ALLOWED :THREE (3) HOURS

INSTRUCTIONS :
1. THIS PAPER CONSISTS OF SECTION (A) AND (B)
2. THE CASE STUDY SECTION IS COMPULSORY
3. ANSWER ANY THREE QUESTIONS FROM SECTION B

NOTE; MARKS WILL BE AWARDED FOR GOOD COMMUNICATION IN ENGLISH AND FOR ORDELY PRESENTATION

THIS EXAMINATION PAPER SHOULD NOT BE OPENED UNTIL INVIGILATOR HAS GRANTED PERMISSION

# SECTION A [COMPULSORY]

**READ THE FOLLOWING CASE AND ANSWER THE QUESTIONS BELOW**

## TOYOTA'S FIRST-MOVER OFFENSIVE IN CUSTOM-BUILT CARS

In fall 1999 Toyota Motor Company announced that it would begin a program to allow U.S. car shoppers to order custom-equipped vehicles for delivery within five days. The move was seen as an attempt to shift from a "build-for-dealer-inventory" business model in North America to a "build-to-order" business model, which was already relatively common in Japan and Europe. But the move was further interpreted as a shrewd strategic initiative by Toyota to gain competitive advantage by being the first North American manufacturer to make this transition.

Surveys of car buyers indicated that close to 50 percent were unable to find the model, color, or equipment configuration they preferred when shopping dealer lots. Traditionally, dealers made educated guesses as to what model, color, and equipment options buyers would prefer, placed their orders with manufacturers, and hoped that car buyers would find what they wanted from the array of vehicles they had in stock. To induce customers to compromise if what they wanted was not in stock, manufacturers offered rebates and dealers would make price concessions. Custom-ordered vehicles could be obtained, but delivery times often ranged from 30 to 60 days.

Toyota's competitive move to five-day delivery on custom orders was intended not only to better satisfy car buyers and encourage brand loyalty but also to gain the benefits of tighter supply chain management and reduce reliance on costly promotions to push sales of slow-selling models. A build-to-order business model (similar to that used by Dell, Gateway, and other PC makers) permitted tighter just-in-time delivery of parts and components to Toyota assembly plants, plus a reduced need for profit-eroding rebates and discounts on unpopular models and configurations. It also paved the way for dealers to drastically cut the number of vehicles kept in stock (thus driving down their inventory-financing costs). If the build-to-order approach caught on with car buyers, a dealer would only have to stock a minimal number of showroom models for inspection and test drives, a limited number of vehicles for immediate delivery, and function mainly as a pickup point for custom orders. Investing in acres of real estate at visible, high-traffic locations would be less necessary.

A build-to-order model would also work to the advantage of Internet car-buying services, since it would be easy for car shoppers to do their research online, make price comparisons, and place their orders.

*Source:* Jeffrey Bodenstab, "An Automaker Tries the Dell Way," *The Wall Street Journal,* August 30, 1999, p. 26.

## QUESTION 1

a) What advantages would accrue to Toyota for being a first mover (pioneer) in custom built cars in North America? **(10 MARKS)**

b) The use of the internet has enabled many companies to gain a competitive advantage in their respective industries. Using Michael Porter's Industry Structure Analysis, discuss how the internet has reshaped the competitive environment. **(15MARKS)**

c) What defensive strategies can Toyota exploit to protect its competitive advantage from challengers? **(10 MARKS)**

d) Do you think buyers will respond in numbers to Toyota's "build to order" business model? Explain your answer. **(5 MARKS)**

# SECTION B

## ANSWER ANY THREE (3) QUESTIONS FROM THIS SECTION

### QUESTION 2

**a)** Discuss the conditions necessary for a Low Cost Provider Strategy to be effective. **(15 MARKS)**

**b)** Explain, with examples, how an organization can create an "Artificial Competitive Advantage" **(5 MARKS)**

### QUESTIONS 3

**a)** Explain the reasons why a company would embark on a Repositioning Strategy, giving examples. **(10 MARKS)**

**b)** Discuss the barriers that may prevent companies from exiting the industry in the Declining Stage of the Product Life Cycle. **(10 MARKS)**

### QUESTION 4

**a)** Discuss the contents of a Marketing Plan. **(15 MARKS)**

**b)** Explain why it is imperative for marketing managers to periodically conduct a Marketing Audit? **(5 MARKS)**

### QUESTION 5

Robert Miles, and Charles Snow, identified four business strategies for SBU's (Strategic Business Units) pursuing a Product- Market Development Strategy. Discuss each strategy giving examples. **(20 MARKS)**

### QUESTION 6

**a)** Discuss the characteristics that make a service offering different from a product offering, giving examples. **(16 MARKS)**

**b)** Explain what is AGOA (the African Growth Opportunities Act), and how has it benefited the Kingdom of Swaziland. **(4MARKS)**