

**UNIVERSITY OF SWAZILAND**  
**FACULTY OF COMMERCE**  
**DEPARTMENT OF BUSINESS ADMINISTRATION**  
**MAIN EXAMINATION 2007**  
**FULL-TIME AND I.D.E.**

**TITLE OF PAPER : STRATEGIC MARKETING MANAGEMENT**  
**COURSE : BA 522**  
**DEGREE AND YEAR : BCOM 5**  
**TIME ALLOWED : THREE (3) HOURS**

**INSTRUCTIONS:**

- 1. THIS PAPER CONSISTS OF SECTION (A) AND (B)**
- 2. SECTION (A) IS COMPULSORY**
- 3. ANSWER ANY THREE (3) QUESTIONS FROM SECTION B**
- 4. THE TOTAL NUMBER OF QUESTIONS IN THIS PAPER IS SIX (6)**

**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**

## SECTION A (COMPULSORY)

READ THE FOLLOWING CASE AND ANSWER THE QUESTIONS BELOW

### UNILEVER REVITALIZES ITS MISSION AND STRATEGY

It's not every day that a corporate giant changes its mission statement. Then again, Unilever is not an everyday company. Formed from the 1930 merger of the British soap manufacturer Lever Brothers and the Dutch margarine firm Margarine Unie, Unilever still maintains headquarters in both countries. It operates in 150 nations and sells 150 million items every day, ranging from Dove soaps and Calvin Klein perfumes to Slim-Fast diet foods and Ben & Jerry's ice cream. With \$53 billion in annual revenues and 234,000 employees, Unilever's size, scope, and skills provide strength for ongoing competition with Procter & Gamble, Colgate-Palmolive, Danone, Reckitt Benckiser, Nestle, and other major manufacturers of food, household, and personal care products.

Niall FitzGerald, Unilever's former chairman, changed the mission as the company neared the end of its 2000—2005 "Path to Growth" strategy, which called for annual revenue growth of 5 to 6 percent and significant improvement in profit margins. When the strategy was first implemented, FitzGerald arranged the \$24 billion acquisition of Bestfoods to bring in such blockbuster product lines as Hellmann's mayonnaise and Knorr soups. At the same time, he began the process of selling off 140 business units representing more than 1,000 brands (including Mentadent, Pond's, and Elizabeth Arden) so he could focus Unilever's organizational resources on a core portfolio of 400 brands capable of maintaining lucrative, market-leading performance for the long term. As an example, he authorized higher advertising budgets for the top brands and larger investments to develop new fragrances and other high margin products.

By the time FitzGerald was ready to retire in 2004, the strategy was showing some success. Where Unilever had just four \$1 billion-a-year brands in 1999, it now had 12 such brands; moreover, its profit margins had doubled within the past four years. However, revenue growth was nailed well below the targeted 5—6 percent level and some brands were having difficulty coping with critical environmental elements. For instance, Slimfast's managers were slow to recognize the threat posed by growing consumer interest in low-carbohydrate diets. By the time they introduced products with lower carbohydrate content, Slimfast's sales had fallen 22 percent. Also, sales of Unilever's prestigious fragrance products, including Calvin Klein perfumes, were lower than expected due to weak economic conditions and fewer travelers passing through air worldwide, where the fragrances enjoy good distribution.

To guide development of a new strategy for 2005-2010, FitzGerald decided to revamp corporate mission statement. After analyzing important trends such as increased urbanization in many countries, the aging population, and increased consumer interest in healthy living, the chairman and his managers crafted a statement declaring that "Unilever's new mission is to add vitality to life. We meet everyday needs for nutrition, hygiene, and personal care with products that help people feel good, look good, and get more out of life." This broad statement help managers and employees connect their work activities with the well-being of the communities they serve. It also suggests how Unilever will differentiate itself from rivals within the pressured global marketplace.

Now FitzGerald's successor, Patrick Cescau, has taken over the process of implementing the "Unilever 2010" strategy. He's giving the corporate name more prominence by ensuring that it appears on all company products, communications, and promotional materials. Instead of publicly explaining the corporation's growth goals in detail, he's talking more generally about a range of assumptions for sales, profits, costs, and debt. He's continuing the former CEO's policy of benchmarking shareholder return against a peer group of 20 competitors to check its performance. On the competitive front, Cescau has to deal with Reckitt Benckiser's strength in product innovation, Procter & Gamble's marketing power, and Nestle's brand-building abilities. And he must keep Unilever's brands at the top of their categories to retain lots of shelf space in Mart and other big retail chains.

### QUESTION 1

- a). How effectively do you think Unilever's mission statement establishes the company's direction and important values? What changes, if any, would you recommend, and why?  
(15 MARKS)
- b). Identify one or more of Unilever's strengths, weaknesses, opportunities, threats. How might Cescau use the strengths to counteract the threats?  
(20 MARKS)
- c). Where on the BCG matrix would you place Unilever's 400 remaining brands?  
(5 MARKS)

**SECTION B (ANSWER ANY THREE QUESTIONS)****QUESTION 2**

- a) Discuss the three different types of Marketing Strategies available for Pioneers and the circumstances favouring the use of each strategy. (12 MARKS)
- b) Explain the reason why a challenger would use a leapfrog strategy and then discuss the conditions necessary for this strategy to be successful. (8 MARKS)

**QUESTION 3**

- a) Discuss the strategic decisions involved at the corporate level. (12 MARKS)
- b) How is strategic marketing different from marketing management? (8 MARKS)

**QUESTION 4**

- a) 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. (15 MARKS)
- b) Differentiate primary demand from selective demand, giving examples. (5 MARKS)

**QUESTION 5**

Discuss the common strategic traps a company can fall into during the shakeout or transition period of the Product Life Cycle. (20 MARKS)

**QUESTION 6**

The market audit is an important element in the evaluation of marketing strategies.

- a) Discuss some of the areas that should be examined in the market audit. (10 MARKS)
- b) Why should companies perform a market audit on a regular basis? (10 MARKS)