

UNIVERSITY OF SWAZILAND

FACULTY OF COMMERCE

DEPARTMENT OF BUSINESS ADMINISTRATION

SUPPLEMENTARY EXAMINATION 2008

TITLE OF PAPER: BUSINESS POLICY AND STRATEGIC
MANAGEMENT

DEGREE AND YEAR: BCOM V (FULL TIME)
BCOM VII (IDE)

COURSE NUMBER: BA 511/ IDE BA511

TIME ALLOWED: THREE (3) HOURS

INSTRUCTIONS:1. THIS PAPER CONSISTS OF SECTIONS (A) AND (B)

2. THE CASE STUDY SECTION (A) IS COMPULSORY

3. ANSWER ANY THREE QUESTIONS FROM SECTION B.

Note MARKS WILL BE AWARDED FOR GOOD
COMMUNICATION IN ENGLISH AND FOR ORDERLY
PRESENTATION OF WORK

**THIS EXAMINATION PAPER SHOULD NOT BE OPENED
UNTIL PERMISSION HAS BEEN GRANTED BY THE
INVIGILATOR.**

SECTION A: CASE STUDY

Spar Picks up Speed

Spar, the 'quiet upstart from Durban' has shaken up the retail industry. In just ten years, Spar claimed to have increased its share of the South African retail market from 15 percent to between 20 and 25 per cent. Spar was aiming for number 1, although it was still trailing Shoprite Checkers and Pick n' Pay – one of the best-run companies in South Africa.

It has been suggested that Spar owes its success to copying the best tactics of Pick 'n Pay and Woolworths, although Dave Hughes, the Spar CEO, suggests that all local retailers copy offshore stores. For shoppers, the effect is the same. The general improvement in Spar's quality is an obvious example. Spar packages and markets its goods as attractively as Pick n' Pay and Woolworths do. All three groups compete for shoppers wanting fresh foods, convenience, pre-packed items and a deli service. Spar also adopted the 'Theatre of Food' concept (credited to Pick n' Pay) aimed at entertaining consumers while shopping. In these new-format stores, consumers can see the butcher at work and buy prepared meals from an in-store deli where what is for sale is made in full view of shoppers.

What are the reasons for Spar's success? One strategy has to do with the way individual franchisees (owner-managers) are allowed to tailor their product ranges to suit their target markets.

Spar has grown from a chain of 459 corner stores in 1992 to 700 mostly medium-sized supermarkets nationwide. The Western Cape is one of the few areas where Spar does not have much of a presence, owing to a shortage of good sites.

Despite low interest rates the retail sector has been facing a tough time. High levels of unemployment, the drain of the country's big spenders offshore and the costs of cell phones and gambling have all eroded disposable income. The impact of the climbing oil price and the sharp fall of the Rand over the past three months were the biggest difficulties faced by the retailers last year.

In the longer term, HIV/Aids presents a big challenge to retailers. More South Africans are infected than in any other country in the world. In November 2001, chilling research from the Medical Research Council of SA found that between 5 million and 7 million South Africans will die of the diseases in the next decade.

Sean Summers, Pick n' Pay CEO, says retailers walk a fine line between profits and sales. 'Yes, we continue to squeeze margins because that's one way to get more business. But if we can squeeze double-digit top-line growth out of this market in 2002, we will be happy; 'For shareholders wanting profit growth, that could be reason for caution.

None of the big three food retailers has many tactics left to try. Each has sent investigating teams into most cities and towns and opened stores if the criteria seemed right. Brand awareness has been polished. Any gaps in their strategies are narrowing. And the stakes are high.

What lies in the future for Spar?

Spar is aiming at growing the number of stores. 'We want to grow in the Western Cape, though the area is the backyard of Woolworths, Pick n' Pay and Shoprite; Hughes says.

Spar and Pick 'n Pay are also increasingly targeting SA's mostly black mass market. This low income group is Shoprite's traditional market. Here, as elsewhere, Spar will set up franchise stores.

Spar and Pick n' Pay aim to increase the number and efficiency of the large stores: Superspar to Spar and superstones to Pick n' Pay.

Like Pick n' Pay, Spar has plans for enhancing its range of (higher margin) pharmaceutical products.

Questions

- I. Conduct an industry analysis for Spar based on the information available in the case. (20)
- II. From the perspective of Pick n' Pay, what are the key aspects that would characterize Spar as a Competitor. (10)
- III. Discuss the possible problems that could emanate from an incorrect assessment of the environment by Spar. (10)

SECTION B

Answer any *three* questions from this section

1.
 - a) Discuss the recommendations that you would make to improve the structure and performance of a company's board of directors. (12)
 - b) What purpose would a corporate parenting strategy serve for an organisation such as SPTC? (8)

2. "If you can't measure performance, you can't control it". How valid is this statement in terms of the problems organisations normally face in evaluating and controlling operations and how can they ensure proper control? (20)

3. Why would the formulation, implementation, evaluation and control of strategies be more complicated for a not-for-profit organisation than other profit making entities? (20)

4. Discuss the importance of the following in strategic management?
 - i. Benchmarking (5)
 - ii. Strategy-culture compatibility (5)
 - iii. Six-sigma (5)
 - iv. Activity Based Costing (5)