UNIVERSITY OF SWAZILAND
FACULTY OF COMMERCE
DEPARTMENT OF BUSINESS ADMINISTRATION
MAIN EXAMINATION PAPER MAY 2009

TITLE OF PAPER	:		MARKETING MANAGEMENT
DEGREE AND YEAR	:		DIP. COM. III & IDE – LEVEL 4
TIME ALLOWED	:		THREE (3) HOURS
COURSE CODE	:		BA 321
INSTRUCTIONS:	1.	TOTAL NUMBER OF QUESTIONS IN THIS PAPER (5)	
	2.	SECTION A IS COMPULSORY. ANSWER ANY TWO QUESTIONS FROM SECTION B	
	3.	THE MARKS TO BE AWARDED FOR EACH QUESTION ARE AS INDICATED ALONGSIDE THE QUESTION	

NOTE: MARKS WILL BE AWARDED FOR GOOD COMMUNICATION IN ENGLISH AND FOR ORDERLY AND NEAT PRESENTATION OF WORK. FURTHER MARKS WILL BE AWARDED FOR THE USE OF RELEVANT EXAMPLES

SPECIAL REQUIREMENTS: NONE

THIS PAPER SHOULD NOT BE OPENED UNTIL PERMISSION TO DO SO HAS BEEN GRANTED BY THE INVIGILATOR.

SECTION A: CASE STUDY
ADCOCK INGRAM – POSITIONED FOR IMPROVED GROWTH

Source: Adapted from Jooste, C.J., Botha, J., De Beer, Y., Grove, T. and Oosthuizen, N. (1996), Marketing Management Workbook, Juta & Co. Ltd., Kenwyn, South Africa, pp. 190-198.

Adcock Ingram's growth results are clearly reflected in its financial reports. Reported earnings for the half-year to 31 March 1995 grew by 14.6% to R58.2 million (1994: R50.8 million). Turnover grew by 12.1% from R503.4 million to R564.1 million despite distortions as a result of the transfer of a number of products to the Astra and Pharmacia joint ventures, without which sales growth would have been higher. Datlabs, the wholly owned Zimbabwean company, was consolidated into the results for the first time, and, together with the 50% share in Vesta, contributed 5% to overall growth. Operating profit increased by 4% to R84.2 million (R80.9 million) and was impacted by the high turnover growth in the lower-margin wholesale business and the effect of the transfer of the products to the joint venture companies.

Group chief executive Don Bodley says that the restructuring of the health care group, which now comprises five focused business units, has positioned it well for full year earnings growth to be ahead of last year. Sales have improved across the Group in line with the slight upturn in the economy and increased customer focus which has resulted in market share gains. The Consumer Health Care division produced excellent results, contributing 25% to Group earnings, due to improved sales and cost reductions flowing from the consolidation of the two previous divisions. This division is making significant gains in market share, particularly in the self-medication and consumer toiletry markets.

The acquisition of leading self-medication brands in the Zimbabwean market has further strengthened Adcock's burgeoning regional presence. Adcock Ingram Pharmaceuticals, which markets branded pharmaceutical products and generics to private and state customers, benefited from increased investment in sales and marketing resources. Sales of Adco generic range grew by 32%, while branded pharmaceutical products also performed well.

The distortions in the first six months caused by the Astra and Pharmacia joint ventures are not in the base for the balance of the year. Five new branded products were launched in April 1995 – two of which are from the Eli Lilly co-marketing agreement.

The market share of the Critical Care division's intravenous solutions has now stabilized. Despite fierce competitive pressures it has maintained the major market share in intravenous solutions, as well as leadership in the blood and renal markets. In addition, all these products are contributing to an increased share of export business in Africa.

The Wholesale division benefited from changes in the industry ad grew by 22%. However, margins remained under pressure.

The International division has capitalized on the improved political dispensation and is well positioned to meet its goal of regional dominance in Africa and growth in Eastern Europe and the Pacific Rim.

Mr. Bodley says that the refocusing of the Group has created synergy between the divisions and has brought it closer to its customers and created new business opportunities. "We are well on our way towards establishing Adcock Ingram as the dominant regional supplier of medical and pharmaceutical health care products and services. Further cost benefits following the restructuring of the Group will be realized in the second six months. We expect to achieve growth in earnings for the full year ahead of last year's growth of 15%," he concluded.

THE FIVE-YEAR STRATEGIC PLAN IN ACTION

In an industry where fundamental shifts in balance and structure are the order of the day, Adcock Ingram's five-year strategic business plan is a bracing proactive and outward-looking statement of intent. The central aim is to establish Adcock Ingram as the dominant supplier of health care products in the Southern African region. The Group will be able to achieve its goal essentially because it provides unparalleled value-added service to its customers – whose needs are constantly changing in a variable health care environment.

Recognising the broad shifts away from high-cost health care, the Group will continue to provide affordable products and services of high quality across the health care spectrum. This it can only continue to do by sustained programmes of rigorous cost containment through tight management. The intensive focus on research and development - utilizing both in-house resources together with the resources of international principals and through alliances with local and international research organizations – will ensure a steady flow of new products. These will include new chemical entities which are patent-protected, branded pharmaceutical and consumer health care products, and an expanded Adco generic range. In the critical care field, the Group is constantly sourcing and developing new products and improved systems together with its principal, Baxter, a world leader in the hospital products market.

Expansion is also being achieved through acquisitions (Vesta Medicines, for example, which has acquired slow release technology and sells branded generics and nutrition products) or alliances with powerful international groups such as Eli Lilly. Multinationals see Adcock Ingram – one of the most powerful players in the Southern African market – as a desirable joint venture partner or ally.

The first issue of *Adcock Analysis* in November 1994 carried a broad-brush account of the Group's strategies for growth. Events since then have been translated into actions and consequences. Certain elements of the plan have already been successfully completed, achieving the desired synergies and improving market penetration.

The merger of the self-medication and consumer products divisions brought together two strongly performing business units with significant shares of their respective markets and good prospects for growth. This merger contributed to the Group's cost containment aims by fusing the previously separate and parallel finance, human resource and information technology functions of these businesses. It also allowed the sales teams to concentrate on serving the common customer base of food store chains, cash and carry outlets, community pharmacies and pharmacy buying groups, the general trade and the informal sector.

This newly formed Consumer Health Care division sells a range of branded products that enjoy a high degree of public recognition because of long-term investment in sales promotion and advertising. Household names include the analgesics Panado, Pynstop, Compral and Besenol; health care ranges Salon Selectives and Vibrance; skincare products Gill and Ingrams Camphor Cream; and the Jeyes range of sanitary cleaners. Resources are being focused on building brand names, developing or acquiring others, as in the purchase of the previously owned Sterling Winthrop trademarks in Zimbabwe which include Cafemol – the market-leading analgesic, Panado, Besenol and Phipps.

The integration of the generic and pharmaceutical business units was accompanied by reorganization of the sales force to serve specific channels with particular needs such as prescribing or dispensing private doctors, specialists, state or private hospitals, community pharmacies and pharmaceutical wholesalers.

The success of these moves was shown during the first half of the financial year, when the sales of the Adco range of generic medicines grew by 32%, with sales of generic and ethical products together growing by 15%. This augurs well for future growth in an area which assumes increasing importance in the local health care scenario and in which Adcock Ingram already ranks second in the private generic market.

Improved co-ordination of manufacturing, distribution, marketing and research and development priorities are also the result of the integration of the generics and pharmaceuticals business units. Adcock Ingram Critical Care is making strong strides in export markets and is set to hold its current market share in the local hospital market and to introduce new products into new markets. With the focus shifting from selling individual products to an approach of key customer management and the offer of "bundles" of diverse products from the various business units of the Group, supplied via a contractual arrangement and through a computerised ordering system, this will ensure optimum utilization of the Group's broad product portfolio and provide a cost-effective, convenient service for customers. These changes in Group structure demanded a degree of management flexibility. The increased emphasis on better, more effective customer service has involved fundamental changes in sales and marketing.

Adcock Ingram Wholesale has an important strategic role in the Group. The division has embarked on a new direction to capitalize on its strengths and take up the challenge of new markets in the dramatically changed health care environment. Although the core business will remain in pharmacies, major opportunities have been identified in other markets – such as private clinics, dispensing doctors and industrial clinics. The wholesale division is the conduit for the Group's product bundling exercise.

The International division incorporates Datlabs of Zimbabwe – a virtual replica of Adcock Ingram, although on a smaller scale. Good progress is being made in African markets and the registrations are being obtained in Eastern European and Pacific rim markets.

Improving efficiencies and cost containment have been prime objectives for some years and price increases have been held below inflation. The modernization and upgrading of the critical care factory, rationalization of operations (as in the formation of the Consumer health Care division) and tight asset management all contribute to the increasing productivity, with numbers of employees decreasing slightly against a background of increasing sales.

The continuing implementation of the various elements of the strategic plan over the next five years will ensure that Adcock Ingram's positioning is such that it will not only be able to ride out the radical changes occurring in the health care environment, but that it will continue to grow and prosper for the benefit of all its stakeholders.

QUESTIONS (Your discussion must apply marketing theory to the case study)

a) Give some examples of marketing objectives that can be derived from the Adcock Ingram case **(5 marks)**
b) Identify the strengths of Adcock Ingram and the opportunities in its market **(15 marks)**
c) Develop a BCG matrix for Adcock Ingram's SBUs and products, and justify your categorization **(15 marks)**
d) Develop the variables of the market attractiveness/business strength for Adcock Ingram SBUs **(15 marks)**

SECTION B ANSWER ANY TWO QUESTIONS FROM THIS SECTION

QUESTION TWO

a) Discuss Porter's Generic strategies and show how companies in Swaziland can make use of these strategies. **(10 marks)**
b) Use examples to discuss the market challenger and market follower strategies. **(15 marks)**

QUESTION THREE

a) Using examples, discuss the classifications of the services mix. **(10 marks)**
b) Use the services marketing triangle to discuss the marketing strategies for service firms. **(15 marks)**

QUESTION FOUR

There are many Non-Profit organizations operating in Swaziland. Discuss the challenges facing them and show how they can use marketing principles to cope with the challenges. **(25 marks)**

QUESTION FIVE

a) Based on what you have learnt in this course, define a customer. **(5 marks)**
b) Discuss the costs of poor customer service. **(15 marks)**
c) How should a company deal with a dissatisfied customer? **(5 marks)**