

UNIVERSITY OF SWAZILAND
FACULTY OF COMMERCE
DEPARTMENT OF BUSINESS ADMINISTRATION
MAIN EXAMINATION 2009
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 FIVE**

**NOTE: MARKS WILL BE AWARDED FOR GOOD COMMUNICATION
IN ENGLISH AND FOR ORDERLY 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

Adrenaline Rush at Adidas

After Robert Louis-Dreyfus, CEO of Adidas, clinched a deal on Sept. 15 to buy French sports-equipment maker Salomon (for \$1.3 billion), he celebrated with Salomon family members over champagne at Geneva's swank Hotel des Bergues. And if Louis-Dreyfus was feeling a little flushed, it probably wasn't from the champagne. In one deft strategic move, Louis-Dreyfus had broadened his sports company's product base and balanced its geographic reach. With better insulation against fickle swings in fashion and regional downturns, Adidas is a much stronger competitor in the \$100 billion global sports-equipment market.

Adidas and archrival Nike Inc. are squaring off to see which will dominate the sporting-goods market in the next century. While Nike has expanded aggressively outside its U.S. stronghold Adidas has outmaneuvered Nike in the rush to diversify from shoes and apparel. Adidas' diversification via Salomon vaults it past Reebok into the No. 2 spot worldwide. The combined company, to be called Adidas-Salomon, will have sales of about \$3.4 billion annually. Salomon, which makes ski gear, golf clubs, and bike components, will boost Adidas in Asia and North America, where it is weak. And the combined company's reliance on the slow-growing European market will decline, since sales there will drop to 60% of the total, down from 66% for Adidas before the merger.

To be sure, Nike remains the industry leader and the company to beat. Its annual sales of \$9.1 billion dwarf those of all rivals. It will outspend the new, bulked-up Adidas 2-to-1 on marketing and promotions, with annual outlays of about \$1.1 billion. One of Nike's most valuable assets is the stable of superstar athletes who promote its Swoosh trademark, from golf phenom Tiger Woods to basketballer Michael Jordan. But Nike has had only limited success with its diversification strategy. Several years ago, the company bought Bauer, a Canadian maker of hockey skates and accessories. And that venture has done very little for the company's competitiveness. Shoes and clothing still make up 95% of Nike's sales.

Salomon's product line gives Adidas a new edge. The company makes finely engineered products that command premium prices and deliver higher margins than T-shirts or sneakers.

They also attract attention from upscale consumers. For instance, two years ago, Salomon introduced thicker "bubble" shafts in its Taylor Made golf-club brand that give a player's swing more power. Sales have surged, and Taylor is the No. 2 brand in the U.S. What's more, Salomon's bindings are the industry standard for both downhill and cross-country skis. One-fourth of Adidas-Salomon's sales will come from such high-margin products, vs. just 5% for the stand-alone Adidas.

Although Adidas still won't be able to match Nike's marketing muscle, its spending will probably become more efficient. For instance, it may introduce Taylor Made golf bags and apparel, so spending on the brand will cover a wider range of products.

So far, Adidas hasn't been able to steal much market share from Nike. Instead, the fight between the titans is costing smaller players, say analysts. In Japan, where Nike is No. 1, local brands such as Asics have lost share. And in the U.S., Fila's order book for the next six months has dried up. Louis-Dreyfus knows all too well, however, that he must keep his eye on the ball—the one emblazoned with a Nike Swoosh.

Source: David Woodruff and Mia Trinephi "An Adrenaline Rush at Adidas," *Business Week*: September 29, 1997.

Question 1

- a) Identify the attack strategy used by Addidas and the appropriate conditions for this strategy to work. (15 MARKS)
- b) What counter strategies can NIKE pursue to avert Addidas' attack. (15 MARKS)
- c) What course of action would you recommend to competitors in this industry to compete with the Nike and surging Adidas? (10 MARKS)

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

Discuss the methods of maintaining a low cost position strategy in mature markets.
(20 MARKS)

QUESTION 3

Explain why a pioneer would pursue a Mass Market Penetration Strategy and then discuss the conditions that favour such a strategy. (20MARKS)

QUESTION 4

Compare and contrast the Prospector and Defender business strategies and then discuss the environment appropriate for each strategy. (20MARKS)

QUESTION 5

Explain how the Boston Consulting Group Growth (BCG) Share Matrix can be of assistance to strategic management and then discuss the limitations of this matrix.
(20MARKS)