

UNIVERSITY OF SWAZILAND
FACULTY OF COMMERCE
DEPARTMENT OF BUSINESS ADMINISTRATION
MAIN EXAMINATION 2010
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 SECTIONS (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

Adapt or die

How retailers are surviving the downturn

The days when retailers were calling the shots and got away with tardy service are gone for good. That was a key message from the annual congress of the South African Council of Shopping Centres, held in Johannesburg recently. True, SA has to date been spared the failure of high-profile national retailers - such as Woolworths in Britain, electrical group Circuit City in the United States, fashion house Christian Lacroix in France and German tourism group Arcandor - but SA retailers nevertheless also have to fight harder to keep the tills ringing.

Local analysts say for many retailers it's now become a matter of adapt or die, particularly given the likelihood it could take years for consumer spending to return to pre-recession levels. Even if the economy recovers next year, analysts say it could take five to 10 years for consumers to rebuild their savings lost through falling house prices and sinking stock markets. That could translate into a much lower level of consumer demand for many years to come.

As a result, SA's major nationals -Edgars, Pick n Pay and Woolworths - are all rethinking their consumer strategies and looking for new ways to woo price-savvy shoppers. One key theme emerging from national retailers is a renewed focus on higher income shoppers (LSM 7 to 10), a sector some may have been neglecting over recent years in favour of the lower income mass market. Edgars, SA's biggest retailer in terms of floor space, is a case in point. The group has embarked on what Hugues Witvoet, CEO of Edcon's department stores division, refers to as a "journey" to create a more sophisticated and upmarket image for its Edgars brand. Witvoet says the biggest challenge facing retailers in the current tough trading environment is how to cater for the different needs of different consumers.

He notes while Edgars may have the most department stores in SA, the real question is: "Are we still relevant?" Edgars has apparently realised its "one room fits all"

approach may have become too simplistic. Witvoet says tougher times have forced the group to give more thought to what type of customer it wants to attract. The new strategy is to better adapt each store offering to its specific location and "customer" base. A key focus area will be tweaking the product mix, display and layout at its "premium" stores - typically, those in wealthier, upmarket malls or areas such as Sandton City (Johannesburg) and Westville (Durban).

Witvoet says premium stores will move away from the previously favoured high-density, pile-them-high approach. "We realised we weren't delivering the luxury and ease of shopping that our higher LSM customers demand." However, he stresses Edgars' core strategy of delivering good value remains intact. "The idea is to give consumers an improved shopping experience - with more choice and more luxury - in an attractive, upmarket environment without compromising our value proposition."

Edgars' new flagship store - set to open at end-October at trendy mixed-use precinct Melrose Arch, in northern Johannesburg - is expected to be the catalyst to kick its image up a few notches. The massive 7 000sq m outlet will be the group's first so-called multi-speciality concept store and will house one of the biggest cosmetics display areas seen in SA.

Witvoet says Edgars wants to build on the strengths that differentiate it from its competitors, which include cosmetics - the group has 53,1% of SA's total cosmetics market - denim and lingerie.

Adapted from: Joan Muller. Fin week. 15 October 2009.

Question 1

- a) What factors of the environment are impacting on South African Retailers? (10 MARKS)

- b) Identify the generic strategy Edgars is pursuing in its endeavor to reposition itself and the conditions necessary for this strategy to succeed. (20 MARKS)

- c) Do you think that Edgars' repositioning strategy would succeed? Why or why not? (10 MARKS)

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

Differentiate competences, core competences and distinctive competences and then discuss the importance of the value chain when analyzing company resources.

(20MARKS)

QUESTION 3

Making a reference to a market of your choice, identify who you would consider the market leader, market challenger, and market follower (s). Support your answer with examples.

(20MARKS)

QUESTION 4

Discuss the marketing mix activities for a pioneer who is pursuing a skimming and early withdrawal strategy.

(20MARKS)

QUESTION 5

Describe the process of evaluating marketing performance and developing contingency plans at different levels when things go wrong.

(20MARKS)