

UNIVERSITY OF SWAZILAND
FACULTY OF COMMERCE
DEPARTMENT OF BUSINESS ADMINISTRATION
SUPPLEMENTARY EXAMINATION 2011
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

FNB guns for Capitec

Johannesburg - First National Bank (FNB) has become the first of the country's big four banking groups to throw down the gauntlet to low-cost lender Capitec Bank Holdings.

FNB is quickly rolling out its low-cost branch network, known as EasyPlan, to counter the growing influence of Capitec in the short-term lending market.

Capitec, the Stellenbosch-based retail bank, this week once again demonstrated its success by growing half-year earnings by 59% to R283m.

Since this May, FNB has launched 32 EasyPlan outlets across the country and by June it plans to grow this low-cost footprint to 100 branches. In its brief existence, EasyPlan, which is manned by 325 employees, has netted 17 000 customers, who are mainly looking for one to six-month loans.

Gift Manyanga, the chief executive of EasyPlan who is spearheading the battle against Capitec, said FNB's entry into the short-term lending space was long overdue. "It took us some time to understand the short-term needs of our customers. Some of them don't qualify for an overdraft facility, but they want to be taken care of by the bank until they get paid. We needed to find a way to meet their needs," said Manyanga. He said the roll-out of EasyPlan outlets was progressing well, even though some landlords were taking long to make space available to FNB. Manyanga added that it was probably easier to find space these days than during the boom times as many recession-battered small businesses had been forced to shut down their operations.

He pointed to job losses as the biggest threat to FNB's efforts to conquer the short-term loans market. "Although the economy is picking up, job losses are still a challenge. Some of our customers get loans from us and then lose their jobs a couple of months later," he said. Manyanga said borrowers could access loans ranging from a paltry R250 to a whopping R60 000 from EasyPlan branches, which also offered funeral cover with payouts of between R5 000 and R30 000.

FNB's intention to challenge Capitec can best be seen in the Eastern Cape town of Butterworth, where it has placed an EasyPlan branch next to a Capitec outlet on King Street to put the heat on its smaller rival. FNB has been observing Capitec since 2006 and its decision to compete directly with the lender does not come as a surprise.

No immediate impact

In October 2006, FNB showed City Press the findings of research it had compiled on

Capitec's short-term loans. At the time, FNB's research had found that Capitec was charging interest rates of between 78% and 258% on 12-month loans with a value of R1 000 to R10 000. According to FNB, these rates were much higher than its interest rates of between 39% and 196% on its 12-month loans ranging from R1 000 to R10 000.

At the time, Capitec described the research as an attack and said it was cutting its interest rates to make its loans cheaper for its customers, which now total about 2.5 million.

The nine-year-old lender has carved its own niche in the banking sector by charging the lowest transaction costs on services such as debit orders, debit card purchases, ATM cash withdrawals and interaccount transfers. EasyPlan is an attempt to under-price Capitec on transactional costs.

Khaya Gobodo, head of equities at Afena Capital, said all the country's major banks had realised that the short-term loans market was a high-growth and highly profitable industry. However, he believed that EasyPlan would not easily topple Capitec and African Bank Limited as the kingpins of the sector.

"EasyPlan won't have an immediate impact, but over time its entry into the market will lead to more competition and better-priced products for consumers," he said.

Capitec has already responded to FNB's challenge. This May it waived the R1 fee on cash withdrawals at retailers' till points for three months, undercutting EasyPlan, which charges 90c for cash withdrawals at till points.

The major lenders charge between R2.25 and R8.50 for this service, according to the EasyPlan brochure.

Source: Andile Ntingi. Oct 03 2010 1 - City Press

QUESTION 1

- a) Identify the generic business level strategy used by Capitec and then explain why it is so successful (20 MARKS)
- b) Which attack strategy is FNB using against Capitec, and do you think it will succeed. (20 MARKS)

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

Market audit is an important element in the evaluation of marketing activities.

- (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)

QUESTION 3

Discuss the variables that determine the strategic attractiveness of declining product-markets (20 MARKS)

QUESTION 4

Using Michael Porter's Industry Structure Analysis, discuss the conditions in the market that might increase rivalry among competitors. (20MARKS)

QUESTION 5

Corporate development through expansion can be pursued in one of three strategies. Briefly discuss each one, giving examples. (20 MARKS)