

UNIVERSITY OF SWAZILAND

FACULTY OF COMMERCE

DEPARTMENT OF BUSINESS ADMINISTRATION

MAIN EXAMINATION PAPER

MAY 2012

TITLE OF PAPER : MARKETING MANAGEMENT

COURSE CODE : BA 321 IDE FULL-TIME

TIME ALLOWED : TWO (2) HOURS

INSTRUCTIONS :

- 1. TOTAL NUMBER OF QUESTIONS IN THIS PAPER (5)**
- 2. SECTION A IS COMPULSORY**
- 3. ANSWER ANY TWO QUESTIONS IN SECTION B**
- 4. THE MARKS TO BE AWARDED FOR EACH QUESTION ARE INDICATED ALONGSIDE THE QUESTION.**

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

SOURCE: Africa moves good news for small firms. Supermarkets provide opportunities for locals. (Sunday Times, Business Times, September, 25, 2011.) Report by Hendri Pelsler.

AFRICA MOVES GOOD NEWS FOR SMALL FIRMS

South Africa's major supermarket chains are on the expansion path locally and abroad – and South African SME's could cash in on the action.

With financial reporting season drawing to a close, most of the major retail chains have hinted at their plans, and it seems as if Africa is receiving renewed attention. In fact, according to forecasts by the IMF, the continent could see a 5% growth this financial year. This is a lot higher than the growth expected in South Africa or in other developed economies.

Syd Vianellon a retail analyst at Nedbank Capital, said that the long-term structural economic problems experienced around the globe would continue to affect growth rates. As a result, retailers who wanted to expand needed to look for more lucrative markets. "The natural market to tackle is the one on our doorstep".

So far, a lack of infrastructure has meant the expansion of major South African retailers into Africa has not been as fast as it could have been. But this situation was changing quickly, Vianello said, and, as a result, many international players were making a beeline for the continent and its growing middle class. He said most African retailers had targeted higher earners in Africa, and this was expected to remain the major strategy for some time to come.

A good example of this interest in Africa was the recent creation by E Oppenheimer and Son - along with the Singapore state investor Temasek Holdings – of a E300 million private equity fund to focus on the consumer sector. The opportunities presented to South African SME's are vast, owing to the lack of adequate infrastructure and resources in many African nations.

Vianello said that, in the short term, these opportunities ranged from procuring new point-of-sale devices to staff training. In the longer term, chances existed in the manufacture, supply and packaging of goods. "Every retailer will tell you that the more they procure locally, the happier they are", Vianello said. Some chains could even assist and groom businesses in the target countries to step in. When South African businesses opened branches in African countries – or partnered with firms local to those countries- small businesses could potentially have a large client just waiting to use their services.

Many of the same opportunities – such as shop fitting, security services, telecommunications infrastructure and training – exist thanks to expansion in South Africa. The retail chains surveyed here are all in their closed financial period, so could not comment on the monetary aspects of their expansion programmes.

PICK N PAY

According to recent reports, the supermarket chain plans to open more than 100 shops in Africa. The sale of its Australian operations, which are valued at about E1.4 billion, will fund significant expansion projects.

Acting merchandise director Peter Arnold said that at least 95% of the food sold in Pick n Pay's South African shops was procured locally and that the chain would continue to focus on local SME service providers through its enterprise-development and mentorship programmes.

Through these initiatives, new black owned entrepreneurs were groomed and supported to create viable businesses. Arnold said: "All Pick n Pay buyers have been instructed to introduce several new BEE suppliers to their category by year- end". He said the supermarket company's expansion into Africa will continue, because consumer spending- especially in the middle-income segment – would skyrocket within the next decade.

"Finding local suppliers and entrepreneurs requires determination and effort, but it is absolutely instrumental to our model. It is our intention to ensure that local farmers and suppliers are supported [so as] to stimulate and assist economic growth in the countries we operate in...

"Pick n Pay has partnered with South African third-party logistics providers, who provide us with their expertise in cross border logistics and distribution. A few suppliers to other African countries are South African- based," Arnold said.

WOOLWORTHS

Woolworths recently announced joint ventures in Tanzania and Zambia, as well as a massive concept supermarket in Bryanston, Johannesburg. In addition, the group will continue to focus on expanding in South Africa, rolling out bigger shops and creating opportunities for SME service providers and suppliers. Group director of retail operations Glenn Gilzean said there would be a continued focus on incorporating black-owned businesses and supporting them with training, mentoring, loans, grants and shorter payment terms. And the growing African middle class could not be ignored, he said.

Woolworths wanted to open 16 new stores in the rest of Africa, bringing the total of shops outside South Africa to 60. Gilzean said: "The planned expansion into Africa provides growth opportunities not only for Woolworths, but for all our extended partners. "Our merchandise suppliers both locally and overseas will benefit from the growth, as will our providers of other services. "In addition, our expansion in each of the individual countries creates opportunities in those countries – in terms of direct employment in our retail stores, as well as by skills transfer. "For example, we often source and then train shop fitters, as it always make sense to use local firms to provide services where they have the skills, Gilzean said.

SHOPRITE

Shoprite Holdings declined to comment on its local and African expansion plans or on the opportunities this strategy presented to SMEs. At the moment, Shoprite Holdings has 135 stores in the rest of Africa. According to the chief executive officer, Whitey Basson, the group will continue its expansion, while improving supply lines to these shops. Vianello said, Shoprite had been in Africa for 15 years already, so the firm was simply accelerating its expansion programme.

Questions

- a) Why are the South African Retail chains/supermarkets concentrating on expanding into the rest of Africa **(20 Marks)**
- b) This expansion will lead or result into local small companies mushrooming in the rest of Africa. Specifically what type of companies /businesses? that is, what industries? Name these and explain their relevance **(20 Marks)**
- c) This is a win, win situation for both South African economy and the economies of the host countries. List the positives and briefly explain them. **(10 Marks)**

SECTION B

Question 1

Mission statements most times lack “teeth” and specificity. Critics also claim that in many cases mission statements are almost the same, and make empty promises. To have “teeth” a good mission statement should have specific qualities. Discuss. **(25 Marks)**

Question 2

There has been a dramatic growth in services marketing in the past three decades.

- (a) Discuss five causes of this rapid growth with examples. **(15 Marks)**
- (b) The nature of services results in implications that the Marketer must address. Discuss these. **(10 Marks)**

Question 3

The Swaziland Government through its National Policy for SMEs defined small businesses. A number of institutions, and financial schemes were established to assist SMEs. However failure rates for SMEs are still relatively high. Discuss the root causes, with examples , and suggest remedies. **(25 Marks)**

Question 4

The Service- Profit chain is an important marketing strategy for services. Discuss with examples.

(25 Marks)