

UNIVERSITY OF SWAZILAND
FACULTY OF COMMERCE
DEPARTMENT OF BUSINESS ADMINISTRATION
MAIN EXAMINATION 2013
FULL-TIME AND I.D.E.

TITLE OF PAPER : STRATEGIC MARKETING MANAGEMENT
COURSE : BA 522
DEGREE AND YEAR : BCOM5 & IDE BCOM6
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****AFRICA EXPANSION MAY BOOST BANKS**

Johannesburg - Adding diversification by expanding in Africa could enhance South African banks' earnings prospects in the longer term, Fitch Ratings said. However, the ratings agency warned that a significant increase in exposures to other African markets could weaken their credit profiles. The country's four major universal banks - Absa Group, FirstRand, Nedbank Group and Standard Bank Group - are all geographically concentrated in the domestic market by assets and earnings.

Developing a pan-African franchise will help compensate for more subdued domestic growth due to the relatively saturated lending market and weakened growth prospects in South Africa, according to Fitch. It says the financial crisis and its impact on economic prospects in many economies means the banks' search for growth will focus on Africa rather than further abroad.

Nedbank and FirstRand, according to Fitch are the most likely candidates looking for acquisition opportunities, as they have relatively less exposure outside of their home market. Both banks have increased M&A activity and organic investment in the rest of Africa. "Nedbank's alliance with Ecobank, the pan-African banking group, provides it with access to 35 countries in Africa. Nedbank has an option to convert a loan it has made to Ecobank into a 20% equity stake. "FirstRand is close to completing its purchase of a 75% stake in Merchant Bank Ghana, opened a merchant bank in Nigeria last month, and is also actively looking to acquire a small bank there," Fitch said.

Standard Bank (with operations in 16 African countries) and Absa (12 countries and majority owned by UK's Barclays) have a greater presence on the continent, especially in the sub-Saharan region. Their strategy focuses on developing a more cohesive strategy across the region, maximising the combined operations. Last month, shareholders approved Absa's acquisition of eight Barclays operations in Africa. The agency also noted that Standard Bank actually pulled back from some of its international operations in London, Brazil and Argentina to focus on its home continent.

“The banks want to tap into the growth potential of large African economies, and boost their product penetration to a largely under-served population. “Countries like Nigeria and Ghana have large, growing populations that offer expansion opportunities, added Fitch. “The banks are also following their corporate clients into nearby countries, such as Angola and Mozambique.”

Fitch noted that if the banks expand too aggressively in newer markets, they risk building up asset-quality problems and costs. This could lead to diminishing returns, or even result in the impairment of goodwill. “The operating environment is often more challenging than in South Africa; and the risks for retail banking can be magnified due to a lack of - or nascent - credit bureaux,” Fitch said. However, the strong banking regulator in South Africa and the high corporate governance standards at the banks help to mitigate some of the expansion risks, the agency. “The banks are also unlikely to have the appetite for a pan-African model that requires a significant investment in branch infrastructure to be credible.

Fitch said that instead, they are seeking high-growth markets with more attractive yields to supplement sluggish domestic growth. They also want to facilitate transactions with existing clients and within the trade corridors,” Fitch added.

QUESTION 1

- a) Discuss the growth strategy pursued by the banks and the risks associated with this strategy as mentioned in the case. **(20 MARKS)**

- b) What other growth strategies can the South African banks pursue? **(20 MARKS)**

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

- a) Explain the purpose of a marketing plan in strategic marketing and how it can help companies to be market oriented. **(10 MARKS)**
- b) Briefly describe each element of the marketing plan. **(10 MARKS)**

QUESTION 3

- a) Discuss the major differences between physical and perceptual product positioning. **(10 MARKS)**
- b) Under what conditions would a firm be satisfied with simply physical-positioning, and what dangers are involved with this strategy? **(10 MARKS)**

QUESTION 4

The use of the internet has enabled many companies to gain a competitive advantage in their respective industries. Using Michael Porter's Industry Structure Analysis, discuss how the internet has reshaped the competitive environment. **(20 MARKS)**

QUESTION 5

Discuss with examples the different strategies challengers can use to attack competitors in growth markets. **(20 MARKS)**