

UNIVERSITY OF SWAZILAND
FACULTY OF COMMERCE
DEPARTMENT OF BUSINESS ADMINISTRATION
FIRST SEMESTER EXAMINATION 2013

FULL-TIME

TITLE OF PAPER : STRATEGIC MARKETING MANAGEMENT
COURSE : BA 434
DEGREE AND YEAR : BCOM4
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****BANKING ON CHANGE**

A price war in SA, regulatory interventions in some of the countries in which it operates and more competition are forcing the MTN Group to re-engineer its business, cut costs and look for other revenue sources. Its first-half financial performance shows that Nigeria and SA, which are now mature markets for cellphone operators, proved challenging. In SA, a price war sparked by Cell C is taking its toll. Revenues from voice calls are under pressure so operators are looking at data to offset slow growth. MTN SA felt the effects of weaker consumer demand but was slow to respond to aggressive price competition in voice and data offerings. "We have to look at re-engineering the business to reflect [the current] pricing level," says CEO Sifiso Dabengwa. He says the group will continue to pursue acquisitions and grow organically, but that a focus on new revenue streams will also be key. Data is expected to provide new revenue sources.

Ernest Kaplan, MD of Kaplan Equity Analysts says mobile operators are in a phase where they have to make the transition from high- to lower-growth companies. Revenues from voice calls are under pressure and though growth in data is good, it is not able to contribute to company profits at the rate at which the market has become used to. "Data is growing nicely but will take time to be at the level where voice is." The main challenge for MTN over the coming year is to protect voice revenue "as best as they can". Kaplan says there's also a need for it "to go up the value chain in data services".

The results reflect a challenging operating environment, says Dabengwa. The sustained global economic slowdown, greater competition in mobile markets and regulatory pressures have pushed down average voice tariffs in the markets in which it operates 29,5% year-on-year in US dollar terms, he says. Kaplan says that excluding the effects of a weaker rand, "growth is very small". MTN Group's total subscribers increased 6,5% to 201,5m, supported by 7,8m net additions in Nigeria and growth in smaller African markets such as Sudan and Cote d'Ivoire.

Richard Hurst, a telecoms analyst at Ovum, says performances from SA and Nigeria show that these markets have matured. "MTN SA is in a good position in the market and can easily slug it out with the smaller players in the price war and could win back the market share that has been lost," he says.

Dabengwa says in SA the company's reaction to price reductions was slow. "Though we took longer in responding to the price cuts, we now have competitive pricing," he says.

He does not believe there is still room for more price reductions in the market. "Over the [past] two years there has been significant price erosion. Our view is there probably isn't much space for further significant price decreases," says Dabengwa. He says competitors who believe their core strategy should rely on pricing will not have room for further price reductions. Aslam Dalvi, equity analyst at Kagiso Asset Management, says MTN will need to focus on managing costs better to offset any further pressure on profitability in SA. MTN aims to cut costs by lowering spending on distribution, procurement and on labour, especially contractors. "The operator certainly needs to stem the losses as any further downward trend in subscriber numbers would have a severe impact on its local operations." Organic performance in Nigeria was broadly in line with expectations as the region continues to be affected by sharp tariff declines which started in the second half of last year. A more stable tariff outlook, coupled with good subscriber growth, should ensure the region delivers an improved performance in the second half of the year, says Dalvi. MTN's other large operations, including Cameroon, Ghana and Syria, grew revenue 8,6% to R13,9bn. The smaller businesses, such as those in Afghanistan, Botswana and Rwanda reported an 8,1% rise in revenue to R9bn.

Adapted from Financial Mail August 23 -28 2013 page 37 -38

QUESTION 1

- a) With reference to the case, discuss the characteristics of an industry that is in maturity in its product life cycle. (20 MARKS)

- b) What are the marketing strategies that MTN can pursue in mature markets? (20MARKS)

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

- a) One of the strategic concerns at the corporate level is to increase synergy across the company's various businesses and product – markets. Identify potential sources of synergy in the organization. (8 MARKS)
- b) Discuss with examples the different ways a company can grow using Market Penetration Strategies. (12 MARKS)

QUESTION 3

Explain with examples the conditions necessary for a Low Cost Provider strategy to be effective. (20 MARKS)

QUESTION 4

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 of strategies used by each organization. (20 MARKS)

QUESTION 5

- a) Explain what corporate sustainability is and then discuss the role of a marketing department in implementing it. (12 MARKS)
- b) Deliberate on the opportunities that may exist for a company pursuing green marketing. (8 MARKS)