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UNIVERSITY OF SWAZILAND

FACULTY OF COMMERCE
DEPARTMENT OF BUSINESS ADMINISTRATION

FIRST SEMESTER EXAMINATION 2013

FULL-TIME

TITLE OF PAPER : STRATEGIC MARKETING MANAGEMENT

COURSE : BA 516

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

VODACOM AND MTN IN AFRICA

At the end of a distinguished career, Alan Knott-Craig, retiring CEO of Vodacom, South Africa's leading cellular provider, expressed one regret - pulling out of Nigeria when Vodacom had the opportunity to invest in that country through Vmobile (now Celtel) in 2005. In the case of Nigeria, the largest cellular market in Africa, the move to pull out on shareholders' orders probably cost Vodacom a leading position in the African cellular market.

In the meantime rival MTN has gone from strength to strength owing to its phenomenal success in Nigeria, and it currently leads the African cellular market with approximately 74,1 million subscribers (30 June 2008), compared to Vodacom's 34 million (31 March 2008). Vodacom has a presence in five African countries and dominates the South African cellular market, while MTN has a presence in 21 countries, five of these in the Middle East. By 2008, it was clear that MTN aims to become a leading player in developing countries as well as in Africa.

Despite harsh business conditions and relatively high levels of business risk in Africa, the mobile telecommunications industry has been extremely successful, and few continents have embraced mobile telephony as enthusiastically as Africa. In comparison to the rest of the world, Africa was the fastest growing mobile market from 2000-2005, and as the leading cellular operators in South Africa, Vodacom and MTN were ideally positioned to tap into this rapid growth.

MTN was more aggressive than Vodacom in entering the African market. MTN entered its first international market, Rwanda, in 1997. In 1998, it won licences in Uganda and Swaziland, and in 2000 it purchased a stake in Cameroon's state-owned GSM network. In 2001 the company obtained a GSM licence in Nigeria. After a three-year break, MTN entered further African markets in 2005, including Ivory Coast, Zambia, Congo, and Botswana. In the same year, it made an acquisition in Iran, its first market outside Africa. Since then, MTN has established operations in Cyprus, Syria, Afghanistan, and Yemen. In 2007, talks with Bharti Airtel, a leading Indian cellular operator, failed. With its catchphrase 'an African solution to Africa's problems', MTN initially proved successful by allowing its African subsidiaries to operate as separate entities with their own marketing strategies. This approach changed in 2003, when MTN decided to establish a global identity. 'MTN then felt that one vision and one brand should benefit the customer better in terms of receiving the same treatment and service across all operations, so that whatever the customer experienced, MTN and its products should be consistent, even across borders,' noted Freddie Mokoena, MTN's chief marketing officer in Zambia. In 2005, the company launched its new pay-off line, 'MTN - everywhere you go', the implication being that MTN is part of the customer's journey through life. MTN typically preferred investing with a majority stake, one of the reasons being that it wanted to be able to control decision-making on branding and marketing.

Vodacom began its international expansion in 1996 when it established operations in Lesotho. In 2002 Vodacom operations commenced in Tanzania and the Democratic Republic of Congo (DRC). Mozambique followed in 2003 -Vodacom's last major African investment for some time. However, the big prize was Nigeria, the continent's most populous nation, and a market ripe for new investment in telecommunications. In 2003, Vodacom attempted to purchase a 51 per cent shareholding in Econet Wireless Nigeria (EWN), the country's second-largest mobile telecommunications company at the time. Unfortunately the deal fell through as a result of an alleged lack of good governance, abuse of Vodacom's trust, and insider sabotage. This was followed by a failed attempt to obtain a share in Vmobile.

Vodacom executives felt some frustration about investing in Africa and disappointment following its failure in Nigeria. Shareholder restrictions made it exceptionally difficult to move as quickly as necessary, and there was a concern that the best opportunities in Africa had come and gone. On the positive side, Vodacom had focused intensively on South Africa with excellent results. It was the clear leader in the South African market, and had been more innovative and productive than its competitors.

Perhaps it was not surprising then that Vodacom seemed to refocus its energies on dominating in South Africa even more by expanding its focus beyond mobile services. In his farewell article, Knott-Craig summarised Vodacom's new, aggressive growth strategy as follows: 'From now on we plan to lead in all areas of electronic communications technology: network infrastructure, voice and non-voice services, and especially data communication,1 (Knott-Craig, 2008:6). In August 2008, Vodacom announced its intention to acquire Gateway Communications SA (Pty) Ltd, the largest independent provider of satellite and terrestrial interconnection services in Africa, thereby taking its biggest step outside its familiar cellular communications territory.

ADAPTED FROM: P. Venter & M. Jansen Van Rensburg. (2000) Strategic Marketing.Oxford Unirvesity Press South Africa

Question 1

a) Describe the growth strategies pursued by MTN and Vodacom. **(20MARKS)**

b) Identify the strengths and weaknesses of Vodacom. **(10MARKS)**

c) Do you think MTN's decision to establish a global brand was the right one? **(10MARKS)**

SECTION B (ANSWER ANY THREE QUESTIONS)

QUESTION 2

Discuss the difference between strategic decisions taken at corporate level and those taken at the strategic business unit level. **(20MARKS)**

QUESTION 3

Support or contradict this statement: "Given the realities of today's economy and the rapid changes occurring in business technology, all competitive advantages are short lived. There is no such thing as a sustainable competitive advantage that lasts over the long term." Defend your position. **(20MARKS)**

QUESTION 4

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

QUESTION 5

a) Differentiate product positioning from product differentiation. **(10 MARKS)**

b) Explain with examples, why a company could engage in a repositioning strategy. **(10 MARKS)**