

**UNIVERSITY OF SWAZILAND**  
**FACULTY OF COMMERCE**  
**DEPARTMENT OF BUSINESS ADMINISTRATION**

**SECOND SEMESTER EXAMINATION 2014**

**FULL-TIME**

**TITLE OF PAPER : STRATEGIC MARKETING MANAGEMENT**

**COURSE : BA 517**

**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

### MASSMART TRIES LUCK IN NIGERIA

Massmart is taking on Shoprite elsewhere in Africa in food retailing, launching a pilot project in Nigeria and planning at least 10 such stores in the next two years in Lagos. Africa's second biggest distributor of consumer goods hopes to draw on the expertise of its largest shareholder, Walmart, to help it set up distribution and logistics operations as it extends its food offering north of South Africa.

Based on the outcome in Lagos, Massmart will flex its muscles and move from a pilot phase of opening small format stores to an aggressive roll-out. Massmart's grand plan is to offset lower sales of items such as computers and fridges by expanding in food and clothing.

The food market further north is largely informal, and Massmart's strategy is more about taking business away from spaza shops than from retailers. "Shoprite was first and we are second, but with the power of Walmart we hope to overtake them," Said Massmart CEO Grant Pattison.

The retailer expanded in to food in South Africa Only at the beginning of 2011, and for the latest financial year food sales were R 13- billion (up from R 10- billion a year ago), yielding a local market share of about 4% in food.

Afrifocus retailing analysts Alec Abraham said he was surprised by how Massmart had fared in food, given that it was a late comer. He said Massmart's business model lent itself to the high volume, low-margin retailing that worked in Africa. He questioned how long it would take Massmart to find the right format and establish distribution lines because it lacked the experience of Shoprite. "I think Massmart will have to pay school fees to get the right formula. They don't have the experience that Shoprite does, and don't know if Walmart's experience can help there. And it still has to set up distribution."

Massmart plans to develop own shopping centres in Africa because of ever-increase and developments not coming on streams quickly as required. Massmart stores will have a smaller format than those of Shoprite outside of SA.

At the moment, Africa contributes only about 9% to Massmart's turnover. Its sales outside South Africa rose 16.6% for the 53 weeks to December 29, bolstered by a weaker rand, and contributed 7.7% to total sales. Group sales rose 9.8% to R72.2 billion for the 53 weeks to December 29 last year. For the 52 week period, total sales growth was 7.5% and comparable sales growth 3.8 %.

The New Year is looking more upbeat. Sales climbed 9.5% for the eight weeks to February 23, though the recent interest-rate hike will make life more difficult for middle income customers.

Source : Adele Shevel. (2014). 'Massmart tries luck in Nigeria' *Sunday Times* :Business Times , March 2, page 5

### Question 1

- a) Identify the attack strategy pursued by Massmart and the appropriate conditions for this strategy to work. (20 MARKS)
- b) What other strategies can Massmart pursue against Shoprite? (20 MARKS)

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

- a) Not all new market pioneers effectively take advantage of the potential benefits inherent in their early lead. What should pioneers do to gain and maintain a leading share position in the new markets they enter? (15 MARKS)
- b) Research shows that companies that increase profits mostly by cutting costs regarding their new product entries have substantially lower profits versus those that emphasize revenue growth with their new entries. How do you explain this finding? (5 MARKS)

**QUESTION 3**

While we have seen that a business may have a number of other strategic options, the conventional wisdom suggests that a declining business should either be divested or harvested for maximum cash flow. Under what kinds of market and competitive conditions do each of these two conventional strategies make good sense? What kinds of marketing actions are typically involved in successfully implementing a harvesting strategy? (20 MARKS)

**QUESTION 4**

A leading European airline has asked you, a marketing consultant, to suggest areas the company should emphasize to differentiate itself from competing airlines in a mature industry. In so doing, you are told to assume that the airline would continue to be price competitive. (20 MARKS)

**QUESTION 5**

The market audit is an important element in the evaluation of marketing strategies.

- 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)