

UNIVERSITY OF SWAZILAND
INSTITUTE OF DISTANCE EDUCATION
DEPARTMENT OF BUSINESS ADMINISTRATION
SUPPLEMENTARY EXAMINATION 2016
I.D.E.

TITLE OF PAPER : STRATEGIC MARKETING MANAGEMENT
COURSE : BA516
DEGREE AND YEAR : BCOM 6
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****FNB TAKES ON CAPITEC**

Capitec has, for a few years now, been undercutting the cost of banking at South Africa's big four banks (Absa, FNB, Standard Bank and Nedbank) and bringing much welcome competition. As a result, it has significantly grown its market share. In a recent All Media and Products Survey, which asked people where they held their primary bank account, Capitec was the fourth most popular bank, surpassing Nedbank.

Of the big four banks, FNB has been the most aggressive in terms of taking on Capitec's pricing model. In 2010, it introduced the FNB Easy Account, which looked remarkably similar to Capitec's Global One account, focusing on pricing that is competitive and easy to understand.

The FNB Easy Account had a similar monthly fee, high interest rate for deposits and savings pockets linked to the main bank account. It even followed Capitec's paperless environment model, where customers no longer have to fill in realms of paperwork on application. Then, in June this year, FNB took its Easy Account a step further and slashed the costs by 67% on average to make it cheaper than Capitec's offering. The monthly fee on the Easy Account was cut to R4.20 and account holders do not pay fees when they purchase goods using their cards, withdraw cash at till points, or for FNB debit orders and linked transfers on their accounts.

Fees for FNB's cellphone banking and messaging service, inContact, were removed and ATM cash withdrawal fees are a flat R4 at FNB ATMs, irrespective of the amount withdrawn, and the same for cash or cheque deposits at an FNB ATM.

According to FNB, the Easy Account would cost the average client R28 a month. A recent report by trade union Solidarity on banking in South Africa found that the Easy Account was R7.35 to R15.50 cheaper than Capitec's Global One account. But the problem with FNB's Easy Account is that it is aimed specifically at lower income earners, while Capitec's Global One account is for any level of earner.

As Capitec's CEO, Riaan Stassen, once stated: "I have yet to understand why a high net worth customer and a blue collar worker should pay different charges for the same facilities".

One can only open an FNB Easy Account at specific branches, of which there are currently 160 countrywide. These branches are located in busy urban nodes like Gandhi Square in the Joburg CBD.

It is a no frills account and does not offer eBucks, FNB's reward programme, or an overdraft facility. But if you have reasonably low levels of banking transactions with only about five debit orders a month, there is no reason you should not open an Easy Account.

The downside of Capitec is that it does not offer home loans, car finance or credit cards, which means as a customer you have to apply to a different bank for these facilities.

FNB took the step earlier this year to only offer home loans to customers who bank with them, thereby cutting off potential crossover clients from Capitec.

QUESTION 1

- a). Using Michael Porter's business strategies, identify the strategy used by FNB and the conditions for this strategy to work best. **(20 MARKS)**
- b). Why is Capitec's strategy so successful in the banking industry in South Africa? **(20 MARKS)**

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

Differentiate competences, core competences and distinctive competences and then discuss the importance of the value chain when analyzing company resources. (20 MARKS)

QUESTION 3

- a) Discuss the different approaches companies can use in gathering information from the external environment. (10 MARKS)
- b) Distinguish independent strategies from cooperative strategies (10 MARKS)

QUESTION 4

According to Michael Porter's Industry Structure Analysis, one of the forces affecting competition is the bargaining power of suppliers. Discuss the determinants of supplier power and how they can be reduced. (20 MARKS)

QUESTION 5

- a) Which variables or descriptors might be most appropriate for segmenting the market for the following consumer products and services? Explain your reasoning. (12 MARKS)
- a. Lawn mowers.
 - b. Frozen entrees or dinners.
 - c. Breakfast cereals.
 - d. Financial services.
- b) Differentiate physical positioning from perceptual positioning. (8 MARKS)