

UNIVERSITY OF SWAZILAND
FACULTY OF COMMERCE
DEPARTMENT OF BUSINESS ADMINISTRATION
SECOND SEMESTER MAIN EXAMINATION 2016

IDE

TITLE OF PAPER : STRATEGIC MARKETING MANAGEMENT
COURSE : BA 517
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

RED BULL'S ENCIRCLEMENT STRATEGY

The Austrian soft drink brand Red Bull provides an example of marketing warfare, and in particular the strategy of encirclement. While Pepsi and Coke were fighting their cola wars for market domination, Red Bull introduced a new soft drink category, the energy drink. This segment has shown tremendous growth and Red Bull dominates it completely.

Red Bull established its fledgling brand through sponsoring esoteric sporting events such as cliff diving and base jumping. Media exposure formed an integral part of Red Bull's strategy and was orchestrated in the following way:

- As there was little media awareness of these little known events, Red Bull produced its own film material and offered it free to media channels. Event organisers who were aware of the promotional advantage allowed Red Bull to be their main sponsor for a relatively small fee, and Red Bull sponsored a rapidly increasing number of events. Today it creates its own sporting events, e.g. air races and extreme windsurfing and even sponsors a Formula 1 motor racing team.

The Red Bull marketing focus is not so much about the content (ingredients) of the product but promoting the brand. The target market is aged between 18 and 35 years, the extreme sport generation.

The whole focus of Red Bull's content marketing is about storytelling and the fun of an event. It does not focus on advertisements on billboards or spreads in magazines. Red Bull see themselves as a promotion engine. Its media house started in Europe in 2007 and expanded gradually. They have an enormous focus on print, television and online film productions about action sports like bread-dance, rock climbing, hence the saying 'we

give wings to people with ideas’.

Red Bull recently released a feature film ‘The art of flight’ that was reported to cost \$2 million to produce. It also publishes a print magazine – the Red Bulletin – with a print distribution of 5 million.

How does one measure Red Bull’s success? According to statistics, Red Bull’s awareness accomplishment is much higher than the money invested in it. A decade ago, nobody knew what Red Bull was. Red Bull is still not in the same league as Mc Donald’s or Coke, but Red Bull has created a major strength in brand recognition.

Question 1

- a) Describe the characteristics of the encirclement attack strategy and then explain how Red Bull is using this strategy against the market leaders. **(20 MARKS)**
- b) What other attack strategies can Red Bull as a challenger use to increase its market share in the soft drinks industry. **(20 MARKS)**

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

Success of a pioneering strategy depends on the nature of demand and competitive situation the pioneer encounters in the market and on the pioneer's ability to design and support an effective marketing program. Thus a pioneer might choose from one of three different types of marketing strategies.

Discuss.

(20MARKS)

QUESTION 3

A business' ability to survive the transition from market growth to maturity depends to a greater extent on whether it can avoid some common strategic traps. Discuss the common strategic traps a company can fall into during the shakeout or transition period.

(20MARKS)

QUESTION 4

To maintain a competitive advantage in product quality, a company must understand the dimensions customers perceive to underlie differences across products within a given category. Using examples of your choice discuss the dimensions of product quality.

(20MARKS)

QUESTION 5

Conventional wisdom suggests that a business remaining in a declining product- market should pursue a harvesting strategy aimed at maximizing its cash flow in the short run. But such businesses also have other strategies. Discuss the strategies and possible market actions companies can pursue in declining markets.

(20 MARKS)