

UNIVERSITY OF SWAZILAND

FACULTY OF COMMERCE

DEPARTMENT OF BUSINESS ADMINISTRATION

RE-SIT EXAMINATION PAPER

JULY, 2018

| | | |
|-----------------------|----------|------------------------------------|
| TITLE OF PAPER | : | SERVICES MARKETING |
| COURSE CODE | : | BUS 325 F.T. / BA 327 I.D.E |
| TIME ALLOWED | : | THREE (3) HOURS |

INSTRUCTIONS:

- 1. TOTAL NUMBER OF QUESTIONS IN THIS PAPER (6)**
- 2. SECTION A IS COMPULSORY**
- 3. ANSWER ANY THREE (3) QUESTIONS IN SECTION B**
- 4. THE MARKS TO BE AWARDED FOR EACH QUESTION ARE INDICATED ALONGSIDE THE QUESTION.**

NOTE:

MARKS WILL BE AWARDED FOR GOOD COMMUNICATION IN ENGLISH, AND FOR ORDERLY AND NEAT PRESENTATION OF WORK. FURTHER MARKS WILL BE AWARDED FOR USE OF RELEVANT EXAMPLES.

SPECIAL REQUIREMENTS : NONE

THIS PAPER SHOULD NOT BE OPENED UNTIL PERMISSION TO DO SO HAS BEEN GRANTED BY THE INVIGILATOR.

NEW VENTURE MAY SHAKE UP SHOPPING MALL

Steinhoff and Shoprite could combine to open centres for their own brands

Steinhoff Retail Africa, along with partner Shoprite, is set to disrupt the retail market, if they implement plans to own shopping centres. Shoprite CEO Pieter Engelbrecht said this week: "If you look at all the brands that are currently in the company [Steinhoff] and you add ours, they could be opportunities in real estate where we could open shopping centres just with these brands on their own brands on their own.

"Once we've combined we'll make such a decision. But it could be a possibility because the combined value of real estate is huge between Shoprite and these brands within Steinhoff Africa," said Engelbrecht.

The creation of Steinhoff Africa Retail, known as STAR, will include Steinhoff's African assets such as Ackermans, Poco South Africa, JD Group, Timbercity and men's apparel retailers Dunns and John Craig, Pepkor South Africa and rest of Africa, and Tekkie Town, to name a few, will result in Steinhoff acquiring a 22.7% stake in Shoprite.

Lucrative opportunity

Given the close relationship between Shoprite and Steinhoff, a move to combine the two groups' own shopping centre could also mean Shoprite's grocery brands, such as Checkers, Usave, Liquorshop and fast food brand Hungry Lion, could take up space in these shopping centres. Engelbrecht added that because there was quite a big mix across the two groups, including furniture, food, liquor, pharmacies and electronics, this could be "quite a lucrative opportunity to explore". Earlier this month Steinhoff announced the details of the listing of its African and European assets into two companies, which would be listed separately.

This deal comes after a previous attempt to merge the two groups had failed. Under the new transaction, Engelbrecht said, it had panned out that Shoprite would stay "autonomous" and separately listed. "For us that's also more exciting as we as management believe that we should operate independently." But combining their brands in shopping centres is one way to extract synergies and savings for Shoprite. Keillen Ndlovu, head of listed properties at Stanlib said "rental as a percentage of turnover and sales has been going up particularly in the bigger shopping centres. The bigger centres have been able to attract higher rents over times but unfortunately, the higher rental growth has been catching up with sales and turnover growth."

Slowing sales

This meant the cost of occupation for retailers had been rising with the average cost of occupation at 10% of sales as at the end of December 2106 from 8.5% as a percent of sales between 2004 and 2016, Ndlovu said. "Given the slowing sales and economic environments in general, this is likely to make it harder for landlords to bargain for rental increase from retail tenants. Therefore, rental growth is likely to slow down" he said.

For Shoprite's full year to end-July 2017, the cost of new operating leases rose 9.6% to R3.8-billion from the R3.5-billion in previous quarter, "mainly due to net 109 new corporate outlets opened during the year", the company said. And for the group that is focused on letting every rand fight for its life, reduction in costs in the current trading environment will be welcome.

"We must drive our own strategic focus to create value for shareholders, but wherever there are synergies or saving or opportunities that we can share with the STAR group we will not be adverse to it at all," Engelbrecht said.

SECTION A

- Q.1 What is so attractive with the Steinhoff Africa Retail (STAR) and Shoprite coming together to own shopping mall ? (10 marks)
- Q.2 The relationship between rentals and sales is very important in shopping malls. Explain. (20 marks)
- Q.3 What do you think of this strategy ie .STAR and Shoprite coming together and having their own malls ? and why ? (10 marks)

40 MARKS

SECTION B

- Q.1 Discuss with examples the implications of heterogeneity as a characteristic of services. (20 marks)
- Q.2 What is market segmentation ? and why is it so important ? (20 marks)
- Q.3 During the post purchase evaluation stage of the consumer decision process, a company can embark on several actions to maximize the consumer's believe in their choice. (Minimize the consumer's cognitive dissonance). Explain with relevant examples. (20 marks)
- Q.4 Discuss with examples the characteristics of services that present opportunities for ethical misconduct in services (20 marks)
- Q.5 Discuss with examples the broad categories of physical evidence. (20 marks)