

# UNIVERSITY OF SWAZILAND

FACULTY OF COMMERCE

DEPARTMENT OF BUSINESS ADMINISTRATION

MAIN EXAMINATION PAPER

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

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## 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.

## Shelf-serving liquor displays oust the little guys

Big beverage firms squeeze out smaller competitors from prime display spaces

On the shop floor the battle of shelf wars has intensified, as big beverage companies move to entrench their position by squeezing out smaller competitors from prime display space. One of these is multinational beer company Anheuser-Busch InBev, which has upsized its across-beer and cider brands and increased the height of cans of certain brands, specifically in the South African market.

Besides creating the need to buy extra shelf space, the bigger packs suggest there will be less space for competitors' brands. And with the proposed ban on alcohol advertising in mainstream media, store displays will be the next advertising battleground. Ernst Henning, owner of Totpack Distributors, said big liquor companies such as Distell and AB InBev could pay up to R7 000 a month for space at independent liquor stores, while the cost of display advertising in a store could be up to R13 000 a month.

"As a small company, we can't pay that sort of amount when stores buy R2 000 of our stock. I can't take my brandy and put it on the shelf, because the shelf space belongs to them [big companies]," said Henning.

"The shelf space is being bought out for a year and we can't even put up a poster because they bought the display area and they pay these people on a monthly basis; that basically takes us out of the market."

The effect is that smaller liquor distributors are going out of business. Like Henning, Boeties Rietoff, the owner of Cape Town-based company Somerset Wines has had to put his business on the market.

"We can't get our products listed with Pick n Pay or Shoprite Checkers." AB InBev owns several brands, including Flying Fish, Castle Lite, Carling Black Label and Corona. Distell owns ciders Hunters and Savanna, and wine labels Two Oceans and Cellar Cask. Dennis Matsane, communications manager and head of corporate affairs at Distell said Distell competed for retail shelf space along with all other beverage manufacturers operating in this sector of the market.

"The allocation of shelf space is the prerogative of retailers. Distell is also significantly underrepresented on shelves, in coolers, as well as floor space in relation to its share of the total liquor market." Matsane added that packaging size offers were determined by consumer research. SABMiller—bought by AB InBev last year—was accused of anticompetitive practices through its distribution and pricing activities but was cleared by the Competition Tribunal in 2014.

AB InBev is the biggest global brewer, while Distell is the second-largest alcoholic beverage company in South Africa. Rietoff, who has been running his business for more than 20 years, said: Seventy-five per cent of the products listed in wines come from Distell or Douglas

Green...so your smaller producers are dying. They cannot get the wines listed because it revolves around money”.

But a manager from a leading liquor store, who did not want to be named, said: “Although we do make allowances for more space, we let the liquor brands know that it has to be for a certain time.”

Products were displayed so that shoppers had a choice and new products were highlighted to attract customers, hopefully encouraging them to buy. The manager said that in a store they would always make space for the big brands, because Distell and AB Inbev always bought that space. He remained mum on the price they paid for shelf space, saying only: “It’s negotiable.” Robyn Chalmers, director of communications at AB InBev and SAB, said: “We are not aware of any complaints. We have, however, received overwhelmingly positive feedback from consumers and customers on the new 12-packs.

“There has only been a very slight increase in the height of the can, which is not enough to impact the space in coolers. “The reality is that, given the slowdown of the economy consumers are looking for value and liquor is no different. As a result, all liquor categories have been competitive in this regard.” Two six-packs of Castle Lager costs about R120, while 12-pack retails for about R112.80, an attractive value proposition for consumers with limited spending capacity.

But retailers have to remain competitive. David North, group executive of strategy and corporate affairs at Pick n Pay, said “Products come in different pack sizes, large and small. “Our job is to make sure what we put on our shelves what customers want to buy. In liquor, as in other areas, innovation is important in attracting and delighting customers, and innovation often comes from new and smaller suppliers.

“So we make sure that they are positioned and marketed attractively.” The liquor advertising ban has hanging over the industry. Many industry pundits say this might have a dire effect on smaller industry players. Brian Sudano, managing partner of the Beverage Marketing Corporation in New York, said: “It will become even more difficult for smaller players to gain access to floor space as they will not be able to leverage media buys to gain access.

“Grassroots marketing will be required to elevate awareness and motivate retailers to provide space for small brands.” This would require a two-stage approach by focusing on bars, restaurants and festivals to elevate awareness of brands: and getting consumers to try their products, Sudano add.

For smaller players such as Henning and Rietoff, defeating big giants will be difficult. “If you are in charge, like they are, you can basically do what you want,” said Henning.

## SECTION A

- Q.1 Why has the shop floor battle become so vicious and so important to win ? (5 marks)
- Q.2 What are the effects of the floor space and displays space being sold ? (10 marks)
- Q.3 Time is also very important in the store space advertising contracts. Why ? (5 marks)
- Q.4 Why are the big companies opting for bigger pack sizes for their brands ? (10 marks)
- Q.5 Small industry players will need to shift their concentration into other channels. Explain. (10 marks)

40 MARKS

## SECTION B

- Q.1 Discuss with relevant examples five (5) most important challenges facing services today. (20 marks)
- Q.2 Services present enormous challenges to Marketers .Discuss with relevant examples key success factors for services. (20 marks)
- Q.3 Discuss with examples the first phase / step / stage of the consumer decision process. (20 marks)
- Q.4 There are several factors that contribute to consumer vulnerability. Discuss with relevant examples. (20 marks)
- Q.5 Physical evidence is very important in services. Managing it is even more important. Discuss with examples. (20 marks)

60 MARKS

TOTAL 100 MARKS