

UNIVERSITY OF SWAZILAND
INSTITUTE OF DISTANCE EDUCATION
DEPARTMENT OF BUSINESS ADMINISTRATION
FIRST SEMESTER EXAMINATION 2018

TITLE OF PAPER : STRATEGIC MARKETING MANAGEMENT
COURSE : BA434
DEGREE AND YEAR : BCOM VI
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**

SECTION A (COMPULSORY)

READ THE FOLLOWING CASE AND ANSWER THE QUESTIONS BELOW

RETAILERS LOOK TO AFRICA TO SURVIVE VOLATILE SA MARKET

Harare - South African retail giants and fast moving consumer goods manufacturers are expanding into Africa and consolidating operations to reduce reliance on the local market.

Grocery companies such as Pick n Pay, Shoprite and others in SA have been hard hit by a volatile rand and rising prices, according to experts, who add that dairy and chicken manufacturers have been hit the hardest.

John Wright, manager at research group IGD, was quoted as saying earlier on Monday that “the weakening rand, severe drought, electricity and petrol costs, and rising interest rates” are “posing severe challenges for South African grocery retailers”.

Another retail trends expert, Guy Lundy, said on Monday that “many FMCG companies have had little choice but to absorb food price inflation by not passing on increased prices to struggling consumers”.

He added that retailers and manufacturers have instead opted for lower profit margins. The Consumer Goods Forum will deliberate on issues affecting retailers at a summit in Cape Town next month.

“This is affecting especially the manufacturers of dairy and chicken products, which have small margins to begin with. Especially the multi-nationals, who have to report to their parent companies in foreign currency, are bearing the brunt – their revenue targets are eroded each time the exchange rate goes down,” Lundy said.

To beat this, retailers have started to consolidate and effect mergers in a bid to enhance economies of scale, while diversification into new product areas has also been a key focus area.

“Companies have used their resulting increased muscle to expand into markets north of South Africa in an effort to reduce reliance on the local market to stay afloat.

“The fast-moving consumer goods industry in South Africa is currently facing a double challenge of rising input prices resulting from a volatile rand, in conjunction with the knock-on effect on food prices of the severe drought gripping large swathes of the country,” said Lundy.

Ruediger Hagedorn, value chain initiatives and projects expert for the retail sector, said retail operators in South Africa and Africa are “aiming for interoperability and scalability through applied voluntary processes and standards and improved tools and systems” which would help them “keep supply chain costs down” and boost volumes.

Lundy advised that a number of South African retailers have already started their expansion drives into neighbouring countries such as Namibia, Botswana, Lesotho and Swaziland, and that it is prudent to start the expansion bids closer to home.

“These countries (that are closer to SA) have markets similar to that of South Africa, and their geographic proximity makes them less risky than Nigeria or Kenya, for example. After learning the ropes in these countries, many companies do then set up shop in one or more of the regional hubs of Africa – Kenya in the east, Nigeria or Ghana in the west,” he said.

Adapted from : <http://www.fin24.com/Companies/Retail/retailers-look-to-africa-to-survive-volatile-sa-market-20160523>

QUESTION 1

- a) Discuss the challenges faced by the South African retailers and then explain how the value chain contributes in attaining a competitive advantage. **(20 MARKS)**
- b) Describe the expansion strategy that is being pursued by the South African retailers and then discuss other strategies they can pursue. **(20MARKS)**

SECTION B (ANSWER ANY THREE QUESTIONS)

QUESTION 2

Discuss the components of the strategic marketing management process. **(20MARKS)**

QUESTION 3

Using Michael Porter's five forces' model, discuss the competitive structure of the banking industry in Swaziland. **(20 MARKS)**

QUESTION 4

Beautylicious Inc., is a relatively small firm that has pioneered the development of consumer health and beauty products. What potential advantages does being the pioneer in new product-markets provide a firm like Beautylicious in an industry dominated by giants such as Unilever, Procter & Gamble and Colgate-Palmolive? **(20 MARKS)**

QUESTION 5

Support or contradict this statement: "Given the realities of today's economy and the rapid changes occurring in business technology, all competitive advantages are short lived. There is no such thing as a sustainable competitive advantage that lasts over the long term." Defend your position. **(20MARKS)**