

UNIVERSITY OF SWAZILAND

FACULTY OF COMMERCE

DEPARTMENT OF BUSINESS ADMINISTRATION

RE-SIT EXAMINATION FEB 2019

FULL-TIME

TITLE OF PAPER : MARKETING MANAGEMENT
COURSE : BUS221/BA221/BA321
DEGREE AND YEAR :BCOM2/ IDE BCOM 2/BEDSEC 2&3
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**

**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****H&M PUSHES EXPANSION**

Despite economic downturn in SA, fashion retailer increases its local footprint with six new stores. Swedish clothing retailer H&M is expanding rapidly in South Africa – it is set to open six more stores by the end of November, and is also scheduled to launch more outlets next year. Of the six new stores that will open their doors this year, three will be in Cape Town and one each in Witbank, Richards Bay and Durban. This will bring the total to 18 outlets across the country.

By the end of November, H&M would have opened almost 20 stores in the country – a fast expansion from the company's first entry into South Africa in October 2015 at the V&A Waterfront in Cape Town.

The extra competition posed by the entry of H&M and Australian brand Cotton On into the local market at the cheaper end of the market is one of the reasons fashion retailer Mr Price is under pressure. Darj said that H&M's success was due to its quick approach to retail, as well as the fact that it ensured that its staff members were energised, which, in turn, had a positive effect on customers. "In retail, you need to be quick. You need to have staff in the stores that make the stores a fun environment – the customers really feel that," he said. "We rebuild the windows and the entrance display every two weeks, so there is a new face to the store regularly. The customer has to feel like there is new stuff coming in.

"H&M is close to the international trends, and we bring the trends to South Africa faster than others." The company solely focuses on retail and doesn't get involved in manufacturing or owning property where its stores are located. Added to this, the pricing of H&M's goods was a key part of its strategy, Darj said. "Our prices are low. We need to be very cost conscious. We have to have high traffic," he said.

Before H&M entered South Africa, the company scouted the country and saw that there was a large retail presence. Darj said that a gap H&M identified was that there were "very few" value retailers in the market. Local consumers responded well to the launch of H&M in the country as the brand was well known before it arrived here. "The so-called black diamonds and the middle class are especially important to us. They seem to be very interested in fashion; especially the men. The share of male customers is generally much higher here than at H&M stores elsewhere." About a quarter of H&M's South African customers are men, whereas the average is 15% to 16% elsewhere in the world.

H&M sources all of its clothing outside the country from factories in China, Bangladesh, Turkey, India and Italy. The company does not source any of the clothes it sells in South Africa from the local market – about 40% of the clothing it sells locally is made in China. "H&M, together with Nike, Gap and other big international

companies, wants to make sure that working conditions in the textile industry are good," said Darj. "We have 100 controllers who constantly visit the suppliers and check on the working schedules and security measures for fire hazards, and ensure that lighting and the working environment is good enough. They also ensure that unions are allowed to have a presence. This is very important to us. We are way past the child labour problem."

Adapted from: <http://www.fin24.com/Companies/Retail/hm-pushes-expansion-20170820-2>

QUESTION 1

- a) Explain why H&M is succeeding in the South African market whilst other retailers are struggling. (20 MARKS)
- b) It is mentioned in the article that part of H&M success is as a result of an energised staff which, in turn, had a positive effect on customers. With the aid of the service profit chain, discuss how ~~does~~ ^(this) benefit the organisation? (20 MARKS)

↓ "what?" This question lacks clarity.

Maybe rephrase to read

"..... discuss how energised staff benefit the organisation"

SECTION B

ANSWER ANY THREE (3) QUESTIONS FROM THIS SECTION

QUESTION 2

The value chain encompasses the whole organisation and looks at how primary and support activities can work together effectively and efficiently to help gain the organisation a superior competitive advantage. Discuss the primary and support activities involved in creating more customer value. (20 MARKS)

QUESTION 3

- a) Explain what a reference group is and then describe three different types of reference groups that can have an impact on a consumer's purchasing behavior. (10 MARKS)
- b) People can emerge with different perceptions of the same object because of three perceptual processes. Discuss these processes. (10 MARKS)

QUESTION 4

Discuss the factors that contribute to increasing the bargaining power of suppliers? (20 MARKS)

QUESTION 5

Services have four distinctive characteristics that greatly affect the design of marketing programs. Discuss these characteristics, giving examples. (20 MARKS)