

UNIVERSITY OF SWAZILAND
FACULTY OF COMMERCE
DEPARTMENT OF BUSINESS ADMINISTRATION
MAIN EXAMINATION PAPER

MAY/ JUNE 2019

TITLE OF PAPER	:	SERVICES MARKETING
COURSE CODE	:	BUS 326
TIME ALLOWED	:	THREE (3) HOURS

INSTRUCTS:

- 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 ALONG SIDE 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.

EDGARS LIVES ANOTHER DAY – IN A DYING RETAIL SECTOR

BAILOUT MAY KEEP FASHION STORE AFLOAT BUT ANTIQUATED MODEL IS ON THE WAY OUT.

The bailout may have stopped the bell tolling on Edgars, the store that first opened its doors in Johannesburg's central business district 90 years ago, but structural shifts in retail in this century may be drawing a final curtain on SA's biggest fashion retailer.

Globally, the big-box retailing format is dying, and though SA may lag behind those developments in Western markets, its trajectory is the same as the Amazons of the world peer into the local market.

Edgars has followed the department store concept since inception in 1929 and, before its most recent lifeline, its future resembled that of Stuttafords, which, after its 159 years of existence, shut its doors two years ago, its struggles exacerbated by debt overload.

The closure of Stuttafords echoed a worldwide shift by shoppers to e-commerce. In what has been dubbed the Amazon era, it is survival of the fittest in the sector. With the pervasive growth of the online retail space, shoppers are being left with little reason to visit stores, leaving department stores with the challenge of upping their offering to lure them in.

"It has to be differentiated and special ... and this can come just from the building it- self, through to the merchandise mix, probably the addition of several different types of catering," said Charles Allen, an analyst at London-based Bloomberg Intelligence.

Online sales are still a small factor in South African retail sales, but it's the segment that is growing fastest in a struggling market.

Further hampering department chains are the muted foot traffic in malls, sapping the excitement from stores, said Allen. "You need people to make a store seem exciting. That's why you need experiences," he said.

Evan Walker, a portfolio manager at 360NE Asset Management, said value is what customers are buying into nowadays.

Shopping has to have "some level of non- retail experience that you can't get elsewhere", Allen said.

In SA, Woolworths has largely been shielded from the worst of the department store fallout because of its food business, but in Australia it has faced the full brunt of this shift away from broad fashion categories.

Woolworths' flagship David Jones store in Sydney, which has faced the same structural shifts as other big-box stores, is being revamped to include a Disney-themed kids' floor with life-sized figurines.

The emergence of trendier fast-fashion retailers H&M and Zara has also made it hard for department stores to compete in the same environment.

Walker said the idea of consumers shopping for value over luxurious buys is a growing global dynamic, something that doesn't work well on the internet, he said

"To me, there's still too much upper-end product, there's still too much fancy cosmetics. It'll always be there, but I don't know how you fix a departmental store to still make it attractive but with value.

There's not enough product of value, there's a skewness there

" Walker was of the view that the collapse of department stores in SA was coming at a slower pace because of the much smaller penetration of e-commerce retail in the country.

"I think it is coming, there's no doubt, and it has lost its allure but I think there's probably still some stuff that you can do with it," he said.

Department stores started losing relevance to their customers when they decided to pull back from "being all things to all people", said Allen.

Department stores slowed down the sale of hard-line goods such as house ware and electronics.

"If you're talking about department stores as a mass-market phenomenon, many of them stopped selling more of the hard lines; they up on them and became focus more and more on apparel and accessories including beauty and perfumery."

This move saw the relevance of other format stores rise, and many consumers flocked to speciality stores.

South African retailers set in big-box environments have struggled to keep hold of their customers. Many have resorted to aggressive spatial reductions and changes in store layouts. Edcon said it would reduce space by 17% over five years and continues to close some of its stores, its Johannesburg city centre flagship store being one of the biggest victims.

In a new renovation project, the two- storey store will be reduced to a single floor.

In David Jones's latest strategic move, Woolworths CEO Ian Moir conceded it made no sense to have lots of store space. The group made a decision to reduce retail space by 20.7% by 2025 and grow online rapidly by 20% in the same period.

To keep abreast of the change in consumers' shopping behaviour, Game stores owned by Walmart's Massmart - have also implemented changes in their layout.

An outlier among the big-box retailers in SA is sporting goods retailer Sportsmans Warehouse, which, according to Walker, seems to have a working formula and is bucking the trend. It's the one big-box retailer that doesn't offer much value but has a large footprint in a lot of categories, he said.

According to Walker, consumers are more likely to “get into your car and go somewhere if you think there’s a proper value offering”.

They are also likely to consider making a stop first at a convenience store, then at a value-offering store, even with dense online activity.

“What’s going to change department stores, it’s only going to be value,” he said.

“It is not going to be getting in your car to go and buy a R2, 000 shirt at Edgars.”

Ntando Thukwana . Business Times .Sunday Times. March 10 ,2019. Page 5.

SECTION A

Q.1 What are the reasons behind the drawing of the curtain on Edgars ?

(15 marks)

Q.2 What are the solutions to the death of the big- box stores like Edgars ?

(20 marks)

Q.3 Is the same happening in Swaziland ? ie. Edgars facing problems and why ?

(5 marks)

40 MARKS

SECTION B

Q.1 Service failures occur for all kinds of reasons. Discuss Group two (2) service failures.

(20 marks)

Q.2 Customers have many experiences as they receive services from companies. If the company is fortunate the Customer will complain. Discuss the reasons why Customers complain.

(20 marks)

Q.3 Customer Retention is becoming more and more important in today’s business. Discuss.

(20 marks)

Q.4 Describe the stages of operational competitiveness with the use of relevant examples.

(20 marks)

Q.5 Flow charting the service is about components of the service blueprints. Explain.

(20 marks)

60 MARKS

TOTAL

100 MARKS
