

UNIVERSITY OF ESWATINI
FACULTY OF COMMERCE
DEPARTMENT OF BUSINESS ADMINISTRATION
MAIN EXAMINATION PAPER
NOVEMBER 2019

TITLE OF PAPER	:	SERVICES MARKETING 1
COURSE CODE	:	BUS 325 / BA 327
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.

PRICES WARS : SAVING THE KING OF SAVINGS

Competition, poor customer engagement sting retailer MRP

IT'S mid-January and a saleswoman at an MRP store in Johannesburg is marking down items in the men's section.

Printed chino shorts, which were selling for R159.99 a month ago, are now retailing at R120. "The pricing is too high, it's not Mr Price [rebranded as MRP in 2015]. When you look at our history when it comes to pricing, we are very reasonable, but customers would rather buy better quality at Cotton On than get a R200-something jeans at MRP," said the saleswoman, who did not want to be named.

Mr Price Group shareholders felt déjà vu when the stock fell almost 5% on Tuesday, following a trading update showing poor sales performance during the all-important Christmas season. Last year, when the group re-leased its quarterly results in January (as opposed to a trading update), the stock tumbled nearly 18%. The stock has plunged 46% off its all-time high reached in March 2015.

It seems that issues on the shop floor are not making their way to head office. "Before they [head office] would ask us to send updates, just to go the extra mile to understand what the customers want," said the saleswoman. "What they could do is give associates more information." In the trading update released this week, MRP's retail sales fell 0.5% to R6.1-billion in the three months through to the end of December.

The group, which owns MRP, Mr Price Sport, Miladys and Sheet Street, said like-for-like sales declined 2.2%, with the group's sports chain as the worst performer. An analyst who did not want to be named said that although MRP may be shifting its strategy, change would not be instant.

It has ordered stock, but it takes a while to change the stock. An in-store reflection of the shift in strategy is going to take time.

MRP has also fallen victim to the influx of international retailers such as Cotton On and H&M into South Africa. Their investments in the local market showed up flaws in the local retailer.

Many local players such as TFG found refuge in offshore markets. Victor Dima, a Dubai-based equity analyst at Arqaam Capital, said international expansion was not a straightforward response to the situation in South Africa, "but it's definitely possible ... there

should be a cautious approach to international expansion - it should make sense in terms of fit and in terms of the market".

MRP, which has two stores in Australia, reported a combined loss of R33-million in its operations in Nigeria, Ghana and Australia, which contributed 2.1 % of group sales, according to the company at the group's interim results for the six months to the end of September.

Dima said a large part of MRP's woes arose from the heavy discounting environment. It has been affected by consistent discounting by other retailers, who end up with a competitive advantage.

This has resulted in competitors being cheaper, undermining MRP's position in the market as the traditional leading discount fashion retailer.

Dima said that other apparel retailers had been generating healthy margins due to the high discount activity, but MRP's discounting did not yield the same benefits.

However, this was not the beginning of the retailer's woes.

In November last year Mr Price posted its first drop in profit in 15 years after net income declined 15% to R921-million in the six months through October.

Yet 64.3% of analysts polled by Bloomberg currently rate the stock as a hold, which signals a recovery, according to analysts. "Not everyone's numbers that came through in December were fantastic; they are probably slightly better than people were expecting and Mr Price Group was basically more of the same," an analyst said.

Mr Price Group's trading update said cash sales, which constituted 83.2% of total sales, decreased 0.5%, with an increased credit-sales growth of 0.3% over the corresponding period.

Dima said: "I don't think retailers will go back to business as usual."

One of the consequences of the longer discounting period is that the consumers will be getting used to this.

"They are becoming bargain hunters, so the risk of that over time once pricing normalises ... you'll see consumers responding negatively to this."

For the saleswoman marking down chino shorts in Johannesburg, the real problem at MRP is that its buyers are not purchasing the merchandise customers want.

"We have a lot of prints that customers don't want. This dress," she said, pointing to a black floral item, "has been here since early December; customers are not really happy."

Mr Price Group declined to comment. MRP share price was down 0.33% to R152.50.

Palesa Vuyolwethu Tshandu. Sunday Times. Business Times. Page 3

SECTION A

Q.1 MRP is going through difficult times. What are the causes of the bad performance according to sales employees ? (25 marks)

Q.2 What is your opinion of introducing credit sales as a strategy of increasing overall sales and market share ? (10 marks)

Q.3 Continuously discounting prices on items is not always an answer. Discuss. (5 marks)

40 MARKS

SECTION B

Q.1 Services are very important in today's business. They however have face challenges. Discuss five (5) challenges with examples. (20 marks)

Q.2 Intangibility is an important characteristic of services. What implications result from this characteristic ? (20 marks)

Q.3 Discuss the additional components of the marketing mix for services. (20 marks)

Q.4 During the prepurchase stage in the consumer decision process, different types of perceived risks come to the fore. Discuss with examples. (20 marks)

Q.5 Some of the characteristics of services provide opportunities for ethical misconduct. Explain with relevant examples. (20 marks)

60 MARKS

TOTAL 100 MARKS
