

UNIVERSITY OF SWAZILAND
FACULTY OF COMMERCE
DEPARTMENT OF BUSINESS ADMINISTRATION
SUPPLEMENTARY EXAMINATION PAPER JULY 2008

TITLE OF PAPER : MARKETING MANAGEMENT
DEGREE AND YEAR : DIPLOMA IN COMMERCE III & IDE - LEVEL 4
TIME ALLOWED : THREE (3) HOURS
COURSE CODE : BA 321
INSTRUCTIONS : 1. TOTAL NUMBER OF QUESTIONS IN THIS PAPER (5)
2. SECTION A IS COMPULSORY. ANSWER ANY TWO QUESTIONS FROM SECTION B
3. THE MARKS TO BE AWARDED FOR EACH QUESTION ARE AS 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 THE USE OF RELEVANT EXAMPLES

SPECIAL REQUIREMENTS: NONE

THIS PAPER SHOULD NOT BE OPENED UNTIL PERMISSION TO DO SO HAS BEEN GRANTED BY THE INVIGILATOR.

SECTION A CASE STUDY VINTANGO: FIGHTING MALNUTRITION

Source: Kotler, P. & Armstrong, G. (2006), Principles of Marketing, Upper saddle River, New Jersey, 11th edition, (pp. 650-651)

Imagine teaching an elementary school class in which students are constantly inattentive and falling asleep - not because they are bored but because they are malnourished. In many countries, this is not an unusual problem. Two billion people around the world suffer from anaemia - an iron deficiency. Iron deficiency leads to reduced resistance to disease, lowers learning ability in children, and contributes to the death of one out of five pregnant mothers. Two hundred million children do not get enough vitamin A. As a result, 250,000 of them go blind each year; vitamin A deficiency is also a contributing factor in the deaths of 2.2. million children under five each year from diarrhoea. Many malnourished children suffer from zinc deficiency, which leads to growth failure and infections. Close to 2 billion people do not get enough iodine, and iodine deficiency is the leading cause of preventable mental retardation in the world. If they only used the ordinary table salt found in homes and restaurants all across the world, this wouldn't happen.

What can businesses do about this deplorable situation? Quite a bit. Companies such as Coca-Cola and Procter & Gamble (P&G) have invested millions of dollars in research in micronutrients. They are learning how to fortify everyday food and beverages with additional minerals and vitamins to wipe out deficiencies and keep schoolchildren around the world alert and mentally prepared for school.

Fortified foods are common in the United States. Iodine has been added to ordinary table salt for decades, milk contains vitamins D and calcium, and cornflakes list all the micronutrients found in them on the box. Many drinks and other foods have vitamins and minerals added to them. Thus, adding micronutrients to foods is not new or unusual.

What are new are the efforts of companies to identify specific deficiencies and to develop new technologies for adding micronutrients to foodstuffs in order to eliminate or reduce the deficiencies in specific countries. A good example is a Coca-Cola beverage product called Vintango in Botswana.

Coca-Cola spent years developing a powdered beverage that, when mixed with water, looks and tastes like a sweeter version of HI-C (a vitamin C enriched drink). This beverage is fortified with 12 vitamins and with minerals that are chronically lacking in the diets of people in developing countries. Coca-Cola tested this product in Botswana in Project Mission. Every day for eight weeks, nurses visited schools where they mixed the beverage and passed out paper cups of the "new HI-C." At the end of the test period, levels of iron and zinc in the children's blood levels had grown. Some parents noted that their children had become more attentive at school. After the Botswana tests, Coca-Cola also ran tests in Peru to determine how well the nutrients are absorbed into the bloodstream.

Coca-Cola, however, is not yet ready to launch Vintango. One issue is the powdered product form. Given the impurities of much of the water in Africa, Coca-Cola wants to package Vintango in a ready-to-drink formula, not in the powdered version now available. That will require reformulation

that could actually drive down the price.

The major problem with both Coca-Cola's and P&G's nutritional products is price. These products were expensive to develop because of long lead times, the need to enlist the help of nutritional experts around the world, and the need to develop products that appeal to the local population's tastes. If offered at "reasonable" prices, they would be out of the reach of the world's desperately poor, the group that needs them most. Consider P&G's Vintango. The poor people in other countries are *not* eating at McDonald's. In countries such as Botswana, they are barely existing on cornmeal and rice. They simply cannot afford to buy fortified sweetened drinks or, for that matter, any sweetened drinks.

How can P&G and Coca-Cola market such products without pricing them too high for the intended market? Learning its lesson in the Philippines, P&G priced Nutristar about 25 percent higher than other powdered drinks and 30 percent below carbonated soft drinks. Even so, that's still too high for the poverty-stricken. Coca-Cola originally planned to sell Vintango for about 20 cents for an eight-ounce liquid serving but then realised that this price was too high. That's part of the reason for continuing developmental work on the product.

One solution to the pricing problem is to work with governments, but many of them are too poor to be able to afford the products. Or they lack the resources to educate their people on the merits of fortified foods. Enter GAIN - the Global Alliance for Improved Nutrition - an international consortium set up by the Bill and Melissa Gates charitable foundation. GAIN offers companies assistance in lobbying for favourable tariffs and tax rates and for speedier regulatory review of new products in targeted countries. It also gives local governments money to increase the demand for fortified foods, including large-scale public relations campaigns or a government "seal of approval." This programme is receiving \$70 million over five years beginning in May 2002. Such actions should help Coca-Cola and P&G by educating target populations about the value of fortified foods and beverages so that they will buy such products.

Of course, Coca-Cola and P&G can work with governments on their own, but their actions may be distrusted. After all, these are "for-profit" organisations whose motives may be suspect. GAIN has the advantage that it's a not-for-profit.

While GAIN seems like a wonderful resource for helping malnourished peoples, it does have its critics. They point out that selling or giving away fortified foods does not solve the underlying problem of poverty. Nor does it teach people good nutritional habits. Moreover, in addition to their vitamins and minerals, many of the "fortified" foods also contain overly large amounts of fat, sugar, and salt. So, for example, whereas the foods might help reduce iron deficiency, they could also lead to obesity. Some observers claim that it would be better to teach people how to grow fruits and vegetables. The problem is that people will die from malnutrition before poverty is eliminated or tress bear fruit.

Other issues must also be addressed. A fortified beverage such as Vintango will help in dealing with malnutrition but can't eliminate it. People will still need to eat a variety of other foods, which makes

education very important. Remember that these products contain no juice. They are intended as supplements, not as substitutes for a proper diet. Lack of understanding about how to use products has landed companies, such as Nestle with its infant formula, in trouble when they were used inappropriately.

Given all these problems, why would Coca-Cola and P&G develop these products in the first place? One answer is future sales and profits. Products such as Nutristar and Vintango could create a basis from which to launch other Coca-Cola or P&G products, such as snack foods or juice drinks. As sales of carbonated beverages around the world have slowed, these fortified drinks pose a growth opportunity for the companies. Another answer is goodwill, and not just goodwill for the companies involved, but for the USA as a whole. September 11, 2001, may have been a case of hatred and envy for the USA. However, efforts by US companies to share their wealth of technology and research in ways that improve the lot of other peoples may be a major deterrent to future attacks and the growth of terrorism. By helping other nations of the world, US corporations can help create environments where freedom can flourish. In this way, they will be helping the US government to sell the country abroad.

QUESTIONS

- a) Which of the criticisms of marketing's impact on individual consumers are found in the cases of Vintango and Nutristar? **(5 marks)**
- b) Which of the criticisms of marketing's impact on society as a whole are found in the Vintango and Nutristar case? **(5 marks)**
- c) Use the Vintango and Nutristar case to show how the company could use enlightened marketing **(15 marks)**
- d) Are the development and marketing of such products as fortified foods and beverages ethical and socially responsible? **(10 marks)**
- e) Develop a marketing mix strategy for Coca-Cola to proceed with the marketing of Vintango **(15 marks)**

SECTION B ANSWER ANY TWO QUESTIONS FROM THIS SECTION

QUESTION TWO

- a) Discuss the major sets of internal variables that affect the firm's ability to implement its strategies. **(5 marks)**
- b) "Change is one of the most difficult things to effect." Discuss this statement with reference to the emotional stages that people pass through when faced with an adverse change. **(20 marks)**

QUESTION THREE

Imagine you have recently been hired by a company that is planning to enter the international market. Advise the top management on which entry and development strategies they could use. **(25 marks)**

QUESTION FOUR

The non-profit sector is fast becoming a huge marketing landscape. Discuss the marketing activities of churches in Swaziland and show how they are making effective use of marketing strategies. **(25 marks)**

QUESTION FIVE

"Swaziland is a small country and most of the businesses in Swaziland are small."

- a) Discuss the contributions that small businesses are making to the Swazi economy **(10 marks)**
- b) What are the major problems facing small businesses in Swaziland? **(15 marks)**