

UNIVERSITY OF SWAZILAND
INSTITUTE OF DISTANCE EDUCATION
DEPARTMENT OF BUSINESS ADMINISTRATION
FIRST SEMESTER EXAMINATION 2015

IDE

TITLE OF PAPER : STRATEGIC MARKETING MANAGEMENT
COURSE : BA 516
DEGREE AND YEAR : BCOM6
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**

**THIS EXAMINATION PAPER SHOULD NOT BE OPENED UNTIL INVIGILATOR HAS
GRANTED PERMISSION**

SECTION A (COMPULSORY)

READ THE FOLLOWING CASE AND ANSWER THE QUESTIONS BELOW

INTENSE COMPETITION IN SOUTH AFRICA'S FASHION INDUSTRY

The general retail outlook for South Africa is anticipated to be challenging and this could make a price war likely among the biggest local players. "Not only is there increased competition - especially in the fashion industry - but economic growth in SA is slower and the rand is losing a lot of ground," said Prinsloo.

The competition in the SA fashion industry is expected to become very fierce as global brands such as Inditex's Zara and Hennes & Mauritz expand in a sector whose value rose to more than R200bn at the end of 2014 from R8bn in 2001. "International brands enter the SA fashion market with good offerings. They are well-established organisations and come with a lot of buying power," said Prinsloo. "They can source on a global scale and focus on the middle- and upper class consumers where they can see rich margins."

The newcomers have to compete with South African stalwarts such as Truworths, Woolworths Holdings Ltd. and the Foschini Group Ltd., which operate chains that sell clothing, cosmetics, jewelry, accessories and sporting goods. "South Africa is quite a sophisticated economy with lots of young emerging professionals who are increasingly becoming aware of fashion," said Truworths Chief Executive Officer Michael Mark. The foreign brands "will have to still prove to the local market that they can serve them."

Among the continent's most brand-conscious consumers, South African households spent an average of R582 of monthly income on clothing and footwear in 2014, above spending on education at R373, according to the Bureau for Market Research at the University of South Africa. In impoverished shanty towns where the black majority live, the trendiest clothes and latest fashions are common features of township life.

Woolworths Holdings Chief Executive Officer Ian Moir says he welcomes the competition, since the arrival of companies such as Zara will help raise consumer awareness of fashion. His company, which has no relation to other Woolworths in the U.S., Britain and Australia, focuses on office attire, casual wear and lingerie. "If your prices and quality are good, you will see customer loyalty," Moir said. "Whether I'm competing with Zara, Topshop or Truworths, it makes no difference to me -- it's about getting the fashion mix right."

Fast fashion

Keen to tap this vibrant market, Zara opened in South Africa four years ago and now has six stores. Australian no-frills chain Cotton On has described the country as its fastest growing market while Britain's Top Shop and Forever 21 arrived recently. H&M is set to open a vast store next month. At 4 700 square metres, the outlet in Cape Town's trendy

V&A Waterfront mall will be one of H&M's biggest and the Swedish retailer will open another outlet in Johannesburg in November.

Inditex, which pioneered the idea of producing a constant supply of new styles from factories close to its biggest markets - a concept known as "fast fashion" - flies in clothes twice a week from suppliers in Portugal, Turkey and Spain. Inditex says in some cases, depending on the availability of fabrics and the complexity of the garment production, it can race from design to the store in less than two weeks. H&M, which produces the bulk of its garments in Asia, is expected to adopt a similar approach.

To defend their market share, South African retailers should take advantage of the faster speeds at which local suppliers can get clothes to market, analysts said. The Foschini Group says it is aiming to work more closely with local suppliers, and about 65% of its women's wear is now made in South Africa. Some South African factories can get fresh garments into stores within 32 days, and most are aiming to regularly beat a maximum cut-off target of 42 days, though not surprisingly that's still slower than the fast fashion pioneer.

Adapted from: <http://www.fin24.com/Companies/Retail/SA-retailers-eye-local-supply-as-rivals-land-20150929>

QUESTION 1

- a) Using Michael Porter's five forces' model, discuss why there is intense rivalry in the fashion industry in South Africa. **(20 MARKS)**

- b) With reference to Michael Porter's business strategies, discuss growth strategies that can be pursued by the South African retailers to minimize the impact of increasing competition from international retailers. **(20MARKS)**

SECTION B (ANSWER ANY THREE QUESTIONS)**QUESTION 2**

Discuss with examples, the five components of a marketing strategy. (20 MARKS)

QUESTION 3

Identify and discuss business level strategies that strategic business units can pursue to gain and maintain competitive advantages in their various product markets. (20 MARKS)

QUESTION 4

Discuss the importance of competitor analysis and then describe the common mistakes companies make when identifying competitors. (20MARKS)

QUESTION 5

a) Explain how you would perform market segmentation for a financial service provider? (10MARKS)

b) Based on your answer to question (a), how would you go about selecting the target market? (10MARKS)
(20 MARKS)