

UNIVERSITY OF SWAZILAND
FACULTY OF COMMERCE
DEPARTMENT OF BUSINESS ADMINISTRATION
MAIN EXAMINATION PAPER
MAY 2018

TITLE OF PAPER	:	SERVICES MARKETING 11
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.

LOYALTY SCHEME PAYS OFF WITH FAITHFUL CUSTOMERS

PICK n PAY PROGRAMME SEEN AS GAME – CHANGER IN STRUGGLE FOR GROCERY TOP SPOT

Pick n Pay's loyalty programme has been singled out as a game-changer for the retailer, which has been on a quest to reclaim its position as the country's premier grocer.

The programme has been driven by the company's British CEO, Richard Brasher, who is now in his fourth year at the helm of the grocery chain founded by Raymond Ackerman 50 years ago.

It's been the cornerstone of what the investment community has seemingly bought into – the turnaround of the grocer whose doors opened in the Western Cape in 1967.

As of June last year, Pick n Pay Smart Shopper campaign had about 7.2 million personalised vouchers redeemed under its "just for you" campaign. Since Brasher's First day at the company's Cape Town headquarters in January 2013, the stock has gained more than 54%, surpassing rivals Shoprite and Woolworths, which gained about 16% and 18% respectively.

The Walmart-owned Mass-mart, the latest entrant into the grocery market, has shed 17%. Alec Abraham, a senior equity analyst at Sasfin Securities, said: "when Brasher came on the scene the execution risk of this gargantuan turnaround programme was greatly reduced." In its better years, Pick n Pay achieved healthy margins of 4%-5%.

When it failed to modernise its business in line with industry trends it started losing market share to Shoprite and Woolworths, and margins slipped to as low as 0.5%.

A couple of years on from those lows, margins are now just more than 2%.

The improvement in margins makes a massive difference, "so the share price move is perfectly justified because the business was in trouble and although before Brasher there was a turnaround strategy, it was fraught with execution risk", said Abraham.

Before being brought to Pick and Pay – the first foreigner to run the grocer – Brasher was part of the leadership team at UK-based grocery retailer Tesco.

Clive Black, head of research at London-based shore Capital Group, said Brasher was immensely successful at the now troubled British retailer, emerging on the board of one of the most potent management teams in recent history.

"That said, Richard also had to face some of the more challenging headwinds for the superstore group, not least of which was such sustained success over the prior 10 to 15 years. "Richard made a material contribution, as part of world renowned leadership team, to the development of Tesco's success, emerging from a leading British player into No 3 retailer in the world," Black said.

Pick n Pay's loyalty programme, which was launched two years before Brasher became CEO, has been seen as one of the keys to regaining lost ground in South Africa along with cost cuts and centralised distribution, based on a similar plan undertaken by Tesco.

But for Tesco that plan did not yield such successful dividends. As CEO of the retailer's UK business, Brasher inherited the role as Tesco's growth was beginning to slow and oversaw what has been described as the worst Christmas trading performance for the retailer in a price-war campaign called the "big price drop".

The campaign offered lower prices on products but failed to deliver margins, costing the company about \$4.8-billion of its share value. One of the reasons campaigns such as this may have failed in the UK but seem to be working in South Africa is that "the customer here is particularly sensitive to value, whereas in the UK it can [be] much more an issue of convenience than going after price or value", said Peter Takaendesa, a portfolio manager at Mergence Investment Managers.

"In the UK, you've got an advanced e-commerce from that market, so you are dealing with a very different type of customer where some things might not work. "But if you communicate your value offering in South Africa it works. "Part of that has to do with what the local customer is looking for, particularly in a tough environment," Takaendesa said.

Brasher says his strategy is about understanding and tailoring the product offering to changing consumer demand. "I always encourage my teams to focus on the basics of good retailing," he said.

"Good quality great value, attractive stores, effective operations and exceptional customer services. Follow these principles and you will never go far wrong."

But Shore Capital's Black said that while basic retailing disciplines were similar, markets materially differ. "At the end of the day, South African Shoppers want stores that have the products they want to buy at an acceptable price with a service level that meets their expectations, just as in the UK."

Pick n Pay's annual results will be released next month.

Palesa Vuyolwethu Tshandu. Sunday Times. Business Times. March 12,2017. Page 6.

SECTION A

Q.1 What did Richard Brasher do that changed the fortunes of Pick n Pay?

(20 marks)

Q.2 What are the fundamental differences between the UK and the South African retail markets?

(10 marks)

Q.3 In your opinion what is the Customer looking for in Swaziland? and why?

(10 marks)

SECTION B

Q.1 Discuss the Group 2 service failures with relevant examples.

(20 marks)

Q.2 Discuss the importance of Customer retention with the use of relevant example.

(20 marks)

Q.3 Explain the service – profit chain model so as to clearly show the relationship between Employee satisfaction and profits.

(20 marks)

Q.4 Customer participation is an unavoidable part of services. Managing Customer participation is critical. Discuss the methods that can be used to manage Customer participation.

(20 marks)

Q.5

(a) What is Customer Relationship Management (CRM) ?

(10 marks)

(b) What are the reasons for CRM ie. its importance ?

(10 marks)