

**NATIONAL UNIVERSITY OF SCIENCE AND TECHNOLOGY**

**FACULTY OF COMMERCE**

**DEPARTMENT OF BUSINESS MANAGEMENT**

**STRATEGIC MARKETING MANAGEMENT I – CBU 4101**

**FINAL EXAMINATION – FEBRUARY 2010**

**TIME ALLOWED: 3 HOURS 30 MINUTES**

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**INSTRUCTIONS TO CANDIDATES**

Answer question **One** and any other **Three** questions from section B.

**INFORMATION TO CANDIDATES**

- (i) All questions in **SECTION B** carry **20** marks each
- (ii) Questions may be answered in any order
- (iii) As much as possible, use relevant examples
- (iv) This paper contains **Seven** questions.

**SECTION A**

**QUESTION 1 - COMPULSORY**

**Case Study**

**BAT INCREASES CIGARETTE OUTPUT IN ZIMBABWE**

John Ndaba the self confessed maverick Chief Executive Officer who controls the BAT Group says he likes the Zimbabwean way of doing business. “You sit there in the boardroom and beat each other with twigs”, he says, recalling the efforts to negotiate distribution deals for BAT cigarettes.

Yesterday, the Mayor of Bulawayo opened a Z\$2.5 billion plant for BAT, replacing a very old factory and almost doubling capacity to Z\$35 trillion sales a year. This will

place the Bulawayo plant second only to the Japanese acquired plant in South Africa. The Bulawayo plant will make premium cigarettes rather than the other pungent SADC blends.

BAT bought the old plant for Z\$150 000 in 1991, but first recorded its first profits of Z\$860 000 IN 1997. Profits increased to Z\$13.2 million last year, which represents 30% of the total BAT profits. This turnaround, coupled with the fact that BAT broke ranks with other Zimbabwean tobacco companies to settle smoking related lawsuits has helped BAT's share price to rise almost five fold in the past nine months.

Dumisani Moyo, the director in charge of BAT Bulawayo is confident the growth will continue. Last year's financial crisis in Zimbabwe hurt the company's margins he says, but the damage was offset by stepping up production from a planned 17 billion cigarettes to more than 20 billion - more than double the factory's output.

It was able to adjust quickly to the crises, Mr Ndaba adds, "You change your prices daily if you need to ". One of the employees said the absence of a cumbersome corporate hierarchy helps. Mr. Moyo evaluates our plans and allows us to operate as long as we hit our numbers."

BAT fared better than SADC manufacturers because it sells relatively cheap cigarettes, such as the unfiltered and unpacked which go for Z\$5 000 and Z\$8 000 respectively.

In the new factory, however Mr Moyo plans to launch three new brands in the higher price ranges, including the Z\$18 000 pacific brands with a picture of "Zimbabwe ruins" printed on the pack. The company chose to do it that way because there are now quality Zimbabwean products performing well in the region and internationally. Mr Moyo also believes that the Zimbabwean market is far from being saturated. Officially, 250 billion cigarettes are also sold in Zimbabwe each year although the real number is estimated at 300 billion.

The market has been growing at 20 – 30 percent, but BAT believes consumption could grow to 400 billion cigarettes sold per year. Although 65% of Zimbabwean men smoke, just 20 percent of women do. The latter number is growing rapidly.

Zimbabwe is unlike South Africa, where litigation dominates investors' attitudes towards tobacco companies. "There is not a litigious atmosphere here in Zimbabwe" Mr. Moyo says. Zimbabweans understand the risks associated with smoking he says, it is something they enjoy, such as drinking castle beer is something to enjoy.

The appeal of the Zimbabwean market and in the SADC has not been lost to rivals. BTC the makers of "Skuzza" cigarettes, is among those expanding, and is expected to open a Z\$300 000 billion plant this year.

BAT sells three quarters of its cigarettes in the SADC region but is looking to capture more of the rest of Africa. It has opened an office in Rwanda and is working on deals to expand its distribution further.

Locally, BAT plans on producing lighter brands for women and stronger cigars for the farming community. Another lucrative market is for the old age. These need smokeless tobacco – "snuff". To this end Mr. Moyo suggested in last week's board meeting that it was imperative to produce reusable filters that can be used with the unfiltered cigarettes and ashtrays. His innovative ideas include producing shaving machines for men and breast pumps for breast feeding women, just to put a human face to their organisation.

### **QUESTION 1**

(a) Conduct a PEST analysis for the BAT group. **[10 Marks]**

(b) Discuss the capabilities that BAT has utilised in gaining success in the market. **[5 Marks]**

(c) Using Ansoff's matrix, discuss the marketing strategies discussed in this case. **[10 Marks]**

(d) Suggest how Porter's generic competitive strategies can be utilised by BAT in gaining competitive advantage over rivals. **[15 Marks]**

## **SECTION B**

### **QUESTION 2**

Explain the three general orientations in the formation of corporate (grand) strategies. **[20 Marks]**

### **QUESTION 3**

Discuss the major components of a marketing audit. Use examples to illustrate your answer. **[20 Marks]**

### **QUESTION 4**

Compare and contrast the Boston consulting group growth share matrix and the General Electric McKinsey models. In your answer highlight the likely strategic moves that can be adopted. **[20 Marks]**

### **QUESTION 5**

(a) Elaborate on the characteristics of strategic decisions. **[10 Marks]**

(b) Compare and contrast marketing management and strategic marketing management. **[10 Marks]**

### **QUESTION 6**

A fast moving consumer goods firm is faced with the need to scan its internal environment in order to reassess its position. Recommend the process to be followed. **[20 Marks]**

**QUESTION 7**

Explain how Michael Porter's five forces framework is used in analysis and competitive industry structure.

**[20 Marks]**

**END OF EXAMINATION**