

NATIONAL UNIVERSITY OF SCIENCE AND TECHNOLOGY



FACULTY OF COMMERCE

DEPARTMENT OF BUSINESS MANAGEMENT

MARKETING MANAGEMENT

CBU 4108

Supplementary Examination Paper

August 2015

This examination paper consists of 5 pages

Time Allowed: 3 hours 30 minutes

Total Marks: 100

Examiner's Name: Mr J. Ranganai

INSTRUCTIONS

1. Answer **all** questions in Section A and any **three** questions from Section B.

INFORMATION TO CANDIDATES

1. Section A carries 40 marks and all questions in Section B carry 20 marks each.
2. Questions may be answered in any order.
3. Credit will be given for the use of appropriate examples.
4. This paper contains s-even questions.

MARK ALLOCATION

QUESTION	MARKS
1.	40
2.	20
3.	20
4.	20
5.	20
6.	20
7.	20

Page 1 of 5

SECTION A

Question 1

CASE STUDY: Not everything is ok but OK is still a winner.

In French, *Bon Marche* means “inexpensive” or “cheap”. The phrase is used both in a positive way to mean reasonably priced and in a negative way to slur the product quality as poor (think of a zhing-zhong). It is therefore ironic that in Zimbabwe, OK `s Bon Marche` is synonymous with the exact opposite: good quality and premium pricing. Ask OK stakeholders such as shareholders and customers they will probably tell you that Bon Marche` means good value and exceptional performance.

OK Zimbabwe is one of the foremost retail chains in Zimbabwe. The leading retailer deals in groceries, basic clothing, textiles and housewares products with a very long history of trading in Zimbabwe that dates as far as 1942.

OK Zimbabwe serves its markets through an extensive network of 59 outlets, with closest peer TM supermarkets a rung lower with 54 stores. In terms of trading space, OK Zimbabwe has 17000 square metres, with 1700 square metres having come on stream in the FY2013/14 financial year.

In terms of placing, the company services the middle and upper middle class segments of the formal retail market, with the OK Stores brand (48 outlets) aimed at middle tier, whilst Bon Marche (8 supermarkets) targets the moneyed haves.

The two OK Mart stores are modelled along the Massmart run Makro stores of South Africa, which is expected as both outlets were acquired from the later. The group is also experimenting with a new store format, focusing on computers, smartphones and related merchandise branded ‘iitech’.

Further, OK Zimbabwe has a sizable portfolio of in-house brands that includes OK Pot ‘O’ Gold, Ok Value and Bon Marche` Premier Choice labels. OK Grand Challenge and the Bon Marche French connections are other major brands in the company`s stable that have helped OK become a household name in Zimbabwe.

Even, when the environment has not been what other people would say really conducive, OK Zimbabwe has been taking advantage of the demise of competition, increasing its footprint with 5 outlets having come on stream in recent financial year (2013-2014). The group has also moved into a number of properties which have been vacated by Spar corporate stores and franchises and it also established the first Bon Marche branch in Parklands in Bulawayo.

The financial performance of a company like OK Zimbabwe is the window into the innards of the whole economy.

It is difficult not to like a successful management team and OK is no exception. Investors like Willard Zireva, a Chartered Accountant who has competently mastered the art of retailing in

the difficult Zimbabwean space as well as the support he gets from an equally experienced management team.

Management at the retail giant claim that they have discovered that the price that consumers are prepared to pay is an important variable in the sector. For the past year to March 2014, the situation on the ground pointed to a decline in producer prices, which OK stores had to pass on to consumers. This trend is said to have started manifesting around July 2013.

To secure its future, the company is executing a measured expansion programme which saw a new branch being opened in Hwange while refurbishments have been planned for the Lobengula, Kadoma and Chinhoyi Branches. Experience has shown that both foot count and basket size increase significantly post refurbishments as can be demonstrated by improving sales per square metre for OK discussed above.

The most exciting development, however, is the drive by OK to expand its product offering to existing clients. OK leads its peers in embracing technology and adapting it to the Zimbabwean setting. The company has now gone a notch further, leveraging on its ICT investment to enable online shopping, the expansion of its loyalty programme and provision of limited banking services at its cash points.

The company acquired a money transfer agent licence locally and in April 2013, it launched an instant money transfer service between South Africa and Zimbabwe in partnership with FNB. Its alliance with EcoCash opens new possibilities of arguably Zimbabwe's biggest virtual bank relying on the retailer's cash generation prowess for clearing. Its services have since expanded to include other sundries, among them prepaid electricity payments at its branches.

OK has over the years shown unshaken loyalty to its winning initiatives. The OK Grand Challenge and the Bon Marche French Connection competitions have become permanent fixtures on the Zimbabwean calendar and their popularity remains ever so strong.

Further, the company is embracing new initiatives among them the "OK Shop Easy" a shopping voucher that which works the same way as a debit card and a facility that enables the customer to shop without cash. The Bon Marche "Liv it up Fiesta" is a six week promotion recently introduced as OK continues to exploit its marketing prowess to consolidate market share. We expect this to be handy in OK's quest to defend market share given the difficult trading conditions currently obtaining in Zimbabwe.

The Zimbabwean retailing space may be challenging owing largely to the absence of a middle class, but the sub-Saharan Africa consumer has been subject of much deliberation among international consumer facing companies.

The African Development Bank (AfDB) estimates that Africa's middle class currently stands at 313 million individuals, a figure that is by and large corroborated by other independent research, among them Accenture, it is not surprising that FMCG companies are making the African consumer their prime target. It is also inconceivable that Zimbabwe will be left out of this wave. Since dollarization, disposable incomes have indeed increased, notwithstanding

the 80% rate of unemployment. We thus believe that the middle class will eventually emerge in Zimbabwe and OK among a few retailers will be primed to benefit from serving these customers.

Nevertheless, significant challenges remain in the Zimbabwean retail sector. Protectionist measures for local industry, power outages and shrinkage emanating largely from economic hardships driven pilferage are among the disruptions that OK has to deal with.

Solutions often punish efficiency with the company resorting to more expensive diesel generators for power, CCTVs and the hiring of private security companies.

Where local production fails to meet demand, retailers. OK included, are having to make do with imports that would have become more expensive due to punitive duties. The net result is a less competitive company when compared against regional peers both in terms of being expensive for customers and poorer in efficiency measures.

When relatively cheaper valuations are considered, OK stands out as a lucrative investment option, For instance, a price to sales ratio of 0.47x also stands favourably to SSA average of 0.75x and it pays out 50% of earnings as dividend. It is not surprising that Investec poured in money when several investors were not considering Zimbabwean investment.

Source: Adapted from Zimbabwe Quoted Companies Survey (2013 and 2014), Zimbabwe Independent, AMH Publishers, Harare

Required:

a) Discuss the extent to which the name *Bon Marche`* reflects the characteristics of a good brand name.

[4 Marks]

b) Analyse the growth initiatives that are driving OK Zimbabwe`s marketing strategies.

[8 Marks]

c) Explain how OK Zimbabwe`s marketing mix is designed in such a way to outperform competitors.

[18 Marks]

d) What advice would you give to OK Zimbabwe`s marketing managers in relation to effectively dealing with sector specific challenges that are diluting its local and regional competitiveness?

[10 Marks]

SECTION B

Question 2

Pride and Ferrell (2006:28) `s definitional perspective of marketing management is that it is `the process of planning, organising, implementing and controlling marketing activities to facilitate & expedite exchanges effectively & efficiently.` Explain the above statement.

[20 Marks]

Question 3

`In relation to setting prices of products, the decisions of marketing managers reflect different orientations that range from cost, profit, competition as well as demand-oriented approaches.` Discuss any **four** demand-oriented approaches to pricing of products.

[20 Marks]

Question 4

Describe the generic new product development process, highlighting the importance of each stage in relation to ensuring successful new product development.

[20 Marks]

Question 5

Explain how distribution activities support an organisation `s marketing strategy such that customers derive time, place, form and assortment utilities from its products.

[20 Marks]

Question 6

Using relevant examples, analyse any **five** psychological variables that affect consumer behaviour.

[20 Marks]

Question 7

Describe the elements of a strategic marketing plan, highlighting how they complement each other.

[20 Marks]

END OF EXAMINATION

Page 5 of 5