higher education & training

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NOVEMBER EXAMINATION

NATIONAL CERTIFICATE

MARKETING MANAGEMENT N6

(4030076)

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09:00–12:00

This question paper consists of 11 pages.

GENERAL STUDIES

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DEPARTMENT OF HIGHER EDUCATION AND TRAINING
REPUBLIC OF SOUTH AFRICA

NATIONAL CERTIFICATE
MARKETING MANAGEMENT N6
TIME: 3 HOURS
MARKS: 200

NOTE: If you answer more than the required number of questions, only the required number of questions will be marked. All work you do not want to be marked must be clearly crossed out.

INSTRUCTIONS AND INFORMATION

1. Answer ALL the questions in SECTION A.
2. Answer any THREE questions in SECTION B.
3. Start each question on a new page.
4. Read ALL the questions carefully.
5. Number the answers according to the numbering system used in this question paper.
6. Write neatly and legibly.

GENERAL STUDIES

SECTION A

Answer ALL the questions in this section.

QUESTION 1: CASE STUDY

IT'S CHOWDOWN IN PIZZA WARS

The return of Pizza Hut to South Africa could spark a pizza war, but local players say they have a war chest to defend their turf. The American-owned franchise aims to reclaim the hearts of pizza lovers after a six-year absence. When the company closed its last restaurant in Durban in 2008 its market share had declined to 1%. Rebuilding the brand in a market saturated with pizza parlours will not be easy. Last week it opened its first new store in South Africa in Honeydew Shopping Centre in Johannesburg.

Randall Blackford, Pizza Hut's boss in Africa, is eager to tackle the market. 'Our feet are really on the ground with this one.' He plans to capitalise on fond memories some consumers still have of Pizza Hut. The fact that its sister company KFC is well-established on the continent helps as Pizza Hut will take advantage of its network. Blackford's strategy is to win one neighbourhood at a time and to be the best delivery brand in the country. Pizza Hut aims to roll out dozens of stores throughout the country in the next twelve months.

The company intends to make a significant splash, said Blackford. The battle amongst pizza brands is set to intensify as they battle for a greater slice of the growing middle-class market. The South African pizza consumers are expected to increase at a compound annual rate of 6,6% to 10,1 million in 2018 from 6,3 million consumers in 2009, according to Analytix Business Intelligence. The research company said that last year 36% of pizza consumers were based in Gauteng (up from 32% in 2009), 19% were in KwaZulu-Natal (22% in 2009) and 12% in the Western Cape (11% in 2009).

South Africa is an enticing market for international brands, but local pizza brands are prepared to defend their market share vigorously. Pierre van Tonder, CEO of the Spur Corporation, parent company of Panarotti's, said that although Pizza Hut had been an established brand in the country, it was not particularly successful. Van Tonder will analyse Pizza Hut's strategy but he is not having sleepless nights. 'We will not create a whole new strategic platform for the purpose of being on the defensive because of the entry of a new player into the market,' Van Tonder said.

Panarotti's contributes about 15% to the group's turnover and controls about 5% of the country's pizza-market share, according to Analytix Business Intelligence. Debonairs, owned by Famous Brands, is South Africa's biggest pizza retailer with more than 500 restaurants. It controls more than half of the market beating the combined efforts of its six closest rivals. Romans Pizza's market share is estimated at 19%, Pizza Perfect and Scooters control 7% each, while St Elmo's holds 2% according to Analytix Business Intellingence's report. Famous Brands, which also owns Steers and Wimpy, is experienced in fighting international competition.

[Adapted: Lefifi, T.A. 2014. *It's chowdown in pizza wars.* The Sunday Times Business Times. 28 Sept:4]

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1.1 Briefly explain the following terms that are found in the case study.

1.1.1 Market

1.1.2 Competition

(2 × 2) (4)

1.2 Name SEVEN pizza brands that are in competition with Pizza Hut. (7)

1.3 In which industry is Pizza Hut operating? (1)

1.4 Pizza Hut is an American-owned franchise.

1.4.1 What type of international entry strategy is Pizza Hut using to enter other countries like South Africa? (1)

1.4.2 Name and explain TWO other entry methods that Pizza Hut may consider when entering African countries. (2 × 3) (6)

1.5 When Pizza Hut closed its last restaurant in Durban in 2008 its market share had declined to 1%.

Except for divestment, name and explain TWO strategies for mature and declining markets that Pizza Hut may have used before closing shop in 2008. (6)

1.6 For Pizza Hut 'rebuilding the brand in a market saturated with pizza parlours will not be easy.'

Explain the strategy known as *invest to rebuild* that Pizza Hut is planning to use to rebuild its business. (2)

1.7 According to Randall Blackford, Pizza Hut's strategy is to win one neighbourhood at a time by rolling out dozens of stores throughout the country in the next twelve months.

1.7.1 What type of growth strategy is Blackford referring to?

1.7.2 Briefly explain the strategy you mentioned in QUESTION 1.7.1.

(2 × 2) (4)

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1.8 Who is the target market for Pizza Hut? (1)

1.9 One pizza can have more than 10 ingredients.

1.9.1 Name TWO pizza ingredients that you like. (2)

1.9.2 Show how Pizza Hut can use the eight steps of the industrial marketing buying process to buy the pizza ingredients that you named in QUESTION 1.9.1. (16)
[50]

TOTAL SECTION A: 50

SECTION B

Answer any THREE questions in this section.

QUESTION 2

2.1 Indicate whether the following statements are TRUE or FALSE. Choose the answer and write only 'true' or 'false' next to the question number (2.1.1–2.1.10) in the ANSWER BOOK.

2.1.1 The industrial markets are firms that buy goods and services for their own consumption.

2.1.2 Every retail store, bus company, airline company, wholesaler, hotel, restaurant, bank, insurance company and hospital is part of a business/industrial market.

2.1.3 Raw materials which include minerals, chemicals, agricultural products and materials from forests and the sea do not actually become part of a physical product.

2.1.4 Fabricating materials and parts, installations and operating supplies can all be classified as business/industrial products.

2.1.5 New-task purchases are repeat purchases of products or services of which many are triggered automatically when existing stocks reach a certain level, as is the case with office supplies such as paper, pens or envelopes.

2.1.6 Sampling is the industrial buying method which is signified by the specifications of certain attributes to the product.

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2.1.7 Because organisational customers, especially producers, buy products for direct or indirect use in the production of goods and services to satisfy consumers' needs, the demand for industrial products derives from the demand for consumer products and therefore it is called derived demand.

2.1.8 In the buying centre of an industrial company, the people are often technical people such as engineers, who help develop the specifications and evaluate alternative products.

2.1.9 Industrial markets include buyers of raw materials as well as purchasers of semi-finished and finished items used to produce other products.

2.1.10 Supplier selection is the final step of the industrial buying process.

(10 × 1) (10)

2.2 The Market Attractiveness/Organisational Strength Model is bound by two variables: Market attractiveness on the vertical axis and enterprise strength on the horizontal axis.

State whether the following factors indicate MARKET ATTRACTIVENESS or ENTERPRISE STRENGTH. Write only 'market attractiveness' or 'enterprise strength' next to the question number (2.2.1–2.2.10) in the ANSWER BOOK.

2.2.1 Little or no influence by technological changes

2.2.2 Superior technology

2.2.3 High profit margins

2.2.4 Strong profitability

2.2.5 Large market share

2.2.6 Large and growing market

2.2.7 Few or no competitors

2.2.8 Knowledge of the market

2.2.9 Product quality

2.2.10 Not strongly influenced by government regulations

(10 × 1) (10)

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2.3 When initially screening potential African markets for investment, Pizza Hut may need to conduct a research by using a foreign market screening process.

2.3.1 Name the EIGHT steps of the screening process. (8)

2.3.2 Briefly explain steps 4, 5, 6 and 7 named in QUESTION 2.3.1. (8)

2.4 Briefly explain FOUR pricing methods that service marketers can use. (12)

2.5 Give TWO factors that the customer may use when determining service quality. (2)
[50]

QUESTION 3

3.1 Various options are provided as possible answers to the following questions. Choose the answer and write only the letter (A–D) next to the question number (3.1.1–3.1.10) in the ANSWER BOOK.

3.1.1 Services that include telephone, telegraph, computer and specialised business communication services.

A Postal services
B Courier services
C Communication services
D Internet services

3.1.2 The element of the marketing concept that the survival of the service business is dependent upon.

A Profit orientation
B Consumer orientation
C Community orientation
D System orientation

3.1.3 In the classification of services, personal care includes ...

A laundry services.
B dental care.
C legal services.
D tax services.

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3.1.4 The unique characteristics of services include ...

A visualisation.
B physical representation.
C association.
D intangibility.

3.1.5 Successful service quality control is dependent upon the successful application of ...

A empathy.
B employee performance monitoring.
C complementary services.
D differential pricing.

3.1.6 The customer determines service quality by ...

A the quality of advertisements.
B empathy.
C increased consumer participation.
D communication.

3.1.7 Distribution strategies for service organisations must focus on such issues as convenience, number of outlets, direct versus indirect distribution and ...

A location.
B free samples.
C people.
D transport.

3.1.8 In addition to the traditional 4 P's, the service marketing mix should include implementation strategy components related to ...

A differentiation strategies.
B product.
C people.
D sales promotion.

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3.1.9 In service marketing, sales promotion methods that can be directed at the customer include ...

A public relations.
B promotion strategies.
C competitions.
D elements of the marketing mix.

3.1.10 ... can also be regarded as new services.

A Major innovations
B Geographic location
C Assurance
D Social responsibility

(10 × 2) (20)

3.2 Really Fresh is a producer of fruit juice and a number of purchases made by Really Fresh are listed below.

Classify each of the products below purchased by Really Fresh according to the classification system for industrial products as a NEW TASK, MODIFIED RE-BUY or STRAIGHT RE-BUY. Write only 'new task', 'modified re-buy' or 'straight re-buy' next to the question number (3.2.1–3.2.6) in the ANSWER BOOK.

3.2.1 The purchase of a small forklift to move the completed products to the store room.

3.2.2 The purchase of a new machine that automatically fills and seals the one litre juice containers.

3.2.3 The purchase of coloured straws to fix onto the 250 ml juice boxes.

3.2.4 The purchase of 200 light bulbs from the current supplier.

3.2.5 Purchasing of oranges from a nearby farm for the production of juice.

3.2.6 Hiring a market research company to conduct a consumer preference survey.

(6 × 1) (6)

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3.3 Choose any FOUR of the products mentioned in QUESTION 3.2.1–3.2.6 and state the different organisational buying methods that Really Fresh could have used to purchase these products. (4)

3.4 Coca-Cola is a very diverse multinational company producing anything from fizzy drinks to fruit juices, bottled water and energy drinks.

3.4.1 Choose any FOUR Coca-Cola products that you know and classify them into the Boston Consulting Group (BCG) Matrix. The matrix must be complete and labelled. (14)

3.4.2 Name FOUR strategies that can be used for all product classes of the matrix discussed in QUESTION 3.4.1. (4)

3.4.3 Briefly explain the product class known as dogs. (2)
[50]

QUESTION 4

4.1 Briefly explain and show by means of an example how a company selling yoghurt can use the following growth strategies:

4.1.1 Growth in existing markets

4.1.2 Growth through product development

4.1.3 Backward integration

4.1.4 Unrelated diversification

(4 × 4) (16)

4.2 To run a successful business in South Africa, Pizza Hut may need to invest in different types of industrial products.

Give TWO examples of each of the following types of industrial products that Pizza Hut will need to run their business:

4.2.1 Raw materials

4.2.2 Installations

4.2.3 Fabricating materials

4.2.4 Accessory equipment

4.2.5 Operating supplies

(5 × 2) (10)

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4.3 Name FOUR characteristics of business demand. (4)

4.4 Differentiate between the following types of integration:

4.4.1 Vertical integration

4.4.2 Horisontal integration

(2 × 2) (4)

4.5 Name FOUR characteristics of services (4)

4.6 Present a brief service marketing programme for a hair salon, a hotel, a cinema or any other service that you are familiar with. Your presentation should begin with the type of service that you wish to offer and the description of the target market that you have selected for the service. Then briefly explain how you would promote the service using all elements of the promotional mix. (12)
[50]

QUESTION 5

5.1 Show by means of a diagram how a firm can organise itself according to geographical area. (20)

5.2 Coca-Cola which is a very diverse multinational company producing fizzy drinks, fruit juices, bottled water and energy drinks has decided to export some of its products to India.

5.2.1 Give FIVE advantages of direct exporting. (10)

5.2.2 State ONE way in which Coca-Cola can carry out their exports to India. (1)

5.2.3 Show how Coca-Cola can adapt the elements of the marketing mix to suit India. (16)

5.2.4 Name THREE competitive strategies that Coca-Cola can use in India. (3)
[50]

TOTAL SECTION B: 150
GRAND TOTAL: 200

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