



FACULTY OF MANAGEMENT
DEPARTMENT OF MARKETING MANAGEMENT

Strategic Marketing

NOVEMBER EXAM

<u>MODULE</u>	MARKETING MANAGEMENT 3B01
<u>CODE</u>	BMB 3B01 / MMA23B3 / MAR33B2
<u>DATE</u>	5 November 2015
<u>DURATION</u>	3 hours
<u>TIME</u>	08:30-11:30
<u>TOTAL MARKS</u>	100

<u>EXAMINER</u>	Mrs BE Stiehler-Mulder
<u>MODERATOR</u>	Ms L Orton (Milpark Business School)
<u>NUMBER OF PAGES</u>	4 (including cover page)

INSTRUCTIONS TO CANDIDATES:

- Please read the case study.
- Question papers must be handed in.
- Each question must be answered on a different colour answer book (invigilators to specify colours per answer).
- Read the questions carefully and answer only what is asked.
- Draw a line after each question.
- Number your answers clearly.
- Write neatly and legibly.
- Structure your answers by using appropriate headings and sub-headings.
- **Provide examples/application to the case study where indicated to do so.**
- Remember that no marks will be allocated for naming.
- The general University of Johannesburg's policies, procedures and rules pertaining to written assessments apply to this assessment.

QUESTION 1

[25 MARKS]

- 1.1. Describe the primary purpose of a *marketing audit* AND include in your answer a brief discussion of the characteristics of a *marketing audit*. (10)
- 1.2. A company's sales forecast is an estimate of the expected sales, at company level, for a defined product-market, during a specified time period.
 - 1.2.1 Advise Capitec's marketer on **any FIVE of the more popular forecasting techniques** that you deem most suited to the banking industry AND briefly describe each forecasting technique. (5)
 - 1.2.2 Explain why each of the above stated techniques would be suited to Capitec's business by supporting your answer with at least **ONE** advantage of each technique. (10)

QUESTION 2

[25 MARKS]

- 2.1 Describe the **SIX market segmentation types** that marketers may use to identify and define segments AND indicate which type of segmentation Capitec is using by motivating your answer from the case study. (14)
- 2.2 Identify the phase of the product life cycle that Capitec currently falls in. Motivate your answer clearly. (3)
- 2.3 Based on your answer provided in question 2.2, briefly describe the **FOUR** strategies that Capitec can use in this product life cycle phase. (8)

QUESTION 3

[25 MARKS]

- 3.1. Capitec would like its employees to come up with innovative ideas for new banking products. Advise Capitec on the actions required by an organisation to encourage creativity. (5)
- 3.2. Once Capitec's employees have a few solid new ideas, these should be advanced into concepts. Briefly explain at least **FIVE** requirements that a concept should adhere to. (5)
- 3.3. Describe the elements of a brand's identity and provide your opinion on how successful you believe Capitec is using each of these elements with their brand. (15)

QUESTION 4

[25 MARKS]

- 4.1 Capitec's marketing manager is battling to decide on a structure for the latest marketing plan. Advise Capitec's manager on **FOUR** important aspects that a marketing plan should meet. Apply your explanation to Capitec. (8)
- 4.2 Growth in Africa is on the agenda for Capitec bank. Advise Capitec on any **FOUR** advantages and **FOUR** disadvantages of expansion. (8)
- 4.3 Capitec approaches you to explain to them how they can implement a balanced scorecard approach. Assist them by firstly describing what a balanced scorecard is and then briefly explaining the four broad perspectives of the balanced scorecard. (7)
- 4.4. Briefly explain the two ends of the marketing ethics spectrum. (2)

END OF QUESTIONS – Case study on next page

Capitec bank paving the way for banking innovation

Business Day reported on 13 September 2013 that the outlook for South Africa's banking sector remains negative amid a weakened macroeconomic environment and risk from large exposure to government securities. This report follows a negative rating for this industry by international rating agency Moody's. Moody's rating is based on a subdued operating environment, large holding in government securities, reliance on short-term wholesale deposits, slow economic growth, labour unrest and high unemployment within the country.

According to Moody's, low economic growth hamper new business and the extension of credit, which would limit banks' ability to grow their earnings. The unsecured lending and mortgage markets posed a threat to the banks, as rising unemployment and entrenched high poverty rates could affect their retail lending portfolios resulting in a rise in non-performing loans. The agency is also concerned about the banks' holding of sizeable government securities and loans to state-owned enterprises. As these link banks' credit profiles to SA's creditworthiness, any deterioration in the latter was bound to negatively affect them.

Yet despite the negative outlook the South African banking industry is not without its opportunities BUT to grow and prosper in the new banking landscape banks must be ready to make a change and go beyond the status quo. An example of such a bank is Capitec. Although this bank is relatively new to the South African banking scene it is turning out to be an industry pioneer, inspiring a new way of banking. The performance of this bank is reflected in the value of its shares which have grown from a price of R1.17 on its first day its current levels around R200 per share. Surely this unprecedented growth in a downturn economy warrant further investigation.

Capitec's business is built around four core principles: Affordability, Accessibility, Personal Service and Simplicity. The bank seeks to differentiate itself from other banks by providing a unique experience through price, position, service and procedure. The bank's outstanding performance is attributed to the quality banking offered to the unbanked and low-income banking segment. Capitec Bank understand their customers' needs and they developing innovative strategy and business model aimed at addressing those needs better than the established players. Not only do they have a plan but it seems as if they are also executing that strategy well.

Some of the ways in which Capitec Bank is bringing some much-needed innovation into the South African banking industry includes:

Understanding their target market: Many South Africans have no or limited access to banking facilities and find bank products and services expensive and difficult to understand. They often distrust banks and rather use cash than bank products. Previous experiences in bank branches left them disillusioned i.e. credit applications were declined and they spent a lot of time waiting in queues to draw cash and settle bills. They felt unwanted and unwelcome. Capitec bank successfully targeted this large market that has not been well served by the traditional banking sector. They provided a value proposition that made banking a safe environment offering products and services that are easy to understand and meet clients' needs. Their approach of simplicity and transparency in everything they do ensures that a long-term trust relationship is built with clients. The success of this approach is quantified by the number of clients served i.e. 47 million active clients. Capitec Bank's full banking clients represent 12.8% of the 136 million employed South Africans.

Simplifying the entire banking process: Capitec Bank talks to its customers in a way that they can understand and avoids complicated industry jargon. The 560 branches are positioned in areas that make it convenient for clients to conduct their banking in the normal course of their daily activities. The careful selection of sites, in major shopping centers where customer traffic is guaranteed, has also ensured steady customer acquisition. Banking hours are longer than that of

rivals and include minimum hours from 08:00 to 17:00 on weekdays, 08:00 to 13:00 on Saturdays and 09:00 to 13:00 on Sundays. Branches are also different from a typical bank branch. They are relatively small, carefully positioned and low cost. Branch costs are minimized, as none of the transactions other than deposits involves cash. Cash can be withdrawn at ATMs or at the partner retailers but not over the counter in the branches. There is no armored glass in front of counters, so customers have direct contact with trained consultants. Transactions are simple as customers never fill in forms, the branches are paperless. Customers use a single card and pin number, and are identified biometrically with cameras and fingerprints. And things happen quickly. The company says a deposit should not take longer than 60 seconds and a loan application not more than 15 minutes.

Innovative products and service: Capitec has developed an all-inclusive banking solution in the form of the Global one facility... This product suite is customizable and offers single-point access to transacting saving and credit. The savings platform is open ended with no restrictions to the features in each account. Clients can choose the number of accounts required, the deposit amounts preferred, whether the accounts are fixed and the terms of each savings option. The credit platform calculates maximum loan value and terms based on affordability and client behavior, leaving clients to select the exact loan amount, term and repayment amounts that suite them. The bank uses strict credit scoring criteria to ensure that clients don't over extend themselves. Branch managers are the custodians of client service at Capitec Bank and are located in the front of branches to ensure a focus on service ownership and encourage feedback from clients regarding their experiences.

Simplifying cost: Banking fees are explained in such a manner that clients understand what they will be charged for performing specific transactions. Banking costs are also very competitive- the bank charges customers a mere R4, 50 per month to maintain a global One Account and offers interest rates unrivalled by any other bank in the country.

Innovative campaigns: Over and above the product and service innovation that the bank is bringing to the table, Capitec bank also uses clever campaigns to change the way we think about banking and use money in general. The #AskWhy campaign, for example, urges South African consumers to question their banks (and the banking industry in general) about anything and everything related to their banking experience. People can tweet their questions using #AskWhy or ask their questions directly on the #AskWhy website. Another innovative campaign was the SwapShop introduced during the 2012's Rocking the Daisies festival. The SwapShop is a space where people could go and trade their used goods for someone else's stuff. This was a great campaign to get people to recycle their old stuff, think about alternative ways of engaging in commerce and inspire saving.

The impact made by Capitec since its establishment is reflected in its being named a Great Brand of Tomorrow by Credit Suisse in 2010, one of the only 27 brands worldwide to receive this award and the only South African brand to do so. Credit Suisse rated its top brands on the criteria of innovation, aspiration and scale. Capitec was also named as the top performing company of the top 100 companies on the JSE in 2012 by the Sunday Times. This accolade is based on the 5-year growth performance of the share price. Capitec has won this accolade twice, the first time being in 2010.