

UNIVERSITY OF SWAZILAND
FACULTY OF COMMERCE
DEPARTMENT OF BUSINESS ADMINISTRATION
FIRST SEMESTER EXAMINATION 2012

TITLE OF PAPER : GLOBAL MARKETING ENVIRONMENT

COURSE : BA 326/425

DEGREE AND YEAR : BCOM 3& 4

TIME ALLOWED : THREE (3) HOURS

INSTRUCTIONS:

- 1. THIS PAPER CONSISTS OF SECTIONS (A) AND (B)**
- 2. SECTION (A) IS COMPULSORY**
- 3. ANSWER ANY THREE (3) QUESTIONS FROM SECTION B**
- 4. THE TOTAL NUMBER OF QUESTIONS IN THIS PAPER IS FIVE (5)**

NOTE: MARKS WILL BE AWARDED FOR GOOD COMMUNICATION
IN ENGLISH AND FOR ORDERLY PRESENTATION

THIS EXAMINATION PAPER SHOULD NOT BE OPENED UNTIL INVIGILATOR HAS
GRANTED PERMISSION

SECTION A (COMPULSORY)

READ THE FOLLOWING CASE AND ANSWER THE QUESTIONS BELOW

THE CONTINENT BECKONS

SA companies faced by stalling economic growth in their home market are turning to the rest of Africa in growing numbers. A new study by Rand Merchant Bank (RMB) reveals SA companies are active in all of the continent's 54 countries, with 40 or more operating in 13 countries, up from the same number in only six countries in 2006. A powerful lure is robust GDP growth, rapid urbanisation and an expanding middle class. It is a combination with particularly strong appeal to companies serving the consumer market. "The growing African middle class presents consumer-based opportunities too big to miss," says RMB economist and an author of the bank's study, Celeste Fauconnier. The McKinsey Global Institute forecasts that the number of African households with annual discretionary income of US\$5 000 or more will rise from 85m at present to over 128m by 2020.

Development is also accelerating. "I have travelled through Africa for over 20 years and the transformation I have seen over the past five years is unbelievable," says Shoprite CEO Whitey Basson. Shoprite first moved further into the continent in 1990 and now has 156 stores in 16 countries. "I see [huge] opportunity in Africa," says Basson. He is not alone. "Africa will become a significant part of our business," says Woolworths CEO Ian Moir. He predicts the continent's contribution to Woolworths will grow threefold within seven years.

Pick n Pay is also on the move over the border. Though the retailer has long had stores in SA's immediate neighbouring countries, expansion deeper into Africa began in earnest in 2010 with moves into Zambia, Mozambique and Mauritius. Pick n Pay now has 94 stores in eight African countries, of which 50 are through its 49% stake in Zimbabwean retailer TM Supermarkets. Massmart is also looking to grow and plans to add about 10 stores to

its existing 43 in 11 African countries over the next three years. Not only SA retailers are after the African consumer buck. For example, Nampak, which operates in 12 countries, sees the continent as its key growth driver. Higher margins are also an attraction, says Nampak CEO Andrew Marshall. "There is a risk premium to doing business in Africa," he says.

RMB's study aims to assist companies identify the best markets to target, says Fauconnier. "We focus on market size, market growth and the business operating environment in each country," she says. From a market growth perspective Nigeria is ranked by RMB as first prize. It wins on a combination of population (160m), forecast population growth (2.8%/year from 2010 to 2016), per capita GDP growth (5.2%/year from 2012 to 2016) and total growth in urbanisation (39.2% from 2010 to 2020). Basson is upbeat on Nigeria. "By 2020 its economy will be bigger than SA's and by 2050 it could be one of the biggest in the world". Penetration of formal retail in Nigeria, in keeping with most of Africa, is low, at about 5%, compared with 40% in SA. A tough country to do business in, Nigeria was ranked 133rd out of 183 countries in the World Business Bank's 2012 ease of doing business study. Other problems include power outages, which RMB puts at 196 hours a month. Political risk is also rated as high.

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QUESTION 1

- a) Identify and discuss the factors that have the greatest influence on country selection mentioned in the case. (20 MARKS)

- b) Nigeria is considered to be the most prospective market and yet it has many challenges such as political risk. Discuss some of the potential sources of political risk. (20 MARKS)

SECTION B (ANSWER ANY THREE QUESTIONS)**QUESTION 2**

- a) Describe the role of SADC in facilitating development and economic growth in the southern African region. **(8 MARKS)**
- b) Identify the initiatives that have considerably improved African countries' market access to the EU and US **(12 MARKS)**

QUESTION 3

Global marketers should view sociocultural phenomenon of the 21st century against a background of traditional definitions. Discuss. **(20 MARKS)**

QUESTION 4

Explain why a country will engage in protectionism and then discuss the different instruments of trade control used by countries to protect their domestic firms. **(20 MARKS)**

QUESTIONS 5

Discuss the legal issues that may confront international marketers when doing business in a foreign country. **(20 MARKS)**