JUNE 2012 EXAMINATION

DATE: 13 JUNE 2012

TIME: 09H00 – 13H00

TOTAL: 100 MARKS

DURATION: 4 HOURS

PASS MARK: 40%

(BUS-MKT3)

MARKETING MANAGEMENT 3

THIS EXAMINATION PAPER CONSISTS OF 3 QUESTIONS:

ANSWER ALL THE QUESTIONS

(100 MARKS)

INSTRUCTIONS:

1. Read the following instructions carefully before answering the paper, as failure to act upon them will result in a loss of marks.
2. Write your answers in your answer book, which is provided in the exam.
3. Ensure that your name and student number are clearly indicated on your answer book.
4. Write your answers in either blue or black ink in your answer book.
5. Read each question very carefully before you answer it and number your answers exactly as the questions are numbered.
6. Begin with the question for which you think you will get the best marks.
7. Note the mark allocations for each question – give enough facts to earn the marks allocated. Don’t waste time by giving more information than required.
8. You are welcome to use diagrams to illustrate your answers.
9. Please write neatly – we cannot mark illegible handwriting.
10. Any student caught cheating will have his or her examination paper and notes confiscated. The College will take disciplinary measures to protect the integrity of these examinations.
11. If there is something wrong with or missing from your exam paper or your answer book, please inform your invigilator immediately. If you do not inform your invigilator about a problem, the College will not be able to rectify it afterwards, and your marks cannot be adjusted to allow for the problem.
12. This paper may be removed from the examination hall after the examination has taken place.
Carefully read the information below before answering the questions that follow.

NEDBANK IS PAYING THE PRICE FOR 'EXCLUSIVE' CUSTOMER TAG

Ingrid Johnson, Nedbank's group managing executive of retail and business banking, is trying hard to change consumers' perceptions of the bank as being exclusively for the elite and well-to-do people. SA's fourth largest bank's advertising aims to attract people in the low income bracket – a far cry from yesteryear's "Who are those people?" campaign. At that time, the Nedbank board decided it needed "the right customer", said Johnson. She recalled that 20% of clients generated 80% of the revenue, while the majority of the customers were costly to the bank. "In their maths they didn't figure out about marginal costs, and actually you need big numbers to contribute to scale," she said. Nedbank holds the second largest Mzansi account client base after Post Bank, which next year will be a fully registered bank and is currently preparing to fight for market share. Johnson would ideally like to see Mzansi accounts become Ke Yona accounts, with some clients upgrading to the Nedbank Savvy bracket, an offer for middle-income earners. The bank's strategy includes signing up a high number of clients at the Nedbank Ke Yona soccer tournaments. The Ke Yona offering is available through more than 1000 staffed outlets as Nedbank expands into communities that were not previously served. These include far-flung places such as Ngqeleni, Idutywa and Centane in the Eastern Cape, Acornhoek in Mpumalanga and Thohoyandou in Limpopo. A branch was recently opened in Kuruman in the Northern Cape.

New plan to attract low-income earners
Ke Yona is Nedbank's answer to Standard Bank's bank shops, to FNB'S Easy Plan, and to Capitec. With Ke Yona, a client can open a pay-as-you-use transaction account for R5, and with that comes funeral cover worth about R2000. Clients can withdraw cash for R1, the same price Capitec clients are charged. Johnson said Nedbank was the first bank to enable cash withdrawal at point of sale – via Nedbank's Go Banking Partnership with Pick n Pay. Nedbank decided to absorb Go Banking in 2008 after it realised that the facility's customer base of about 90 000 clients was not enough to sustain it as a separate business. Clive van Horen, MD of Nedbank retailing banking services at the time, said Go Banking was not profitable despite being in operation for seven years. Nedbank was also the first bank in SA to pay interest on current accounts. It then had a multi-brand strategy that also controlled Permanent Bank and Peoples Bank.

Jonson reckoned it was a "mistake" to choose for customers which bank they belonged to and to forcibly remove them to other banks. "Don't put somebody in a box," she stressed. Capitec Bank saw an opportunity and capitalised on being a champion for the low-income market. According to Carl Fischer, Capitec Bank's head of Marketing and corporate affairs, it has rapidly gone past Nedbank to become the country's third largest bank in client numbers. The Stellenbosch-based bank has about 3.2 million active clients from the 4.6 million registered clients on its books. Nedbank added about 94 000 net new clients year on year and a 14.6% increase in overall client base to five million, assisted by the acquisition of Imperial Bank. It has signed about 170 000 Vodacom M-Pesa clients since the launch of the facility.

QUESTION 1

In 2012, Nedbank is still perceived as a bank serving the elite and well-to-do people. The bank wants to change this perception to attract a larger segment of the low income group (people earning R5 000 or less per month) in South Africa. This segment is very competitive since banks such as ABSA and Capitec Bank have already penetrated this market successfully. Develop a comprehensive marketing plan for Nedbank that will enable it to create a greater awareness of the products and services of the bank in the low income group in South Africa. The plan must also provide strategies and recommendations to recruit the low income group into the customer profile of Nedbank from 2013 onwards. [60]

QUESTION 2

Develop a product strategy for Nedbank. The purpose of the strategy should be to develop a new product for low income consumers. However, it must also be specified how existing products should be managed and improved to enhance its performance in this prospective new market segment. [20]

QUESTION 3

Consult to the marketing manager of Nedbank on the market segmentation approach to be followed when considering to include low income earners into their target market. Use the following framework to develop a strategy:

- Market segmentation described
- Selecting a niche marketing approach
- Criteria for effective segmentation
- A suggested approach to analysing a potential market segment [20]

TOTAL: 100 MARKS