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.

Examiner: MR Lombard
AFRICA’S CUSTOMERS TOUGH TO REACH

Distribution is the biggest challenge for companies trying to do business in Africa, says global management consulting company Accenture. In a report on consumers in Africa, more than 60% of people in Africa live in rural areas and have limited access to transport. As a result, covering "the last mile" to reach the consumer can be extremely costly and difficult. Africa is becoming more attractive to companies as its consumer market is growing, while more developed markets shrink or grow at slower rates. “But just because a product has worked in a developed market, don’t assume it will work in Africa,” said Grant Hatch, executive director of strategy at Accenture. Accenture is expecting consumer spending in a Sub-Saharan Africa to rise to $1 trillion by 2020. It has grown 4% a year, reaching nearly $600 billion last year. “We’ve checked the numbers because they seemed too optimistic. But huge changes are likely to take place in the next 10 years,” said Hatch.

Accenture says nine countries will account for nearly three-quarters of total spending in Sub-Saharan Africa by 2020: Kenya, Ethiopia, Uganda, Angola, Zambia, SA, Senegal, Ghana and Nigeria. Accenture estimates SA will spend $315 billion in 2020, Nigeria $167 billion and Ethiopia $43 billion. Companies need to change the ways they do business. They need to change the ways they access data, ensure products meet needs, and work out how to minimise risk. They need to decide whether to source locally or import, and figure out how to reach customers, many of whom live in rural areas.

The growing importance of consumer spending is fuelled by:

- a growing population – forecast to reach almost 2 billion by 2050;
- a reduction in poverty levels, and
- urbanisation of this growing and increasingly wealthy population.

The consulting firm forecasts that 50% to 60% of the population of Sub-Saharan Africa earns less than $100 a month on average and buys basic goods with cash from open-air markets and street stalls. These consumers generally avoid formal retail stores and believe they get better deals from local well-known informal sellers. But they will become more affluent and their brand allegiances will have formed by the time their purchasing power increases.

Working families earning between $100 and $250 a month and comprising 20% to 30% of the population will represent 33.3% of the Sub-Saharan market by 2015. People who are a notch higher, earning $250 to $750 each a month, have money to buy items like cigarettes, jeans, and the occasional bottle of perfume. Professionals shop at supermarkets and upscale shopping malls and prefer luxury brands such as BMW, Mercedes and Gucci. This group represents 1% to 2% of Sub-Saharan Africa’s people. Accenture says companies must assess the risk and decide whether to set up a business, buy one, get into a partnership or license their products to another company. Acquisitions can be expensive and time consuming, but can provide immediate access to existing networks and distribution channels.
HOW to make it in Africa

- Unilever developed small packets of products at low prices. It had double-digit growth in the region in the past decade.
- CfC Stanbic did psychometric tests on potential loan recipients to reduce the risk of loan default as little data was available on creditworthiness.
- SAB Miller overcame the challenges of sourcing in Africa. It set up cooperatives with local farmers to supply barley and cassava. It buys and creates cans from local producers.
- MTN made it easier for people to buy and use airtime and made it easier for its agents to reach remote areas.

(Shevel, Adele. 2011. 'Africa’s customers tough to reach.' Sunday Times, Business Times, 5)

QUESTION 1

You are working for a consulting company in South Africa, called ZX Consulting. The company is based in Johannesburg and consults to South African companies that want to expand into Africa. You have been allocated the SPAR portfolio to manage. SPAR wants to expand into Sub-Saharan Africa and requires you to assist it in the development of a marketing plan. The plan must assist SPAR in, among other things, establishing the brand in the region, creating greater awareness of the product portfolio on offer by the brand and developing distribution strategies. The plan must guide the SPAR group on how to successfully enter, establish and manage the SPAR brand in Sub-Saharan Africa from 2013 onwards.

Draw up a marketing plan framework for SPAR. [60]

QUESTION 2

Develop a distribution strategy for SPAR. The purpose of the strategy should be to give guidelines on the most suitable distribution alternative available in the country (countries) of operation. [20]

QUESTION 3

Sales promotion is a key element in marketing campaigns. Develop a sales promotion strategy for the SPAR group when entering a country / countries in Sub-Saharan Africa. [20]

[100]

TOTAL: 100 MARKS