

ZIMBABWE EZEKIEL GUTI UNIVERSITY



DEPARTMENT OF BUSINESS STUDIES

COURSE: STRATEGIC MARKETING

COURSE CODE: CMA408

DURATION: 3 HOURS 30 MINUTES

DATE 31 OCTOBER 2017

INSTRUCTIONS TO CANDIDATES

1. No cell phones are allowed in the examination venue.
2. Begin each question on a new page.
3. Answer **all** questions in Section A and any other **three (3)** from Section B
4. Each question carries **25 marks**
5. The number of marks for each question or part question is shown in brackets.

SECTION A

Answer all questions from this section

Question 1

Case Study: AVON COSMETICS

When book salesman David McConnell began giving away small vials of perfume as sweeteners for his customers, he did not realise what a huge empire he was laying the foundations for. He soon realised that people were more interested in the perfumes than they were in the books – so he started the California Perfume Company in 1886, selling perfumes door-to-door. In 1939 the company became Avon. In 1958 the first Avon ladies appeared in Britain, immaculately dressed and made-up, and began knocking on the doors of suburban homes, selling cosmetics to housewives who were unable to get out to the shops, or whose villages and towns lacked shops with a reasonable selection of cosmetics. The Avon ladies sold cosmetics and also recruited new salespeople, so the company grew with all the power of a chain letter.

Currently Avon sells over 7500 products in 25 languages, throughout 143 countries, employing 4.4 million salespeople. In 2003 the company turned over \$6.8 billion worldwide and made \$534.6 million in profits. The UK market share is second only to Boots, making the company a profit of £326 million in 2002. This is approaching the same level as competitor L'Oréal's entire UK turnover (£443 million in 2001).

The success of Avon is not based on the cosmetics themselves: the cosmetics are good, but nothing special, and the packaging ranges from the dowdy to the garish. The corporate image is not exactly upmarket either: firms such as L'Oréal and Olay regard Avon as something of a joke, perhaps because of its direct selling approach, which puts it in the same class as double-glazing and door-to-door brush salesmen in some people's eyes. However, Avon products end up in some surprising handbags: fashion writers and film stars use the products, just a few of the one in three women in Britain who use Avon products. Avon has no presence on the high street: the products are sold only through its 160 000 Avon ladies, who still travel round selling to customers in their own homes. For this is the real strength of Avon: it distributes its products directly to people's homes, which caters for the housebound, the housewives with small children, those who live too far from the shops, and those who have too little time to go and shop. It is the distribution method which overcomes all the other drawbacks. Recently the company has diversified its distribution onto the Internet, so customers can order on-line, but it is still the door-to-door 'Avon ladies' who are the backbone of the company.

In Iceland, Avon ladies traverse glaciers with the products in backpacks; in South America, they kayak up the Amazon and barter the cosmetics for gold nuggets, food or wood (two dozen eggs buys a Bart Simpson deodorant). In Turkey, one woman who had lost everything in an earthquake rebuilt her family's wealth single-handedly by selling Avon from tent to tent in the refugee camp. In Milton Keynes, Avon's top saleslady delivers the cosmetics from a specially adapted bicycle.

Avon also runs a website for transsexuals and transvestites. For obvious reasons, these individuals have a desperate need for make-up experts who can advise them in their own homes. Alice, a transvestite who has become an Avon lady, says 'Avon's services are priceless to those who are still too shy to buy make-up on the high street. Men just beginning to wear make-up have less idea of what to use than a young girl who might be just starting to use cosmetics.' The sales cycle for Avon is three weeks. At the beginning of the period, a new brochure is issued and is delivered by hand to each customer. The sales lady collects the orders, then posts or e-mails them to Avon. One week later the products are delivered, and the representative then delivers the products, collects the money, and sends Avon its cut. Top Avon sales ladies are rumoured to earn around £30 000 a year, but most earn less – frequently they are themselves limited in their career possibilities by location, by children, or by husbands' working patterns. Avon offers them the flexibility to work around their other commitments. Having said that, Avon is regularly included in 'top 100 companies to work for' lists, and has many employees with 40 years' service or more. Perhaps the greatest success story in the company is Sandy Mountford, who joined the company as a sales rep at age 34 and was UK president of the company 16 years later.

Avon has a commitment to women. The company employs women, empowers women who may otherwise have no way of earning their own money, and supports women's causes. In 2003, Avon contributed \$300 million in total to breast-cancer research, and the company aims to go even further. Susan Kropf, the company president of Avon, says, 'We aim to create the world's largest-ever foundation for women'. Shareholders are happy about this – after all, the company's earnings in 2003 rose 25% on the previous year, and the dividends set new records.

Within the UK, competitors L'Oréal and Boots might regard Avon as something of a joke, but the joke is on them. Avon's unusual approach to distribution has meant that Avon UK has a faster-growing turnover and greater profitability than either of its competitors, despite running virtually no advertising and having no shops. Perhaps there is more to distribution than would at first appear.

Questions

- a) How might Boots or L'Oréal fight back against Avon? *(5 marks)*
- b) Do a detailed SWOT Analysis for Avon. *(15 marks)*
- c) What might be the limits on Avon's growth? *(5 marks)*

[Total 25 Marks]

SECTION B

Answer any three questions from this section

Question 2

a) Define the following terms as they apply in Strategic Marketing:

- i) Strategic Marketing (2 marks)
- ii) Stars (2 marks)
- iii) Disaster sequence (2 marks)
- iv) Cloning (2 marks)
- v) Pre-emptive defence (2 marks)

b) Critically examine the significance of the SWOT Analysis as a situation analysis tool.

(15 marks)

[Total 25 Marks]

Question 3

'Proper strategy formulation is the only key to organisational success in the contemporary world'. Discuss this proposition in light of marketing examples.

(25marks)

[Total 25 Marks]

Question 4

a) Briefly outline the competitor and customer orientations proposed by Day (1990) (5 marks)

b) 'Pricing is the most powerful strategy among all the marketing mix elements and it guarantees organisational success.' Evaluate this proposition in light of Zimbabwean examples.

(20 marks)

[Total 25 Marks]

Question 5

a) Citing relevant examples, briefly outline the BCG Matrix.

(5 marks)

b) Critically examine the applicability of the market leader strategies to any marketing organisations of your own choice.

(20 marks)

[Total 25 Marks]

****End of paper****