

OCT/NOV 2020

MNG3701
Strategic Planning IIIA

70 Marks
3 Hours

Examiners:

First: Ms MH Mawila

Second: Mr R Tharaga

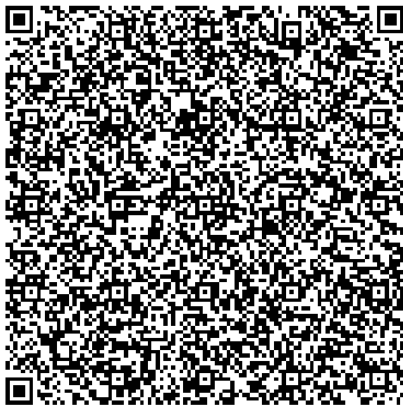
External: Ms S Hughes

This paper consists of 7 pages.

Instructions:

1. Answer all 4 questions.
2. **Honesty Declaration:**
Type 'I AGREE' (in full) before you upload your exam answer file.
3. **Submitting your exam answer file:**
Access myUnisa at <https://my.unisa.ac.za/portal> and login using your student number and myUnisa password
 - 1) Click on the "myAdmin" tab in the top navigation
 - 2) Click on "Assessment Admin"
 - 3) Click on "Assignments Submission"
 - 4) Locate the section titled Oct/Nov Online Exams
 - 5) Locate Module Code and Click on ">>open in new window" and follow the instructions
4. **The Invigilator App:**
 - Please remember to keep your cell phone fully charged for the duration of the assessment.
 - Please log into The Invigilator App if you have not done so yet. You need to be connected to the internet in order to log in.
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- Please take note that once the examination time is over, firstly focus on scanning and uploading your script to your assessment platforms. Uploading your script is time sensitive.
- Once your script is uploaded on your assessment platform, you may switch on your data to start the uploading process on The Invigilator app.
- Good Luck!



QR Access Code: 587372b1

Read the case study below and answer all the questions that follow.

CLICKS GROUP LTD

Clicks was conceived as a drugstore in 1968 but legislation at the time prevented corporate ownership of pharmacies in South Africa. This meant that Clicks operated as a drugstore without drugs until legislation was changed in 2003 to allow corporate pharmacy ownership, and the first Clicks pharmacy opened in 2004. United Pharmaceutical Distributors (UPD) was acquired by the group in January 2003 to provide the distribution capability for the group's healthcare strategy. Over the past decade the group has grown into a leader in the healthcare market where Clicks has a 24.6% share of the retail pharmacy market and UPD a 27.2% share of the private pharmaceutical wholesale market. The group has 15 413 knowledgeable and talented employees across retail stores, distribution centres and head office. R144 million was invested in training and development in 2019. Over 1 900 new private label products launched, reflecting investment in innovation.

Financial performance

In the Sunday Times Top 100 Companies survey for 2019, Clicks Group was ranked as the third best performing company on the JSE for the second consecutive year, based on a five-year compound growth in shareholder value. The board declared a total dividend of 445 cents per share, 17.1% higher than last year, with the dividend payout ratio being raised from 62% to 65%. The group is highly cash generative, with cash from operations increasing by R480 million over the previous year to R2.9 billion. The group continues to support their organic growth strategy with ongoing investment in new stores, refurbishments, supply chain and information systems, and returned R1.2 billion to shareholders in dividends and share buy-backs. "The group has a strong balance sheet and the results reflect the resilience of the group's brands"- Michael Fleming (CFO).

Group Brands

Clicks, Musica, The Body Shop, GNC and Claire's are market-leading brands and have a combined footprint of over 880 stores, including 51 in the neighbouring countries of Namibia, Botswana, Swaziland and Lesotho.

Clicks is South Africa's leading health and beauty retailer, with over 700 stores offering value for money in convenient and appealing locations. Clicks has the largest retail pharmacy chain with over 570 in-store pharmacies.

The Body Shop sells natural, ethically-produced beauty products and has been operated under a franchise agreement with The Body Shop International since 2001.

GNC is the largest global specialty health and wellness retailer and has been operated under an exclusive franchise agreement for southern Africa since 2014.

Claire's is one of the world's leading specialty retailers of fashionable jewellery and accessories for young women and girls and has been operated under an exclusive franchise agreement for southern Africa since 2015.

Musica is the country's leading entertainment retail brand and was acquired in 1992.

UPD is South Africa's leading full-range pharmaceutical wholesaler and the only one with a national presence. UPD fulfils the pharmaceutical supply needs of Clicks, major private hospital groups and over 1100 independent pharmacies. UPD also provides bulk distribution services to pharmaceutical manufacturers.

Customers

Clicks targets consumers in the growing middle to upper income markets (LSM 6 – 10). The Clicks ClubCard is one of the largest loyalty programmes in South Africa with over 8.4 million active members. 75% of ClubCard customers are women and 61% are in the 25 to 49 age group.

Clicks Group's Vision is to create sustainable long-term shareholder value through a retail-led health, beauty and wellness offering.

Strategic goals:

1. To have a pharmacy in every Clicks store in South Africa
2. To increase market share

Material issues are reviewed annually by the board and management of the Clicks group where all relevant internal, industry and remote environments are analysed. The following material issues were identified;

Issues	Threat
Economic	Economic environment remains challenging which is constraining consumer spending.
Competition	Expansion by corporate pharmacy and retail chains impacting on market share growth in Clicks
People	Inability to recruit, attract and retain talent for core business needs, including merchandise and planning, store management, information technology and pharmacy
Technology	Confidential customer or sensitive internal data compromised as a result of undetected data security breach or cyberattack.

Maintaining value

Clicks continues to offer value through competitive everyday pricing and appealing promotions

which is increasingly attractive to hard-pressed consumers. Clicks also offers value through the generous loyalty benefits offered by the ClubCard, with R504 million being returned to customers in cashback rewards in the past year alone. The brand is also committed to offering patients a lower-priced generic alternative to originator medicines in Clicks pharmacies to save customers money and extend their medical funding benefits.

“We continued to focus on our positioning as a value retailer by offering customers competitive everyday pricing and appealing promotions” - Vikesh Ramsunder (CEO)

Sources:

<https://www.clicksgroup.co.za/iar2019/assets/pdfs/online-reports/integrated-annual-report-2019.pdf>

Question 1

[15]

Management takes place at various levels within the organisation. At each of these levels, managers perform different activities and are required to formulate specific plans.

1.1 In light of the statement above, provide examples of activities to be undertaken by Clicks management at each management level. Follow the table below as a guide as you answer this question. (4)

MANAGEMENT LEVEL	TYPE OF PLAN	ACTIVITY
Middle management	Tactical plans	a)
Low-/first-line management	Operational plans	b)

1.2 Resources are productive assets owned by an organisation. They can either be tangible or intangible.

- a) Use examples from the case study to differentiate between 'tangible and intangible resources. (4)
- b) Indicate whether you regard examples of resources provided in a) as a strength or a weakness and give reasons for your answer. (2)

1.3 Use examples related to Clicks to explain the activities that take place during the strategic planning phase. (5)

Question 2 [20]

2.1 Evaluate the vision of Clicks to determine whether it meets the requirements of a good vision statement. (8)

Hint: When evaluating the vision use a table with the following headings; characteristic, yes/no, reason for your answer.

2.2.

a) Use the SMART principle to evaluate the two strategic goals of Clicks. (8)

b) Re-write the two strategic goals in the case study so that they meet the requirements of a SMART goal. (4)

Question 3 [20]

Material issues are reviewed annually by the board and management of the Clicks group where all relevant internal, industry and remote environments are analysed. The following material issues were identified;

Issues	Environment	Model	Recommendations
	<i>Identify and describe the environment</i>	<i>Identify the model</i>	<i>Give recommendations to counter threat</i>
3.1 Economic	3.1.a)	3.1.b)	3.1.c)
3.2 Competition	3.2. a)	3.2.b)	3.2. c)
3.3 People	3.3. a)	3.3. b)	3.3. c)
3.4 Technology	3.4. a)	3.4. b)	3.4. c)

Instructions: Complete the above table. Your answer should indicate the following 3 things under each issue;

- Name and description of the environment in which the issue is found, (4)
- The model used to analyse the environment identified in a) (4)
- The recommendation that you give to Clicks management to counter the identified threat mentioned in the case study. (12)

Question 4 **[15]**

4.1 Identify and explain the business-level strategy that Clicks is currently using. (4)

4.2 Would you recommend a change of business-level strategy for Clicks in the near future? Provide two reasons for your answer. (5)

4.3 Although still not implemented, it was proposed during a strategic planning that Clicks should introduce a beauty product line in their brands. The product line would target the lower income market. The focus of the brand would be on a broader section of the market, maintaining a lower cost base than competitors and offering basic products without 'frills'.

a) Identify the business-level strategy that would be suitable for this new product line (2)

b) Provide two reasons for the answer in a) above. (4)

TOTAL: 70