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ST DAVID'S MARIST INANDA
MATRIC PRELIM SEPTEMBER 2013

EXAMINER: MR M SCHNEIDER
MODERATOR: MR BLACK

TIME: 2 HOURS
MARKS: 100

PLEASE READ THE FOLLOWING INSTRUCTIONS CAREFULLY

1. This question paper consists of 3 pages. Please check that your question paper is complete.
2. Read the questions carefully and plan the length of your answers in relation to the sections being covered in each question.
3. Candidates are advised to pay special attention to the use of language.
4. It is in your own interest to write legibly and present your work neatly.

Answers must be complete in the Answer Book provided. The following aspects may be considered when marks are allocated in this paper:

Format

- The correct format for each question must be used, i.e. Business report
- Where applicable, include an introduction and conclusion.
- Use headings and sub-headings where appropriate.
- Terminology: Correct business terminology should be used.
- Content: Must be sufficient to cover all aspects of the question.
- Substantiation: Justification for statements made.
- Application to case study/context.
- Creative problem solving rather than just giving theoretical facts.
- Synthesis and sequencing.

Source A

South African online retail giant Kalahari.com has rebranded, with a logo change as it eyes the anticipated mobile e-commerce boom.

Kalahari, which claims the title of South Africa's biggest online retailer, is facing competition from Takealot.com, which has outlined its plans to overtake the Naspers-owned e-retail giant.

Takealot.com CEO, Kim Reid said recently that the group aims to overtake Kalahari.com within the next 12 months, following a \$100 million cash injection from its major shareholder, New York Based, Tiger Global Management.

Responding to Takealot's challenge, Kalahari says it remains confident in its market position, noting "accelerating growth" in its business and "great potential in the South African market overall".

Source B

"The future of e-commerce in this country is in mobile. In many established markets, upwards of 40% of online purchases are made on mobile devices and we expect South Africa to follow this trend," said Kalahari.com CEO, Caren Genthner-Kappesz.

"Also consider that South Africa is a mobile first country and with the recent launch of cheaper smartphones on the market...a mobile e-tail boom is imminent."

Genthner-Kappesz said that, with the company's mobile-friendly rebrand and gear shift towards mobile-first, kalahari.com was poised to lead the mobile shopping revolution in SA.

Source C

"A recent survey of our customer base revealed that 84% access the internet on their phone every day and 44% use it for shopping. Significantly, 48% felt that shopping on their smartphone was safer than shopping in a mall, and had the added convenience that it was quicker and made it really easy to compare prices," said Genthner-Kappesz.

Source D

South African online retailer, Kalahari.com says it is confident it can give Amazon a run for its money should the world's largest e-commerce company make a play in South Africa.

Liz Hillock, head of marketing at Kalahari.com was asked if the online retailer could effectively compete in the event that Amazon makes a bigger play in South Africa.

"It's something we constantly have to evaluate," Hillock said, "but I think that there are many ways we (Kalahari) are able to differentiate."

Amazon has a presence in South Africa, in Cape Town, where it hosts a development team that is focused on software development and technical support for the company, including Amazon Elastic Compute Cloud (Amazon EC2), and a support team for Amazon Web Services (AWS) users across the globe.

In April, the firm also announced that it would expand its Android-based app store to include South Africa.

Hillock noted that Kalahari was proudly South African in both its brand and products. She pointed out that the site's best selling book items, in particular, come from local authors, and cover local content.

Additionally, Hillock pointed out, Kalahari's delivery network, warehousing and understanding of the South African market, gained over many years of operation, are invaluable to affirm its position.

"According to our own data, Amazon's physical presence in South Africa has actually decreased," the marketing head said, conceding that the global giant's digital footprint remains large.

Question 1

Refer to the above articles. There is clearly a challenge being faced by retailers from online retailers. Shoprite Holdings Ltd is looking to purchase Kalahari.com to increase its online footprint. However the CEO Whitey Basson has some reservations especially in terms of the competition it could potentially have as it opens them to competing in **international markets**.

You are required to write a **Business Report** to Mr Basson. The report should include the following:

- Explain Porter's Five Forces model for the **Market** aspects of Kalahari.com. Identify strategies that Kalahari.com could use to overcome the challenges faced by each aspect with the possible entry of Amazon.com.
- PESTLE analysis where you focus on only the **technological, socio-economic and economic** factors. You need to identify challenges faced by these factors in the South African economy.

In your answer you need to explain how operating in **foreign markets** can be seen as an advantage to the South African economy as well as the drawbacks associated with this merger.

Mr Basson has also asked you to explain **the need for protection of certain industries** by the government and how they can achieve this. Mr Basson has also asked you to explain to him how competing with these online overseas companies can affect the cost of goods.

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