



**UNIVERSITY OF RUHUNA**  
**FACULTY OF MANAGEMENT AND FINANCE**

No. of Pages : 04  
No. of Questions: 05  
Total Marks : 70

BACHELOR OF BUSINESS ADMINISTRATION HONOURS DEGREE

4000 LEVEL FIRST SEMESTER END EXAMINATION - AUG./SEP. 2023

*Three Hours*

**MKT 41533 ; Strategic Marketing**

Academic Year 2022/2023

**Instructions**

- ➔ The question paper contains 05 questions.
- ➔ Answer **FOUR** questions including question No: 01.

**Question 01**

**Walmart**

Walmart, the giant chain of discount stores, is the second largest company in the world, with over \$400 billion in revenue and 2.1 million associates (or employees). The phenomenal success story began in 1962 when Sam Walton opened up his first discount store in Rogers, Arkansas. He sold the same products as his competitors but kept prices lower by reducing his profit margin. His customers quickly caught on and the company took off almost immediately. Walton's EDLP (Every Day Low Price) strategy remains the foundation of Walmart's success today. Through the company's economies of scale, Walmart is able to offer customers top brand-name products for the lowest price.

Walmart expanded throughout the United States in the 1970s and 1980s by acquiring some of its competitors and opening new stores. The first Walmart Supercenter—a discount store with food outlets, an optical center, photo lab, hair salon, among other amenities—opened in 1988. By 1990, Walmart had become the nation's number one retailer, with \$32 billion in revenue and stores in 33 states. The company's international expansion began with a store outside Mexico City in 1991 and has grown to over 3,800 international locations, some under a different brand name.

Walmart thrives on three basic beliefs and values: "Respect for the Individual," "Service to Our Customers," and "Striving for Excellence." Sam Walton's original 10-foot rule—"I promise that whenever I come within 10 feet of a customer, I will look him in the eye, greet him, and ask if I can help him."—still governs today, embodied by the "greeters" at the front door. In addition, Walmart embraces the communities in which it enters in order to develop strong local relationships and build its brand image in the area. The company donates significant amounts of money to local charities through its "Good Works" program, hires local individuals, and purchases food from local farmers.

Walmart's marketing strategy has evolved over the years. Early marketing efforts were based on word of mouth, positive PR, and aggressive store expansion. In 1992, Walmart introduced its well-known tagline, "Always Low Prices. Always," this effectively communicated the company's core brand promise and resonated with millions. In 1996, Walmart launched its price rollback campaign featuring the familiar yellow smiley face as the star of the campaign. The smiley face happily slashed prices in Walmart's television commercials and appeared on store signage as well as employees' aprons and buttons. The campaign helped Walmart's stock soar 1173 percent in the 1990s.

Walmart hit a few bumps in the road as it entered the 21st century, and critics protested its entry into small communities. In one study at Iowa State University, researchers found that within 10 years of a new Walmart store opening, up to one-half of the small stores in that town can disappear. Walmart also faced multiple lawsuits from employees who complained about poor work conditions, exposure to health hazards, and pay below minimum wage, which left employees with families below the poverty line. In some cases, employees said Walmart failed to pay for overtime and prevented them from taking rest or lunch breaks. Another lawsuit claimed the company discriminated against women in awarding pay and promotions. These problems led to a very high turnover rate in the 2000s. According to one Walmart survey, 70 percent of employees left the company within the first year of employment due to lack of recognition and inadequate pay.\*

From 2000 to 2005, Walmart's stock price fell 27 percent and remained low from 2005 to 2007. Negative backlash, combined with Target's reemergence on the retail scene, contributed to the decline. Target revamped its stores, merchandise, and marketing strategy to appeal to a more aspirational discount buyer and stole some of Walmart's top-tier customers. Target stores were nicely lit, offering wider aisles and better-displayed merchandise. Target's television commercials featured attractive models and trendy clothes from high-end designers such as Isaac Mizrahi and Liz Lange. One analyst stated, "Target tends to have more upscale customers who don't feel the effects of gasoline prices and other economic factors as much as Walmart's core customers might." From 2003 to 2007, Target outperformed Walmart in same-store sales growth by 1.7 percent and profit growth by 5.7 percent. During this time, Walmart also lost the exclusive rights to use the smiley face in its marketing campaign.

For all these—and other—reasons, Walmart decided it was time for a new direction and launched a series of new initiatives to help improve sales and its image. First, it introduced a highly successful \$4 generic drug campaign, a program eventually copied by Target. Walmart also launched several environmentally friendly initiatives such as constructing new buildings from recycled materials, cutting transportation costs and energy usage, and encouraging customers to buy more green products.

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In 2007, Walmart introduced a new marketing campaign and tagline, "Save Money. Live Better." Television commercials highlighted the company's positive impact on decreased energy costs, increased 401(k) (retirement) savings, good employee health care coverage, and increased family savings. One commercial stated, "In today's economy, nobody's more committed to helping family budgets go further than Walmart. Walmart saves the average family about \$3,100 a year, no matter where they shop."

Walmart also used the new campaign and aggressive price cuts to attract new consumers affected by the recession. It slashed prices on popular toys and electronics during the holidays and implemented a massive store remodeling effort called Project Impact. As a result, stores became cleaner, aisles less cluttered, and merchandise easier to reach—all to help improve the overall shopping experience and steal customers from Target.

Walmart's tactics worked: Same-store sales rose and its stock price improved during the recession. Analysts explained that Walmart's product mix—45 percent consumables (food, beauty, health items)—is a better strategy in a poor economy than Target's product mix—20 percent consumables and 40 percent home and apparel products. One analyst said, "Walmart sells what you need to have as opposed to what you want to have."

Stephen Quinn, Walmart's CMO, stated, "We are fortunate that this recession came along. It played to our positioning really well. But our own insecurity is that all the credit would go to the external environment and none of the work we all did. The kinds of things we were working on anyway when this environment came along are the same things we need to do to keep these so-called new customers and I think continued to build loyalty with our existing base."

Today, Walmart has stores in 16 international markets and serves more than 200 million customers a week through its variety of discount stores. These include Walmart Supercenters, Discount Stores, Neighborhood Markets, and Sam's Club warehouses.

(a) Identify five elements of Customer Value Proposition of Walmart.

(05 Marks)

(b) Discuss the importance of Scenario Analysis based on any Strategic Uncertainty faced by Walmart.

(10 Marks)

(c) Develop a SWOT analysis for the company.

(10 Marks)

(Total Marks 25)

**Question 02**

(a) Identify five strategies that can be used to gain Low Cost Advantage.

(05 Marks)

(b) Giving examples on each, discuss the four elements of Internal Analysis

(10 Marks)

(Total Marks 15)

**Question 03**

(a) By using a practical example, explain the difference between a Sustainable Competitive Advantage (SCA) and a Critical Success Factor (KSF)

(05 Marks)

(b) Discuss five alternative ways of creating Synergy by using practical examples.

(10 Marks)

(Total Marks 15)

**Question 04**

(a) Identify the three elements of Brand Equity.

(05 Marks)

(b) By using examples on each, explain five elements of Brand Associations.

(10 Marks)

(Total Marks 15)

**Question 05**

(a) Identify the four Growth Strategies.

(05 Marks)

(b) Giving examples on each, discuss five strategies to increasing the usage of existing customers.

(10 Marks)

(Total Marks 15)

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