

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

The Marketing Mix

In the run up to Christmas 2007, the manufacturers of games consoles were doing battle in an attempt to capture market share. The console market continues to grow and is now seemingly encompassing new market segments that would not be traditionally seen as part of the target market for such products. Christmas 2007 was the first time the



three big firms in the console industry had all got their latest machines available for sale.

In August 2007 Microsoft reduced the price of its Xbox console. Sales of the Xbox had been reported at being around 10 million and the success of the Nintendo Wii has also

5
10
15
20
25
30

Sources:

<http://www.vincentabry.com/images/techno/2007/janv/PS3.jpg>

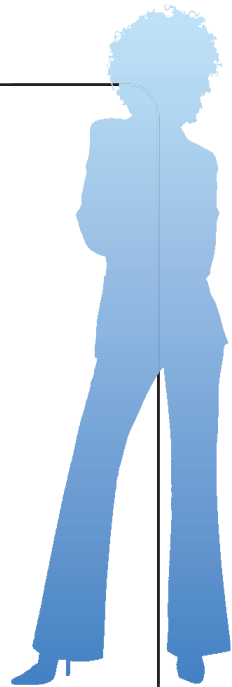
<http://www.healthbolt.net/wp-content/uploads/2007/02/hwd-wii.jpg>

seen over 10 million of these units shipped. Sony's PlayStation is behind in sales at around 5.5 million. The PS3 was launched in the UK in March. Those who wanted to own the machine on launch had to pay a premium price to get the new console - around £425. Sony cut the price of its 60Gb model to £349. In addition to this price cut, Sony is also announcing the launch of a new version of the PS3 - a 40Gb version for £299. This is the same price as Microsoft's Xbox 360. The new version is classed as an 'entry level' machine and seemed to have been released as a direct competitor to the Xbox. However, there are differences in the two machines which partly explain the price and which consumers will have to consider when making their choice.

The Xbox has a 120Gb hard drive - three times the capacity of the entry level PS3. The PS3, however, has wi-fi connectivity and a Blu-ray DVD player - both of which are not bundled with the Xbox. They are available but Xbox users have to pay extra to get these functions. In order to get the price lower, Sony has reduced some other features that appear on the higher priced models. The number of USB ports has been halved to two, there are no slots for a memory card and the machine will not play PS1 and PS2 games.

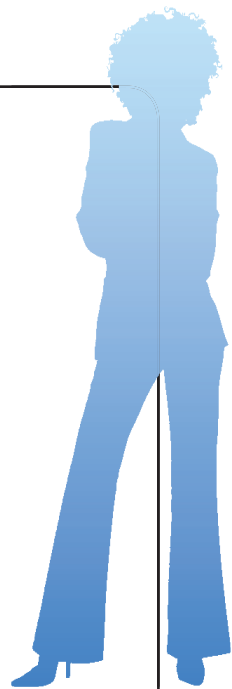
Source: Adapted from Biz/ed 'In the News' <http://www.bized.co.uk/cgi-bin/chron/chron.pl?id=2946>

Exam Practice #1



Sample

(15 marks)



Mark Scheme

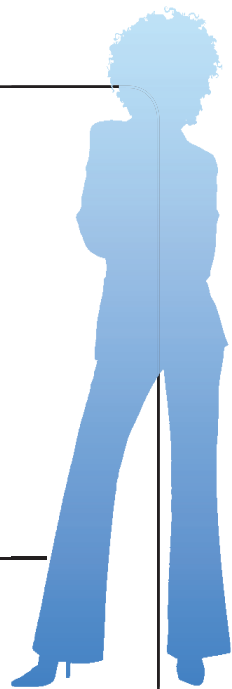
Total for this question: 40 marks

(a) Explain, with the aid of an example, what is meant by the phrase 'market share' (line 2).

	Content 2 marks	Application 2 marks
Level 2	2 marks Candidate demonstrates good understanding of market share	2 marks Candidate provides example to illustrate the term and may use a numerical example
Level 1	1 mark Candidate demonstrates some understanding of market share	1 mark Candidate offers limited example with little or no development

Market share is the percentage of the total sales in a market achieved by any one firm.

Sample

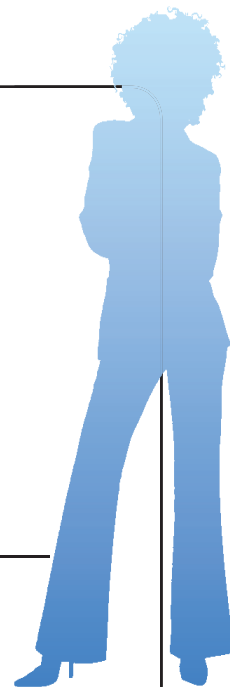


(b) Analyse the role of the marketing mix to a company like Sony. (9 marks)

	Content 2 mark	Application 3 mark	Analysis 4 marks
Level 2	2 marks Candidate identifies 2 relevant points or shows a good understanding of the marketing mix. All four elements are mentioned.	3 marks Candidate applies knowledge effectively. The case study information is used to good effect and the answer is clearly related to Sony.	4 – 3 marks Good analysis of the role of the marketing mix. The balance between the different elements is mentioned and explained.
Level 1	1 mark Candidate identifies a single relevant point or shows limited understanding of the marketing mix – not all elements will be mentioned.	2 – 1 marks Candidate makes attempt to apply knowledge. The answer will mention Sony but the case study will only be used in limited fashion.	2 – 1 marks Limited analysis of the role of the marketing mix. Development of points made will be simplistic.

Relevant answers might include the following:

- * Getting the balance of the marketing mix correct helps to meet consumer needs more effectively.
- * In developing the PS3 Sony will have had to balance the technology offered (product) with the cost of providing it which affects the price.
- * As with the Wii, Sony will have had to ensure that its distribution networks were effective – to get the product into the hands of the consumer.
- * Getting the right marketing mix helps other parts of the business – cash-flow for example.

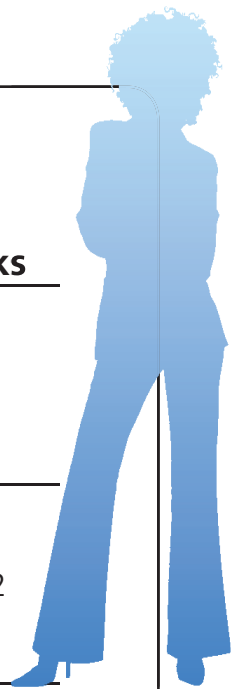


(c) Discuss the factors that might have influenced the decisions over the balance of the marketing mix for Sony's PlayStation3. (12 marks)

	Content 3 marks	Application 2 marks	Analysis 3 marks
Level 3	3 marks Candidate offers two relevant factors and shows good understanding of the marketing mix		
Level 2	2 marks Candidate offers two relevant factors or shows good understanding of the marketing mix or some combination of the two	2 marks Candidates answer firmly rooted in the case study on Sony and makes good use of the information provided	3 marks Good analysis of argument with points offered being well developed and using appropriate terms and concepts
Level 1	1 mark Candidate offers one relevant factor or shows some understanding of the marketing mix	1 mark Candidate makes little attempt to apply knowledge to Sony and does not make use of the information provided	2 – 1 marks Limited analysis of argument. Points made but only simple development provided

For Evaluation, you should award marks using the grid below.

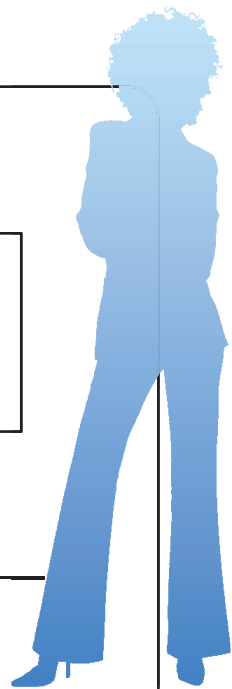
Note: Evaluation also assesses candidates' quality of written communication. When deciding on the level to be awarded, consider the degree to which the candidate orders and communicates his/her ideas.



Level	Descriptor	Marks
E3	Candidate offers a judgement and provides a clear justification in support. Ideas are communicated using a logical structure with appropriate use of terms and concepts. The quality of written communication is almost faultless.	4
E2	Candidate offers a judgement and some limited support. Ideas are communicated with some structure but the use of appropriate terminology and concepts will be more limited than that in E3. Quality of written communication will be of a good standard but with occasional errors.	3-2
E1	Candidate offers a judgement but does not offer any support for the judgement. Ideas are communicated in a simplistic way with little or no use of appropriate terminology and concepts. The quality of written communication is poor with frequent errors evident.	1

Relevant answers may include the following:

- * Sony will have had to consider the cost associated with developing the features of the PS3 and balance out the desire to provide high specification with the effect on price.
- * Sony will have been considering what features that their rivals will have been offering.
- * Sony will have been watching the market before it was released to see how its rivals fared.
- * The performance of the PS3 against its rivals after its release may have persuaded Sony to think about reducing the price.
- * Sony will have had to trade-off the lower price offered to customers with the lower spec of the entry-level machine.
- * Sony will have had to consider how much promotion its price cut would have required to make consumers aware.
- * Sony will have had to consider whether cutting its price would be interpreted that it was struggling to maintain sales in the face of its rivals. This might have had an impact on its image (but how much of an impact?).



(d) Nintendo had problems keeping up with demand during 2007. Capacity was stretched to the limit as it struggled to increase supplies. To what extent would you agree with the view that sound capacity management is essential to good customer service? (15 marks)

	Content 3 marks	Application 3 marks	Analysis 4 marks
Level 3	3 marks Candidate offers at least two relevant factors and shows good understanding of the nature of both customer service and capacity management		
Level 2	2 marks Candidate offers at least two relevant factors or shows some understanding of either capacity management or customer service	3 marks Candidates answer firmly rooted in the case study Nintendo or Sony and makes good use of the information provided	4 - 3 marks Good analysis of argument with points offered being well developed and using appropriate terms and concepts
Level 1	1 mark Candidate offers one relevant factor or shows some understanding of either capacity management or customer service but not both	2 - 1 marks Candidate makes little attempt to apply knowledge to either Nintendo or Sony and does not make use of the information provided	2 - 1 marks Limited analysis of argument. Points made but only simple development provided

For Evaluation, you should award marks using the grid below.

Note: Evaluation also assesses candidates' quality of written communication. When deciding on the level to be awarded, consider the degree to which the candidate orders and communicates his/her ideas.

Exam Practice #1

Level	Descriptor	Marks
E3	Candidate offers a judgement and provides a clear justification in support. Ideas are communicated using a logical structure with appropriate use of terms and concepts. The quality of written communication is almost faultless.	5-4
E2	Candidate offers a judgement and some limited support. Ideas are communicated with some structure but the use of appropriate terminology and concepts will be more limited than that in E3. Quality of written communication will be of a good standard but with occasional errors.	3-2
E1	Candidate offers a judgement but does not offer any support for the judgement. Ideas are communicated in a simplistic way with little or no use of appropriate terminology and concepts. The quality of written communication is poor with frequent errors evident.	1

Relevant answers may include the following:

- * Capacity management is important in maintaining supplies to ensure that customer demand is satisfied.
- * Frustration at not being able to get a product tends to alienate customers, make them suspicious of the businesses motives and is more likely to make them look elsewhere.
- * Capacity management requires flexibility to be able to meet changing or unexpected demand – Nintendo seem to have underestimated the strength of customer demand for the Wii.
- * Under-capacity of the type experienced by Nintendo might have an effect on its market share – especially if its rivals are managing to meet demand.
- * Under-capacity might mean Nintendo has to try and increase supply quickly – this might increase its costs.
- * Capacity management is for all the reasons mentioned, an important part of customer service but:
- * Customer service also relates to the quality of the product and how far it meets customer needs. The Wii seems to have managed to appeal to market segments outside that which might be expected.
- * Customer service is also about high standards of manufacture – the Wii might meet this requirement.
- * The way that Nintendo manages this current supply constraint will be important in maintaining customer confidence - this will be an important part of its customer service operations in the short term.