

Marketing mix and strategy

Level: Pearson Edexcel Level 3 Advanced GCE

Subject: Business (9BS0)

Exam Board: Edexcel A level Business students for all boards

Topic: Marketing mix and strategy

Type: Questionnaire

To be used by all students preparing for Pearson Edexcel Level 3
Advanced GCE Business (9BS0)

Q2.

Extract C

Marketing strategies in the airline industry

Spirit Airlines is one of the fastest growing airlines in the USA. However, it brings little to the new markets it serves. It operates fewer scheduled flights on existing routes in markets that already have many competing airlines.

Spirit Airlines' pricing strategy is not simply to undercut other airlines, but to offer a radically different pricing structure. Whilst it offers lower fares, customers have less legroom and there are additional charges for all extras, including luggage and boarding pass printing. Spirit Airlines does not use travel agents; customers can only book online.

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Emirates is one of the fastest growing airlines in the Middle East and Europe. It has always been clear about its market positioning. Emirates has established itself by offering a better product than many competitors, with a fantastic business class experience based on high specification aircraft and exceptional customer service.

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(Source: adapted from <http://www.eyefortravel.com/revenue-and-data-management/airline-pricing-and-high-growth-strategy-tactics>)

Assess the consequences to a business, such as Spirit Airlines, of only selling its tickets online.

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Extract B

Jack's is launched

Tesco, Britain's biggest supermarket chain, is preparing to launch Jack's, its own brand of discount stores. Tesco aims to take on the German discounters, Aldi and Lidl, that have both been increasing their market share in the UK.

Tesco is keen to emphasise Jack's 'Britishness. Advertising highlights that eight out of 10 products available in Jack's are grown, reared or made in Britain, which it claims is a higher proportion than at any other grocer. The intention is for Jack's also to be the "cheapest in town", said David Lewis, Tesco's Chief Executive. "The large scale of Tesco and the lower operating cost of Jack's allows us to be cheaper".

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The layout of each Jack's store has taken inspiration from Aldi and Lidl. For instance, in the centre is a promotion section consisting of 24 baskets and 48 products offered on a 'When it's Gone, it's Gone' basis, similar to 'Weekly Offers' found in Lidl.

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All advertising will be done locally, using leaflets, with promotions tailored to the local community.

(Source: adapted from <https://www.marketingweek.com/2018/09/19/tesco-jacks-discount-chain/>)

Extract C

Working at Aldi

Aldi staff mentioned 'work-life balance' in about 200 employee reviews completed worldwide. 'Long hours' were also mentioned in 110 reviews.

One anonymous employee said Aldi is pushing staff to work harder and longer: "The company will push you until you injure yourself or quit from exhaustion," he said. His claims were supported by a Store Manager: "As a manager I work my socks off with no reward or praise. Even after 11 years of service," he said. "Money, money and money. These are the only benefits for working for this company that does not think or care about managers like me who may prefer a bigger say in the way Aldi operates."

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Another Store Manager said that Aldi's "leadership culture is built on threats and pressure" and "Area Managers would benefit from listening skills to appreciate the problems we face."

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Despite negative reviews some employees praised Aldi for its great pay and benefits. "Serious responsibility. Unparalleled learning experience. Great car. Good pay," an Area Manager commented.

(Source: The Sun / News Licensing)

Assess the likely benefits to Jack's if it only advertises locally using leaflets.

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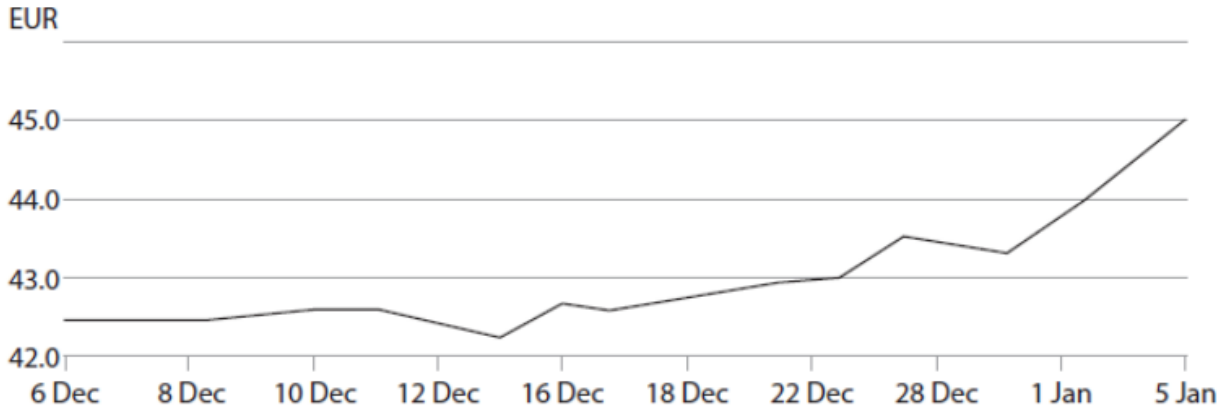
(Total for question = 10 marks)



Q4.

Extract A

The price of one gram of gold on world markets in euros (6 December 2019 to 5 January 2020)



Gold is one of the raw materials used in the manufacture of luxury watches.

(Source: adapted from <https://www.gold.org/goldhub/data/gold-prices>)

Extract B

The luxury watch market

Some of the fastest growing businesses in the luxury watch market are public limited companies (PLCs). An example is Swatch, the Swiss company that owns brands such as Omega and Tiffany. Swatch embraces the current trend of 'affordable luxury for all, where luxury products are aimed at mass markets. Its aim is to grow through expensive new product development, more stock, stores and sales.

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Private limited watch companies, such as Rolex can limit production and not have to answer to shareholders who demand growth. Rolex can control its growth and restrict its product range. This helps to build exclusivity and enables Rolex to charge over £10 000 for some models of watches.

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Luxury watches are expensive, so customers invest time and effort in researching the best price. Some retail stores attempt to justify high prices by giving customers a glass of champagne and additional attention by sales staff. While this approach still appeals to some customers, research suggests they feel that the item itself represents the luxury experience, not the process of buying it.

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The sale of luxury watches online is growing and made up of three areas. First are online sales directly from the companies who own the brands, such as Rolex. Second, the highest sales are made by retailers who can offer lower prices. These retailers usually purchase from luxury watch brand manufacturers at up to 50% below the recommended selling price, leaving room for discounting. Third, online sellers and buyers of pre-owned luxury watches.

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(Source: adapted from <https://www.forbes.com/sites/arieladams/2017/06/23/despite-consumer-demand-the-luxury-watch-industry-will-have-to-shrink-before-it-recovers/#3c79db0f2c75>)

Extract C

Hans Wilsdorf, the entrepreneur behind Rolex

When Hans Wilsdorf was born in 1881, wristwatches were mostly regarded as women's jewellery; no one believed it possible to make watches men would want. Aged 24, and despite the lack of support from his peers, he decided to take a risk and began his plan to deliver a modern watch, aimed at the male market.

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Wilsdorf described how, "while riding on the upper deck of a horse-drawn bus in the City of London, a genie whispered 'Rolex' in my ear". Rolex is a short word, easy to pronounce in every language, and easy to remember. Rolex had style and authority and looked clear on a watch face. Within days, Wilsdorf had registered the trademark.

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Rolex's reputation grew, and in 1919 it set up operations in Geneva, Switzerland. Wilsdorf inspired and persuaded the best craftsmen and engineers in Swiss watchmaking to work alongside him. He was a brilliant leader who believed that "Rolex must continuously strive to think and act differently from the rest. Therein lies its greatest strength," he declared.

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Wilsdorf insisted that each new watch should be a product of quality. For him, marketing was not just a way to gain sales, but a means of communicating his brand's reputation. Today, Rolex is a private limited company, owned by the Hans Wilsdorf Foundation, created before Wilsdorf died in 1960.

(Source: adapted from <https://pressroom.rolex.com/en/corporate/history-and-corporate/history-of-rolex.html> and <https://www.rolex.org/perpetual/the-man-behind-the-crown>)

Assess the likely importance of distribution (place) in Rolex's marketing mix.

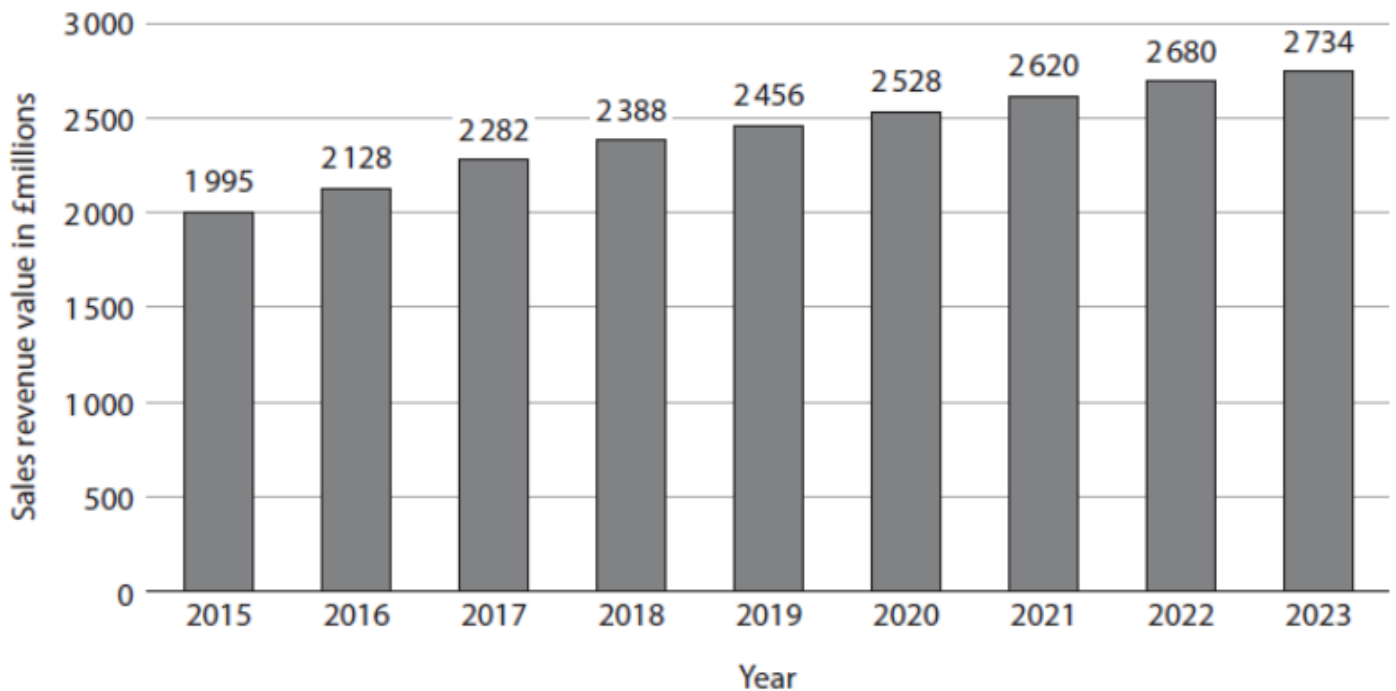
(12)

(Total for question = 12 marks)

Q5.

Extract A

UK sweet market revenue – actual and projected



(Source: adapted from <https://www.statista.com/outlook/40100200/156/sugar-confectionery/united-kingdom#market-revenue>)

Extract B

UK sugar sweets

Bags of sugar-based sweets are still popular in the UK's independent convenience stores. However, sales in the stores could be increased if they added 'better-for-you' options and dedicate space to kids' sweets. From lollipops to liquorice laces, convenience stores serve customers from school kids searching for a sweet snack, to pensioners with a desire for a 'pick-me-up!

Sugar confectionery is often bought on impulse and there is a trend for consumers to buy little and often, so convenience stores are ideally placed to increase sales. In 2018, £445m of sweets were sold in convenience stores, out of total UK sweet market of £2 388m.

Convenience stores can take full advantage of their independent status to shop around and stock new sweet products from suppliers. Stores have the freedom of choice to stock smaller niche brands, an opportunity to differentiate, given that consumers are now switching to cheaper own brand sweets.

(Source: adapted from <https://www.conveniencestore.co.uk/products-in-depth/hanging-with-the-big-gums/567533.article>)

Extract C

Bon Bon's sweet wholesaler

Bon Bon's, founded in 2007, is a confectionery wholesaler, led by Yorkshire businessman, Mark Rowntree, descendant of confectionery pioneer, Joseph Rowntree. In 2018, Bon Bon's opened an additional site in Yorkshire.

Bon Bon's supplies a range of confectionery, from Belgian chocolates to boiled sweets and specialist liquorices, as well as children's sweets such as 'Traffic Light Lollies' and 'Candy Necklaces. It repackages these sweets in small quantities and interesting packaging. Bon Bon's claims this selection is different to the mass-produced ranges found in the larger high street chains. Sweets are supplied to hundreds of high-quality independent retailers including farm shops, delicatessens and tourist attractions such as The British Museum, Tower of London and Stonehenge. Bon Bon's provides display units so these retailers can recreate the look of a traditional, old fashioned sweet shop.

"We are probably the UK's largest confectionery business, that still packs by hand. The additional space will allow us to provide more packing capacity in our existing unit and use our additional site as a distribution warehouse. Although we want to grow, we don't have mass market ambitions," said Rowntree. Bon Bon's has a total of 85 staff.

(Source: adapted from <http://www.bqlive.co.uk/food-drink/2019/01/11/news/healthy-outlook-as-latest-rowntree-confectionery-entrepreneur-expands-into-new-scheme-34762/> and <https://www.bonbons.co.uk/traditional-sweets/>)

Bon Bon's has identified 'Traffic Light Lollies' as being a 'dog' in its product portfolio. Assess the possible consequences for Bon Bon's continuing to sell 'Traffic Light Lollies'.

(12)

(Total for question = 12 marks)



Q6.

Extract A

Maltesers take top spot in UK chocolate market in 2015

Position	Brand	Manufacturer	52 weeks to 14/09/14 revenue in £m	52 weeks to 13/09/15 revenue in £m
1	Maltesers	Mars UK Ltd	47.1	49.7
2	Cadbury's Dairy Milk (CDM)	Mondelēz International	53.4	44.6
3	Galaxy	Mars UK Ltd	33.7	36.6
4	Snickers	Mars UK Ltd	33.8	35.0
5	Mars Bar	Mars UK Ltd	30.5	29.6
6	M&Ms	Mars UK Ltd	21.3	25.1
7	CDM Buttons	Mondelēz International	23.4	23.7
8	Twix	Mars UK Ltd	24.4	22.9
9	Twirl	Mondelēz International	20.7	22.5
10	Kinder Surprise	Ferrero Ltd	19.7	22.0

Using the data in Extract A, assess two benefits of branding for a chocolate manufacturer, such as Mars UK Ltd.

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Q7.

Extract E

Get on your bike

Northfield Cycles (NC), Birmingham, was established in 1996 by Richard Tranter, a semi-professional cyclist. It has gone from strength to strength as a retailer, repairs and servicing centre.

In 1996, unemployment in the region was growing because of the gradual closure of the Rover car manufacturing plant in nearby Longbridge. NC flourished thanks to cheap overheads but especially given the demand from locals on low incomes. Cars, it seems, were being exchanged for bikes.

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Initially Richard sold an average of 20 bikes a week, growing to 20 bikes a day in the summer of 2012. Sales were boosted by Bradley Wiggins winning the Tour de France and the successes of the Great Britain Cycling Team at the London Olympics.

10

NC sold an average of £40,000 worth of bikes per week. Sales then experienced phenomenal growth in 2019 because of UK Government schemes and the closure of a competitor, Action Bikes, in Longbridge.

(Source: adapted from interview with Richard Tranter, Joint Proprietor/
Manager of Northfield Cycles, November 2020,
[http:// northfieldcycles.co.uk](http://northfieldcycles.co.uk) and <https://www.britishcycling.org.uk>)

Extract F

Northfield Cycles stock from the Far East

Since opening in 1996, Richard has sold popular brands such as Giant, Scott, GT and Raleigh. This means that 95% of the bikes, helmets, clothing and equipment are manufactured in China, Taiwan, Vietnam and Malaysia, with the remaining 5% from Europe, mostly Germany.

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The majority of bikes sold at NC are priced between £900-£1100, though they can sell at anything from £90 to £24,000.

The product life cycle of a high performance Giant bike can be as short as 12 months, which means that discounts become a common sales feature at NC.

(Source: adapted from interview with Richard Tranter, Joint Proprietor/ Manager of Northfield Cycles, November 2020)

Extract G

'Cycle To Work' and 'Fix Your Bike' schemes

The updated June 2019 Cycle To Work scheme allows employers to provide funding for bikes and equipment worth up to £10,000, including electric bikes (e-bikes).

The Department for Transport said that the changes were made to promote the increased use of e-bikes to help tackle congestion, speed up commutes and cut travel costs, as well as reduce air pollution in cities.

5

In 2020 the UK Government launched its Fix Your Bike scheme - a scheme that saves customers up to £50 on bike repairs.

(Source: adapted from <https://www.cyclingweekly.com/news/product-news/e-bike-cycle-work-scheme-without-1000-limit-launched-uk-government-426596> and <https://www.cyclescheme.co.uk/>)

Extract H

Expansion plans at Northfield Cycles

In April 2020, Richard approached architects, Slaters Ltd of Dudley, to prepare expansion plans for NC.

Plan A

To remove existing walls and partitions, extending the shop by 25 m². Upgrade the basement of the premises to become the workshop for bike repairs and servicing. The net present value for this project is £4,989 given a 10% discount rate.

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Plan B

To build an extension to the rear of the premises, extending the shop by 40m². Completely refit the basement of the premises to become a high-tech workshop for bike repairs and servicing, to include e-bikes.

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The predicted net cash-flows were as follows:

Year	Plan A, £000s	Plan B, £000s
0	(12)	(60)
1	3	12
2	4	15
3	5	20
4	6	26
5	5	28

Discount rates table for 10% interest rate	
Year 1	0.909
Year 2	0.826
Year 3	0.751
Year 4	0.683
Year 5	0.621

(Source: adapted from interview with Richard Tranter, Joint Proprietor/ Manager of Northfield Cycles, November 2020)

(a) Assess **two** pricing strategies Richard could use at Northfield Cycles.

(8)

(Total for question = 8 marks)

Q8.

Sony launches PlayStation 4 (PS4) at a price close to cost

The video games console market is very dynamic. There are three main console manufacturers: Nintendo, Sony and Microsoft. A console war started in November 2013 when Sony launched the PS4, followed one week later by the release of Microsoft's Xbox One.

Experts consider the PS4 to be the most powerful video games console ever produced. The global mark-up per console is surprisingly low at 4.2%.

5

Component costs	US dollars (\$)
Electrical components	348
Controller	18
Box contents	6

(Source: adapted from <http://allthingsd.com/20131119/teardown-shows-sonys-playstation-4-costs-381-to-build/>)

Using the data, calculate the UK retail price of a PS4 to the nearest pound if the exchange rate is £1 = \$1.68. You are advised to show your working.

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Q9.

Vi-Spring focuses on growth

Vi-Spring manufactures beds and mattresses. It has a global reputation for high-quality manufacture and one of its models, The Monarch, is the sixth most expensive bed in the world, selling at £80 000 in niche markets.

Vi-Spring beds are produced using the finest materials including British Shetland wool. Each bed contains several thousand springs and the stitching is completed by a skilled and motivated craftsman, with the cotton fabric being woven with silk and gold. Nearly all of the raw materials used to produce the bed are sourced within the United Kingdom, and this helps Vi-Spring to maintain its strong branding and high levels of market orientation.

The Monarch has many famous owners including David Beckham. Vi-Spring's market focus has been in the USA and the UK. It has now started to sell an increasing number of beds to customers in countries with high economic growth rates, such as China and India.

(Source: OVI-SPRING Ltd)

Explain how Vi-Spring could be disadvantaged by operating in a niche market.

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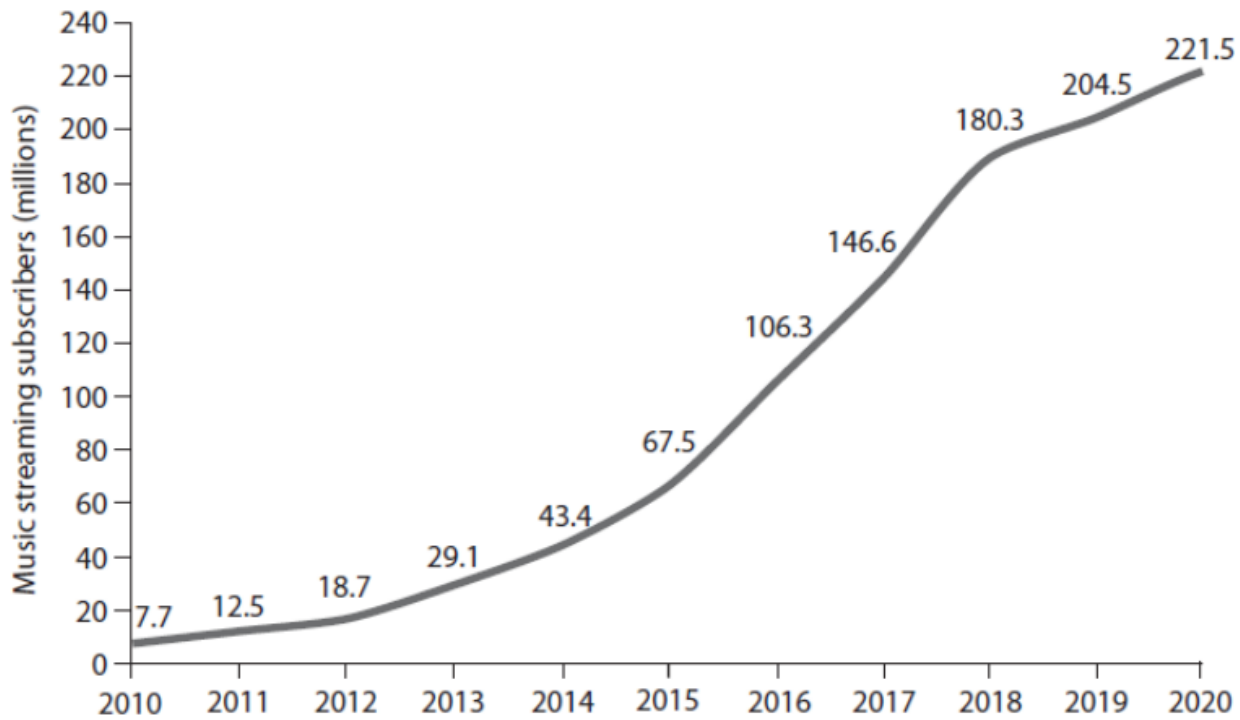
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Q10.

Extract A

Music streaming subscribers 2010–2020



Between 2010 and 2011, the number of music streaming subscribers grew by 62.34%.

- The data between 2018–2020 is forecast/projected.

(Source adapted from: © 2018 Midia Ltd)

Extract B

The music subscription market in Europe and North America 2017

Habits of music consumers have changed, as they are streaming music now instead of downloading it. Consumers are increasingly listening to music at home, by using Amazon Echo or Google Home, rather than through smartphones or laptops.

Five music subscription services were launched between 2015 and 2017, but none of these made a profit. However, businesses such as Apple, Google and Amazon can afford to operate music services at a loss.

Product development is a feature of the market. Music acts such as Coldplay and Deadmau5 have already embraced virtual reality (VR) with immersive music videos, where viewers can be part of the video.

Spotify, the largest music streaming service by number of users in the US and Europe, was launched in 2008. Its latest strategy is to add short video clips to its playlists. The clips are aimed at tempting listeners to purchase Spotify's new subscription video service. This is crucial because its existing streaming service continues to make losses.

A typical music streaming business pays over 70% of its subscription revenue to record labels and publishers. Video streaming enables Spotify to gain additional revenue from advertising. In 2018, Spotify needed to make profits as it planned to be a public limited company, through a stock market flotation.

Spotify's rival, Apple Music, has taken a different approach to video streaming, signing artists such as U2 for millions of dollars to stream exclusively for its 27 million subscribers.

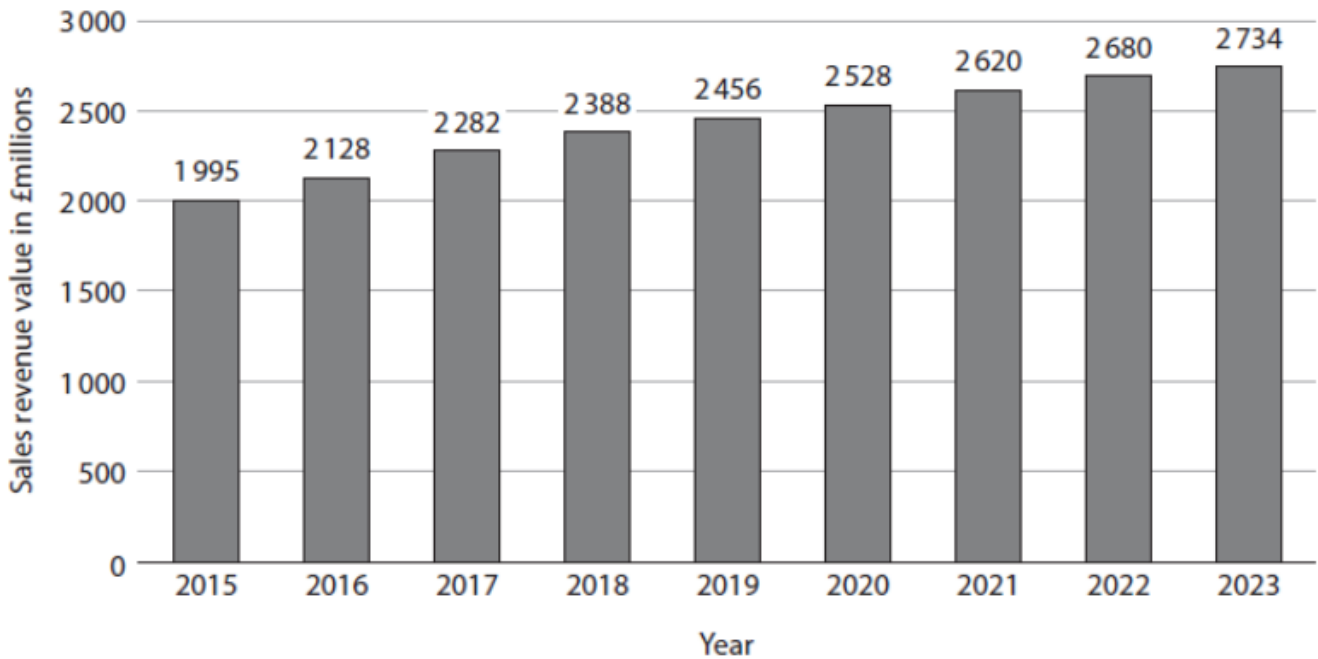
(Sources based on: © 2018 Billboard and © 2018 Mansueto Ventures, LLC)



Q11.

Extract A

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Extract B

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Extract C

Bon Bon's sweet wholesaler

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Bon Bon's is currently a business to business (B2B) company with an objective to increase profitability. To do this, Bon Bon's could either increase sales as a B2B company, or become a business to customer (B2C) company.

Evaluate these two options and recommend which one is more likely to improve Bon Bon's profitability.

(20)

(Total for question = 20 marks)

Q12.

Extract H

Ryanair partners Air Europa to the Americas

In May 2017, Ryanair announced a partnership with Air Europa. This enables its 130 million customers to book Air Europa long-haul flights on the Ryanair.com website. UK customers are able to browse and book Air Europa flights on 20 long-haul routes from Madrid to a number of countries in North, Central and South America. The main competitors on these routes are Spain's Iberia and Vueling airlines.

	UK	Argentina	Brazil	Cuba	Mexico	USA
GDP (\$) per capita 2016	43 200	20 100	15 200	11 900	18 900	57 600
GDP growth 2016 %	1.8	(2.0)	(4.2)	(1.2)	2.3	1.5

© Ryanair DAC 2018

For long-haul flights to the Americas, Ryanair and Air Europa could use competitive pricing or a penetration pricing strategy to maximise profit.

Evaluate these two pricing strategies and recommend which one should be used by Ryanair and Air Europa to maximise profit.

(20)

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Q13.

Extract E

Pfizer merges with Allergan

In 2015, American healthcare business, Pfizer, announced a merger with Irish Botox maker, Allergan plc, in a deal worth \$160bn. The merger created the world's largest producer of drugs and shifted Pfizer's headquarters to Ireland - a member of the European Union. Its headquarters are in Dublin; the business also manufactures in Cork and Sligo. This was the biggest ever instance of a US company relocating its headquarters overseas in order to lower its taxes.

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The deal provided access to about 70 additional worldwide markets for specialist Allergan products, such as Botox wrinkle treatment, Alzheimer's drug Namenda and dry-eye medication Restasis. It was not known at that time how many jobs would be lost as a result of the merger.

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For 166-year-old Pfizer, Allergan was the fourth merger or takeover in the previous 15 years, following the purchases of Warner-Lambert, Pharmacia and Wyeth. Pfizer made profits of \$9.135bn in 2014. This also caps a record year for global healthcare mergers, taking their total value in 2015 to more than \$600bn.

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(Source: adapted from <http://www.reuters.com/article/us-allergan-m-a-pfizer-idUSKBNOTBOUT20151124>)

Explain how Pfizer could benefit from using a price skimming strategy.

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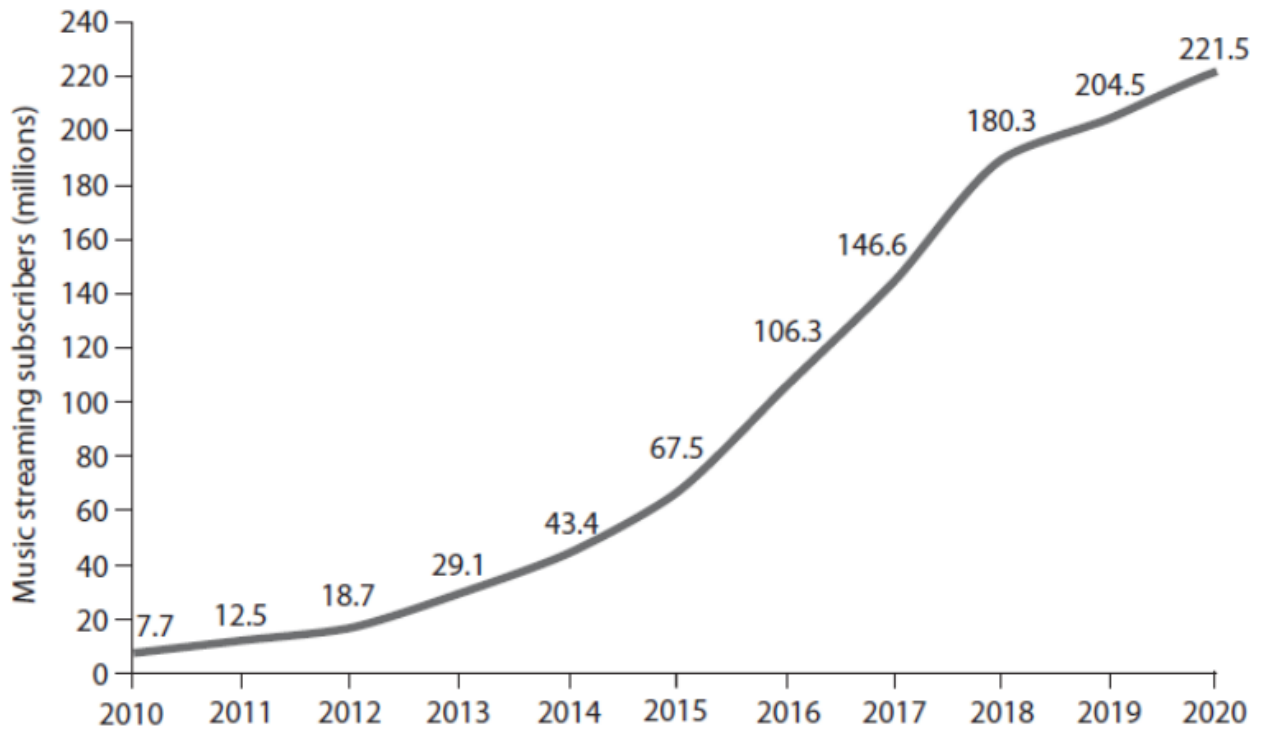
(Total for question = 4 marks)



Q14.

Extract A

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Extract B

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(Sources based on: © 2018 Billboard and © 2018 Mansueto Ventures, LLC)

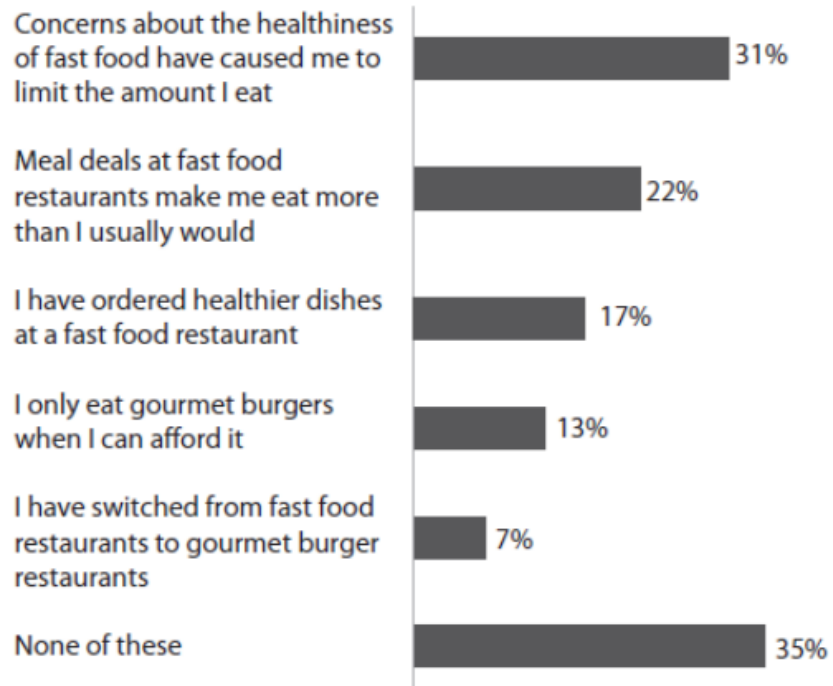


Q15.

Extract B

Eating behaviours at fast food restaurants

Which of the following statements, if any, apply to you?



(Source: adapted from © 2017 All rights reserved built by interconnect/it)

Q18.

Extract A

Sony launches PlayStation 4 (PS4) at a price close to cost

The video games console market is very dynamic. There are three main console manufacturers: Nintendo, Sony and Microsoft. A console war started in November 2013 when Sony launched the PS4, followed one week later by the release of Microsoft's Xbox One.

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(Source: adapted from <http://allthingsd.com/20131119/teardown-shows-sonys-playstation-4-costs-381-to-build/>)

Extract B

China lifts the ban on video games consoles

In 2014, the Chinese government removed its ban on the manufacture and sale of video games consoles. The decision gave Microsoft, Nintendo and Sony access to the potentially lucrative Chinese market. Analysts believe that sales of video games consoles in China could reach \$13bn and that the Chinese Government's decision to liberalise the video games console market in the country had created 'significant opportunities for the major console manufacturers.

5

Kazuo Hirai, the Managing Director of Sony, stated that China's large population of young people, together with rising incomes will result in China becoming an important growth market. However, he believed positioning the brand will be an important factor in allowing Sony to generate sales at the expense of its competitors.

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(Source: The Guardian)



EXAM PAPERS PRACTICE

Evaluate the importance of branding in helping businesses such as Sony to enter the Chinese games console market.

(20)