

Centre Number						Candidate Number				
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For Examiner's Use	
Examiner's Initials	
Question	Mark
1	
2	
3	
TOTAL	



General Certificate of Education
Advanced Level Examination
June 2012

Applied Business

BS11

Unit 11 The Marketing Environment

Thursday 14 June 2012 1.30 pm to 3.00 pm

You will need no other materials.

Time allowed

- 1 hour 30 minutes

Instructions

- Use black ink or black ball-point pen.
- Fill in the boxes at the top of this page.
- Answer **all** questions.
- You must answer the questions in the spaces provided. Do not write outside the box around each page or on blank pages.
- Do all rough work in this book. Cross through any work you do not want to be marked.

Information

- The marks for questions are shown in brackets.
- The maximum mark for this paper is 80.
- Questions 1(c), 2(c) and 3(b) should be answered in continuous prose. In these questions you will be marked on your ability to:
 - use good English
 - organise information clearly
 - use specialist vocabulary where appropriate.



J U N 1 2 B S 1 1 0 1

Answer **all** questions in the spaces provided.

1 Read **Item A** and then answer the questions that follow.

Item A

Made in China

The majority of toys sold by market leading businesses, such as *Mattel* based in the USA, are made in China. For example, *Mattel* will ask toy manufacturers to produce accessories for its range of Barbie™ dolls. These toy manufacturers have developed a high level of expertise in producing toys that meet the requirements set by businesses such as *Mattel*. In the past, low wage rates meant that toy manufacturers in China could keep their costs down and continue to receive profitable orders from *Mattel* and other leading toy businesses.

However, between 2006 and 2010, a number of factors reduced the profits of toy manufacturers in China:

- the Chinese currency (Yuan) appreciated against the USA Dollar
- the cost of raw materials, used to make and package toys, increased
- there was a fall in demand for toys caused by increased unemployment in the USA and Europe
- as the Chinese economy developed and other employment opportunities became available, the number of people willing to work in toy manufacturing declined and higher wages had to be paid to attract workers.

If Chinese manufacturers increase their prices, *Mattel* and other leading toy businesses could take their orders elsewhere, eg Thailand or Vietnam. In this highly competitive environment, product development is one of the few ways in which toy manufacturers in China could put themselves in a position to negotiate higher prices.

The future of the toy manufacturing industry in China may well be in China itself. By branding and selling their own products in China, rather than supplying toys to overseas businesses like *Mattel*, some manufacturers believe that they can increase their profits. With wages increasing in China, families have higher levels of disposable income. However, toy manufacturers in China have little experience of marketing their own toys directly to Chinese consumers.



1 (a) Using **Item A**, explain **two** ways in which changes in the economic environment could have **reduced** the profits of Chinese toy manufacturers.

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1 (b) Using **Item A**, explain why product development might be important for the future success of toy manufacturers in China.

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2 Read **Item B** and then answer the questions that follow.

Item B

Giochi Preziosi

Founded in 1977, *Giochi Preziosi (GP)* started trading in Italy as a distributor of cheap imported toys. The business grew through a series of takeovers of European retail chains and licensing agreements, for example, printing the 'Hello Kitty' logo and images on its school bags. By 2009, 77% of *GP*'s sales came from Italy and 21% from the rest of Europe. The business operates four divisions:

- **Toys Italy** – developing, manufacturing and distributing *GP* toys in Italy
- **Italian Retail** – toy stores based in Italy, where it is the market leader
- **International Retail** – toy stores based in the rest of Europe, USA and China; it has yet to gain a significant share of the markets in the USA and China
- **Diversified Products** – including stationery, clothing, sweets and childcare products; these products are sold mainly in Italy.

GP exploits the value of its licensed brand names and logos by placing these on the packaging and body of its diversified products. For example, popular brands, such as 'Hello Kitty', are displayed on *GP*'s school bags and chocolate eggs.

In 2010, *GP* was the fifth largest toy company in the world with total sales of €996 million. By 2015, it aimed to increase total sales to €2000 million. *GP* planned to achieve this through takeovers and continued growth in all four of its business divisions.

Figure 1 is not reproduced here due to third-party copyright constraints.

Source: www.giochipreziosi.com



2 (a) Using **Figure 1**, explain **how** *GP* has benefited from market development.

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2 (b) Using **Item B**, analyse the **weaknesses** of *GP*'s market position.

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3 Read **Item C** and then answer the questions that follow.

Item C

Wicked Vision

Photo of a boomerang is not reproduced here due to third-party copyright constraints.

Wicked Vision is a UK toy business owned by David Strang. The business started in 2000 by importing toy boomerangs from Australia and retailing them in the UK. At the time, the boomerang was an unusual toy and David Strang wrote some articles, published in a London newspaper and a national newspaper, to publicise the product.

The toy boomerangs proved to be popular, and the business now manufactures its own range of boomerangs and other products using the 'Wicked' brand name. By 2010, *Wicked Vision* stocked 50 other products, including balls, kites and gliders, lightweight travel games (including chess and draughts) and logic puzzles. However, boomerangs still remained the most popular items.

Wicked Vision demonstrates its products at trade exhibitions and within toy stores. In addition it also makes extensive use of the Internet to market its products. The business has its own website, and Twitter, Facebook and YouTube pages that allow *Wicked Vision* to demonstrate its products and to communicate with its customers. In a 2010 interview, David Strang, when asked about the future plans of *Wicked Vision*, said:

Quotation is not reproduced here due to third-party copyright constraints.

Sources: www.wickedvision.com and www.smallbusiness.co.uk



3 (a) Using **Item C**, analyse the marketing benefits to *Wicked Vision* of using the Internet to communicate with its customers.

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3 (b) *Wicked Vision* wants to widen the ‘Wicked’ brand by launching more products and increasing its customer base.

Recommend how *Wicked Vision* could carry out research to identify the best way of developing its market. Use **Item C** to justify your answer.

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