

Questions 1 to 6 relates to the scenario below.

Figure 1

Scenario – Sony Computer Entertainment Inc (SCEI)

SCEI produces and markets the PlayStation games consoles. SCEI has been a global leader of consumer-based computer entertainment for more than a decade. It is often at the forefront of new computer technologies, such as the use of advanced 3D graphics in computer games. With its second major development of the PlayStation, PlayStation 2 (PS2), it captured 70% of the market against very aggressive marketing from its two major competitors, *Microsoft* and *Nintendo*.

2006 and 2007 saw the launch of the new generation of computer consoles from these three world players. When designing the consoles, technology is a major issue in terms of what facilities are being provided because new communication and computer technologies are being developed so rapidly. Customers now expect that games consoles will also have CD, DVD, wireless and advanced graphics and playability as standard. The product needs to be right, but the correct marketing is also a major factor in ensuring success.

The new PlayStation 3 (PS3) had features not offered by its competitors. In the UK and Europe SCEI planned the launch for the end of 2006. Problems with obtaining some parts delayed this until March 2007. This gave the *Microsoft* Xbox 360 more than a year to capitalise on its launch and the *Nintendo* Wii a three month advantage.

Price was also a potential issue. The Xbox 360 was launched in the UK at £280, the *Nintendo* Wii at £179, and the PS3 at £430. Luckily, PlayStation has many loyal customers, who were prepared to wait for the launch and to pay the high price. This helped ensure that the PS3 achieved the highest two-day launch sales for any console in the UK, 165,000 compared to 71,000 for the Xbox 360 and 105,000 for the Wii.

Some expert commentators believed that the delayed launch and the high price would mean sales would rapidly drop following the launch and that the price would have to be lowered considerably to attract other customers. There were also problems with compatibility which meant that some games that could be played on the PS2 could not be played on the PS3.



1. SWOT and PEST analyses are used to assess the position of a business in the market at a specific time.

(a) (i) Using **Figure 1**, identify a strength, weakness, opportunity and threat that would relate to *SCEI*'s launch of the PS3 in March 2007.

Strength

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Weakness

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Opportunity

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Threat

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(4)

(ii) Why is each of your choices in (i) a strength, weakness, opportunity or threat for *SCEI*?

Strength

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Weakness

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Opportunity

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Threat

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(4)



(b) Explain why the sociological aspect of PEST is so important in terms of marketing for *SCEI*.

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(4)

(Total 12 marks)

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Q1



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2. It has been a common practice, with the launch of new consoles, to use skimming as a pricing policy. However, in April 2007 typical prices for the three main new consoles were very similar to their launch prices.

(a) Discuss the characteristics of the market, shown in **Figure 1**, that would suggest skimming would have been a good pricing policy for *SCEI* when launching PS3.

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(7)

The *Microsoft* Xbox 360 was launched in the UK a year in advance of both the Wii and the PS3.

(b) Explain the likely strategic reason why *Microsoft* had not lowered the price of the Xbox 360 in the UK by April 2007.

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(3)

(Total 10 marks)

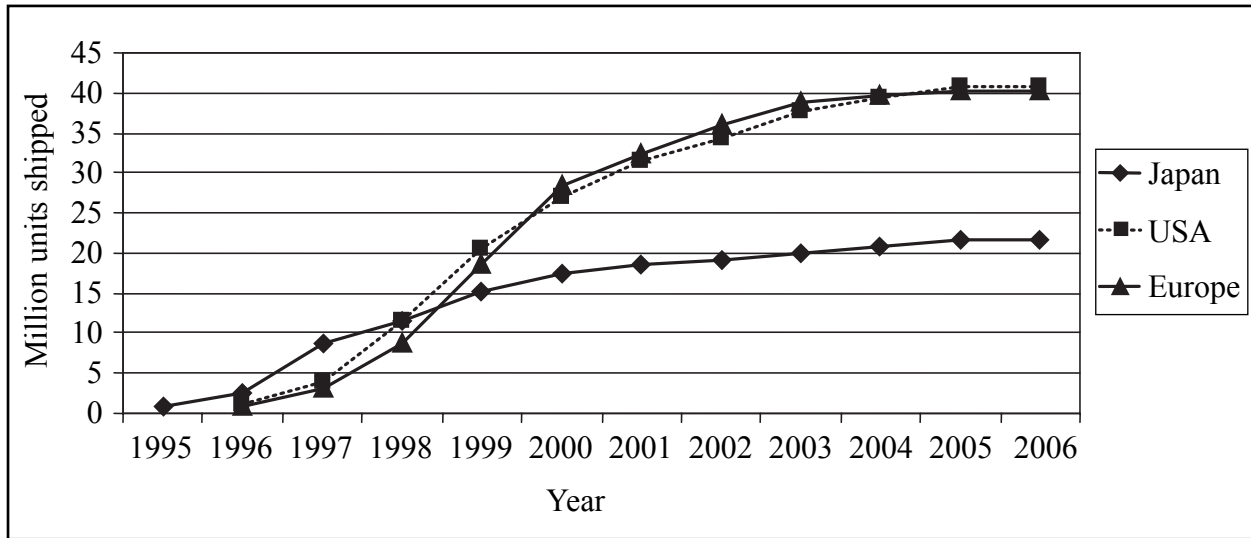
Q2

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3. **Figure 2** shows the shipment of the PlayStation consoles from 1995 to 2006. The figure for Japan includes shipment to Asia.

Figure 2 – Production and shipment of SCEI's PlayStation Hardware (million units)



Source: Adapted from PlayStation website.

Figure 2 also represents product life cycles for the three different markets.

(a) For the Europe product life cycle, name the stages for the following years.

1996

1997

1998–1999

2005–2006

(2)



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(b) Explain how **Figure 2** confirms that the decision by *SCEI* to enter the USA and European markets in 1996 was a sound business decision.

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(6)

(c) With reference to **Figure 2**, why was an extension strategy needed?

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(3)

(d) With reference to **Figure 1** on **Page 2**, explain why the extension strategy chosen by *SCEI* was likely to be a success.

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(4)

(Total 15 marks)

Q3

7

Turn over



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4. Initially, in 1995, PlayStation consoles were only sold in Japan, but in 1996 *SCEI* decided to develop its markets in the USA and Europe.

(a) Why was this decision to develop its markets in the USA and Europe a strategic marketing decision rather than a tactical one?

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(4)

(b) Examine **two** likely changes that would need to have been made to elements of the marketing mix in order to successfully develop these markets.

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(6)

Q4

(Total 10 marks)



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5. *SCEI's* largest market in Europe is the UK. To ensure that this market is well understood market research needs to be carried out.

(a) Justify a suitable secondary source that *SCEI* could use to find out about the potential UK market.

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(4)

In June 2007 *Nintendo* released a computer game in the UK called *Brain Age* specifically targeted at the 45+ age group, but it is also being played by younger age groups.

(b) Explain how the use of quota sampling in the UK would help *SCEI* to decide for which age group it would be most cost effective to produce a similar game.

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(6)

Q5

(Total 10 marks)



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6. *SCEI* operates in a global market and it is therefore affected by the macro marketing environment. At the beginning of April 2007 PS3 consoles were available for sale in the UK at £430 but they were also available in Hong Kong for just £250 and Japan for just £260.

(a) Why were the prices in the UK and Hong Kong so different?

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(3)



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Questions 7 and 8 are based upon your own investigations of real marketing campaigns that you have studied during your course.

7. With reference to **one** real UK or multinational business which has used a street survey in order to collect primary market research data on its good or service, answer the following questions.

Name of the business

Name of the good or service

(a) State the town or city the research was carried out in.

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(1)

(b) Discuss the type of sampling that was used when selecting who to survey.

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(3)

(c) Explain how the data collected was used to improve the good or service provided by the business.

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(6)

(Total 10 marks)

Q7



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8. With reference to **one** real UK or multinational business that has a good or service in the 'dog' section of the Boston Matrix, answer the following questions.

Name of business

(a) Name the good or service. (1)

(b) Analyse why this good or service is in this position on the matrix.

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(c) Explain **one** marketing action that this business is taking because the good or service is in this position on the matrix.

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(Total 10 marks)

Q8

TOTAL FOR PAPER: 90 MARKS

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