

Case study 9

Chapter 24: The role of marketing

Chapter 25: Marketing planning

Twinkle Lights Ltd

Chen Liao has a small company selling festive lights. These are outsourced from a manufacturer in China that makes lights according to Twinkle's specifications and then packs them under the Twinkle brand. Although this has always worked well for Twinkle Lights, due to the weakness of the Chinese currency, Chen is a little worried about recent political attempts to protect the local market from cheap Chinese imports. He estimates that he has 2% of the local market, but competition is fierce. He orders once a year in order to gain purchasing economies of scale.

After a night out with friends, Chen came up with an idea for a new product: festive, cordless LED toilet seats. He is convinced that this will be a success if marketed as a premium-priced gift. He has therefore contacted his manufacturer in China and arranged for 10,000 toilet seats to be produced. He needs a loan to pay for them. One of his friends, manager of the marketing department of a big local company, has now told Chen that he should really have done some market research. He said that products resulting from market-oriented marketing have more chance of success than those resulting from product-oriented marketing. As a result of this, Chen went on the internet and looked up 'festive LED toilet seats'. He did not find any, but found other LED toilet seats. Nevertheless, he considered that his idea had a USP, so he decided to do some market research. He sent his sister to do a survey of 50 people in the local market one Thursday morning.

In the meantime, his annual order for festive lights is needed. He looks at the sales for the last three years in order to estimate what his needs may be for the coming year. Sales of lights have increased every year but he finds it hard to anticipate possible demand. The problem is that if he orders too many they may have to be in stock for long periods and sometimes they deteriorate. If he orders too few he may miss potential sales. He has therefore collected sales data for the last four years in order to help him to do a quantitative forecast.

Quarterly sales of Twinkle Lights 2007–2010

Year	Quarter	Sales \$000
2007	1	20
	2	120
	3	800
	4	150
2008	1	27
	2	127
	3	850
	4	158

2009	1	32
	2	132
	3	900
	4	160
2010	1	33
	2	134
	3	950
	4	165

SL questions: 20 marks, 35 minutes

- 1 Define the term 'purchasing economy of scale'. (2)
- 2 Calculate the size of the local festive lights market. (4)
- 3 Comment on the weaknesses of Chen's market survey. (5)
- 4 What is meant by 'product-oriented marketing'? (2)
- 5 Evaluate Chen's new product, taking account of internal and external factors. (7)

HL questions: 25 marks, 45 minutes

Graph paper is needed.

- 1 Explain what a USP is. (2)
- 2 Calculate the size of the local festive lights market. (4)
- 3 Calculate the 8-point seasonal average sales and seasonal variation for sales of Twinkle lights. (9)
- 4 Graph the results from question 2 and use this to estimate the first quarter sales for 2011. (6)
- 5 Explain **two** reasons why ordering 10,000 festive LED toilet seats may not have been a good business decision. (4)