



**Diploma Examination
Unit 1: The Global
Business of Wine**

UNIT 1: THE GLOBAL BUSINESS OF WINE	WED 12 MARCH 2008 9.30 pm – 10.30 am
THEORY	ALL APPs

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Please complete the registration details below clearly in BLOCK CAPITALS

NAME OF EXAMINATION APP	DATE
APP NUMBER <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/>	CANDIDATE NUMBER <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/>

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INSTRUCTIONS TO CANDIDATES

Please read carefully

- ? The examination is based on a case study which has been issued to you in advance.
- ? The question in this paper is compulsory.
- ? All sections of this question are to be completed.
- ? Mark each sheet with your candidate number.
- ? This question carries 100 marks and accounts for 75% of the total marks available for Unit 1.

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CASE STUDY:

Supermarkets – friend or foe?

The business profile of the UK's major supermarkets has changed enormously over the past 10 years. There is now no doubt that they are becoming increasingly powerful in terms of their position compared with other sectors of the wine and spirit trade. Approximately 70-75% of all wine consumed in the UK is currently sold through the off-trade, with around 73% of this sold by the supermarkets. This has led many to question how this position of dominance has come about.

The impact of this dominance is being felt in all sectors of the wine and spirit trade and by consumers themselves. Whilst some would argue that UK supermarkets have been instrumental in increasing wine sales in general, others would add that this has been at the expense of a potential threat to the wine and spirit industry as a whole, and is not necessarily always to the benefit of the consumer. The effects of this market dominance are felt through all stages of the supply chain, from production itself up to point of sale.

There are clearly advantages for the consumer in purchasing wine from the supermarkets with pricing a key driving force. However, the fierce discounting that is currently so prevalent has also been the subject of considerable controversy, with claims of "misleading" half price discounts in some supermarkets and allegations of "below cost" selling. The implications of such practices are widespread and are not limited to the consumer. To attribute the success of the supermarkets' dominance in wine and spirits sales solely on discounting is perhaps an oversimplification, as there are clearly other advantages for the consumer but also inevitable drawbacks that need to be considered.

The concept of supermarkets as "friend or foe" is clearly one that generates plenty of debate and many will be keen to see how this plays out in the next few years.

The following question is compulsory.

It should be answered in its entirety on the answer sheets enclosed.

Answers should be presented in the format of a written assignment, with clear structure and subdivisions as described in the Candidate Assessment Guide.

Supermarkets – friend or foe?

- Give an account of the evolution of wine and spirit retailing in the UK supermarket sector over the past 10 years. How have supermarkets achieved their current dominant position? Statistical evidence should be used to provide an overview of UK off-trade sales. (25% weighting)
- What effects has this domination had on the drinks industry, from production to point of sale? (45% weighting)
- Discuss the benefits and drawbacks of the current position for the consumer. In your view, can the supermarkets maintain their dominance or is there evidence of a shift in public opinion? (30% weighting)

Candidates may use any of the following additional information in support of their response to the questions above as appropriate. However, examiners will be looking for evidence of clear understanding and analysis rather than simply paraphrasing these:

80% : Percentage of Constellation wines sold at half price.

£3.99: The 'magic price' threshold for a bottle of wine - 60% of new world wine sold in Britain is £3.99 or less

60% : Percentage of wine in Britain that is sold through supermarkets, where there are accusations of bogus half-price deals

66p: The power of supermarket discounting: this is the equivalent price per pint of Foster's lager in the supermarket. It costs on average £2.25 in a pub

Source: The Guardian Newspaper