

**Answer EITHER Question 1 OR Question 2.
Write your answers in the spaces provided.**

If you answer Question 1 put a cross in this box .

Evidence for use in answering Question 1.

Evidence A

Champagne beware: here comes a Sussex sparkler

On the edge of the South Downs is Nyetimber, the vineyard that has almost single-handedly transformed the reputation of English wines. In less than 20 years it has gained a reputation amongst experts as one of the world's best sparkling wines. Other vineyards have sought to copy its success.

Eric Heerema, the owner, plans to increase production from 70,000 bottles a year to more than 500,000 within six years. He has planted an extra 150 acres of vineyard. Due to the huge investment he is not expecting a profit until 2012. For Heerema the profit motive is secondary. 5

Nyetimber's Classic Cuvée 1998 was voted the best sparkling wine outside of the Champagne district in the 2006 International Wine and Spirit competition. It has regularly beaten Champagnes in blind tastings and has become a firm favourite of the Queen, who has served it at state banquets. 10

Adapted from: <http://www.telegraph.co.uk/news/main.jhtml;jsessionid=WZ5IGCJ4ES2DXQFIQMFSF4AVCBQ0IV0?xml=/news/2006/10/28/nwine28.xml> (28 October 2006)

Evidence B

Wine growers must innovate to survive

Women are fuelling the new boom in UK wine sales; they downed nearly 600 million bottles of wine last year. Market research has identified a demand for "reduced-alcohol" alternatives aimed mainly at women. Innovation is a key factor here, and many new wines use grapes picked as early as possible in the season to cut sugar levels, and hence calories and alcohol by volume. By growing them in warmer countries such as Australia, more of the flavour can be retained. 5

In a desperate attempt to counter the problem of changing tastes and preferences and the growing threat from the New World, French producers have changed their labelling. More and more French wines are being labelled and marketed using the grape variety rather than simply the geographic region. 10

The change is an attempt by producers to reverse falling sales and attract customers who seem to prefer the simplicity and clarity of labels on New World wines from Australia, Chile or South Africa.

France's wine production is in turmoil. Domestic and international sales have been declining for years, while the price of a standard quality red has halved since 2000. 15

Exports fell from 168 million cases to 148 million between 1998 and 2003, while New World exports rose from 88 million to 162 million. Bordeaux has been badly hit and has an estimated 100 million litre surplus from the 2004 vintage.

Adapted from: *Damn the vintage*, 7 March 2005, *Guardian Unlimited*.
French to simplify wine labels as sales fall by David Derbyshire Consumer Affairs Editor 14/05/2005

1. (a) What is meant by:

(i) 'profit motive' (Evidence A, line 8).

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(2)

(ii) 'innovation' (Evidence B, line 3).

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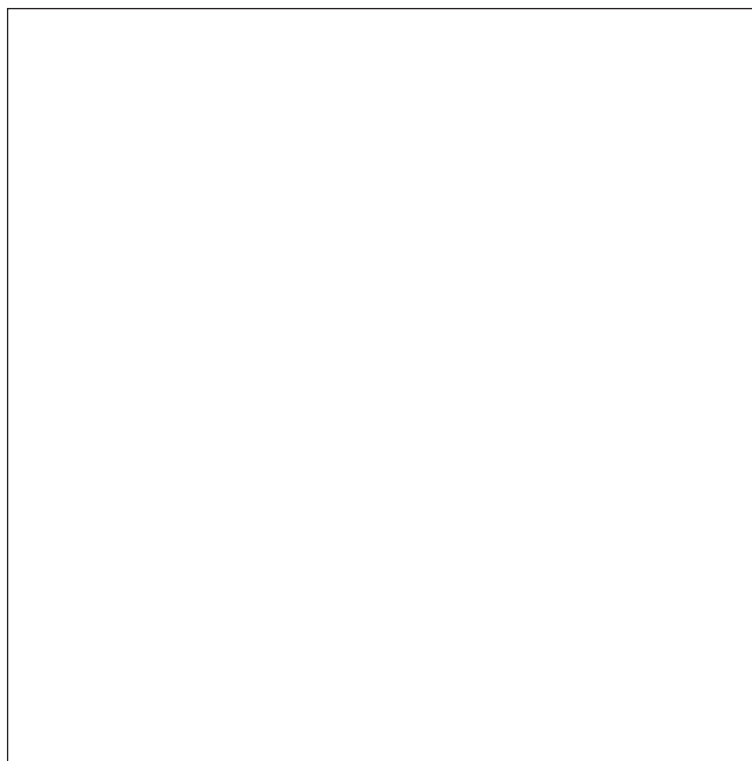
(iii) 'surplus' (Evidence B, line 18).

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(d) Using an appropriate diagram, illustrate and explain the problem which faced Bordeaux wine producers in 2004.



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**Answer EITHER Question 1 OR Question 2.
Write your answer in the spaces provided.**

If you answer Question 2 put a cross in this box .

Evidence for use in answering Question 2.

Evidence A

Licensed to sell



The last Bond film was dubbed Buy Another Day but Casino Royale has taken a more exclusive approach to product placement, writes Harry Wallop.

James Bond: secret agent is licensed to make a killing. The man with the golden brand is back with a vengeance.

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James Bond doesn't drink Dom Pérignon any more, he drinks Bollinger. He's ditched the Finlandia vodka in favour of Smirnoff. Bond's tastes, his tailor, his carmarker are all dictated by Eon Productions, a private limited company, which controls the Bond franchise.

Keith Snelgrove, Eon's global business director, who is in charge of the product placement and advertising, said: "We made a decision to decrease the number of partners. We wanted to have fewer, more focused ones". Twenty key brands have been pared down to six: Sony Ericsson phones, Sony Electronics, Omega watches, Heineken beer, Smirnoff vodka and Ford – including, of course, its Aston Martin brand. There are a handful of other associated brands: Bollinger, Virgin and Turnbull & Asser, for instance.

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The key brands are entitled to sell Bond-related merchandise, and in return pay a royalty to Eon. Sony is offering a range of laptops, digital cameras and memory sticks, all branded with the 007 logo.

Eon Films raised more than half its £60m budget from sponsorship. What do the brands get? "It's some of the best product placement you could ever wish for", says Aston Martin's Janette Green. "Markets that have never heard of us have certainly seen an Aston Martin DB5 in Goldfinger. How do you measure that?"

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Paul Charles at Virgin says: "Being in a Bond film is valuable for the long term. They are shown for decades to come, not just on television, but on DVDs, as in-flight movies on other airlines. It's enormous".

25

The Bond brand adds value to the car, drink and gadget brands associated with it. The brand is estimated to be worth £1bn and it has the potential for astronomical growth. The 21 Bond films have generated £2.6 billion in revenue.

Adapted from: <http://www.telegraph.co.uk/money/main.jhtml?xml=/money/2006/11/18/ccbond18.xml> 18 November 2006

(b) Explain how brands may add value to a firm's product.

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(c) Examine why consumers might pay a premium price for brands such as Aston Martin cars and Omega watches.

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