

Duration: 1h30m + 30 m extra time

example

Read the questions carefully and justify all your answer.

You cannot use any class or personal materials.

Respond to group 1, group 2 and group 3 in three separate sheets

Brexit: The impacts on the Port wine market

On the eve of the United Kingdom formally abandoning the European Union, the Port wine sector is "apprehensive". If, on the one hand, it trusts on historical and cultural links to the product, the sector also fears the possible imposition of new commercial tariffs.

"The only definition that exists is political. As on February 1, we know the political decision will not go back. We still do not know in what situation the European Union will have the United Kingdom as a trading partner", said the executive director of the Association of Port Wine Companies (AEVP) to the Lusa agency.

Determined to "follow closely" the evolution of the negotiations, Isabel Marrana admits that "they can go well or badly", but confesses to being "very confident in the historical and cultural links" that Port wine has with the United Kingdom.

For Taylor's executive chairman Adrian Bridge, the formalized departure of England from the European Union was "the easiest part", with "the most complicated now being the negotiations and the agreement with the other 26 countries in Europe about the future".

The primary concern of companies in the sector is the increase of tariffs and taxes, in addition to changes in current tax legislation. It impacts the price of wines on the shelves, negatively influencing the choice of Port Wine at the time of purchase. However, it is not yet clear what type of tariffs will exist. For Bridge, "the increase in tariffs is a negative factor for our business".

Based on a commercial relationship with a 328-year historical-cultural weight, the Port wine market in the UK is characterized by the offering of high-quality wines from a premium category in relation to the other EU markets. Port wine occupies a dominant position in the market, with an average price per bottle superior than other fortified wines. The wines are preferably sold in specialized stores, where traditional brands with a good reputation and a wide variety of types (tawny, ruby, white, LBV, teardrop) are offered. Both the brand and the type variety are highly valued attributes in the UK, as pointed out the IVPD report (Instituto dos Vinhos do Porto e Douro).

Given the uncertain scenario, British economic growth, in general, is stagnant and may present moderate growth in 2020, according to British Statistical Institute. From 2021 on, it is expected that both the British government and the EU will reach relevant agreements. The most optimistic experts believe in a free trade agreement that would benefit both sides and consequently, smooth the impacts on the British economy. "In a scenario of uncertainty, pessimism will always speak louder, but the data points to less aggressive and more flexible agreements for the United Kingdom", points out Peter Dixon, from Commerzbank.

In 2019, Port wine exports to the United Kingdom exceeded 45 million euros, increasing about 9% compared to the previous year. The performance of the sector's exports to England - which is the third market in value, after Portugal and France - has been intermittent: If in 2016 the market decreased 4% (to 47 million euros), in 2017 the sector recovered 5% (to 49 million euros). In 2018, the market decreased again (15%, to 41 million euros), and in 2019 increased again.

The particular mesological, climatic and agrological characteristics make Port wine a unique drink in the world. For this reason, consumer confidence and prominence when choosing the product are guaranteed. According to a report by the IVPD (Instituto dos Vinhos do Porto e Douro), English consumers of Port wine value high-quality products - Premium products, and traditional brands in the English market such as Dow's, Taylor's and Croft. These consumers live in a higher standard of living and choose to consume the drink weekly in more sophisticated clubs or restaurants. Port wine is also consumed by young people in some specific Pub's and less often compared to other beverages.

Although alcohol consumption is part of the British culture, the profile of British alcohol consumers, in general, is changing fastly, according to Alcohol Change UK. Most alcoholic beverages sold in the UK are purchased by people who consume alcohol more than three times a week. This group represents only 4% of the population, but consume about 30% of all alcohol sold in the country. On the other hand, 20% of the population drinks nothing - and that number is increasing among young people. Among those who drink, consumption patterns vary enormously. For example, people with higher incomes and stable work are more likely to drink than those with lower incomes, people over 40 are more likely to drink regularly, and men are more likely to drink than women. Despite the uncertainties of the English market, the Port wine share globally has grown significantly in recent years, with an average price per bottle higher than that other fortified wines, occupying a dominant position in the market (around 80% in value and 75%, by volume).

Despite the uncertainties in the United Kingdom, the Port wine market globally has grown significantly in recent years. The leading destinations for Port wine exports are also France, Holland, USA, Belgium, Denmark, Canada, Germany, Spain and Switzerland. For the future, producers aim to foster their presence in the markets currently seen as priorities - Japan, China, Brazil and Russia. For the future, Port wine producers aim to foster their presence in other continents, such as Japan, China, Brazil and Russia.

Adapted from:

<https://expresso.pt/economia/2020-01-30-Brexit.-Produtores-temem-que-o-Reino-Unido-imponha-tarifas-sobre-o-vinho-do-Porto>

<http://www.ivdp.pt/pt/docs/RELATORIO%20FINAL.pdf>

<https://alcoholchange.org.uk/alcohol-facts/fact-sheets/drinking-trends-in-the-uk>

Questions:

Group 1

1. Based on the information available, develop a PESTEL analysis for a Port Wine producer that plan to export to the UK.
2. Based on the information available, how would you segment consumers in the UK? Identify the type (s) of segments and justify.

Group 2

3. Taking into account the information available, how would you define value proposition (VP) and distribution channels (CH) of Port wine in UK?
4. Considering the information provided in the case, in which blocks of the BMC for Port wine producers can Brexit have impact? What type of impact should be expected for each of those blocks?

Group 3

João and António opened, in early 2013, a company selling computer equipment, aimed at the business market. Due to the country's economic situation, and seeking to distinguish itself from the competition, they offered a 90-day credit policy to their customers. However, being a young company in the market, its suppliers were not so generous and demanded that they pay cash for all orders.

On June 1st, João and António had the following balance in the relevant balance sheet accounts:

- Cash and deposits €10000.
- Inventories 15000€.
- Customers to receive €20000.

During the month of June, an extraordinary peak in sales caused the need to invest much of the cash and deposits in the purchase of new inventory. However, profits were accumulating, so João and António were convinced of their entrepreneurial success.

On July 1st, they had the following balance in the relevant balance sheet accounts:

- Cash and deposits €1000.
- Inventories 15000€.
- Customers to receive €29,000.

The excellent service provided by João and António's company generated a new increase in sales during the month of July. Profits already amounted to €10,000 and it became necessary to replenish the inventory again. Fifteen days later the balances in the relevant balance sheet accounts were as follows:

- Cash and deposits 0€.
- Inventories 5000€.
- Customers to receive €40000.

On the July 15th, João and António had no money to honor their commitments, such as paying the office rent or electricity. Despite the accumulated results exceeding €13,000, they were facing an imminent bankruptcy situation.

- 5. What could have caused the situation described in the text? And what would you advise João and António to correct it? Justify your answer by making the necessary assumptions.**