

BINDURA UNIVERSITY OF SCIENCE EDUCATION

FACULTY OF COMMERCE

DEPARTMENT OF MARKETING

NOV 2023

PROGRAMME: MASTER OF SCIENCE IN MARKETING DEGREE

NEW VENTURE CREATION

MMkt 506

DURATION: 3 HOURS 15 MINUTES

INSTRUCTIONS

1. Answer **Question One** and **ANY Three** questions.
 2. Question One carries 40 marks and the other questions carry 20 marks each.
 3. Start answering each main question on a fresh page.
 4. Credit will be given for appropriate use of illustrative examples and workings.
 5. No cell phones and programmable calculators are allowed in the examination room.
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QUESTION 1 (Compulsory)

Read the passage below and then answer the questions that follow

Zimbabwean entrepreneur building a wine brand that reminds Africans of home

Tinashe Nyamudoka emigrated from Zimbabwe to South Africa in 2008 with no knowledge of the wine industry. He worked his way up from a waiter to an award-winning sommelier before founding his own company, Kumusha Wines. He spoke with James Torvaney about his entrepreneurial journey and wine-drinking trends in Africa.

Give us an overview of Kumusha Wines.

I started Kumusha Wines in 2017 whilst I was head sommelier at The Test Kitchen in Cape Town, and moved into the business full-time in 2020.

Our focus is on minimal intervention winemaking and natural fermentation, to allow the wines' origins to come to the fore. Kumusha isn't – yet – in the business of owning land and growing grapes. We work with the Opstal Estate in the Slanghoek Valley, run by my long-standing friend, Attie Louw. They harvest the grapes, which we then press, ferment, and blend before bottling.

We began by serving the domestic market in South Africa, in particular the Zimbabwean diaspora. We now produce around 200,000 bottles a year and ship to a number of international markets, including the United States, Kenya, Zimbabwe, the Netherlands and, very soon, Nigeria.

Tell us a bit about the Kumusha brand and the meaning behind it.

Kumusha is a Shona word that means "your home" or "your roots". Over more than a decade working in some of the best restaurants in Africa, and competing in international wine tasting championships, I still felt unrepresented in the wine world. There was still this "white linen cloth" attitude, which didn't represent African culture.

I wanted to build a brand that would remind an African audience of home, and of their roots. So I incorporated unique African flavours that I had grown up with in Zimbabwe, such as the gaka and matamba fruits.

Everyone is looking for an identity, and wine is a powerful voice for that. I think that is why the brand has grown so quickly, because there is a story, and a feeling that people can relate to.

What types of wines does the company produce?

We have three ranges of wine corresponding to our different market segments:

First there are the premium wines. As a professional sommelier, these are my personal favourites. They are wines that you would not drink on their own – they are designed with food pairings in mind. The margins on these are high, but the audience is quite niche, as they are aimed at experienced wine drinkers. Annually we produce around 4,000 bottles of premium red wine and 8,000 bottles of Flame Lily, a white blend.

Our mid-tier wines are for the curious and adventurous drinker. They are designed for those that know a bit about wine but are not necessarily professionals. For these, I play around with unusual wine blends and sometimes get the wine from obscure wine regions. These wines include our Sondagskloof Sauvignon Blanc, Pinotage, and Chenin Blanc.

Finally, there is the lifestyle range. This is wine that appeals visually, tastes really good, and is aimed at a more everyday consumer. These wines have lower margins but account for the bulk of our revenues and profits. Ideally, I would like customers to start at the lifestyle range and progress up.

You've built up a very clear sense of brand. How do you use this in your marketing?

Our digital marketing strategy has been based almost entirely around user-generated content – resharing images of people with our wines in all kinds of different surroundings.

When we were just getting started, we were setting up small wine clubs to get people to try our wine. People would always be asking for free wine, so I used this to create artificial demand by making sure that they posted pictures and reviews that we could amplify on social media and seem like we were a big brand.

Talk about the key challenges in the wine industry.

The biggest challenge has been distribution. In the consumer goods industry, there is a three-tier distribution system of producers, distributors, and retailers. It's very hard for us as a producer to bypass the other tiers. There are so many players vested in maintaining this system and it's not going away any time soon.

For local distribution, we have a distributor that sells to shops. We also have an online shop where we sell direct to consumers but Africa still seems to be slow in adopting online shopping, especially with alcohol. And of course we also sell to trade, such as restaurants and hotels. The problem is that people might drink our wines in a restaurant but then find it very difficult to actually buy a bottle of our wines.

In South Africa it's almost impossible to get into retail (i.e. supermarkets). Shelf space is very expensive and retailers really squeeze your margins. It's very easy to get lost amongst other brands.

Are the distribution challenges also the same in the international market?

The international market takes time. I spent a year chasing an American importer and three years to get into the UK market. It's taken a year to get our wines into Nigeria – I have been working with The Wine Lab in Lagos and we hope to have our wines there from around March 2022.

Moving wine, or any alcohol, around Africa is a real nightmare due to high taxes and bureaucracy. The key is to find a good distributor or importer, someone who has a track record. The logistics space in Africa is very dependent on government connections, so it's very difficult for new players to succeed in logistics in Africa.

What trends do you see in the African wine space?

Wine appreciation on the continent is definitely increasing as people travel more globally and come back to their home countries. As more people travel, the food culture tends to expand, and wine appreciation also improves. We are seeing this across the continent, from Zimbabwe and Kenya to Rwanda and Ghana.

What particularly excites me is the growing appreciation of wine as an accompaniment to food, and the increasing number of Africans enjoying the wines at home (as opposed to only in restaurants and bars). This is a massive shift and opportunity. Before, you would never see a bottle of wine on the dinner table, but it is becoming more commonplace.

Where do you see opportunities in your industry?

I am focused on playing with the lifestyle aspect of it. There are a lot of great African chefs, doing very interesting things with food, who I am working on collaborations with. At some point, I would love to open a wine bar or restaurant.

Another area we are looking into is cognac (brandy). This is a natural progression from wine, because there are a lot of similarities in the product and packaging. Everyone knows Hennessy but I think there's potential in the consumer market for more indigenous players.

Questions

- i. Discuss the critical success factors behind Kumusha wines (25)
- ii. Evaluate the challenges that Kumusha wines have faced (15)

[40 Marks]

QUESTION 2

Evaluate the assertion that personal factors are more critical than environmental factors in new venture creation. Discuss, citing relevant examples from Zimbabwe and beyond.

[20 Marks]

QUESTION 3

Discuss the view that entrepreneurship is the solution to Zimbabwe's economic, social and political challenges. Cite relevant examples to support your viewpoint.

[20 Marks]

QUESTION 4

Justify the role played by the concepts desirability, feasibility and risk analysis in new venture creation. Use relevant case studies in Zimbabwe and other countries.

[20 Marks]

QUESTION 5

Evaluate the role and importance of entrepreneurship in the economy at local and global level. Use examples to support your views.

[20 Marks]

QUESTION 6

Critique the entrepreneurial skills of the following personalities

- i. Elon Musk (10)
- ii. Philip Chiyangwa(10)

[20 Marks]

END OF PAPER