

**UNIVERSITY OF NIGERIA, NSUKKA**

**FACULTY OF THE SOCIAL SCIENCES**

**DEPARTMENT OF POLITICAL SCIENCES**

**TOPIC:**

**BUSINESS PLAN ON WINE PRODUCTION**

**BUSINESS PLAN**

**SUBMITTED IN PARTIAL FULFILLMENT OF THE REQUIREMENT OF  
THE COURSE: CEDR 342**

**(BUSINESS CREATION AND GROWTH)**

**BY**

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## VINCENT'S WINERY BUSINESS PLAN

### 1.0 Executive Summary

Vincent's winery is looking to establish the best winery industry in Nigeria and across the globe. The winery will be located first at Obollo-Afor along Abuja express way Enugu state. We will be producing cabernet Franc, Petit Verdot, chardonnay, Vidal Blanc, and blueberry chardonnay wines in the first years of operation.

The winery's sustainable competitive advantage is that we are seeking to attract younger generation wine consumers through internet savvy marketing techniques which will consist of a flashy website that allows sales of wine through the internet. We will also be hosting a 5k wine run in conjunction with the Nigerian country. Track club in year 3 of operation to support local area runners and get our name out to public. In addition, Vincent's winery will host various special events such as weddings, business meetings and festivals throughout the year.

Vincent's winery will use three distribution channels in the beginning of operation to establish our winery which is retail sales (on-premise), retail sales (off-premise), and internet sales. These three channels will provide us with the most access to primary and secondary markets. We will use a competitive pricing strategy that is slightly below the other premium wineries in the area to attract the younger generation of wine consumers. In order to generate a profit, we will routinely analyze our costs to assure we are generating a modest profit cover all our expenses.

Meanwhile, Vincent winery is seeking a term loan for 20 years and an operating line of credit for the following amounts to help cover the start up costs of operating the winery.

## Loan Requirement

	2018	2019	2020
Term loan	₦50m	₦0	₦0
Total operating line of credit	₦30m	₦40m	₦60m

By year 9 of operation the winery will break into a net income. At this point we will have an established customer base in our primary and secondary markets. In addition, we will be generating rentals income from special events to cover all of our operating expenses and pay off our operating line of credit.

## 2.0 Introduction

I have always wanted to own and operate my own winery. This is coupled with the high need in the eastern part of the country Nigeria, particularly in Enugu state to make available enough wine within and across Nigeria. It has been discovered that the high consumption of wine Nigeria has led to the shortage of the supply of wine. For this reason, the prospective chief executive officer of Vincent winery industry decided to enclose these lapses in the country and to give the world another test of wine.

## 2.1 Vision

The vision of Vincent winery is to be the best wine producer within and across the globe.

## 2.2 Mission

To produce wine using the best ingredients required for making of wine.

### **2.3 Key Success Factors**

These include:

- i. The production of various kinds and species of wine to meet up with any choice of our prospective customers.
- ii. The reduction of the market price a bit lower than the ruling price of other wines in the market.
- iii. The existence of reliable market outlets.

### **2.4 Inherent Risks**

The general risks of this provided below along with how Vincent winery will combat the risk

- (1) In the production risk, we may find wine quality risk which Vincent winery will device a secondary wine grape supplier to purchase grapes from.
- (2) We may also find market, which we will keep up to date with market trends to adapt to new market
- (3) Credit risk which we will use excellent credit rating created with car washing business to acquire loan

### **2.5 Business Ownership**

This business is an sole proprietorship wholly and managed by OKOROAFOR VINCENT UMAHI

### **2.6 Locational Factors**

This winery industry will be located at Obollo-Afor Nsukka in Enugu state along Abuja express way.

### **2.7 Available Market**

Vincent winery primary target market is young professionals and college students from the age of 21 to 32. This age bracket is showing trends of becoming a wine drinking but they are still not heavily market towards.

The secondary market is retired wine consumers in Nigeria who are 60 years and above. The cities in Nigeria such as Lagos, Abuja, and Port Harcourt etc are seriously in desperate need of wine. Therefore, Vincent winery plan will thrive in those cities.

### 3.0 Products

Vincent's winery will provide the following wine products:

- (a) Cabernet Franc
- (b) Petit Verdot
- (c) Chardonnay
- (d) Vidal Blanc
- (e) Blueberry chardonnay

### 3.1 Costing

The costing of these wines are analysed as:

- i. Cabernet Franc

The estimated cost of producing this specific kind of wine is ₦5,000 per bottle and ₦150,000 per case.

- ii. Petit Verdot

The cost of production estimate is ₦12,000 per bottle and ₦800,000 per case.

- iii. Chardonnay

This one appears to be moderately costly to other ones. The estimated cost is ₦10,000 per bottle and ₦280,000

iv. Vidal Blanc

The cost of this brand is ₦9,000 per bottle and ₦120,000 per case.

v. Blueberry Chardonnay

The cost of this is ₦14,000 per bottle and ₦300,000 per case.

### **3.2 Market Demand**

Vincent winery which is located at Obollo-Afor - Markudi express way, Enugu which is also within easy reach of the University of Nigeria, Nsukka students, other cities like Abuja, Lokoja, Lagos, Port Harcourt to mention but a few where wine is on high demand. Information from experienced operators in the business reveals that about 500,000 cases of different products of wine are demanded quarterly in Nigeria. And that this demand figure is expected to increase as the day goes by. This is because the hunger for wine is increasing among the youths on daily basis and this by implication means business.

### **3.3 Projected Annual Demand Of Wine In Major Cities In Nigeria**

As earlier stated that about 500,000 cases of different brands of wine are being in four months within the major cities in Nigeria such as Abuja, Enugu, Port Harcourt, etc. This figure is expected to grow with the growth in population. This since the population growth rate in the area hovers around 2.5% to 3.25% for about 5 years now it is seen rational to expect that the demand for wine will grow with at least a growth rate of 5% if not 10% for the next three years.

### **3.4 Projected Demand Supply Gap Of Wine In The Wine In The Major Cities In Nigeria.**



As earlier stated that of the total demand figure of wine, only about 35% of the demand are met by the existing wine producers. Thus, the demand supply gap of wine in Nigeria is low thereby making up the necessity of Vincent winery.

#### **4.0 Market Analysis**

Vincent winery has an existing business opportunity since there is a huge market for wine in Nigeria and the globe. The increase in the population and the consumption state of wine is also an opportunity for sales.

#### **4.1 Customers/Market Segmentation**

The following are the classes of customers for wine:

- a. Those that mainly buy the wine for consumption in an occasion or celebration.
- b. Those who buy the wine in bulk in order to sell them and make their profit.
- c. Those who buy for storage in order to utilize it in their family.
- d. Immediate consumers for students and youths.

#### **5.0 Marketing Plan**

There are no major wine industries in Enugu area hence there is complete absence of structured wine industries that can really put up commendable competition. Therefore, if Vincent's winery commences operations as planned, it will be a market leader in Enugu and beyond in no distant time.

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#### **5.1 Promotion Strategy**

Vincent winery will embark on an aggressive awareness campaign to break the cast restage of under consumption of wine. This will make the demand for wine to really increase.

To do this, Vincent plans to use fliers, outreach sensitization programs, radio and television programs.

## **5.2 Marketing Strategy**

To maintain a sizeable portion of wine market in Nigeria and the globe. Vincent winery has decided that her wines will get to the market at a highly competitive price. Moreover Vincent has planned her winery in such a way that 1 million cases of wine would be up for sale every year. The schedule of production would ensure that the industry maintains its reputation amongst their customers as the place where supplies of wines is most assured.

Vincent will also give trade discounts to drive the market faster. There are plans to distribute calendars and almanacs to her numerous customers. This will help in no small way to increase the firm's popularity amongst the middlemen in the wine market.

## **5.3 Market Positioning**

Vincent winery will position itself as the prime mover and market leader in the wine market in Nigeria and the globe. The industry will create peculiar leading edge profile for itself.

## PART VI

### 6.0 Technical Analysis, Management Organization

Wine is a product that receives high consumption rate. In fact, records have it that over 50m population of the world consume wine at a high rate.

#### 6.1 Owner/Manager

Vincent winery is a sole proprietorship. It is wholly owned by Okoroafor Vincent Umahi being the sole owner of the industry will manage the affairs of the industry. Mr Vincent is a trained stock broker and as such has enough basic knowledge of financial management which he is expected to utilize in running the business. To help in the day to day management of the industry, some other good hands will be hired.

#### 6.2 Management And Labour Compliment

S/N	POSITIONS	NO OF STAFF	ANNUAL SALARY PER STAFF (₦)	TOTAL
1.	Proprietor	1	380,000	380,000
2.	Industry Assts.	3	150,000	450,000
3.	Typist/Cashier	1	130,000	130,000
4.	Security men	5	180,000	220,000
	Add 5%			996,000
	Fringe benefit			50,000
	Grand total			2,156,000

## **External Support**

Vincent winery is discussing with the Nigeria Small and Medium Enterprises (SMEs) centre to offer over a period of years, strong management and business support services. Also, the industry will access support on technical issues from the Entrepreneurship Development Centre where the proprietor received training on entrepreneurship.

## **6.3 Values And Norms Of Thecompany**

We adopt the following values

- a. To offer the best for the benefit of her customer
- b. To uphold her integrity always
- c. To see her employees as her most valuable assets
- d. To always be available to her customers
- e. To do her business within the federal, state and local government lands.

## **7.0 Company Financial Summary Of Project Cost**

The total cost of the project is ₦50,000,000. This is made up of ₦30,000,000 in fixed capital and ₦20,000,000 in working capital. The term loan is ₦32,000,000 and the equity is ₦18,000,000.

## Fixed Capital Investment

S/N	DETAIL	QTY	UNIT PRICE	TOTAL AMOUNT(₦)
1.	Big houses	10	2,000,000	20,000,000
2.	Water tanks	15	100,000	1,500,000
3.	Vehicles	20	1,000,000	20,000,000
4.	Delivery vans	15	1,200,000	180,000,000
	Total			202,150,000

### 7.1 Utilities

The Vincent winery is located in a place that is not connected to sources of facilities that can aid the production.

### 7.2 Other Expenses

There are other expenses expected to be incurred in the course of running the winery industry. The table II shows other expenses expected to be incurred.

### Other Operating Expenses

Type of Expense	Year 1(₦)	Year 2(₦)	Year 3(₦)
Vehicle maintenance	200,000	210,000	11,000
Business travels	500,000	600,000	700,000
Public relation	300,000	200,000	100,000
miscellaneous	700,000	200,000	150,000
Total	1,700,000	1,210,000	961,000

## 7.2 Working Capital Forecast

To arrive at the working capital needed for the business, the following assumptions are made:

- i. Cost prices of items increase annually by 25% except for items mentioned under other operating expenses which grow by 5%
- ii. Selling prices of stocks increase annually by 10%
- iii. Trade credits are given and taken to and from deserving customers respectively.
- iv. It is expected that goods are disposed of at the market as scheduled.

## 7.3 Financing Plan

To finance the required investment outlay, the proprietor plans to raise an equity capital of ₦18,000,000 while ₦32,000,000 will be borrowed from the bank.

### Financing Plan

Source	Amount(₦)
Equity contribution	18,000,000
Bank loan	32,000,000
	50,000,000

## 7.4 Loan Repayment Schedule And Interest Paid

It is expected that the loan would attract an interest 20% and that funds are available to pay monthly interest as well schedule repayments of the principal amount.

## 8.0 Financial Analysis

The project comes out of the gestation period in 9 months and even by that time the sales for the month stood at ₦2,000,000. By the end of the first year (of which there was only 4 months selling activities) the sales was ₦50,000,000 and this is expected to grow to ₦587,400,000 and ₦646,200,000 respectively for the second and third years respectively.

### **8.1 Economic Justification**

From the view point of our study and analysis of the findings made, the project offers good benefits to the promoter, and the economy. Wealth will be created even as jobs are also created. These are consistent with the federal and states government policy on entrepreneurship, wealth and job creation.

### **8.2 Commercial Viability**

The commercial viability of the project is very clear. The project has been found to be commercially viable, having shown through projections, an impressive sales, profits and cash flow positions.

### **8.3 Conclusion**

Therefore, the project is highly recommended both finding and implementation.