

FINANCIAL STRATEGIES OF MULTINATIONAL FIRMS IN THE WORLD WINE INDUSTRY: AN ASSESSMENT

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Abstract

This work will shed light on the emerging of financialization in the wine industry by wine multinationals (MNEs). First, we will suggest a conceptual framework to analyze MNEs' strategies in the world market, secondly, and by using a sample of major public MNEs, we will focus on shareholder value-sharing (dividends, stock buybacks). Finally, we discuss the implications of these strategies for the wine chain.

*Introduction*¹

Since the early 1980s, the world wine industry² has entered into a new historical phase characterized by an increase in the development of New World Wine Producers (NWP) in a market moving toward globalization. (i.e. Argentina, Chile, Australia, New Zealand, South Africa and the United States). This phase has been characterized by the emergence of new corporate governance forms that have influenced the corporate strategies of multinational enterprises (MNEs). With the rise of financial markets, institutional investors have expanded their influence to all the sectors of the economic life (Pérez, 2003). More specifically, the leading MNEs of the food and beverage industries – Coca-Cola, Danone, Anheuser- Busch, etc. – have internationalize and diversified their ownership structures.

Financialization of the corporate governance structures characterizes MNEs that search for new rents through the improvement of shareholder value creation and their capitalization in the stock markets. This led to the adoption strategies focused on shareholder value creation (see for example, Lazonick and O'Sullivan, 2000).

¹ This research is part of a research program conducted at UMR MOISA AgroMontpellier, France whose purpose is to understand the strategies of multinationals in the wine industry. An extended version of this work will be published in a book in the fall, In Montaigne, E., & D'Hauteville, F., & Courderc, J.-P., & Hannin, H. (Eds.) (2005). *Bacchus 2006*. Paris :Dunod.

² The concept of “wine industry” used here is based on the industrial economics (*industrial organization* developed at Harvard) and includes all the wines – sparkling and non sparkling wines (champagne, cava, sekt), which include productive systems more or less vertically integrated.

In the wine industry, the emergence of the of a new type of shareholders has been observed – specialized wine funds – and a “new” type of industrial (an increasing focus in the core business of MNEs) and financial strategies (shares repurchases³ by public companies).

Financialization has important consequences in terms of the modes of shareholder value creation, sharing among wine firms and across the wine chain, this will be approached in three parts.

First, based on a ‘contextual’ approach we construct a conceptual framework in order to explain the ‘strategic configurations’ of MNE in the wine industry. Here we also explain the globalization and of financialization of MNEs in the wine industry. Secondly, the main structural changes in corporate governance practices impacting public wine MNEs will be presented. Finally, a sample of wine MNEs will be analysed in order to explain the emerging of financialization in the wine industry and the paper will conclude with a discussion of the implications for the wine chain.

³ Also referred as ‘share buybacks’.