**Title**  
Do we have convergence or divergence in exporting firm practices in the global wine industry?

**I want to submit an abstract for:**  
Conference Presentation

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**Keywords**

exports; convergence; business practices; global wine industry

**Research Question**

Is there convergence in wine firms’ practices and strategies in the global wine industry?

**Methods**

Comparative analysis and econometrics using the first global firm level comparable database for the wine sector (5'294 answers in 23 wine producing countries)

**Results**

Viticulture, winemaking and business practices are similar across countries for the most internationalized firms but that there is greater heterogeneity across non exporting firms.

**Abstract**

The source of comparative advantage in the production of wine is a combination of natural localized advantages (the so-called terroir, a combination of soil, topography, and climate) and more mobile knowledge (including winemaking techniques but also packaging, distribution and marketing).
Historically, the production of wine was a local phenomenon. Each wine region combined their terroir and grape varieties with local knowledge to produce wine to be consumed locally, regionally or nationally at best. The application of local knowledge was reinforced by the work in wine cooperatives and by the regulation of the production activities by local regulatory entities (DOCs).

However, the different revolutions on the wine value chain, has led wine to become a global product. The globalization of the wine industry can easily be seen in the statistics. The proportion of the wine exported has notably increased in the last 25 years. While in 1996 20% of the volume of wine produced globally was exported, in 2017 44% of all the wine produced was shipped abroad making wine one of the most global industries. The knowledge dissemination and diffusion in the last two centuries of vineyard management, winemaking practices, and marketing and sales strategies accelerated in the last forty years. The drivers of the global transformation of the wine industry dynamics include:

i. innovations in production, technology and legal & institutional framework
ii. innovations in industrial organization, the legal & institutional framework and associated business strategies
iii. innovations and diffusion of consumption
iv. innovations in market organization and international trade

Many of these innovations were the result of the emergence of the New World of wine. Many countries, including United States, Chile, Australia, Argentina and South Africa, significantly increase their wine production and export share. This increase in competition led many traditional producers in the Old World of wine (European producers) to react by adopting some of the technologies and business strategies of the New World. This dynamic has contributed to substantial changes in the global wine industry. One important fact of the transformed wine industry is that there are fundamental differences in the structure of the wine industry around the world. There are marked difference in industry structure when comparing the “New World” producers to the “Old World” firms (European producers). The new world is characterized by a strong market concentration compared to the old world. This structural difference has become more substantial recently, as industry consolidation has accelerated, particularly in New World markets. Despite the increased market concentration, the wine industry remains highly fragmented. One of the most important characteristic of the wine product is its great diversity. Agronomic conditions, weather and winemakers’ skills and investments combine to produce different product types and qualities. Nowadays, in each wine producing region, we find producers that focus in international markets while others have a more local focus. This leads to some important questions about the current configuration of the wine industry:

1) Up to what point agronomic, enologist and commercialization practices are similar within a particular wine region/country?

2) At the firm level, do we have substantial differences in the firms’ activities and strategies between Old and New world producers?

3) If we find that there is convergence in firms’ practices and strategies, is this something we observe for all firms within a wine region or only for those firms that participate actively in international markets?

To answer these questions we will use data from a recent project “A firm level study of the global wine industry”. This project implemented a survey instrument with 137 questions covering five key areas:
- Winery profile and characteristics.
- Production function to capture quality differentiation activities from the vineyard to the distribution of the wine.
- Firms skills, technology capabilities, and management and commercial practices.
- Export activities and perceived constraints by the winery.
- Innovation type and creativity process.

The survey received 5'294 answers in 23 wine producing countries. This is the first global firm level comparable database for the wine sector. In this paper we use data for 2'854 wineries from three Old World producing countries (France, Italy and Spain) and 503 wineries from three New World producing countries (United States, Australia and Argentina).

In this work we test our hypothesis that the agronomic, winemaking and business practices are similar across countries for the most internationalized firms but that there is greater heterogeneity across non exporting firms and those for which the export market plays a lesser role in the activity of the firm. Our preliminary findings seem to confirm our hypothesis. Full results will be presented at the conference.

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