

## Vienna 2019 Abstract Submission

### Title

Strategies and Performance of French Wine Co-ops: A dynamic portrait

### I want to submit an abstract for:

Conference Presentation

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### Keywords

wine co-ops, strategy, performance, typology

### Research Question

We examined to what extent different wine co-ops strategic trajectories (external or internal growth, quality differentiation, partnerships and alliances) affect the performance level of these organizations.

### Methods

We used two official and exhaustive databases to run our survey which is based on a quantitative approach (descriptive statistics, correlations, regressions, typology)

### Results

We drew a global mapping of the wine co-ops in France, designing a dynamic portrait of French wine co-ops. we tested the effect of strategic orientations on co-ops performance.

### Abstract

French wine co-ops are major operators in the wine sector and represent more than 50% of the average national output (between 20 and 25 million hl). However, whereas this dominant position, over the last 25 years, more than 40 % of them have disappeared (source: French Wine Co-ops Union), essentially by merger, but also by liquidation, leading to massive vineyard uprooting, namely in South of France. They followed the same trend as agricultural cooperatives which declined significantly in Europe since the 90's (Mauget & Declerck, 1996), contrary to United States, where a "cooperative fever" induced the development of this alternative sector (Grashuis & Cook, 2018). Facing hyper-competition, coming from globalization and increasing "new producing countries", wine co-ops had to adapt their way of governance and their strategy to be more competitive and performant, from upstream to downstream of the value chain. Valette et al. (2018) clearly showed that wine co-ops survive longer than capitalistic firms, but frequently with some effects on members in crisis periods.

In this survey, we studied the quasi totality of the 600 French wine co-ops, thanks to official databases. Taking into account the specificities of agricultural co-ops business model, we analyzed their strategies and the economic performance measurements of these organizations, determinants of their efficiency. We examined to what extent different strategic trajectories (external or internal growth, quality differentiation, partnerships and alliances) affect their performance level.

Touzard et al. (2008) stressed that wine co-ops presented a wide range of strategies all over the world, from small village co-ops and “niche” wine co-ops (protected denomination of origin and bottled wines) to agro-industrial or partnership-oriented ones. In Europe, they conducted strategies of concentration (vertical or horizontal integration), differentiation and internationalization to cope with market (Coelho & Giron, 2017), with predominance of full and partial vertical integration. But, one of the key strategic question for a co-op is to maintain its specific operating characteristics and its place in the midst of a large concentration of competitors, suppliers and customers (Mauget, 2008). From this point of view, more and more members and managers realized that their cooperative was distancing from its local anchorage, with a possible negative impact on its overall performance. Co-operatives then became more and more innovative in their functioning and strategies, with an increasing “responsible” dimension (Ceccaldi, 2016). They sometimes pursued a so-called “bipolar” strategy that helped them combining the local dimension of their production operations with their international business development (Assens, 2013).

Agricultural cooperative performance measurement is particularly complex, namely because of non-negotiable shares character as well as the user-owner principle (ICA, 1995), and requires non-financial indicators, with a multi-dimensional approach (Franken and Cook, 2015). Indeed, agricultural and especially wine co-op performance can be seen as a fragile balance and a sort of dilemma between wine grower members’ satisfaction and firm’s profitability (Saisset and Rivière-Giordano, 2015). A large set of ratios was used by Rebelo et al. (2010) or Couderc and Marchini (2011) to characterize this concept, with a specific and non-purely financial vision. In this perspective, only a few empirical studies dealt with the link between strategic aspects and performance, even notoriety or wine quality. Vrontis et al. (2011) underlined this lack of research in the whole wine industry and, synthesizing previous surveys, showed that successful wine co-ops in Campania (Italy) have built strategic partnerships. Moreover, they stressed the crucial point was to understand market trends in order to have a successful strategy, which is performance driver. The size effect, possibly coming from concentration or aggressive marketing strategy, was also analyzed (namely Fanasch and Frick, 2018), but seemed to have very contrasted effects.

Relying on the theoretical framework putting forward the influence of co-op strategy on its economic performance, this proposal analyzed how strategies can positively or negatively impact the global performance of wine co-ops. We characterized co-op strategy in two different ways: productive orientation (denominations wines/basic wines) and strategic alliances (previous mergers, member of a co-op federation). We also designed adapted performance indicators at production level (i.e surfaces, yield) and financial one (i.e EBITDA). We first drew a global and territorial typology of the French wine co-ops. Then, we tested the association/correlation between strategic orientation and economic performance.

We used two official and exhaustive databases to run our survey. They come from the French Customs and Indirect Taxation authorities, as far as wine production and stocks are concerned, and from the High Council of Agricultural Cooperatives, concerning financial aspects. Thanks to these unique statistical sources, enabling us to gather considerable data from each wine co-op and to develop several specific indicators, we made a quantitative study over 4 years about the 600 French wine co-ops. Our methodology was first descriptive, but it was also and above all based on a typological and analytical approach of these particular firms.

The results allowed us to draw a global mapping of the wine co-ops in France, showing their territorial concentration in a few number of wine production area, their significant economic weight in term of production in great wine regions (Champagne, South East), their limited size (average turnover of € 9 million, compared to € 34 million for all sectors), but very varying from a co-op to another, and also their social role due to the great number of their vine grower members. So we designed a dynamic portrait of French wine co-ops which is the first exhaustive survey for decades.

Moreover, we analyzed the different strategy trajectories, taking into account the upstream orientations as far as wine production type is concerned (PDO wines, PGI wines, wines with-out GI) and also the alliances or partnerships

aspects (mergers, federation's membership, etc...). This approach paved the way for a strategical typology, associated with economic and financial performance. In this perspective, we tested the effect of strategic orientations on co-ops performance in order to know what the most successful and more efficient are. In fact, we observed that PDO specialization and alliances strategies have quite positive impacts on performance, even if it partly depends on the indicators used. It proved another time if required that co-op performance measurement is really complex.

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