

Financial Determinants of the Export performance of French Wine SME's in Front of the Global Crisis

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Abstract

Purpose : The wine industry faces the present international crisis. Very early the impact of the recession has been observed on the domestic markets but also on the global activities. The French case is particularly concerned by this issue for two reasons. First, the French industry is almost composed of SME (chateaux, merchants) which are more financially fragile to finance their export activities. Second : the image of the French wine on the international markets is expensive, so more concerned by a reduction of the purchasing power of the consumers. As a consequence, statistics show that the export of French wines have immediately decreased by the end of 2008. The aim of this paper is to explore, describe and explain thanks to financial determinants, the specificities of resistance of SME's to the international crisis.

Desing / Method : A literature review allowed a better knowledge of the role played by financial elements to export in the wine industries and especially. A special theoretical focus is made on the size, and export performance (Maurel, 2009). The most important part of the exports being concentrated on the big SME's, the sample presented is composed of 337 French SME's between 50 and 250 employees. To analyze their specificities, the methodology compares four groups : G1 : multisectorial G2 : wine industry G3 : wine industry with important export activity and G4 : wine industry maintaining their exports during the beginning of the crisis. Five main kinds of financial determinants concentrate most of the research : growth, profitability, solvency, shareholder equity and financial autonomy.

Findings : Wine firms appear stronger than traditional SME's. They have significant export orientation, but have been similarly impacted by the global crisis which began in 2008. The period 2005-2008 does not show a clear correlation between export activity and size of these SME's (regarding turn over, employment, shareholder equity). The first months of the crisis do not have modified the role of the financial determinants in the export performance. The data show that at the end of 2008, the export activity of the French wine industry just began to be impacted by the crisis. The sector seems to resist better than similar French SME's outside of the wine industry. Inside of the wine sector the biggest SME's seem to have more difficulty to maintain their international activities than smaller ones. The group G4 (resistant to the crisis) has better turn over, significant difference in recruitment since long. Finally, the paper proves the existence of four business models as being more resistant to the crisis for what concerns export performances.

Originality of the paper : This paper brings a new understanding of the role played by financial determinants during a crisis, thanks to the comparison with other sectors, and taking into account the impact of the global crisis on the export performance.

Managerial implication : The findings show the importance of financing with long term resources and especially shareholder equity, not only to invest in production capacities but also to assume the specificities of the needed working capital in the international markets. Without confirming the BGF(Born Global Firms) model, the paper proposes four business models that seem more adapted to the globalization of the wine market, when facing a crisis : (1)- strong and identified culture with Bordeaux or Burgundy Merchants, (2) - federated cooperatives, (3) - integrated and diversified groups, (4) presence of powerful brands, seem to illustrate the correct answer.