Preserving the Multiplicity of Voices in French Fine Wines

By Antoine Duvauchelle, INSEAD

An INSEAD conference for family-owned French wine estates reveals important lessons for the continuity of excellence in other sectors.

“The wine industry is a striking study in contrasts,” says Neal Rosenthal, a US importer of fine European wines. On the one hand, there are small family-owned estates committed to the concept of terroir – defined by the unique geological qualities of a region as well as its cultural and wine-producing traditions. On the other, there are global brands that depend upon reliability, predictability and mass-market distribution.

This split industrial personality is not an intrinsic problem, reckons Rosenthal, founder of The Neal Rosenthal Group and Rosenthal Wine Merchant. Indeed, over the 45 years since he abandoned a career in corporate law to set up an import business, Rosenthal has seen his producers flourish thanks to the runaway success of a global sector now worth over US$300 billion a year.
Many of his partners, all local farmers, are now internationally recognised.

Yet, in the last decade or so, Rosenthal has also witnessed some worrying trends.

**Perfect storms**

“The confluence of money, media and technology that set the stage for the wonderful renaissance in wine has produced conditions that work to eliminate the nuances of terroir,” he explains. Most importantly, the success of the wine trade has led to a surge in the value of vineyards, making it more difficult for younger generations to acquire the additional properties necessary for growth.

Today’s successful wine producers, the sons and daughters of farmers, are widely travelled and well educated. They have other career options beyond continuing the legacy of the family business.

As an increasing number of important vineyard properties are acquired by outside investors, the risk of losing the individual voices of the traditional producers increases as well.

In addition, climate change has brought an onslaught of extreme weather events, making the production of wine even more perilous and unpredictable.

This tempest rages most fiercely in France with its high taxes and heavy regulations, which is why Rosenthal and his adviser Victoria Anstead convened a [conference](#) recently for French producers and business professionals to explore solutions. I had the great pleasure of hosting the sessions, which started with a fascinating myth-busting presentation from my colleague, Professor [Morten Bennedsen](#), Academic Director of the Wendel International Centre for Family Enterprise at INSEAD, where he holds the André and Rosalie Hoffmann Chair.

Over a day-and-a-half and some truly outstanding wine, we heard from a range of business and legal experts – and reached the optimistic consensus that long-term planning can turn the tide.

**Accountant knows best**
The first step in any long-term planning is an audit of where the business stands and how resilient it is in the face of today’s changing paradigms. And who better to audit than an accountant?

The message from the conference was that advice from external experts, such as lawyers and tax consultants, is essential for all business succession planning. But, just like a family doctor, an accountant is a “general practitioner” who can reach a general diagnosis and advise which specialists to consult.

Under one of the scenarios explored at the conference, a vineyard that has been in the family for generations is ascribed a paltry initial value of €1,000 but a present value of €10 million – a situation that is common in the French wine industry. Bequeathing the property to the next generation or simply divesting without any kind of financial planning would result in a capital gain of €9,999,999, all taxable in the year of transaction!

Even in France, where taxation is relatively draconian, there are a variety of legal mechanisms to avoid such bills, but they all require strategic foresight and careful advance planning.

**Innovate back to your roots**

The key question at the heart of this long-term planning is whether to keep the business in the family or not. According to Bennedsen, running a family business is often wrongly construed by both younger and older generations as a lifelong duty, if not a burden.

He recommends that owners or founders actively encourage their children to work in other industries, before returning to their family estates and taking over the business as experienced managers in their own right – and only if they so wish. The cross-fertilisation of ideas from different sectors can lead to innovation and growth.

Meanwhile, allowing time for the next generation to mature and plan can preserve family harmony as well as family values, and ensure the continuity of these values through the business.

The good news is that many of the latest developments in the industry, such as sustainable agriculture and organic or biodynamic wines, are not only attractive to a more planet-conscious younger generation but also lead straight back to traditional growing methods and values.
Find investors who share your values

Of course, passing the estate to the next generation is not necessarily a solution for all wine growers. Sometimes owners must turn to the “investor class”, as Rosenthal calls it, to ensure continuity of their business. The key here is to sell part or all of the firm without selling out. Choosing investors and forms of investment that preserve the domain’s values is a challenge but not an impossibility.

Maxime Debure (INSEAD MBA ’05D), a guest speaker at the conference, has turned this challenge into a business. His company, WineFunding, pioneered crowdfunding as a means of combining the passion of growers with that of investors.

Building on his initial achievements in France, Debure is now helping estates around the world through financial innovations like “wine pay-back” (where the repayment is in bottles of wine), “wine bonds” (like traditional loans) and “wine equity” (shareholding with preferential terms). The secret to his success is meticulous due diligence and careful matching of investors with investees.

The march of progress?

The key message of the conference was that the dangers of inaction are profound – a lesson that applies to family businesses and non-family businesses alike. Doing nothing can lead to the loss of the business, loss of wealth and loss of opportunities for the next generation, employees and other stakeholders.

Bravely looking to the future and planning ahead may sound paradoxical in a business so focused on preserving traditional values, but it is essential for resilience and survival.

Of course, there is another option. The world could settle for the big-name, big-investor wine brands. However, the cultural, historical and geographical references of the family-owned wineries would be lost.

As Rosenthal puts it, “If these businesses lose the fight for resilience and longevity, we all lose a part of our humanity.”

The conference was designed and managed by INSEAD’s Wendel International Centre for Family Enterprise on behalf of The Neal Rosenthal Group and its business partners in France.
Find article at
https://knowledge.insead.edu/family-business/preserving-multiplicity-voices-french-fine-wines

About the author(s)

Antoine Duvauchelle is a Lecturer at INSEAD and an entrepreneur.

Download the free Knowledge App

[QR code for App Store] [QR code for Google play]