Business summary

The wine industry is a growing sector of the world economy and although of minor importance for statistics on foreign direct investment (FDI), the potential for globalization and trade has expanded rapidly in recent decades. As explained by Coelho and Rastoin (2004), there has been a continuous globalization of the world market place for wines which has led to a major restructuring of the largest wine operators into multinational enterprises (MNEs).

In response to foreign market opportunities made available by deregulation and globalization, many firms have increased their foreign direct investment and acquired other companies in part because of the belief that only very large players will have the cost advantages necessary to remain competitive in emerging global markets. Moreover, since the late 1980s, New World wine producers have emerged as significant players in the global wine market. At the same time, the traditional wine-producing regions of Europe, saddled by EU regulation, have struggled to adapt to changing market conditions.

International diversification is a growth strategy that has a major impact on firm performance. This relationship has been studied extensively in the international strategy literature (Capar and Kotabe, 2003). The reduction (or elimination) of barriers to trade has been a major factor in the expansion of MNEs abroad. Firms with strong competencies that are developed at home can utilize these in international markets (Bartlett and Ghoshal, 1989) to generate growth. One of the important questions in international business research is where and why firms invest in specific activities in specific locations. The literature on the locational preferences has long acknowledged the use of a location as a source of competitive advantage (Nachum and Zaheer, 2005; Porter, 2000) but also that these will mainly depend on the motives for investment, i.e. market-seeking, asset-resources seeking and efficiency-seeking (Dunning, 1998). Despite a resurgence in interest in the geographic or location aspects of international business in recent years (Enright, 2009), there is to our knowledge no empirical work that focuses on the location of investment in the beverage sector.

Thus, this paper has two objectives. The first is the documentation of the relative importance of the largest firms in the world wine market. The second objective is to examine where firms are expanding their operations, list the most-favoured locations, and identify some of the determinants linked to the location-specific advantages of some host countries.

First, this paper reviews the growth of the international market. Market growth, exports and imports are important factors to be considered when looking at investments of the largest firms. Second, a list of wine multinational firms (MMEs), based on several sources of information, is proposed, and analyzed. Third, drawn from this list, a sample of the most-favoured locations for affiliates of these firms is presented. Finally, we examine some of the factors that may explain the choice of these locations by multinational firms.