French chef Sébastien Bras recently renounced his Michelin stars. For good reason, says our expert Olivier Gergaud.

Sébastien Bras, a three-star Michelin chef, has asked to be removed from Michelin's restaurant reference guide in order to free himself from the intense pressure that comes with such an accolade. Olivier Gergaud, economics professor at Kedge Business School, shares his thoughts on the financial and economic consequences for restaurants when they gain or lose a Michelin star.

In his study entitled “Étoiles Michelin : Quel impact économique et financier sur les restaurants ?” (Michelin stars: the economic and financial impact on restaurants), Mr Gergaud shows that "Michelin stars have a big impact on the financial health of the restaurants they seek to honour, and on diners’ wallets."

He also outlines his analysis of the situation and highlights the challenges that restaurant owners face:

- Restaurants that earn a star in the Red Guide generally see their revenue increase about 80% over the next three years.
- Prices jump 27% on average, except for a certain category of diners.
- Earning a Michelin star also encourages chefs to build up a lot of capital. They do so in order to build and maintain a reputation of prestige, for both dining room and kitchen, worthy of the Guide’s implicit—but very real—requirements.
- Restaurants that gain a star usually don’t see a big improvement in their bottom line. But restaurants that lose a star can take a huge financial hit, sending them into the red.
- The average decline in profitability may be considerable—on the order of 100% if we only consider the years prior to the 2008 crisis, which also affected the restaurants in the study.

Mr Gergaud adds, "this heavy sanction could explain the level of stress and fatigue felt each year within a profession that anxiously awaits the publication of the new edition of France's most influential restaurant guide."

Olivier Gergaud is at your disposal for any requests for reports or interviews concerning this news item.

About the study:
The study is based on a sample of 172 Michelin-starred restaurants and 54,272 non-Michelin restaurants (about 1/3 of the total market). Four editions of the Michelin Guide—2005, 2006, 2007 and 2008—were used to identify restaurants whose financial statements are available in the Diane database (Source: Bureau van Dijk) as at 12 March 2013. The analysis of the effects of promotions and demotions is based on comparable data from a sub-sample of 15 restaurants promoted or demoted in Michelin's Red Guide between 2003 and 2014.

More about Olivier Gergaud:
Professor authorised to direct research at Kedge BS. His fields of research include prosocial behaviour economics, behavioural finance, wine economics, culture economics, sport economics and restaurant economics. He has published several articles on various topics in the field of applied economics in academic reviews, such as Economic Journal, Economic Inquiry, Journal of Economic Behavior and Organization, Oxford Bulletin of Economics and Statistics, Journal of Wine Economics and Journal of Cultural Economics. He is also a member of the editorial committee for the Journal of Wine Economics and a member of the editorial committee for the Journal of Prediction Markets.

About Kedge Business School:
Kedge Business School is a benchmark French business school with four campuses in France (Paris, Bordeaux,
Marseille, and Toulon), three abroad (Shanghai, Suzhou and Dakar) and three partner campuses (Avignon, Bastia and Bayonne). The Kedge community is made up of 12,600 students (25% of whom are international students), 183 professors (44% of whom are international), 275 international academic partners and 54,000 alumni around the world. Kedge offers a portfolio of 32 training programmes in management and design for students and industry professionals. It also provides customised educational programmes for businesses at national and international levels. Kedge Business School is AACSB, EQUIS and AMBA-accredited, and is a member of the Conférence des Grandes Ecoles. It is also recognised by the French government, with covered programmes, and has obtained the EESPIG label. Kedge was ranked 33rd by the Financial Times in the European Business School ranking and 22nd globally in its Executive MBA ranking.

Kedge press contacts:
Boris GALINAT Tel. +33 (0) 556 842 212 / boris.galinat@kedgebs.com
Astrid BERGUGNAT Tel. + 33 (0) 556 846 343 / astrid.bergugnat@kedgebs.com

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Kedge Business School, 680, cours de la Libération, Talence, 33405 France