The Determination of Hammer Prices for Red Bordeaux: The Effects of Lot Size, Format, Frequency, and Sequence
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A review of wine auctions indicates a variety of patterns for the sequence and composition of the lots of a given wine on offer. Some auctions present all the wines of a given type together. Others do so within the wines offered by a particular consignor so that a given popular wine may appear at a number of points in an auction if several consignors offer it. Some offer lots of the same wine with different lot sizes; others present the consignment of a given wine as a single lot. One also observes that “weaker” lots—those being re-offered, those from lesser provenance—seem to appear near the end of auctions. While one expects that the order in which wines appeared in an auction may have mattered when bidders had to attend the auction, the popularity of absentee bidding would seem to have weakened that effect. While it seems that auction houses put some thought into the composition and manner of presentation of the available lots, it is not clear that any of that—except perhaps the sheer quantity of a given wine on offer at one time or the appearance of the “declining price anomaly”—matters.

The purpose of this research is to examine this issue by estimating a hedonic price index for red Bordeaux wine and including several variables reflecting the lot size, format, frequency, and sequencing of the wines. These variables are available because the data set contains lot numbers as well as the number of lots in the auction. The expectation is that most “cosmetic” characteristics of the offered lots will not matter. Total quantity offered—either in a given lot or in total—may depress the bid per unit, and one may find some evidence of the declining price anomaly. However, one expects that nothing else will matter. The quantity of data available should allow some exploration of the question whether the irrelevance of cosmetics depends upon the value of the wine—for example, “trophy” wines exhibit less sensitivity than lesser wines. Preliminary results for 6,311 transactions indicate that, contrary to some speculation in the literature, the bid premium does not rise with the size of the format: for example, half-bottles command a larger premium than double-magnums. Also larger lots do elicit slightly smaller bids per unit, but this has not been tested for nonlinear effects.

This research uses a unique data set from the auction of fine and rare vintage Bordeaux wine as published in Wine and Price: International Auction Results—Wine and Spirits by Blattel and Stainless (1996). It studies over six thousand observations of auction transactions from two auction houses that operated for several years in Chicago, serving ostensibly the same market and selling essentially identical wine in many transactions over the same time period (the 17 auctions of the 1995-6 auction season).