Price Determinants of Bordeaux Wine
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Several studies have examined the determinants of wine price and have proven that sensorial characteristics of wine only possess a minor to no impact on price (Combris et al., 1997 and 2000; Lecoq & Vissier, 2006; Benfratello et al., 2009). However other variables such as vintage, age, primeur price, rankings, expert ratings and weather have been discussed in the previous literature as significant determinants of prices of bottled wine (e.g. Di Vittorio & Ginsburgh, 1994; Jones & Storchmann, 2001; Ashenfelter, 2008). The purpose of this study is to simultaneously examine these key determinants of wine price. Additionally variables that are indicators of rarity such as the number of dealers that sell the wine and the production volume are studied. The present study further adds to existing research on the role of expert ratings on wine price. While previous research has confirmed that expert ratings in general have influence on wine price e.g. Ginsburgh et al. (1994), Di Vittorio & Ginsburgh (1996) and Landon and Smith, Jones and Storchmann (2001), we investigate which expert has a particular strong impact on the price of bottled wine.

The editions of Vinbox between 1997 and 2008 provide the dataset ranges for our empirical analysis. The Vinbox database includes prices for all major dealers in Switzerland for wines of 88 estates from the Bordeaux region and vintages ranging from 1945 to 2008.

We show that primeur price represents an important significant determinant of price for bottled wine and confirm findings from previous research (Hadj & Nauges, 2007). Further we address the issue of rankings and analyze the Bettane ranking and the ranking based on the classification of 1855. Since previous research has shown contradicting results (Combris et al., 1997; Hadj & Nauges, 2007) the question whether the classification of 1855 is still appropriate, is of high relevance. We also investigate which expert rating best predict wine price and compare the relative impact of different wine critics (e.g. Robert Parker, Coates, Gabriel; Wine Spectator etc.) Our results provide empirical support that the impact of ratings from wine expert varies considerably and some wine expert’s ratings clearly outperform others in terms of their predictive validity. Further we address the issue of rarity, a subject that has received limited attention in previous research. Catry (2003 and 2007) discusses this issue with focus on luxury goods explaining the importance and different facets of rarity to enhance the perceived value of products. Only Miller et al. (2007) and Jones and Storchmann (2001) study this topic in relation to the wine industry, by showing that the number of cases produced has negative influence on ratings (Miller et al. 2007) and that size of the estate plays a role in the determination of price (Jones & Storchmann, 2001).

Results show that rarity has a statistically significant impact on price formation in the wine industry. Further results indicate that the number of dealers offering the wine has a negative impact on price, thus the more dealers offer the wine the lower the price. We further discover that the classification according to the ranking of 1855 that allows classifying wine into fine wine (Haut Brion, Lafitte, Latour, Mouton, Margaux and Yquem) versus non fine wine has a particularly strong impact on wine price.