Does the bottle size matter?  
The market is pricing the wine not the bottle  
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What determines wine prices? The question is obviously not new and there is more than the price of wine in a bottle. Several factors intervene in the intersection of image and pricing. Scarcity, or the perceived rarity of a wine, can be one, because motivated consumers are willing to pay for the prestige associated with small-production bottling from renowned appellations. The decision to market wine in a different bottle size is considered to have more to do with the judgment of taste and the feeling of pleasure than other factors...bigger is better. Is it true? Does size matter?  

To our knowledge, no investigation of the possible effects of bottle size on supply or demand of liquid products has ever been made with the exception of Brunke et al. (2009). In their empirical analysis, based on wines offered at auction markets in Germany, they find a negative correlation between price and bottle size. When controlling for vintage and quality, they find that the bottle size generally does have very little or no effect on the price sold at auction. The purpose of this paper is to investigate the price effect with bigger bottles for Champagne and Bordeaux wines.  

The results of our investigation show a major difference between prices posted for bottles of champagne and auction prices for Bordeaux wines. In the case of Champagne, the price of wine increases more than proportionally with the size of the bottle. We show that the relative scaled price of the marketed bottle may vary from 1.0 for a standard bottle (0.75l) to a factor of 2.1 when the size of the bottle increases. According to Walras, value is an increasing function of scarcity. We show in this paper that this hypothesis may be explaining the increasing relationship between the posted prices of larger bottles of Champagne and the size of a bottle independently of the perceived quality of the wine or the region of production. However, further investigation based on prices determined at auctions for Bordeaux wines mitigates these results as the premium for larger bottles is much smaller than for posted prices.  

The paper is organized as follows. First we provide some background on bottle sizes. In the next section, we suggest a measure of the relative scaled price index to compare the price of different bottle sizes on the same scale, i.e. a standard bottle of 0.75l and then we show that its value is an increasing function of the size of bottles. We suggest that the hypothesis of scarcity may be explaining this increasing relationship. In the following section we verify that this hypothesis does not hold with a sample of wines for which auction “hammer prices” are available. The last section discusses the results and concludes the paper.