The Country Brand Trap
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Data on 14,284 bottles of wine from six regions or countries, namely Argentina, Australia, Chile, California (United States), Burgundy (France) and South Africa, and from five vintages (1997, 1999, 2001, 2004 and 2005), are used to estimate a hedonic price model that causally relates wine prices to individual quality and country brands. A positive and statistically significant relationship between price and individual quality is confirmed, and it is found that the premium or penalty attaching to wines because of their associated country brand has held steady over time, as has price-quality elasticity. Individual quality being equal, Chilean and Argentine wines continue to suffer a penalty of over 50% relative to Californian wines. Another finding is that the country brand problem will not be solved until countries that are newcomers to the industry, such as Chile and Argentina, succeed in producing a critical mass of wines of outstanding quality, for this is the factor that will ultimately determine whether their producers benefit from a good collective image or reputation.

Keywords: Wine, hedonic pricing model, country brand, price-quality elasticity, exports, marketing, statistics, Argentina, Chile, Australia, France, South Africa, United States

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