Quality wine in the modern distribution

Object, method and database

To analyze consumers preferences for wine in different distribution channels.

Hedonic pricing model.

ACNielsen panel of Italian families.

Wine consumption in ACNielsen database

6,969 the number of families that have purchased wine (68% of the total).

433,000 euros.

1,880 hectolitres.

Families are composed, in average, by three persons and the average age of the responsible buyer is 48, while the average age of the head of the family is 51 years.
Common wine is the wine category most represented in the ACNielsen (60%).

Quality wines, which have got an origin denomination, is 40%.

The average price of purchase, for origin wine, is 3.8 euro per litre, more than the double of those of common wine, which is equal to 1.5 euro per litre.

The stuff more widespread and used to contain the product object of this research are represented by glass (69.5%) and brick (28.7%), while the capacity 75 cl is the size of the packaging which prevails inside the database (51.5%), followed by form of 1L with a good frequency equal to 27.6%.
Variables chosen inside the ACNielsen database

Typology of wine (common, quality wine, others).
Purchase channel (supermarket, iupermarket, free service, others purchase channels).
Colour (red and white).

Way of production (environmental, friendly organic).
Average price.

The main channels used by the customers, included in the data, to buy the wine are the supermarkets and iupermarkets, where the same customers have spent 387.153 euros in the 2006. Although, the others channels have a marginal role in the wine business, a good share of trade is kept by traditional and specialized retails.

<table>
<thead>
<tr>
<th>Purchase frequency</th>
<th>Frequency</th>
<th>Percent</th>
<th>Cumulative percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Supermarket</td>
<td>62.489</td>
<td>49.0</td>
<td>49.0</td>
</tr>
<tr>
<td>Iupermarket</td>
<td>43.879</td>
<td>34.4</td>
<td>83.4</td>
</tr>
<tr>
<td>Free service</td>
<td>5.409</td>
<td>4.2</td>
<td>87.7</td>
</tr>
<tr>
<td>Others purchase channels</td>
<td>15.692</td>
<td>12.3</td>
<td>100.0</td>
</tr>
<tr>
<td>Total</td>
<td>127.469</td>
<td>100.0</td>
<td></td>
</tr>
</tbody>
</table>
where \( q_{ij} \) is the j characteristic amount present in the specimen \( y_i \) of product \( Y \). Hedonic price function then decomposes the price of \( Y \) as a function of its characteristics, that is

\[
p_y = p_y \left( q_{i1}, ..., q_{ij}, ..., q_{in} \right)
\]

The partial derivative of this function with respect to each attribute measures its implicit price.

**Hedonic pricing model**

"P" (average price euro/litre) dependent variable

\[
P = \beta_1 + \beta_{Production} + \beta_{Colour} + \beta_{Typo} \log y + \epsilon
\]
The high implicit price, for the variables typology (wine with denomination) and production (organic wine), can be interpreted like a customer index of linking about quality wine.

To produce the wine using organic grapes begets a positive impact on the purchase wine price.

For the wine purchased in the supermarket the implicit price is equal to 1.63 euro per litre.
Conclusions
This working paper is only the first step of our research in this field.

The customers always more, search and find quality of the wine in the modern retail.

The colour (the only instrict characteristic of wine) is no important.

Thanks for the attention