Are social aspects able to explain the demand for wine?

1. Considering Social Phenomena
   1.1. General Framework
   1.2. Taking into account the social dimension in the demand for wine.

2. The Model
   2.1. Assumptions on Consumer Behavior in Economic Literature.
   2.2. Formalizing The Model

Consequently:

- Giffen effect (Lipsey & Rosenbluth 1971)
- Veblen effect (Veblen 1899; Bagwell & Bernheim 1996; Leibenstein 1950)
- demonstration or imitation effect (Duesenberry 1949), ratchet effect (Brown 1949)
- The "homo economicus": the consumer is a passive maximizer of utility, indifferent to his peers. It is controversial (Anderson 2000).
An image of the consumer closer to reality is given when tastes and social interactions are taken into account.

- Individual is conditioned in his choice by a combination of influences coming from his entourage (Granovetter 1985)
- Internalization of Social Attributes explains in part behavior (Barry and Shapiro, 1992)

Irrespective of social interaction, it is then very difficult to predict behavior correctly (Kaplan, 1968)
- the distribution of demand from that one that one should have, in considering only the properties of the goods and not the actions of other consumers (R. Cowan, W. Cowan, & Swann 1997).

Kinds of goods whose evolution of demand is much more sensitive to personal taste and social influences than to price.

- “taste goods” (Barrère & Santagata, 2005),
- positional goods (Frank 1985)
- singular goods (Karpik 2007)
- Art
- Finance
- Fashion
- Leisure (Pesendorfer, 1995)
- Wine

1. Considering Social Phenomena
   1.2. Taking into account the social dimension in the demand for wine.

   The Idea that preferences are influenced by criteria other than the intrinsic qualities of wines has been difficult to accept
Sociological arguments:
Genevieve Teil (2005); Marie-France Garcia-Parpet (2005).

- Brand of wine is chosen, in part, in the context of social comparisons.
- Wine is globally a product of social comparison because it is structured according to the image of the society. A strong hierarchy of wines determined by geographical indications, “crus” and vintage wines can easily be associated with a complex hierarchy of social classes. Wine is structured and thus structuring.

Conclusions:
Whatever the method, and as expected, these studies conclude that the impact of external information is more important than the sensory characteristics, or is at least to increase the willingness to pay substantially.

See case of Burgundy red Wine and Champagne (Lange 2000 and 2002).
2. The Model
2.1. Assumptions on Consumer Behavior in Economic Literature.

Two Components

Personnal heritage
- Personal Capital (Becker)
- Habitus (Bourdieu)

Social heritage
- Social Capital (Becker)
- Shapiro, Kaplan ...

GROUPS INFLUENCE

PRIMARY
- Peer Group (Family)
- Direct influence
  (Hogg, 2001)

SECONDARY
- Reference group
  more distant contacts
  (Hyman 42)

A normative function
  (Bearden and Etzel 1982;
  Childers and Rao 1992)

A comparative function
  (Kelly 1965)

2.2 Formalizing The Model:

- Dynamic simulation
- One Product
- A range of consumers

Social consideration:

• 2 groups: Peer Group and Reference Group
• Each consumer belongs to one group
• Information available: previous rate of buyers into the 2 groups
• Imitation or rejection effect

Personal consideration = Idiosyncratic factor

- Connoisseur: high idiosyncratic value, meaning a pronounced personal “taste” for the product
- Non-connoisseur: low idiosyncratic value, meaning a moderated personal “taste” for the product

Decision:  Buy  Not Buy

According to:

- personal taste
- social taste
- price
For example: an individual of the group E identified by the real $X \in [0; 1]$, his surplus at the moment $t+1$ is written:

$$S_{x,t+1} = xH_E + (1-x)H_E + a\rho_{E,t} + b\rho_{C,t} - p$$

- $S > 0$ => Buy
- $S < 0$ => Not Buy
- Personnall taste position
- Rate of buyers in the group of Expert (Candids)
- Price (given) rejection effect
- Experts/Candids influence
- Positive imitation
- Negative rejection

**Example**

- Personal capital parameters are fixed as follow:
  
  $H_E = 6; H_C = 2.5; H_C = 2.5; H_C = 0$

<table>
<thead>
<tr>
<th>P.V.</th>
<th>Sense</th>
</tr>
</thead>
<tbody>
<tr>
<td>a 2</td>
<td>The members of E imitate their peers</td>
</tr>
<tr>
<td>b 2</td>
<td>The members of E want to be different from the members of A in their acts of purchase</td>
</tr>
<tr>
<td>c 1</td>
<td>The others in the same way imitate the members of their group and the members of E</td>
</tr>
<tr>
<td>d 1</td>
<td></td>
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</tbody>
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**Algorithm:**

- Initial data $\rho_{E,t} = 0.5; \rho_{C,t} = 0.5$
- Final data: stable $\rho_{E,t+n} = 0.8; \rho_{C,t+n} = 0.2$

**CHAMPAGNE CASE**
Economic literature furthermore pay little attention to sociological arguments. In this paper we argue that they may constitute an interesting line of study.

According to the importance of the phenomena of imitation or opposition, between different social groups, we show the existence or the absence of steady equilibriums.

This original approach of the demand for wine has important managerial implications. We suggest, in fact, a price strategy based on the rate of buyers observed in different social groups.