BORDEAUX WINES CLASSIFICATIONS: SCOPE AND LIMITS

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Outline

• Conceptual background to wine classifications (utility, efficiency)
  • A recall on existing classification of Bordeaux wines
  • Analysis of information asymmetry

• Presentation of the methodologies possible to implement for developing a valid annually revisable wine classification
  • Mono-criteria models
  • Multi-criteria models

• Analysis of the case study on classification of 123 chateaux of Bordeaux wines

• Conclusions

History of Bordeaux wines

Wine production seems to have begun during the Roman occupation of St. Émilion. The Romans established vineyards to cultivate wine for the soldiers.

In the 12th century the popularity of Bordeaux wines increased dramatically, following the marriage of Henry Plantagenet and Aliénor d’Aquitaine.

As the popularity of Bordeaux wine increased, the vineyards expanded to meet the demands from abroad. Henry II abolished export taxes to England from Aquitaine.

In 1725, the spread of vineyards throughout Bordeaux was so vast that it was divided into specific areas so that the consumer could tell exactly where each wine was from. The collection of districts was known as the Vignoble de Bordeaux, and bottles were labelled with both the region and the area from which they originated.

Due to the lucrative nature of this business, other areas in France began growing their own wines and labelling them as Bordeaux products. Protests from the Aquitaine demanded that the government impose a law declaring that only produce from Bordeaux could be labelled with that name.

In 1855, the government responded to the appeals from the winemakers and stated that all regions in France had to refer their wines to the place in which they had been produced: AOC.

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Bordeaux wine region in figures

• The Bordeaux region is the largest wine-growing area in France
• 118,000 hectares under vine,
• 57 appellations,
• 9,000 wine-producing châteaux,
• 15 ha = average size of wine property.
• Annual production: between 5 and 6 Mln Hl (or over 700 Mln bottles)

> 40 co-operative cellars and unions of producers
> 300 houses of trade (négociants).
> Excellent environment for growing vines:
  • the geological foundation of limestone, which is a soil structure that is heavy in calcium;
  • the Garonne and the Dordogne rivers irrigate the land, and an oceanic climate provides humidity to the atmosphere
=> grapes can, and do, flourish.
Problems and Prospects

French wines in general, and Bordeaux wines in particular, went through economic difficulties during the last 10 years.

- The most exclusive wines are sold for increasingly high prices
- Chinese interest in the Bordeaux wines affects the whole sector
- Small producers continue facing problems.
- France has an unsurpassed wine infrastructure, a long tradition of making wine, and a strong international reputation.
- Nevertheless the New World wines present strong competition in major export markets (e.g. Australian wines on Chinese market)
- Increasing consumer preference for brand names and varietal labels create marketing challenges
- Consumption of wine in France is constantly declining

The existing classifications of Bordeaux wines: some hindsights

- Three classifications for three large production regions:
  - A classification of Medoc wines (1855)
  - A classification of Saint-Emilion wines (1955)
  - A classification of Graves wines (1959)

- The classifications established on the basis of different criteria:
  - Medoc wines: market prices;
  - Saint-Emilion and Graves wines: a board of experts (wine sampling, …)

Utility of Classifications

Differentiate the wines in terms of quality

- Fundamental asymmetry between a producer and a consumer on the wine market:
  - The producer knows the quality of its product
  - The consumer searches pertinent information for purchasing
- Specificity of grand wines
  - More often they are purchased before their highest point
  - Too high prices for grand crus.
Inefficiency of today’s classifications

The existing classification system does not allow a consumer to obtain pertinent (reliable, relevant and important) information on the quality of wine:

- Three classifications for one region, and each based on different logic:
  - Price or quality of classified wines
  - Hierarchy among different crus is different for each classification
  - Only one classification is revised regularly

- A prestigious appellation is out of classification
  - Pomerol

A new classification to reduce the information asymmetry

The only classification for a whole set of Bordeaux wines

- The appellation gives information only on the terroir (soil), vine variety …

The classification regularly (annually ?) revised

- Increased competition among wine producers
- Enhanced information need of a consumer

The empirical study

The questions to study:

- What criteria should be taken for the basis in establishing a classification?
  - Price and/or Taste (sampling)
  - Price and/or Quality

- How many hierarchical levels are needed to set up among the crus?
  - 5 levels (in Medoc), 3 levels in Saint-Emilion…

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Monocriteria analysis

Classification by price:
- Average prices (geometric and harmonic average);
- Results: 4 classes
- Limitations: the prices reflect the quality only partly.

Classification by quality
- Number of Parker’s notes given; average note.
- Results: 3 classes of châteaux
- Limitations: bias due to evident prejudice.

Multicriteria Analysis

- How to aggregate a number of criteria with an objective to select one or several options or classify them par order of importance?

- Two well-known methods:
  - Compensatory models
  - Non-compensatory models

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Case Study Data

A sample of 123 châteaux of Bordeaux wines with a 95% of classified wines:

- Eight appellations represented;
- The sixteen vintages (from 1994 to 2004)
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- The sixteen vintages (from 1994 to 2004);
- The wine prices observed on market auctions (2012);
- The Robert Parker’s notes (Two other experts notes will be added).

Three evaluation criteria:

- For the first criterion related to the estimated quality: the scores of the three worldly recognized wine experts Franck Dubourdieu, Robert Parker et Jean-Marc Quarin.
- For the criteria related to prices, we consider:
  - the 2012 wine auction prices and
  - the adjusted prices given the relative scarcity of each wine - this is done to obtain a better indicator of quality.

Results

The four classes of châteaux:

- First class: 28 châteaux “peers” in terms de Parker’s notes and a price ranking hierarchy
- Second class of 37 châteaux: high Parkers’ notes and relatively high prices;
- Third class of 26 châteaux: lower Parker’s notes though reasonable prices;
- Forth class: 32 châteaux of lower prices.
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Conclusions

1. Inefficiency of the existing classifications is observed
2. Extra analysis need to be performed to validate our results
   - Evaluations of three other experts will be added
   - Non classified chateaux of excellent reputation will be added for verification and additional validation
3. Three criteria for establishing efficient classification
   - Adhere to a pertinent selection of criteria (multi-criteria approach)
   - Revise update a classification regularly
   - Enclose in a classification the totality of one production region  
     e.g. Example of Cru Bourgeois : selection for a 3 year period

Thank you!