Title
Do Wineries Benefit from Distinctive Names?: Evidence from Bordeaux, 2011-2022

I want to submit an abstract for:
Conference Presentation

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Keywords
brands, quality, trademark, congestion, price, competition

Research Question
Does the distinctiveness of a chateau’s name affect its level of investment and its returns on investment?

Methods
Longitudinal sample initial price and expert rating data of 2300 Bordeaux producers from 2011-2022

Results
TBD

Abstract
Firms rely on brand names to market goods to consumers, and consumers rely on brand names to locate goods that satisfy their preferences. If multiple firms are using the same or similar names, consumers may be confused about which product to buy, and firms may not obtain the benefits of their investments in quality. Recently, both firms and scholars in a number of industries have expressed concern about brand name congestion—too many firms clustering around too few terms. In previous research, in order to investigate this question in the market for
wine, we applied computational linguistic analysis to chateau names in the Bordeaux wine region. The goal of this project was to study the degree of brand congestion within a mature, traditional, and high-value market. In a paper published in 2022 in the Journal of Wine Economics, we found that Bordeaux producers have highly similar names to one another, far more similar than in comparable wine regions such as California and Alsace. More than a quarter of all Bordeaux producers have a name that is identical or nearly so to at least one other producer, and many terms are claimed by dozens of different producers. Interestingly, however, we find that the most famous and renowned producers have names that tend to be more distinctive than their less famous brethren.

Highly similar names are almost always bad for consumers, who struggle to distinguish between brands and experience higher costs when attempting to find the products they are seeking. This is particularly true in a market such as wine, where consumers may be relatively unsophisticated and are often confronted with dozens or hundreds of options. However, the effect of naming similarity on producers is more ambiguous. On the one hand, in theory a distinctive name could help a winery capture more of the benefits of investing in quality. For example, assume that Chateau La Croix and Chateau Chasse-Spleen both invest $5 million in upgrading their wineries. Theory predicts that Chasse-Spleen should see better returns from its investment, because La Croix’s improvements will be conceptually distributed among the many wineries bearing that name. Some consumers who taste La Croix’s excellent new wine may, when they return to the store, accidentally purchase Chateau La Croix de Pez, Chateau La Croix de Roche, or one of the several other Chateau La Croixs. In turn, this means that Chateau Chasse-Spleen and other distinctively named wines should be more willing to invest in increased quality than wineries with non-distinctive names. For a winery with a non-distinctive name, brand quality is a semi-public good that benefits other similarly named producers, and we should expect to see under-production of public goods.

On the other hand, producers might be able to benefit from linguistic proximity to famous brands. A wine with a name similar to a famous classified growth might be able to trade off of the better-known winery’s famous brand via the confusion of unsophisticated consumers. This might be particularly useful for a firm that does not expect to make significant investments in quality and thus has less to gain from a distinctive name. Accordingly, we anticipate that price, quality, and name distinctiveness will be linked via a complex set of dynamic incentives.

In this project, we begin to consider whether the distinctiveness of a chateau’s name is, in fact, associated with the price and quality of the wine and with the chateau’s ability to reap the rewards of investment. We have collected data on Bordeaux wineries’ ratings and initial prices from January 2011 to June 2022. From the 2010 vintage onwards, this data includes over 23000 unique wines produced by over 2300 distinct producers. We intend to use this data to test a variety of hypotheses, including the ones laid out above. For instance, we will analyze whether new producers who enter the market at lower (or higher) prices tend to cluster around famous existing names more (or less). We will attempt to determine whether producers with distinctive names make greater investments in improving quality, with increases in the winery’s rating and price used as proxies for investment in some aspect of the winery. And we will analyze whether wineries with distinctive names that do make investments are able to capture a greater share of the value of those investments, as measured by increases in price over time. That is, if Chateau La Croix and Chateau Chasse-Spleen both enter our dataset with scores of 88 points, for example, and five years later both score 92 points, will Chateau Chasse-Spleen have been able to raise its prices more than Chateau La Croix? We are currently analyzing data and plan to be able to report it at the conference.

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