Title
Determinants of wine price: An analysis of Wine Spectator “Top 100” reviews

I want to submit an abstract for:
Conference Presentation

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Keywords
wine reviews; wine price; expert reviews; wine quality indicators

Research Question
What are the attributes identified in expert wine reviews that determine wine price?

Methods
Multiple regression analyses were conducted to examine the influence of various factors included in Wine Spectator Top 100 reviews over a 34 year period.

Results
Significant price differences between wine types (red, white, blended red, blended white) were shown. Production volume decreased wine prices and country of origin had a significant effect on wine prices.

Abstract
Background

Wine is an experience good, of which quality, taste, and other attributes remain unknown until consumption (Ashton, 2014). Thus, consumers tend to rely on expert reviews or previous consumers’ opinions to minimize uncertainty when purchasing wine (Thrane, 2019). There are two main streams of research regarding wine reviews: the first research stream examines the role of expert ratings, while the second stream focuses on analyzing the contents of review comments. Although previous studies provide significant implications, they do not necessarily convey all required information for consumers, wine producers, and marketers due to the wines used for these studies being limited in terms of wine color (e.g., Ashton, 2016; Loison et al., 2015) and production region (e.g., Cyr et al., 2017; Picard et al., 2015; Stuen et al., 2015). Thus, in order to help wine producers and marketers understand the factors that determine wine price, it is necessary to provide a more comprehensive analysis of different information about wine, such as wine color (i.e., red, white, rosé), grape variety, varietal/blend, or production region.

This study analyzes wine expert reviews from the Top 100 Wines list published by Wine Spectator to identify the factors that determine price.

Methodology

A total of 3,400 wine reviews from 1988 to 2021 were collected from the Wine Spectator website. A series of multiple regression analyses were conducted to examine the influence of various factors, including color, varietal wines/blended wines, production volume of wines, the age of wine, production volume, and potential influence of production region (country) and vintage on price. Dependent variable was natural log transformed price (ln(price)). Several dummy variables were created. For the color, red wine was coded as ‘1’ and white wine was coded as ‘0.’ For the varietal wines/blended wines, varietal wine was coded as ‘1’ and blended wine was coded as ‘0.’ Then, an interaction term of color and varietal wines/blended wines was created. To examine the potential influence of production region, USA was selected as a reference country and dummy variables were then generated for each country. Lastly, selecting 1988 as the reference, dummies were created for other years (e.g., 1989=1, else=0, 1990=1, else=0, etc.).

Results

In Model 1, the influences of color and varietal wines/blended wines were examined. The model was significant (F = 114.154, p < .01; R2 = 0.077). It was found that white wines had a lower price than red wines (b = 0.341, p < .01), and varietal wines had a lower price than blended wines (b = -0.195, p < .01).

In the Model 2, an interaction term was included (F = 91.141, p < .01; R2 = 0.090). Results suggested that the interaction term was significant (b = 0.483, p < .01). As shown in Figure. 3, there are significant differences in price between groups of varietal red (µ = 44.61, SD = 36.474), blended red (µ = 51.08, SD = 49.581), varietal white (µ = 28.72, SD = 24.033), and blended white wines (µ = 55.41, SD = 61.699). Varietal red wines had a significantly higher price than varietal white wines (p < .001), but a lower price than blended red wines (p < .001). Also, blended white wines had a significantly higher price than varietal white wines (p < .001).

In Model 3, production volume and the difference between production year and the review year were included (F = 111.877, p < .01; R2 = 0.170). It was found that production volume had a significant negative impact on price (b = -0.172, p < .01) and the difference between production year and the review year had a positive impact on price (b = -0.005, p < .01).

In Model 4, country dummies (reference group: USA) and year dummies (reference year = 1988) were included (F = 23.025, p < .01; R2 = 0.317). In total, 33 year dummy variables were included but not reported due to the limited space. Wines produced in France had a significantly higher price than those produced in USA (b = 0.244, p < .01). Comparably, wines produced in Australia (b = -0.137, p < .05), Germany (b = -0.153, p < .10), Greece (b = -0.419, p < .05), Italy (b = -0.096, p < .01), and Spain (b = -0.542, p < .01) had significantly lower prices than wines produced in USA. Only year dummy of 2021 was significant (b = 0.612, p < .01).
Implications

This study generated new variables, such as wine color and varietal wines/blended wines by extracting information from the existing data on grape varieties and production region. The study also extends the current literature by adding a new, wider perspective in overviewing and analyzing high-quality wines by considering wine color, varietal wines/blended wines, price, production volume, production region, ranking, and score with annual or periodic changes. Further, the price differential for highly rated wines based on production volume is also quantified, as is the price differential based on the difference between the vintage and year of review, i.e. the age of the wine at time of review.

Although previous studies found the importance of expert reviews and although wine publications offer expert wine ratings and reviews, it has been difficult for wine producers and marketers to find information about the factors that influence price in a single dataset or file. Specifically, this study provides valuable information for wine retailers, importers, and distributors because it shows the new direction expert reviews are pointing towards. Thus, using the information from this study, consumers and wine-related businesses can understand which wines have been evaluated highly by the experts and command higher prices.

References


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