

HEDONIC PRICE FOR THE ITALIAN RED WINE: A PANEL ANALYSIS

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ABSTRACT

We use a unique dataset to estimate the hedonic price function for Italian red wine sold on the Italian market in the period 2006-2008. The dataset allows us to know for each wine several characteristic such as the price by retail channel (price in supermarkets and in wine shops), label characteristics, chemical analysis, sensorial characteristics and experts' evaluations ¹.

The objective of the analysis is to estimate the importance of the different class of variables on price and through time.

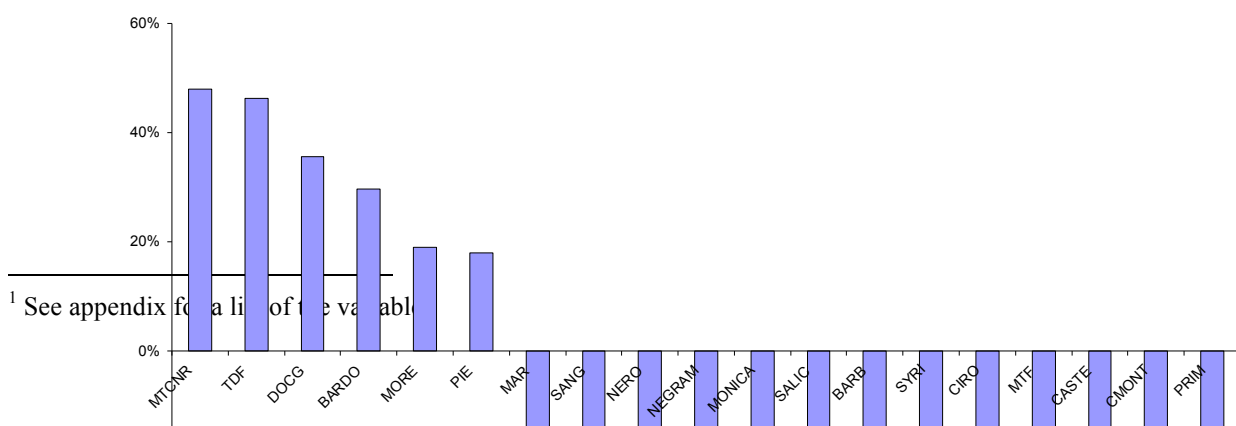
The preliminary analysis show that the price mainly depend on the label characteristics of the wine sold; other indicators, even when statistically significant, are quite irrelevant. Through time, the reputational effect seem to play an important role, but this element needs a more detailed analysis that has not been carried out for the time being.

The data available have been divided into several sub-samples in terms of availability of information about the price of wine, namely

- wines sold only in wine shops
- wines sold only in supermarkets
- wines sold using both channels

For each subsample the analysis has been repeated.

The preliminary results show that price formation is rather different the in three distribution channels. In particular, if the wine is sold only in supermarkets, labels characteristics determine the price. Figure one shows the impact of each variable on the price using Halvorsen and Palmquist (1980) and Landon and Smith (1997) method.



If the same wine is sold also in wine shops, its price increase by about 3%.

Keeping quality constant, in the period 2006-2006, the price in real terms of wine has decreased by 13/14% .

The story for wines sold only in wine shops is rather different. In this case label variables are important, but some sensorial characteristics (colour, acidity, taste persistency) are also statistically significant. The price variations is higher, something that may be interpreted in terms of higher contractual power by producers.

Appendix: Variables

1) Label characteristics

a- Wines

Aglianico Del Vulture	Refosco Dal Peduncolo Rosso
Barbaresco DOCG	Rosso Di Toscana
Barb	Salice Salentino
Bardolino	Sangiovese
Chianti	Sicilia
Cirò	Teroldego Rotaliano
Dolcetto	Terre Di Franciacorta DOC 2003
Marzemino	Toscana
Morellino Di Scansano	Valtellina Superiore Sassella DOCG 2002
Nero D'Avola	Vino Nobile Di Montepulciano
Primitivo	

b- Region of Origin

c- DOC, DOCG, IGT

d- Alcohol content

2) Chemical analysis

Alcohol content	Volatile acidity (g/l)
Sugar (g/l)	SO2 free (mg/l)
Total acidity(g/l)	SO2 total (mg/l)

3) Sensorial variables

Sat colore	Amaro
Riflessi violacei	Astringenza
Riflessi aranciati	ric aromatica
Intensità olfattiva	Persistenza
Floreale	Attraenza
Fruttato	olf franchezza
Speziato	olf qualita
Vegetale	Armonia
Struttura	Retrogusto franchezza
Percezione sferica	Retrogusto qualita
Acidità	

Points through expert panles

Giudizio Globale	Punti Ie
Indice Edonico	Punti Zob
Indice Zob	Punti Ic
Indice Concorsi	Punti Finale

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