Market values for the attributes of bottled Chilean wine: an estimate hedonic price
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Abstract

Chile is one of the most important producers of wine worldwide, showing the seventh place of producers with 1,285 million liters (5%) and the second within countries called the "New World". Besides being the fifth largest exporter of wine with 662.3 million liters. This major is mainly due to the good value for money that owns the Chilean wine compared to the traditional countries.

Wine production in Chile is divided into three categories: i) wines with denomination of origin (83.9%), ii) wines without denomination of origin and iii) table wines. Only wines with denomination of origin may use one of the additional terms of quality (MCD) given by the Chilean legislation (e.g. Reserve, Special Reserve, Private Reserve, Grand Reserve). There is also the internationally accepted and given by Rabobank in 1999 and divides the wines in: i) icon ii) ultra premium iii) super premium iv) premium and v) basic.

The objective of this study is to determine the attributes that influence the price of wine from estimating a hedonic price function. For this a database of wines produced in Chile with extrinsic attributes such as variety, denomination of origin, complementary quality mention and ranking tasting experts of one of the most important specialized magazines in Chile (CAV) was developed, and intrinsic attributes such as freshness, sweetness, body and astringency. With these variables we proceeded to estimate a model Log-linear price-attribute, as the dependent variable, the price paid by the consumer and as independent variables intrinsic and extrinsic attributes.

The analysis of the first descriptive results was performed in two stages, the first descriptive and the second focused on the results of the model estimation. In relation to the descriptive results, 1,642 wines was founded, 1,222 are red wines (74%) and 420 whites (26%). Regarding the denomination of origin, 1,504 wines have any denomination of origin (92%). Regarding the use complementary quality mention, 811 wines (49%) use some complementary quality mention accepted by Chilean law, while only 74 wines (4.5%) use given by Rabobank. About the ranking, 652 wines (40%) are between 87 and 88 points, and 601 wines (37%) between 89 and 90 points. Regarding the price, it was found that red wines have an average price higher than whites, CLP $11,300 (US$17.9) and CLP $6,536 (US$10.4) respectively. With regard to the relationship between the denomination of origin and the price, wines with denomination have a high price over those who do not have. With regard to price and MCD, wines with an international complementary quality mention reach an average price of CLP $32,917 (US$52.2) and wines with a complementary quality mention accepted by the Chilean legislation CLP $ 6,066 (US$9.6).

Regarding the results of the estimation of Log-Linear Model adjusted R² of 0.713 was obtained. The attributes that contribute negatively to price are the variety of wine Cabernet Sauvignon, Carmenere, Merlot and Syrah, with price elasticities -12%, -17%, -7% and -17% respectively. The attributes that significantly influence the price of the product are the complementary quality mention Grand Reserve and Private Reserve (22%); the international complementary quality mention Premium (46%), Super Premium (104%), Ultra Premium (83%) and Icon (186%). Moreover, there is great ranking positive and significant influence on the price, with an elasticity of 28%.

The results obtained in this study are consistent with those developed in other markets, and reinforces the idea that in emerging markets, where consumers have limited experience in product consumption are extrinsic attributes that most affect the final price of product. A different situation is observed in developed markets where consumers wines are considered experts. In these
markets the final price of wine is not only explained by extrinsic attributes, but also play an important role in the intrinsic attributes.