Title
Wine Auctions as a sales channel – the case study of the VDP Wine Auction of Kloster Eberbach

I want to submit an abstract for:
Conference Presentation

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Keywords
Wine Auction
Marketing
Wine commissionars

Research Question
Has the traditional VDP wine auction in Kloster Eberbach a future as a marketing channel or whether it will be turned purely to an image event for Rheingau wines.

Methods
Case study
in-depth interviews conducted with all relevant key players

Results
Comprehensive set of measures how to modify the VDP wine auction of Kloster Eberbach

Abstract
Auctions have a long history, having been recorded as early as 500 B.C. According to Herodotus, in Babylon auctions of women for marriage were held annually. The auctions began with the woman the auctioneer considered to be the most beautiful and progressed to the least. (Krishna 2002) During the Roman Empire, following military victory, Roman soldiers would often drive a spear into the ground around which the spoils of war were left, to be auctioned off. Later slaves, often captured as the "spoils of war", were auctioned in the forum under the sign of the spear, with the proceeds of sale going towards the war effort. (2004) However, we do not have to go back to the long past to acknowledge that auctions are of high importance. Today, vast amounts of auctions are taking place; for example Ebay. In economic theory, an auction may refer to any
mechanism or set of trading rules for exchange (Mankiw 2004). Thus, an auction is a process of buying and selling goods or services by offering them up for bid, taking bids, and then selling the item to the highest bidder. The open ascending price auction is arguably the most common form of auction in use today. (Herberg 1994) Participants bid openly against one another, with each subsequent bid required to be higher than the previous bid. An auctioneer may announce prices, bidders may call out their bids themselves, or bids may be submitted electronically with the highest current bid publicly displayed. (Varian 1989) While auctions are most associated in the public imagination with the sale of antiques, paintings, rare collectibles and expensive wines, auctions are also used for commodities, livestock, radio spectrum and used cars.

In the wine context auctions are still having an high importance: all large an well-know auction houses such as Sotheby’s are having on a regular basis wine auctions. However, one of the first important wine auctions have been held in Germany; in Kloster Eberbach in the wine growing region Rheingau.

About two centuries ago, aristocratic estates and domains introduced wine auctions as a new method of marketing their wines. Following successful auctions in May 1804 in Hattenheim and Eltville, the Duke of Nassau staged the first wine auction at Kloster Eberbach in 1806. Henceforth, it was customary to sell a vintage to the trade, cask for cask, to the highest bidder. The auction of casks continued until well after World War II, either in the so-called “Stück” (1,200-liter casks) or “Halbstück” (600-liter casks). (VDP 2015) Sales of bottled wine gradually replaced cask sales. In the last couple of years, the estates’ collective annual turnover at auction has ranged from € 250,000 to € 500,000. The wine auctions are not only financially profitable, but also increase the renown of Rheingau wines and confirm the wines’ extraordinary aging potential. (VDP 2015)

The exact auction procedures varies somewhat between the different regional auctions, but have several things in common. The wines put up for auction must be approved by a tasting panel of the auctioning society before being admitted to the auction. After that, a calling price is decided upon after a tasting by commissioners. The seller is in principle free to decide how many bottles he wishes to sell, but there is a minimum quantity depending on the wine's classification, and the seller must also provide sufficient bottles for the auction tasting. Typically, a pre-auction tasting is held in the morning of the auction day, where the participants may taste the wines in any order. A small tasting portion of each wine is served to all participants during the auction itself, just before the wine is auctioned. This procedure is sometimes called a "wet wine auction" to differentiate it from a "dry wine auction" where no wines are served. For wines made in very small lots, this means that a significant portion of the quantity produced must be served up for free. A few of the most rare wines are only offered in the morning tasting in some auctions, and the small lots of a few old bottles are not offered for tasting. (VDP 2015) Participation in the auction is open to any interested parties, but an entrance ticket must be paid. Formally, the sellers do not sell their wines to the individual participants of the auction, but rather to approved commissioners, which act as intermediaries and cast the actual bids at the auction. These number about 10 per auction. The commissioners collect bids from a number of prospective buyers before and during the auction. In most cases, a wine lot will be divided among several commissioners, with one of them as lead buyer. Commissioners charge around five percent of the auction price for their services. (VDP 2015)

However, despite of the friendly outline of the VDP some more critical voices have been questioning the ongoing success of this auction. Particular criticism was articulated that today the auction is rather hold for image and historical reasons than as a marketing channel. The turnover of this year's auction has been around 90,000 Euros. At the same time the 'sister' auction in Trier (Mosel) has a recorded for about 1.8 Mio Euros. In this context in our paper we'll analyse the current situation of the wine auction of Kloster Eberbach. Based on our results we will discuss the question whether this traditional wine auction has a future as a marketing channel or whether it will be turned purely to an image event for Rheingau wines. In order to achieve our aim a series of comprehensive in-depth interviews are conducted with all relevant key players: VDP wine estates, representatives of VDP association, and wine commissionars.