### Title
Crowdfunding in wine: a super “en primeur” market?

### I want to submit an abstract for:
Conference Presentation

### Corresponding Author
Olivier Bargain

### E-Mail
olivier.bargain@univ-amu.fr

### Affiliation
Aix Marseille University

### Co-Author/s
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<thead>
<tr>
<th>Name</th>
<th>E-Mail</th>
<th>Affiliation</th>
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<tr>
<td>Jean-Marie Cardebat</td>
<td></td>
<td>Bordeaux University</td>
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<tr>
<td>Alexandra Vignolles</td>
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<td>INSEEC Business School</td>
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### Keywords
crowdfunding

### Research Question
What are the future developments of crowdfunding in the wine sector

### Methods
Literature review and illustration with a new consumer survey on wine consumption, wine crowdfunding perception and practice

### Results
Crowdfunding seems to become a kind of “super en primeur” system

### Abstract
Crowdfunding in wine: a super “en primeur” market?

Crowdfunding is the financing of a project or a venture by individuals rather than by professional parties like banks, venture capitalists or business angels (Lambert and Schwienbacher, 2010). This phenomenon has recently emerged as a novel way of financing new ventures and has become a prominent sector (more than $1.6 billion raised in the US and around $150 million in France). This coincides with a growing interest in wine as an investment good (Fogarty, 2007, Fogarty et al. 2014, Sanning et al. 2008) and with a search for new funding opportunities by wine makers.

Crowdfunding was first used for rather small-scale projects in the music and movie industry (Lambert and...
Schwienbacher, 2010). Lately, the growing popularity of crowdfunding has led ventures in other domains (e.g. biotechnology, gaming, culture) to rely on this new funding source, so that the scope of crowd-funded projects has increased. Little is known about whether and how crowdfunding can be effectively used in the wine sector. Four models of crowdfunding are usually defined (Agrawal et al., 2011, Agrawal 2013): reward based model, donation based model, lending based model and equity based model. Wine crowdfunding may enter several of these definitions, yet it is not clear which models will shape the future of this new system. Also, investors in early stage entrepreneurial ventures tend to be local (Florida and Smith, 1993; Zook, 2002; Mason, 2007), and building a community that supports the entrepreneur is crucial for crowdfunding to be a viable funding mechanism (Belleflamme et al., 2014; Agrawal et al.2011). Whether wine crowdfunding departs from these prerequisites is an open question.

To address these new questions, we first suggest a brief review of the literature on wine and finance as well as on how crowdfunding is entering the wine sector. In particular, among all forms of crowdfunding (Agrawal et al., 2011, Agrawal 2013), we discuss why the donation/voluntary contribution side of crowdfunding, driven by intrinsic motivation, will probably remain marginal compared to crowdfunding as an investment (lending/equity models) or early purchase (reward model) by the public. Crowdfunding indeed offers two interesting opportunities for wineries around the world. The first one is the obvious diversification as a new funding opportunity. The second corresponds to the aim of numerous wineries: to generalize the Bordeaux “en primeur” system. This system, which consists in early sales, can be seen as a forward market reducing the costs and the uncertainty of the commercialization process. Crowdfunding in exchange of wine goods (bottle) or of services related to the wine sector can be seen as a retail form of the “en primeur” sales.

The next step is to illustrate these potential developments of the wine crowdfunding phenomenon using an original survey. It consists of an internet interview of 430 individuals from all five continents. These people are asked about their wine consumption and purchase, their knowledge about crowdfunding, their relation to the Internet, their investment and project related to wine crowdfunding and their expectations concerning the “rewards” from this type of contribution. We address the following questions: Who are the investors willing to invest in crowdfunding in the wine sector? What kind of revenue could attract them? More generally, we discuss how the public can help finance the sector and diversify the way wine is sold. Our preliminary statistical analysis first describe the profile of the interviewees – age, gender, country of origin, frequency of wine purchase, amount spent on wine per month, factors that influence their wine purchase and where they get information about the wine. We then use this information as covariates of our main variables of interest. Precisely, our preliminary analysis is conducted using a standard logit analysis to estimate the factors influencing the probability to invest/give on a crowdfunding platform, and an ordered logit to estimate the factors influencing the willingness to invest in the wine sector. The salient outcome is that people giving money are awaiting for a reward, the pure gift to the wine maker remaining marginal. The reward takes especially the form of equity, which confirms the potential of a lending/equity based model of crowdfunding in wine. They also report the interest for rewards in the form of wine goods or services, which convey the existence of an opportunity for wineries seeking to make early sales (pre-sale at least one year ahead of their future production). Crowdfunding could indeed become a kind of “super en primeur” system. The managerial and marketing implications of this point seem considerable for the wine sector.

In the short run, and for the completion of this study for the AAWE conference, we aim at discriminating between the two main motives for wine crowdfunding – wine goods/services versus equity - in function of the size of the contribution and controlling for possible confounding factors. The intuition is that more important funding coincide with the wish of returns in the form of equity while smaller ones may correspond to reward in goods. Very small contributions would simply those coinciding with pure donations. This correlation between the amount of funding and the expected return has interesting implications for the development of crowdfunding. Further work should aim to collect more general data on this issue and further analyze the increasing role of the crowd in the wine market.
References


