Bordeaux 2016 Abstract Submission

Title

History matters, Gurus too.
Standardized expert scores of Bordeaux fine wines, Chateau reputation effects and the traditional classifications

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Conference Presentation

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Keywords

expert scores, Bordeaux fine wines, en primeur, reputation, brand value, 1855 classification

Research Question

We use a unique dataset to revisit some of the important questions regarding Bordeaux wine rankings, experts' tastes, experts' consistency, experts' influence upon prices and wine reputation

Methods

Wine scores by 15 experts of vintages over 1945-2015 are standardized for comparability then regressed on key covariates, using fixed effects as a measures of brand value

Results

We reassess wine ranks and show the respective role of the 1855 classificiation and of modern experts' views.

Abstract

History matters, Gurus too.
Standardized expert scores of Bordeaux fine wines, Chateau reputation effects and the traditional classifications

We exploit a novel dataset on Bordeaux fine wine scores by 15 world-known experts, including ratings of vintages spanning 1945 to 2015 (scores until the years 2000s are essentially due to Jancis Robinson, Neal Martin, Robert Parker and La RVF), en primeur wine campaigns for the period 2000-2014 and score re-adjustments for a sub-group of experts in the years subsequent to the en primeur scoring. Price information is also available for a subsample. This unique dataset allows us to revisit some of the important questions regarding Bordeaux wine rankings, experts' tastes, experts' consistency ('within' time consistency and 'between'

consensus), experts' influence on wine prices and the role of Chateaux reputations.

Our first contribution is a novel classification of Bordeaux fine red wines, relying on an exceptionally large sample of château/vintage/rater combinations (68,000 ratings). It includes around 48,000 ratings of classified wines, comprising the Grands Crus classés, first to fifth "classified growths", as identified in the 1855 Classification (Médoc region); Grands Crus classés from Graves; Grands Crus classés and Premiers Grands Crus classés A and B from St Emilion ; Grands Pomerol; and Crus Bourgeois Exceptionnels. We extent the equipercentile equating procedure suggested by Cardebat and Paroissien (2015) to make expert scores comparable. As noted by Masset et al. (2015) "Comparisons are difficult to make, as not all experts use the same scale to establish their scores". Indeed, grading systems and habits differ from one expert to another (for instance, European experts are used to rate wine on a 20-point scale whilst US experts use 100 points). The (nonparametric) rescaling procedure consists of inverting the c.d.f. of each expert of all scores (all Chateaux and all vintages) then applying the c.d.f. of, e.g., Robert Parker (also obtained for all Chateaux and vintages). If we used cross-sectional information, i.e. a given vintage for all the Chateaux, inverting the c.d.f. of each expert would simply give us her/his ranking of all the wines in this vintage. Using many vintages for each Chateau, this inversion is rather interpreted as a cardinal measure for each expert, conveniently expressed in the intertemporal scale of one of the oldest and best known raters (Parker). Standardized scales are then averaged to compute a single-valued score for each Chateau x vintage. Ignoring its composition (i.e. which experts have contributed to a given score), we regress this composite score on information about region, vintage, region x vintage and official classifications (1855, St Emilion, Grands Pomerol and Crus Bourgeois). We then add the composition of the score by raters (fraction of the score due to the different experts) as additional information and check if this composition affects the final ranking.

A second contribution aims to investigate whether experts' long-term views challenge the old classifications. This application is again based on the standardized scores for all chateau x vintage pairs. It first consists of retrieving information about long-term influence of a Chateau's name. We conduct panel estimations in which the fixed effect of each Chateau is interpreted as an intertemporal quality-reputation effect, or brand value. The latter is extracted for composing a new ranking of all the Chateaux in the data. This ranking is also expressed in the form of clusters (just as the traditional classifications) and is compared to the 1855 classification for Médoc wines and to the update of this classification by Thompson and Mutkoski (2011) (these authors find that more than half of the 61 classified growths are misclassified, with some châteaux moving as many as three tiers upward or downward compared to the historical classification). A final exercise consists in replicating our estimation for each expert separately, so that the Chateau fixed effects in each regression becomes expert-specific. In this way, we can check how the implicit brand value rankings of each expert differ (and how they compare to the 1855 classification for Médoc – the question being: which expert is most influenced by history?).

The third application makes use of the subsample of en primeur wines. The hypothesis about the effective influence of experts' scores is rarely verified when it comes to predicting Bordeaux en primeur wine prices. Bordeaux crus classés can be sold en primeur in the futures market six months after harvesting, and are only delivered to the purchaser two or three years later. This incurs a great deal of uncertainty concerning the wine's ultimate quality, notably on sensorial or taste characteristics that are difficult to measure before consumption. It is the expert's role to ascertain this quality, which, consequently, influences the sale prices of en primeur wines. A growing strand of the literature precisely deals with the information contained in the experts' grades (see for example Ashenfelter et al., 1995; Ashenfelter, 2008; or, more recently, Cardebat et al., 2014), the divergence between experts (notably Ashton, 2012, 2013; Hodgson, 2008; Masset et al., 2015; Olkin et al., 2015) or the randomness of the tastings (e.g., Ashton, 2014; Quandt, 2007; Bodington, 2015). Using the particularly large sample of en primeur wine scores in our data, we revisit several of these aspects and we notably check experts' time consistency, the correlation among experts and the consistency of experts' re-grading some years later (an original feature of our data). We also estimate specific expert-region effects that could capture experts' tastes towards certain types of wine (US versus European tastes for Médoc versus St Emilion, for instance).

The last contribution of this study is based on a subsample of the en primeur wines for which price information is

available. The wine economics literature has provided ample evidence of the link between en primeur wine prices and the experts' scores (see notably Hadj Ali and Nauges, 2007; Hadj Ali et al., 2008; Masset et al., 2015). We revisit some of the findings in the literature, and notably the price influence of wine Gurus, using en primeur prices over 2000-2015 and the novel information derived from the aforementioned contributions. We regress the average price for each Chateau over the period on the following controls: vintage, region (terroir), region x vintage effects (capturing variation in local weather conditions for instance) and standardized average expert scores. We additionally check the effect of standardized expert-specific scores, to elicit the relative influence of the different experts. We also control for expert-Chateau effects as retrieved in the third part of this study. We finally investigate the effect of brand value as previously retrieved, alternatively to (or together with) the official classifications. We suggest counterfactual simulations to elicit the impact of Parker's retirement on en primeur wine prices and the effect of the arrival of new experts (for instance a "Chinese Parker").

Future work should rely on detailed price per year - available in future versions of this dataset – which can be used to check the effect of expert re-grading on prices.

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