# Bordeaux 2016 Abstract Submission

## Title
The influence of expert opinions in a status-oriented market

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

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### Keywords
wine, alternative assets, Robert Parker, ratings

### Research Question
The key objective of this study is to examine the influence wine experts, and here especially Robert Parker, have on experience goods in a status-oriented market.

### Methods
Hedonic regressions

### Results
See the abstract below.

### Abstract
Robert Parker is by far the best-known wine critic in the world. His expertise, especially regarding Bordeaux wines, is widely recognized. Wine amateurs, collectors and investors consider him as the wine guru. The leading French magazine, La Revue des Vins de France, ranks him as the fourth most influential person in the wine world, well before other critics such as James Suckling (34th) or Jancis Robinson (35th). A variety of factors may explain Parker’s leading position. He has a long track record as he started rating Bordeaux wines in the seventies. This timing coincides with the massive arrival of American customers on this market. Parker’s ratings are based on blind tastings and are generally consistent with little variation between tastings. He was also among the first to consider 1982 an extraordinary vintage. At that time, many French critics preferred 1983,
which 30 years later is far from achieving the greatness of 1982.

In Bordeaux, Parker rates both en primeur and bottled wines. En primeur are marketed in spring following the harvest, or 18 months before bottling. For most people, it is difficult to taste these wines and, even if invited to these early tastings, it is difficult to judge these unfinished wines. Thus, there is a huge uncertainty regarding the final quality of each wine. Therefore, people heavily rely on the expertise of wine critics to know which wine to purchase en primeur. Parker’s ratings, therefore, have a direct impact on demand and thereby on release prices. Parker also rates wines once they become physically available. His final scores normally have less impact except for wines with final scores significantly differing from their en primeur scores. To illustrate the impact of Parker on prices, consider two examples: the en-primeur price of Larcis-Ducasse 2005, and the market price of Smith-Haut-Lafitte 2009. Larcis-Ducasse is a great but relatively unknown wine. In 2006, Parker awarded a huge score for this wine (95-98) [see note 1 below] and noted that this was “the most profound wine made at this great terroir since the 1945”. Consequently, the property increased its release price by more than 300% relative to the previous vintage. Without Parker, such a price hike would have been unjustifiable. In 2012, Parker revealed his final scores for 2009 Bordeaux wines. Smith-Haut-Lafitte got a perfect score of 100 points, far above its en primeur score of 96-98. The price jumped by more than 100% overnight.

The key objective of this study is to examine the influence wine experts, and here especially Robert Parker, have on experience goods in a status-oriented market. Thus far we have some evidence on the effect Parker has on wine prices [see note 2 below]. Overall, it appears that Robert Parker has a positive influence on en primeur wine prices. We want to go further in the analysis and test the relationship between four related dimensions on the Bordeaux wine market: en primeur scores, bottle scores, en primeur prices and current market prices. In order to study these inter-relations we have hand-collected data for 122 chateau from the Bordeaux region. This data includes all Robert Parker, Neal Martin and Wine Spectator scores for en primeur and bottled wines over a 20 year period as well as en primeur prices and current market prices for these 122 wines.

Following the method proposed by Cardebat et al. (2015) we use different models which are robust to endogeneity and which give us some interesting results. Pomerol and St. Emilion appear to be the preferred appellations of all three experts and thus yield the highest en primeur scores and prices. We equally find a strong influence of the official 1855 classification on the en primeur scores and prices. Turning to vintages we observe a positive trend in scores through time hinting at some score inflation. This score inflation is, however, not limited to Robert Parker as often put forward in the media but appears for the three experts. We also show that, unsurprisingly, vintages 2005, 2009 and 2010 are considered the best vintages of the past 20 years. Analysing the score revisions and final bottle scores we find that these are generally consistent with the initial en primeur scores. Considering current prices we suggest that a Parker effect exists but that en primeur and bottle score residuals also have an influence. Furthermore, Parker revisions have a positive impact on current prices and wines which came out at inflated en primeur prices tend to remain expensive once bottled. Finally, we show that the best vintages often do not yield the best price appreciation due to the high en primeur prices they had to be purchased at. Buying good but less renowned vintages such as 2008 en primeur yield better returns.

Note 1: En primeur ratings are always given as an interval (e.g. 91-93). This reflects the uncertainty on the final quality of such wines. On the other hand, final ratings (for bottled wines) are given as a single score (e.g. 92).