

Reputation interaction in the U.S. market for Italian Red Wine: Vino Nobile and Brunello vs. Montepulciano d'Abruzzo

**Mark Reiman, reimanma@plu.edu
Pacific Lutheran University, Tacoma, WA USA**

U.S. consumers of Italian red wines may confuse the appellation Vino Nobile di Montepulciano with the grape Montepulciano d'Abruzzo. This paper tests the hypothesis that the reputations of Vino Nobile and Montepulciano d'Abruzzo are linked in the U.S. market for Italian red wines. Using a dataset assembled by Pacific Lutheran University's Economics of Wine internship students, a hedonic model of the relationship between the price of red wines and various objective and subjective attributes is built. The model's regressors include collective and individual reputation indicators, rainfall and temperature, and number of cases produced. The empirical results of an application of the model to Brunello di Montalcino, Vino Nobile di Montepulciano, and Montepulciano d'Abruzzo wines suggest that improvements in Vino Nobile's own reputation increase its price by \$4.30 per bottle. Improvements in Brunello's reputation increase its price by \$2.48 per bottle. An increase in the reputation of Montepulciano d'Abruzzo reduces the price of Vino Nobile by \$0.69 per bottle at the means of the data. An additional millimeter of rain during the harvest season reduces the price of either Tuscan red wine by \$0.55 per bottle. An additional degree Celsius of maximum temperature during the harvest season raises the price of these wines by \$1.96. The production of additional cases reduces price per bottle nonlinearly with greater reductions indicated for Vino Nobile and for special labels of both wines. The model explains 78% percent of the variability in these red wine prices.