

Ithaca 2018 Abstract Submission

Title

Perceived Value of Luxury Wine, Is the High Price Tag Indicative of Quality?

I want to submit an abstract for:

Conference Poster Session

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Keywords

Market Demand, Perceived Value, Actual Value, Supply Chain Mark Up, Distribution Cost, Retail Price

Research Question

What is the current perceived value and actual value of luxury wine? How are these values determined within each market? How do these decided values effect the producers and

Methods

I will be looking at the mark-up of wine as it moves through the retail supply chain. This is a consumer-focused study, of their perceived value of a luxury good.

Results

This study is set to be complete by May 2018.

Abstract

With this study I aim to understand more completely the different markets for luxury wine, and the standards that each market sets as far as the quality expected from the various market players. I would like to further explore the relationship between quality and price. Most importantly also how the market players evolve and change due to the standards within the markets, to achieve their best success and produce great wine. These elements are directly correlated with the perceived and actual value of the wine, and how those two price points are related.

If I were to sum up these questions into one overarching research question (with these as sub categories) it would be, is the wine really worth the price tag? An interesting topic, since it is seemingly subjective, but in actuality there is a common consensus of price among those in the industry.

As defined in management and marketing text books across the globe, perceived value is the worth of a product in the mind of the consumer. While everything has a perceived value, and the actual influence of this value depends on the product. Luxury goods like wine are heavily influenced by perceived value. The "worth" of wine shifts

dramatically due to many different elements. As the lifecycle of wine goes from vine, to bottle, to consumer, there are many fundamentals which need to be taken into consideration when dealing with the value of the wine itself.

For the purposes of this research study, and the particular field I am interested in, I will be looking at the mark-up of wine as it moves through the retail supply chain (as this offers more information, and lends itself to some interesting points of study), not a specific type of wine. This is a consumer-focused study, of their perceived value of a luxury good. Starting with the end consumer and moving my way backwards, towards the origin of the wine, I will examine price versus value as it relates to each level in the supply chain. I will end my study with the actual costs of wine making and those supporting activities, all of this to reveal the true value of wine, at the source, and to put it simply, is the larger price tag actually equal to the value of the product itself? Also, what makes a wine worth more or less money, which qualities add or subtract value?

My inspiration for this study comes from my longing to combine what I find to be the most interesting topic within business management, supply chain and operations, with my passion for wine and hospitality. As I started to consider writing this proposal, I received an email, which sparked my initial thoughts on this topic. It was from a wine journal, and it was titled "Does a screw cap mean it's cheap wine?" This reminded me of the internship I had completed over the summer, at a new, and popular hotel in Newport with a huge, and expensive wine list. I was part of the purchasing team and knew how much the wine cost the hotel a bottle, and then how much our restaurant would sell it to guests for. Thus, I began to wonder, as a wine consumer myself, what makes one bottle of wine worth \$30, and one bottle seemingly similar, to an untrained pallet worth \$7?

I believe this is a dynamic study, which although has been looked at before, could offer more insight on just how much wine is really worth. This study will allow me as a student to engage in the wine community and gain valuable experience for post- graduation. . I will be chasing a career within the wine business industry, specifically within the distribution sector, and after my operations management degree at Rhode Island College, along with the WSET (Wine and Spirits Education Trust) certification, eventually to obtain the title of Certified Specialist of Wine, which I will be working towards simultaneously during this research study, I feel as though I will be wholly prepared to enter into a successful career within multiple fields... including, but not limited to; hospitality, supply chain, and manufacturing.

My hope for this study is also to put me in a position of attending a graduate school dedicated to wine business. I would like to study under the Vinifera Euromaster program, a dual degree split between Montpellier SupAgro, FR and Universitat Geisenheim. his degree will allow me to explore Viticulture as well as wine business fundamentals. I believe that with such a study, and conference feature such as the one with AAWE, will show my passion and dedication to the art of wine making and truly understanding the methods behind the wine making, pricing, and selling aspects of the industry. Although this study has not been completed, I do believe that it has promising outcomes, and interesting view points from m various interviewees. By June of 2018, the study should be complete, or near complete but will be interesting enough to present and get feedback on.