Do Hammer Prices for "Mixed Lots" Reflect a Discount or a Premium?

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Abstract

Estimates of current auction prices for fine wine typically come from hammer prices for lots of the same wine—"solid lots" containing various quantities and formats of a given producer and vintage. However, auctions usually include "mixed lots" that contain wine from more than one vintage and/or producer; but, by their nature, it is difficult to know if their hammer prices reflect simply the sum of competitive bids for the component wines in the lot. Some argue that mixed lots provide a convenient alternative to bidders that allow them to acquire a variety of wines in small quantities or that lots are mixed to increase their appeal (e.g., a vertical or horizontal collection): that the wines auctioned separately would command a lower price but assembled in a mixed lot are more saleable. These arguments suggest that wines sold in mixed lots may command a premium relative to their individual value alternatives. On the other hand, some feel that mixed lots contain "leftovers"—that they contain some flaw that precluded their being sold on their own—and that the limited quantities available make them less attractive.

The purpose of this study is to determine the extent to which such lots have either effect upon bids for a given wine, if any. It analyses hammer prices for a sample of mixed lots of red Bordeaux from auctions by a major U.S. wine auction house, using an hedonic price equation estimated from hammer prices for solid lots of red Bordeaux sold by the same auction house (and one other) over the same season.