Does Size Matter? A Note on Bottle Size

J. François Outreville

HEC Montréal

Université de Montréal, Québec, Canada

J-francois.outreville@hec.ca

Abstract:

What determines wine prices? The question is obviously not new but the most recent papers dealing with this subject tend to go beyond a simple competitive market where the prices are the result of supply and demand. There is more than the price of wine in a bottle.

The decision to market wine in a different bottle size is considered to have more to do with the judgment of taste and the feeling of pleasure than other factors ... bigger is better. Is it true? Does size matter?

The price of an empty bottle (including or not the label and cork) should be almost identical among providers in a same region or even in different regions whatever the quality of the wine in the bottle. It is usually estimated that this price is less than 10% of the final price of a standard bottle and may significantly decrease when the number of bottles produced increase. In this paper we show that the relative final price of the marketed bottle, depending on the size, may vary from 1.0 for a standard bottle (0.75l) to a factor of 2.1 when the size of the bottle increase whatever the type of wine or region of production.

Walras argued that value is a function of scarcity. The hypothesis is that value is an increasing function of scarcity. We demonstrate in this paper that this hypothesis may be the only one explaining the increasing relationship between the price and the size of a bottle.