The impact of négociants on the value created by small producers in Champagne

David Menival, (corresponding author), Reims Management School, 59 rue Pierre Taittinger, 51100 Reims, France, Tel: +33 3 26 77 52 32. david.menival@reims-ms.fr

Steve Charters, Reims Management School, 59 rue Pierre Taittinger, 51100 Reims, France, Tel: +33 3 26 77 47 47. stephen.charters@reims-ms.fr

Abstract

With asymmetric information, consumers need to rely on the reputation of wine to define quality before the purchasing. Among the tools available for improving reputation, geographical location appears to offer a high potential. Today, some wines benefit from a country’s reputation, some from the renown of a region and some benefit from the local reputation of one specific vineyard. This reputation can result from a long historical process and creates a complex system of both individual and collective reputations. Sometimes, producers can rely on the reputation of their geographical position without any need to improve it themselves. Conversely, some providers suffer from a weak geographical reputation. There can be a split between producers within one vineyard or region depending on its geographical reputation. This kind of split appears in Champagne when we examine different providers. Whilst Champagne benefits from an international overall reputation, few people know more than the most well-known brands. This is especially true for the 5000 small growers who currently sell wine. These providers do not have a strong individual reputation and have to exist within external constraints. In a first step, our study shows from a test of One-way Anova that their selling price is influenced by the “echelle des crus” of champagne (the local grading of vineyard quality). Consequently, from a sample of 576 winegrowers (who display a statistical similarity to the overall structure of these small producers), we show a direct link between the level of the cru and the price at the cellar door. The higher the scale is, the higher the average price is. This first result pushed us to research other external elements which link to the geographical location of winegrowers. Therefore, we wondered, what would be the impact of the presence of well-known brands in the same village as small producers? We assumed that the experts have a strong influence on buyers who search providers with a cellar door. Thus we used the Guide Hachette des vins 2007 to suggest the villages where the most renowned négociants are based and those with the most highly-reputed growers. Then, we assumed that the villages suggested improve the effect of the geographical location on the price at the cellar door. From a Univariate General Linear Model, we showed that the “echelle des crus” continues to be an external element which influences the price at cellar door but it is augmented by the impact of the presence of the most renowned négociant brands. In addition, it appears that the interaction these two variables also influences the price, as well as the interaction between the villages suggested through the most renowned small growers and those referenced through the most reputed négociant brands. The obtained model shows a good fit with an adjusted R square of 0.522 and could be used as a first step to highlight the role of négociants in the creation of value of wine growers.

Key word: Value, geographical location, reputation.