A market-based pricing model for wines: Test over the period 1988-2007

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Abstract

Contrary to the estimation of an hedonic price equation which include all factors explaining prices, this paper suggest a model to explain the price of a specific wine by the market price for wines. In this simplified relationship, all factors explaining the price of a wine are summarized by two factors: the market and the price of a basic wine. The research is based on data collected in the review of the Savour Club for wines for sale over the period 1988-2007. It is found that the price of wine is significantly explained by its covariance with a market portfolio and that this relation can be used to classify wine appellations in segregated markets.

JEL classification: C5, D4, L66, Q11.

Keywords: Wine, pricing models, price segmentation, wine markets.

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