

Commitment to commercialization and quality choices in the Champagne wine producer-distributor relationship

Jacques Laye¹, Éric Giraud Héraud²
INRA.

(June 2010, Final Version: January 2011)

Abstract

We study the interaction in the Champagne wine producer/distributor relationship between the commitment of the producer to commercialization of a low quality wine and the high quality adjustment of the distributor. We show that this commitment can allow the producer to acquire all the profit of the supply chain. However, at equilibrium, the distributor chooses a quality level that is superior to that obtained at the optimum of vertical integration, and manages to get a part of the profit. The results we obtain allow us to analyze the evolution of wine supply chains when a new distributor appears and enters in competition with the producer.

JEL classification: L22, Q13.

Keywords: Vertical relationships, Quality, Wine.

¹Corresponding author: laye@nancy-engref.inra.fr., L.E.F. UMR INRA-SAE2/AgroParisTech, 14 rue Girardet, CS 4216, 54042 Nancy Cedex, FRANCE.

²giraud@ivry.inra.fr., LORIA, 65 Bd Brandebourg, 94 205 Ivry/Seine, France.