Wine hedonic prices is the Devil in the details
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In this paper, the validity of information provided by the hedonic index on fine wines market was questioned. This is a very current issue indeed, as wealthy households and specific investment funds increasingly include collectibles in their portfolios.

However, hedonic analysis implies two successive steps: (i) estimating the implicit prices of a finite number of attributes, and (ii) regressing these implicit prices on buyers’ characteristics to estimate bid functions while taking account of possible market segmentations. Yet, hedonic literature on collectibles (specifically in auction markets) fails to wholly consider the attributes and the buyers’ preferences, which are needed to run a complete hedonic analysis.

Consequently, an unspecified (goods and agents) heterogeneity generates a price dispersion and biases the information provided by hedonic indices. Without the buyer’s information, withheld by auction houses according to their non-disclosure agreements, we were only able to produce some back door solutions to improve market efficiency.

First, we proposed an extended hedonic function to better control good heterogeneity by using auction expert comments.

Second, we attempted to identify the attributes that provided the most dispersion according to their difference of valuation.

A multiplicative heteroscedastic model was used in this way.

Overall, this contribution provides a key reference to define the relevant components of wine price hedonic function, and spurs data providers to develop the information on wine products and to specify the origin of the buyers for raising the explanatory power of our hedonic models.