



Collective Bargaining Strategy for Quality Investment in the AOC Vineyards

**Daniel Steichen, U. Reims* – Jean-Baptiste Traversac, INRA SADAPT
jean-baptiste.traversac@inapg.inra.fr**

In an AOC commodity chain, parties are faced with a dilemma for investments in wine quality and advertising. Geographical Indication labels are public goods and the properties rights are not allowed to private firms. These properties tend to dissolve the investment returns between a huge numbers of firms whatever their real input. To circumvent these difficulties Interprofessional Councils of the French Wine Regions have to choose the right level and sequential process for the collective investment not only to promote the label, but also to maximise individual investments in quality. Most studies have focused on the vertical coordination between two parties in a product chain taking into account only one dimension of quality. In reality for a product like wine, quality has two faces: the organoleptic aspect is controlled by the growers, individually, and the reputation is under collective responsibility. Both are necessary to determine the ability for a price premium and to obtain a surplus but are separately controlled.

Co-operative and non co-operative games models are discussed. Their originality is on the introduction of a third party, the IC which shape the whole chain, and try to maximise the global result of the AOC. The results show that the decision making sequence of the quality investments could have an impact on the individual behaviours.