

Is the Average of Expert Tasters' Grades a Good Price Predictor?^a

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Preliminary Version

Abstract

This paper takes yet another look at the price/quality relationship studied in Combris, Lecocq and Visser (1997, 2000). The data come from an experimental study that is very similar to the two previous studies. Like in the earlier studies, quality, measured as the average of expert tasters' grades, has a small impact on wine prices. Exploiting the fact that the new data are recorded on a relatively finer level—expert-specific grades are observed instead of averages—the paper sheds new light on the price/quality paradox. We find a strong correlation between average grades and price when the dispersion of grades is small, i.e. when there is much consensus among experts about the quality of a wine. Wine prices are also strongly correlated with the highest grade assigned. Possible explanations for these findings are given.

Keywords: experimental data, hedonic price equation, quality, taste heterogeneity, Bordeaux wine.

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