

Price Dispersion of Wine in U.S. Michelin Starred A Developmental Research Paper

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Abstract

◦*Purpose* – This study investigates price dispersion of wine among competitive, highest rated restaurants in the U.S.; 2021 fourteen “Three Michelin Stars” restaurants. The objective is to gain an understanding of the underlying strategies restaurateurs use to determine the selling price advertised on their wine list. Specifically, we investigate the potential influence factors including exclusive wine inventory e.g.: wine styles, varietals, country of origin; ratings and points awarded, wine cellar management, menu items, demand forecast, and economic risk factors such as wine vintage, potential aging, and longevity.

◦*Design/methodology/approach* – This is the first study that investigates and contributes to the body of knowledge of Wine Pricing Strategies, Wine Pricing Modeling, Wine Pricing Discrimination, and Wine Price Dispersion in “Three Michelin Starred Restaurants in the U.S. Within this context, we focus on the “wine price dispersion” between fourteen highest rated U.S. restaurants according to the Michelin Restaurant Rating System’s criteria. Accordingly, the quality of the wines, the scope, and breadth of the exclusive inventory, the sensory evaluation of wine and food for pairing strategies are some of the important factors considered to receive a three-star award.

This research is based on various qualitative and quantitative methodologies including investigative triangulation techniques. We collect data directly from restaurants that are readily available online and through written requests from the operations. We use the hedonic price model with fixed effects to control for city and state effects as well as regulatory differences resulting from the three-tier system.

◦Findings – This is a work in progress. To date, we have collected data from eleven of fourteen three Michelin starred U.S. restaurants, a participation rate of 78.6%. Due to the challenge in investigating price discrimination of wines for sale in participating restaurants where wine prices constantly change, usually a change in price increase, we use exclusively the data collected during the month of February 2020 to conduct the analysis. Given the fact that prices fluctuate, the results of this analysis will enable us to provide a baseline framework defined as “that point in time” reference for future research. Preliminary results show that wine lists’ content of participants ranges from 35 to 192 pages. The estimated total number of wines offered ranges from 800 to 4,900; the largest physical cellar inventory is estimated to consist up to 22,000 bottles and selling prices ranging from \$50.00 to \$15,500 for a 750 ml. bottle. Table 1. Shows a sample analysis of the selling price variability of the same Champagne extrapolated from the data of seven restaurants that sell the same. The selling price ranges from \$315.00 to \$5,125.00, while the average retail price is \$139.00 hence, there is evidence of price dispersion/ discrimination.

Table 1. Sample Price Dispersion from preliminary data analysis

| Wine Sample | Wine Description | Wine bottle size | 11/14 Participating Restaurants 78.6% participation rate - identity omitted | | | | | | | | | | | | | | Retail Price Average |
|-------------|--|------------------|---|--------|--------|------|--------|--------|--------|--------|------|------|--------|------|---------|---------|----------------------|
| | | | 1 | 2 | 3 = NP | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | 13 = NP | 14 = NP | |
| | | | Prices expressed in USD | | | | | | | | | | | | | | |
| 1 | Champagne Agrapart & Fils, L'Avizoise 2012 | 750 ml | 335.00 | 425.00 | 0.00 | 0.00 | 320.00 | 355.00 | 315.00 | 360.00 | 0.00 | 0.00 | 325.00 | 0.00 | 0.00 | 0.00 | 139.00 |

◦Practical implications – The final results of this research will contribute to the body of knowledge of general wine marketing management, global trade and global pricing strategy within the framework of wine production, operation, and global competitiveness.

Key words: price dispersion; price discrimination, pricing strategy, wine pricing competitiveness

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