

Top 10 Impacts of Wine Listicles on Market Prices

Richard B. Belzer

American Association of Wine Economists
11th Annual Conference
Padua, Italy
June 30, 2017

A Listicle of Wine Listicles

- ◎ [Wine Spectator Top 100](#)
- ◎ [The Enthusiast 100](#)
- ◎ **James Suckling**
 - [Top 100 Wines](#)
 - [Top 100 Bordeaux](#)
 - [Top 100 Reds of Napa Valley](#)
 - [Top 100 Italian Wines](#)
 - [Top 100 Wines of the Andes](#)
 - [Top 25 Brunello di Montalcino](#)
 - [50 Best Value Wines Under \\$50](#)

Richard B. Belzer
Belzer@Post.Harvard.Edu

Why Wine Listicles?

Value to creators

- Clicks
- Advertising revenue
- Magazine sales
- Profits

◎ Value to producers and retailers

- Buzz
 - Sales
 - Profits
 - Prices
-

WS100 Provides Best Test

- ⊙ Most prominent wine listicle
- ⊙ Most promoted at retail
- ⊙ No significant price effects here likely means no significant price effects anywhere

Richard B. Belzer
Belzer@Post.Harvard.Edu

This Paper

- ⊙ Do prices of WS100 wines increase after publication?
 - H_0 : No effect
 - H_A : Positive effect if unexpectedly favorable
 - H_B : Negative effect if unexpectedly unfavorable
- ⊙ Method
 - WS Top 100 (2016)
 - Event analysis

Richard B. Belzer
Belzer@Post.Harvard.Edu



MODEL



Dependent Variable

$$\text{MaxWSPChange}\% = \left(\frac{\text{Max } WSP_{1 \text{ to } 5}^t}{WSP^0} \right),$$

where:

$$WSP^0 = WSP1016,$$

$$WSP^1 = WSP1116,$$

$$WSP^2 = WSP1216,$$

$$WSP^3 = WSP0117,$$

$$WSP^4 = WSP0217, \text{ and}$$

$$WSP^5 = WSP0317.$$

Richard B. Belzer
Belzer@Post.Harvard.Edu

- Price data from Wine-Searcher Pro (WSP)
 - US prices if available; world prices otherwise
 - 750 ml bottle

Alternative Versions of the Target Variable

$WSR = WS100 \text{ rank } (1 - 100)$,

$WSR10 = WS100 \text{ top } 10 \text{ (dummy)}$,

$WSR1 = WS100 \text{ (rank } = 1)$, and

$WSR5 = WS100 \text{ (rank } = 5)$.

Richard B. Belzer
Belzer@Post.Harvard.Edu

- Which measure of the listicle is best isn't known or obvious
- Regrettably, stepwise regression must be used to determine relative explanatory power

Control Variables

$WSR95+ = WSR \geq 95$ ('classic')

$UNDER = WSRP < WSP1016$ (dummy)

$OVER = WSRS > WSP1016$ (dummy)

$\ln KCases = \ln$ (Kcases made or imported)

$\ln WSP1016 = \ln$ (pre-pub avg market price)

$\ln QPR = \ln$ ($WSR \div WSRP$)

Richard B. Belzer
Belzer@Post.Harvard.Edu

- **WSR95+** : price effect could be limited to 'classic' wines
- **UNDER & OVER** : alternative manifestations of gap between market and producer expectations (which could be rational or strategic)
 - **UNDER** implies producer
 - underestimated market value or
 - strategically set release price below market value (highly plausible, may induce artificial scarcity)
 - **OVER** implies producer
 - overestimated market value or
 - strategically set release price above market value (less likely, embarrassing)
- **lnKCases** : proxy for scarcity (range : 300 to 208,000 cases, log-transformed due to skewness)
- **lnWSP1016** : proxy for relative market price point pre-publication (log-transformed due to skewness)
- **lnQPR** : standard measure of 'value wine,' log-transformed due to skewness)



RESULTS



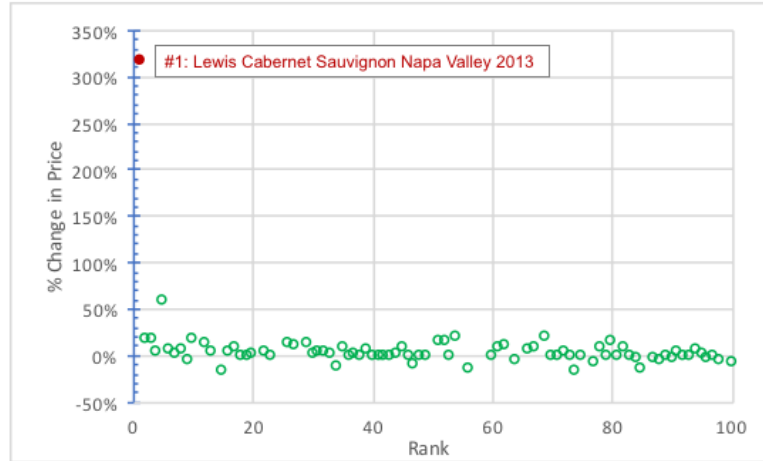
OLS Regression

Variable	Coefficient	SE	t	p
Intercept	0.157			
WSR1	3.715	0.073	50.786	< 0.00001
WSR5	0.097	0.015	6.666	< 0.00001
lnWSP1016	-0.030	0.010	-2.989	0.00372
WSR10	0.062	0.027	2.282	0.02514
R ²	0.974			
Adj R ²	0.972			

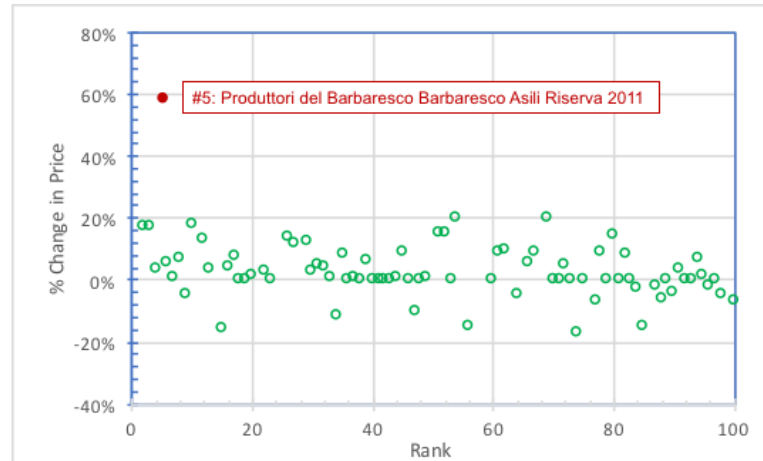
Richard B. Belzer
Belzer@Post.Harvard.Edu

- TARGET VARIABLE EFFECTS
 - WSR10 : Price increased 6.2% for WS100 top 10 wines
 - WSR5 : Price increased 6.2% + 9.7% = 15.9% for the #5-ranked wine
 - WSR1 : Price increased 6.2% + 372% = 378% for the #1-ranked wine
- CONTROL VARIABLE EFFECTS
 - lnWSP1016: Price increased $e^{-0.03} = 1.03\%$ for every dollar in the pre-publication market price
 - No other control variables have statistically significant effects
 - Scarcity (lnKCases)
 - 'value' wines (lnQPR)
 - Difference between release and pre-publication market price

Is the #1-Ranked Wine an Outlier?



Is the #5-Ranked Wine an Outlier?



- Note: Regression with #1 and #5 wines removed as outliers
 - R^2 declines from 0.972 to 0.02
 - Only statistically significant independent variable (target or control) was WSR
 - Coefficient = -0.00056, mean 1/2% decline in price per 10 ranks
 - $p = 0.09$

CONCLUSIONS

It's good to be in the Top 10, and even better to be the top-ranked wine

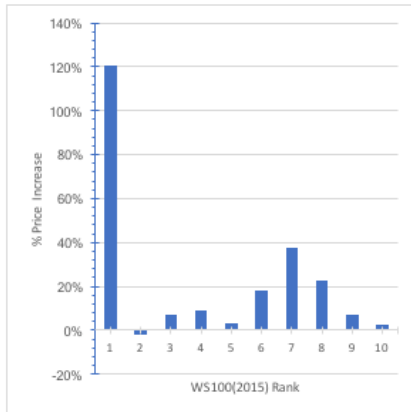
WS100 Rank	Price Increase Post-Publication
Top 10	6%
#5	16%
#1	380%

Richard B. Belzer
Belzer@Post.Harvard.Edu

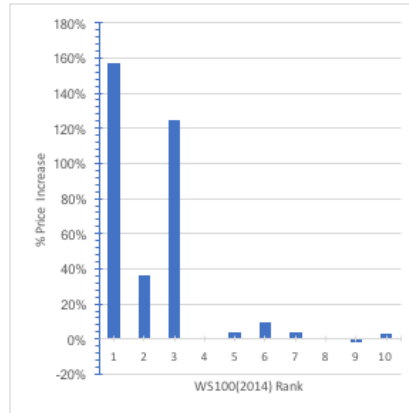
- Only an association can be shown; effect might not be causal
- Limited effect is consistent with how WS markets its listicle
 - Daily disclosure of each wine in top 10, with great fanfare
 - Followed by disclosure of remaining 90 wines, with no fanfare

It's good to be in the Top 10, regardless of the year

Max Price Increase (2015)



Max Price Increase (2014)



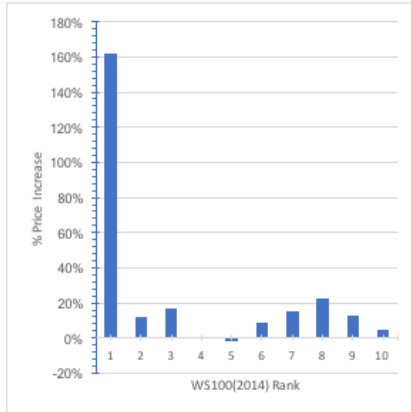
Next Steps

- ⊙ Rapidly diminishing returns to additional research on this point
- ⊙ Questions that might be worth investigating
 - Does the apparent price effect of #1 ranking carry over to the producer's future wines?
 - Are pre-emptive price increases unexpectedly common?

Richard B. Belzer
Belzer@Post.Harvard.Edu

It's good to be in the Top 10, regardless of the year

Max Price Increase (2013)



Max Price Increase (2012)

