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Final Project Proposal

Do wine ratings influence wine purchase selections by average customers?

Wine production techniques, sales and marketing have been determined for decades by the reputation of the winery as well as the “tasting notes” and recommendations from a small group of self-appointed or industry-tested Master Sommeliers. The French built the best system in the 1800’s by designating wine quality according to the regions in which the grapes were grown and wines were made. The best wines and wine regions were labelled as “Grand Crus” while “Premier Cru” wines were good but not great. Common, drinkable wines were labelled as “Village” cru. This three tiered scale appealed to enophiles and common peasants alike because it was simple, based on the soil features of a vineyard and accepted by all. Great wines were the product of a great growth season because every Grand Cru winemaker could make memorable wine from memorable grapes. Thus, all it took to be an authority in French wines was to learn the locations of the premium appellations in the Bordeaux or Burgundy regions of France.

For Americans, this simple but elegant rating system for wines was not scientific enough to differentiate the truly great Grand Cru wines from the lesser Grand Cru varietals. There was no single grading system or palate that could take on the challenge of digitally rating wines until Robert Parker, Jr came on the scene in the 1970’s. He was a successful Assistant General Counsel for the Farm Credit Banks of Baltimore and developed a love of wine in college when he a spent a Christmas vacation in Alsace, France visiting his girlfriend at the University of Strasbourg. For about 10 years he tasted wines and adopted the American standardized grading system to give a relative, quantitative opinion about the quality of the wines he tasted. His system was based on a scale of 1 to 100, with the lowest score being 50. A wine that was considered “above average” or “good” got a score of 85 points. Outstanding wines were rated as 90 or above and “extraordinary” or “classic” wines were rated 95 to 100.

This point-based system captured the fascination of the wine community and has become the standard for wine rating in the world. The success of this system is driven by the palate of Robert Parker, Jr and his ability to segment his tastings into quality categories that most wine connoisseurs agree with. His first circulation was 600 papers that he mailed to a list of influential wine buyers that he bought from wine retailers on the East Coast. The *Wine Advocate* hasbecome the standard reference for wine consumers and retailers with over 50,000 annual subscribers. Any wine receiving a Parker rating of 85 or above means commercial success; the rating speaks for itself and is augmented by the tasting notes regarding flavors detected, tannins, age-worthiness, etc.. The commercial success of the *Wine Advocate* as a tasting resource triggered the launch of another wine tasting magazine, *Wine Spectator*, by another well-known wine connoisseur, James Laub. While there are other smaller publications that offer wine ratings and tasting notes, these two periodicals contain the most reliable and reputable wine rating systems in the world. They both have generally avoided inappropriate relationships with winemakers that would pose a conflict of interest in their judgments; they may differ with each other on many ratings but *Wine Advocate* and *Wine Spectator* are impartial.

Over the past 25 years, I have become an ardent wine enthusiast. I have been able to purchase French Bordeaux wines on futures pricing as well as small lot acquisitions of boutique Napa cabernets. For every wine that I have purchased, I have consulted both *Wine Advocate* and *Wine Spectator* for their ratings and comments. I have taken good care of the wine I bought to age in my cellar and have done periodic tastings over the lifetimes of each wine to primarily taste the evolution of the wine, but also to see if the Robert Parker and James Laub predictions were accurate. As you would expect, their tasting notes and ratings display a normal distribution, ie the central tendency of their ratings is to be accurate and therefore the highest occurrence in my performance graph.

Now that almost every wine worth buying in the US is tasted and rated by either *Wine Advocate, Wine Spectator* or both and that these ratings are readily available and used by wine retailers to drive sales and pricing, I want to do an experiment to determine what is most important to customers in buying a new wine – rating or taste.

The experimental model is as follows:

1. Each subject will be in both the treatment group and the control group. They will each be given $500 to spend on 3 wine selections. They can buy the wine for any occasion that they choose, but they have to specify whether the bottle is a gift, for a special occasion or personal treat
2. The **Treatment arm** will be given a brief presentation about each wine that includes vintage, vintner, tasting notes, picture or actual bottle, Parker rating, Wine Spectator rating and price. If the subject has had wine from that vintner or vintage, they can still participate. If the subject has tasted that specific wine before, he cannot pick that wine (so his range of selections is reduced by 1).
3. After they make their selections, the choices will be noted and a different group of wines will be brought out (the same wines, but in carafes without any identifying information.
4. **Control arm** is as follows: The subjects will only be given the type of wine (ie cabernet, pinot noir or chardonnay), the Parker rating, the Wine Spectator rating and the price. They will be given 3 oz to taste. They can write down their impression and possible selection notes, but cannot pick a specific wine to buy until after they have tasted them all.
5. At the end of the tasting of all 6 wines, they will declare what wines they want to buy

**Wine A**:

California cabernet

Year - 2013

Tasting notes

Parker rating - 86

Wine Spectator rating - 90

Price - $100

**Wine B:**

California cabernet

Year -2009

Tasting notes

Parker rating – 92

Wine Spectator rating – 94

Price - $150

**Wine C:**

French Bordeaux

Year – 2000

Parker rating – 95

Wine Spectator rating – 96

Price - $250

**Wine D:**

California pinot noir

Year – 2010

Parker rating – 80

Wine Spectator rating – 86

Price - $50

**Wine E:**

California pinot noir

Year – 2014

Parker rating – 88

Wine Spectator rating – 92

Price - $125

**Wine F:**

California chardonnary

Year – 2014

Parker rating – 95

Wine Spectator rating – 95

Price - $175

My null hypothesis is that the subjects will buy higher valued wine that they can taste regardless of the price or rating.

If they can’t taste the wine (treatment arm), they will pick wines that have higher ratings