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Expert opinion and brand reputation: an analysis from a French Cuban cigars guidebook

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The role of expert opinion and its ability to reflect true quality are discussed. If the expert is theoretically expected to make objective decisions, the empirical evidence does not enable clear answers to be established. Using data from the 32 Cuban brands commercialized in France in the years 2000 to 2003, we estimate experts' rating hedonic equations. Our results show that the quality of the cigar, measured with a note coded on a scale of 1 to 5, is independent of its price but is linked to its physical attributes. Moreover, these 'objective' characteristics play an increasing role over time. Finally, it appears that some brands are favourably considered.

I. Introduction

Some empirical studies have shown that an expert's rating is an important determinant of price (Ashenfelter and Jones, 2000) and success (Ginsburgh and Van Ours, 2003). As a result, an increasing number of guidebooks and other consumer reports are available and benefit from an important audience. Nevertheless, the role of expert opinion and its ability to reflect true quality are discussed. If the expert is theoretically expected to make objective decisions, the empirical evidence does not enable clear answers to be established.

Several authors find that the jury grade is essentially determined by sensory characteristics, i.e. subjective features [see e.g. Combris *et al.* (1997) in the case of wine or Freccia *et al.* (2003) in the case of cigars]. Reciprocally, Ashenfelter and Jones (2000) defend the idea that the experts' ratings are not efficient predictors of the prices of mature Bordeaux wines, because they do not incorporate all the useful publicly available information. This implies that goods quality expressed by a jury grade is not a systematical function of intrinsic characteristics. Such a phenomenon may concern expertise in various areas. Ginsburgh and Van Ours (2003) have shown, in the case of music competition, that experts are influenced by the order and timing of appearance, whereas it is randomly assigned to competitors and independent from their quality. For Chossat and Gergaud (2003), to be well rated by guides, restaurants can either invest in cooking, i.e. in intrinsic quality of the meal, or in setting (cellar, cadre, service). In the area of wine (Landon and Smith, 1998), individual and collective reputation may play an important role.

Using original cross-section time-series from a French cigar's guidebook, *le Havanoscope*, the aim of this article is to determine to what extent a good expert opinion rating depends on features that are not associated with the intrinsic quality of the product.

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Table 1. Variable and summary statistics

Variable	Mean	Median	Std. dev.	Minimum	Maximum
Diameter (D_i)	16.265	16.670	2.125	9	20.64
Length (L_i)	139.602	133	24.385	98	235
Price ($P_{i,t}$)	6.442	6.100	4.275	0.700	28.000
$P_{i,2000}$	6.665	6.250	4.573	0.840	24.210
$P_{i,2001}$	6.612	6.325	4.356	0.880	22.870
$P_{i,2002}$	6.351	5.950	4.116	0.910	22.870
$P_{i,2003}$	6.302	5.500	4.208	0.700	28.000
Quality ($Q_{i,t}$)	2.739	3	1.145	1	5
$Q_{i,2000}$	2.606	3	1.186	1	5
$Q_{i,2001}$	2.720	3	1.194	1	5
$Q_{i,2002}$	2.745	3	1.164	1	5
$Q_{i,2003}$	2.687	3	1.206	1	5

II. Empirical Model and Data

Our data concern an unbalanced sample of the cigars of the 32 Cuban brands commercialized in France, in the years 2000 (270 observations), 2001 (275 observations), 2002 (261 observations) and 2003 (237 observations). Descriptive statistics are given in Table 1.

The diameter and the length of each cigar, constant over time, are given in millimetres. The price of each cigar is expressed in Euros. The dependent variable of our model is the quality of the cigar, measured with a note coded on a scale of 1 (very low quality) to 5 (very high quality).

As a first step, given the static nature of the variables designating the physical characteristics of the cigars, we estimate four note equations relative to each year $\bar{t}$ of the sample ($\bar{t} = 2000, 2001, 2002, 2003$). The ordinary least squares method is used:

$$Q_{i,\bar{t}} = \gamma + \delta_1 \cdot D_{i,\bar{t}} + \delta_2 \cdot L_{i,\bar{t}} + v_i \qquad (1)$$

Second, the following linear fixed effects expert's rating hedonic equation is estimated:

$$Q_{i,t} = \alpha_i + \beta_1 \cdot Q_{i,t-1} + \beta_2 \cdot P_{i,t} + u_{i,t} \qquad (2)$$

The presence of the auto-regressive term $Q_{i,t-1}$ allows testing for the presence of inertia in expert opinion rating. Price ($P_{i,t}$) is used as an indicator of intrinsic quality, insofar as the longest and thickest cigars are more costly, and potentially of a higher quality (see Stover, 1996). Indeed, the longest and thickest cigars are made with the better tobacco leafs, while the damaged ones are left for smaller shapes and sizes. Incidentally, the inclusion of price in the equation compensates for the lack of information due to the static nature of the physical features of the cigars, $D_{i,\bar{t}}$ and $L_{i,\bar{t}}$.[1] The term $u_{i,t}$ is an independent identically distributed random variable. Each α_i is a time invariant component: it measures an attribute that is the same for a given cross-section unit through time, but varies across cross-sectional units (Hsiao, 1986). Due to a likely correlation between the regressors and the specific effects α_i, these last ones are treated as intercept terms, so that we apply the ordinary least squares procedure to the model.

III. Results

The estimation results are shown in Table 2.

The estimation of Equation 1, for each year of the sample, provides two strong results. First, it appears that the evaluation of a cigar is a positive function of both its length and its diameter. Second, the observation of the $\bar{R}^2$ values shows that the influence of these physical features is increasing over time: the explained variance rises from 23% to 32% between 2000 and 2003. This empirical evidence may suggest that the experts over-evaluate the characteristics linked to the circumstances of consumption,[2] to the detriment of the consideration of the intrinsic quality of the cigar. However, the possibility cannot be excluded that the brands invest more and more over time in the quality of the biggest cigars, for which there is potentially more demand. Nevertheless, there is no information in the data that can be used to explore this hypothesis.

[1] Due to an insufficient number of variables available, we are not able to resort to the Hausman–Taylor estimator (1981). This estimator assumes that a subset of the explanatory variables are correlated with the individual level random effects, but that none of the explanatory variables are correlated with the idiosyncratic error.
[2] The time of consumption of a cigar is a positive function of its length and its diameter.

Table 2. Estimation results

Variables	$Q_{i,2000}$		$Q_{i,2001}$		$Q_{i,2002}$		$Q_{i,2003}$		$Q_{i,t}$	
Intercept	−1.953	*−3.654*	−1.987	*−3.840*	−1.964	*−3.869*	−2.559	*−4.890*		
D_i	0.130	*3.915*	0.131	*4.081*	0.127	*3.999*	0.158	*4.787*		
L_i	0.017	*6.085*	0.018	*6.503*	0.019	*6.824*	0.019	*6.667*		
$P_{i,t}$									−0.097	*−0.719*
$Q_{i,t-1}$									0.011	*0.174*
N	270		275		261		237		532	
R^2	0.239		0.259		0.282		0.328		0.932	
$\overline{R}_2$	0.233		0.254		0.277		0.322		0.880	
F	41.846		47.612		50.685		57.107		17.731	

Note: t-ratio in italics.

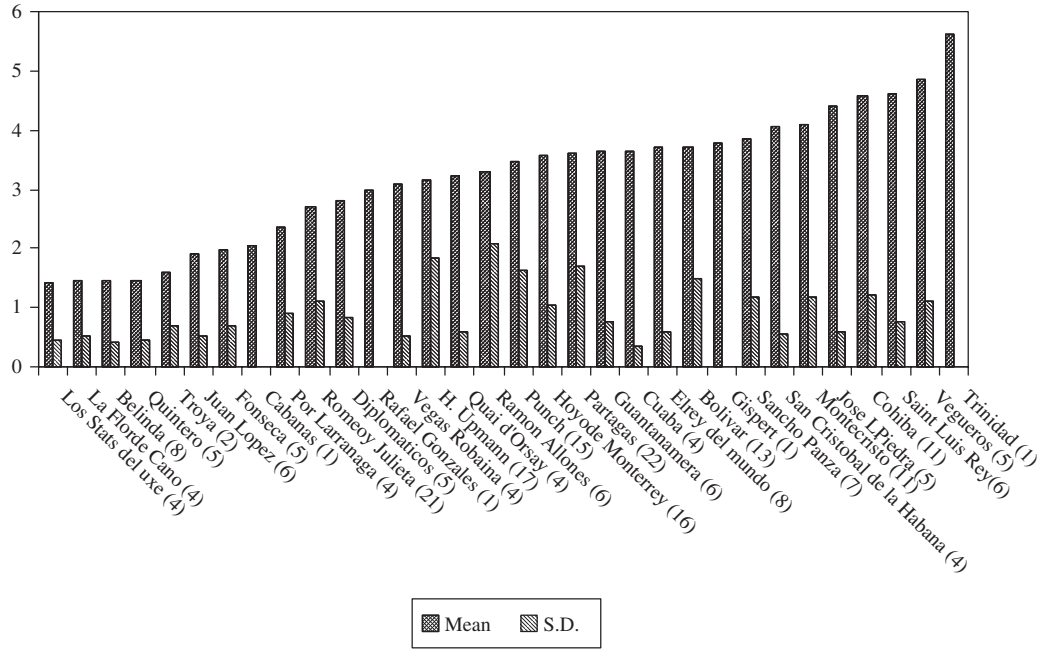

Fig. 1. Fixed effects mean values

The analysis of the estimated coefficients in Equation 2 shows that the contemporaneous note of each cigar of the sample is not significantly explained by the previous evaluation of its quality, nor by its current price. This could illustrate a form of independence from the experts in their evaluations. However, the high value of the $\bar{R}^2$ value indicates the importance of the time invariant components in the notes variability. The mean values by brand of the fixed effects of Equation 1 are shown in Fig. 1.

Figure 1 indicates that the experts of the French Cuban cigars guidebook systematically overvalue some brands, which also benefit from a reputation premium. This result, in accordance with previous empirical studies, casts doubt over the experts' impartiality: when the evaluation is not conducted in blind tasting conditions, other factors than intrinsic quality influence the note.

IV. Concluding Remarks

In markets in which consumers' information is imperfect, experts can play a crucial role. Using original data from a French Cuban cigars guidebook concerning the 32 Cuban brands commercialized in France in the years 2000 to 2003, we estimated transversal and cross-section time-series experts' rating hedonic equations. Our research is associated with three strong general results:

(1) The quality evaluation of a cigar is independent of its price but is linked to its physical

attributes, that is its length and its diameter. This corroborates the findings of the experimental study of Freccia *et al*. (2003).

(2) The 'objective' characteristics play an increasing role over time in the note determination.

(3) Some brands are favourably considered, as suggested by Landon and Smith (1998) concerning the wine market.

Because we are working with only four annual observations, an important limitation of our research is that we deal not enough with the time series properties of the sample. Further researches should incorporate this dimension.

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