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## Article

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# The Social Fabric of Prices: Institutional Factors and Reputation Work in the Bordeaux Wine Futures Campaign

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## Introduction

### Two main sociological questions about prices: their forms and their formation

The sociology of prices is a recent and dynamic field of research within economic sociology. Sociologists have raised two main questions in this emerging field.

The first one focuses on the various types of prices that circulate on markets (or within firms), their relationships and their meanings (Eccles and White 1988, Barrey 2006, Chauvin 2011), including the “moral” issues linked to some controversial prices (Zelizer 1981; Steiner 2001). One simple way to identify different forms of price has been proposed by Aspers and Beckert (2011, p.27), distinguishing between the “set price” (“the price at which the product is offered”), and the “market price” (“the monetary value for which the good changes hands”). If “price setting” is “the process by which offering prices are determined”, it cannot be considered as a “form of price” (which is a *product* of a process or an activity). Moreover, the two identified forms of prices (market prices and set prices) should be identified when one studies empirical markets in a sociological manner. An ethnography of the activities of economic actors in the wine industry shows for example that the Bordeaux wine market is characterized by four types of prices: “release future prices”, “recommended sale prices”, “transactions prices”, and “prix de place”. The notion of an “architecture” of prices (Chauvin 2011) highlights how the various types of prices awarded in a given market fit together and how they correspond to and rely on a particular social morphology. In this perspective, one can show that different kinds of prices may reveal different social issues (norms, values, hierarchies).

The second question is the formation of prices, which does not consist in the mere adjustment of supply and demand, and cannot be fully understood through the economic theory of prices as the product of individual preferences. Sociologists generally present three main factors to explain their formation (Beckert 2011): network structures, institutions, and meanings. But the mechanisms by which these factors build prices are rarely depicted. The metaphor of “embeddedness” may participate in hiding these mechanisms, as it often prevents scholars from analysing *the way* these economic activities (such as price setting) are fostered by social relationships, institutions or cognitive frames. Many sociological studies have tackled the question of the formation of prices in different fields and industries, but few integrate institutional, intra-organizational and inter-organizational factors. As Beckert (2011, p.23) asserts in a recent piece, sociologists “do not aim to take into consideration the simultaneous influences and the interaction of different social macrostructures in the patterning of prices”.

In this paper, I will try to deal with these difficulties by focusing on one specific type of price produced in the wine market: the “release future price”<sup>1</sup>. “Wine Futures” is the English phrase for the French “*en primeurs*”, which refers to a type of wine, a system of sale, and a kind of prices. Why choose to explain the formation of this specific form of price? The future prices are probably the most important prices of this market, as they are released each year in a ritualized manner, and they are the prices most observed and commented on by actors in the wine industry. Professional wine journals and websites may provide some explanations of this price setting. For example, the website [www.winesearcher.com](http://www.winesearcher.com), which is the most visited website specializing in wine issues, analyses the dynamics of wine prices by comparing them to other commodities:

*Fine wine increases and decreases in value over time. It is similar in this way to gold, oil, sugar and coffee – the long-standing mainstays of commodity investment. Wine prices react much more slowly to social and economic forces, so pre-*

*dicting changes in wine value is more straightforward than for other investment commodities.*

(<http://www.wine-searcher.com/wine-prices.html>)

What are these economic and social forces that foster prices? Instead of identifying the external forces that could impact the prices, we will explain prices by examining the social work led by economic actors to set up prices. Release prices constitute a good case for analyzing the organizational and inter-organizational work led by wine producers because they seem to be based on short-term decisions made by disparate individuals under (economic and technical) constraints, while they are in fact the product of institutional factors and reputation-building carried out by multiple actors. This collective work can be made more visible by ethnographic fieldwork of the practices, categorizations and negotiations within the Bordeaux wine business, especially during the “futures campaign” in which economic actors have to deal with several uncertainties (productive, qualitative and commercial).

### **Object and Research Methods: An Ethnography of the Bordeaux Wine Futures’ Campaign**

My fieldwork consisted of qualitative research including almost one hundred in-depth interviews with wine professionals (producers, oenologists, brokers, critics, sales managers from Bordeaux, Paris and London) and many periods of observation in different kinds of organizations (wine estates, *courtiers*, and *négociants* from Bordeaux, Paris and London). I chose to focus on the *production* side of the market, because the Premium Bordeaux professional community is characterized by a high level of interactions and mutual observation and because the main sources of wine reputations are professional ones (professional rankings, ratings, classifications, etc.). In fact, many decisions are made by professionals without real attempts to analyze the demand side. In this sense, the wine market is close to the market modelled by White (1992): as producers cannot observe the behaviours of consumers before launching their products they look at each other, especially by observing such quantities as price and volume. But they do not just pay attention to these parameters, they also work to impose their view of prices within their organizations (Zbaracki 2004, Chauvin 2010); they get market information from economic partners (*brokers*, *négociants*); and they try to build a good reputation for their wines each year by situating their products in an already categorized and institutionalized world.

This does not mean that wine managers and owners of Premium Wine Estates ignore the demand side<sup>2</sup>, as they often use the fictional character of the “consumer” to justify strategic choices, but most of the information regarding demand is accessed through intermediary actors, either local (Bordeaux “*courtiers*” and “*négociants*”), national or international (big wine merchants and importers). Hence, the Grands Crus market is mostly a market made by (and for) professionals, especially during the early steps of the “*en primeurs*” campaigns.

In this paper, I will use a small subset of my data, based on my ethnography of the Wine Futures market, which is characterized by a radical uncertainty about both quality and prices. The process of purchasing “*en primeurs*” involves purchasing wine as a future, similar to the way in which cotton, coffee and other consumables are traded on international commodity futures markets. Wines purchased as futures will be bottled and delivered between 18 and 24 months after their sale. In fact, the wine is still in oak barrels when it is purchased by *négociants* from Bordeaux who sell it worldwide. This commercial system is based upon an advance payment, which allows professional buyers to speculate upon increased values for the wines they buy and which allows producers to get early returns to their processing. The system is supposed to be attractive to investors and consumers who can purchase and resell or drink wine at relatively low prices, which are expected to rise as the wine ages. However, this price rise is not guaranteed and some wines lose value over time, as for the 1984, the 1997 and more recently the 2007 vintages<sup>3</sup>.

Originally, the system of wine futures was specific to the best growths of Bordeaux region (between 100 and 400 wines, depending on the vintage). Over the last few decades the system has been adopted in other wine regions, such as Burgundy and the Rhône Valley. However the systematic commercialization of the best wines through this advance payment system remains a distinctive feature of Bordeaux market. It is important to remember that this type of pricing concerns only 5 to 10% of Bordeaux wines.

A futures campaign is not chaotic because the temporality of economic actions is regulated by local conventions. If a producer tries to sell his wine futures in January, when the fermentations (especially the important malolactic fermentation) are not finished, the market will not be ready to accept the wine and the producer won’t be able to sell, because this would deviate from the normal process of a Bordeaux futures campaign. Generally speaking, three

steps can be outlined in a futures campaign, and constitute the common inter-organizational temporality of the field:

(1) *The tastings*

The first step generally takes place during the first two weeks of April. Wine journalists, critics and professional buyers taste samples of the new vintage (identified by the year of the harvest, so that for example the 2013 futures campaign concerns the 2012 vintage).

(2) *The publication of ratings*

After the tastings, critics and journalists publish their evaluations either on their websites or in journals. These evaluations consist in numeric ratings and short descriptions of the wines.

(3) *The “release” of wines*

Then, producers release the wines<sup>4</sup>. This third step is the most important event of the market of Bordeaux wines. It highlights the relational structure of the local market, which is grounded on the triptych *Producers-Courtiers-Négociants*. *Courtiers* are the brokers that regulate the negotiations between the producers and the *négociants*, earning 2% of each completed transaction. During the futures period, the *courtiers* advise producers by describing the mood of local and international buyers. They do not tell producers the precise level at which the prices should be set, but they help them to determine their release prices. *Courtiers* and *négociants* form the link between the decision of producers and the international demand and economic climate. In particular, they provide information on stocks and prices in different marketplaces. This feedback plays a key role in the decision of producers, but the setting of release prices includes more factors than the information provided by courtiers and négociants. Managers and chateaux owners set the price taking into account the reputation of their wine, as indicated by institutional affiliations and by the grades published by wine critics.

These institutional and reputational factors represent the first main factor explaining the price setting process (1). Also important, as we will now see, is the reputation-building by producers before and after launching their wines (2). As we will show, the causality between reputation and prices is not unilateral, as prices also convey information about organizational and individual reputations.

## 1 Prices as the product of institutions and third-parties evaluations

How can prices *result* from institutions? This first institutional causality is fairly simple and supported by robust results from economic and sociological research (Hay 2011). Wine prices are influenced by official classifications that rank wine estates hierarchically.

### i The impact of classifications on prices

Long-term reputations are grounded on traditional appellations of origins<sup>5</sup> and classifications of wine estates, such as the 1855 classification, which was built up by the *courtiers* according to the prices of the wines and previous informal categorisations. The 1855 classification is a five-class hierarchy that includes 61 growths from the Médoc region and one growth from the Graves. Despite its old age, and the fact that it was not intended to last for decades, let alone more a century and a half, the classification is still used today by wine professionals to locate growths in a scale of status. Hence, a classification which reflected the state of prices in the 19th century continues to influence the setting of prices by producers in the 21st century. This is less surprising if one considers the research showing that the use of food labels creates the potential for price premium (Henneberry and Armbruster 2003). But the stability of the classification is not “natural”, as it requires significant political efforts on the part of local owners of the ranked growths to exclude the status claims of unranked producers from the classification (Chauvin 2010).

Some economists have suggested that institutions such as the 1855 classification are the most decisive causal factor of future prices. Hadj Ali and Naudes (2007) studied for example more than 1000 wines from 132 Bordeaux châteaux over fifteen vintages (from 1983 to 1998), and found evidence of a large and significant “reputation effect” on prices mainly driven by the rank of the growth in the classification<sup>6</sup>. “In other words, the pricing behaviour of the châteaux during primeur sales, and hence their relative market power, depends largely on the reputation driven by the quality-based rank, and to a much lesser extent on the reputation driven by past quality scores<sup>7</sup>.” (Hadj Ali and Naudes 2007)

If the link between official rankings and prices has been solidly demonstrated, few scholars have explained *why* official classifications have such an impact on wines’ prices. First, one may consider that official classifications offer

“status signals” (Podolny 2005) that are interpreted and exploited by economic actors, especially by the producers themselves, who may try to enhance the reputation of their wines by establishing institutional affiliations. We can also suggest an explanation based on the social and economic control exerted by market operators (including other producers) over the producers who try to deviate from the logics of ranking. The owner of a fifth-ranked growth cannot release his wine at the same price as a first-ranked growth, because merchants (and *in fine* customers) would not accept the status equivalence created by the similarity of prices. *Négociants* and *courtiers* would say, as they often say when a newcomer tries to put up a price higher than expected by the market, *“this producer doesn’t understand how it works”*. This happened for example for the 2006 vintage when the new owner of a third-ranked growth increased his price by 100% and hence tried to improve the status category of his growth. The reactions of professionals, both local *négociants* and international buyers were very negative, judging quite severely the pricing strategy of the new owner. According to them, it was not acceptable to change the price position of a wine so quickly, especially in a market context of decreasing prices. These reactions to prices are both economic and social. The implicit norm that led *négociants* to make these criticisms was based upon the belief in the stability of values symbolised by the 1855 ranking but also on the necessity for producers to take into account the economic climate and the specific identity of the vintage before launching a wine.

This is only one example among many such of commercial actors reacting critically towards producers’ price strategies, but it shows why producers cannot raise their prices easily and have to anticipate the judgements made by their exchange partners before choosing the right price. There is a reputation risk linked to a quick increase of price, not only based on the reactions of the consumers, but also on that of traditional exchange partners (local *négociants*, national and international merchants, *courtiers*, etc.).

We have underlined the decisive impact of traditional classifications on long-term reputations and price trends, but this does not mean that changes in prices are not possible in this market. Building a new status for a growth is possible, but it is not a short-term enterprise because pricing is not only a question of costs, it notably requires a dynamic of positive judgments from the key value-makers of the market. If reputations partly depend on “status symbols” (Goffman 1951) that are crystallised in stable, public classi-

fications, they also rely on more dynamic and recent ratings, especially the grades provided by wine critics.

## ii Prices and the evaluations made by “third-parties”

Producers set prices not only on the basis of their own evaluation of the quality of the vintage, but also on the basis of judgments elaborated by critics and merchants. In other words, they take into account the reputation of vintages and wines fostered by the main “third-parties” (Sauder 2006, Espeland and Sauder 2007) of the market. The American critic Robert Parker is one of the most influential sources of reputation for the Bordeaux premium wine market (Chauvin 2010). Econometric studies have proved beyond doubt the link between Parker’s ratings and prices in the secondary and auction markets for Bordeaux wines. Other scholars have shown that Parker’s grades were a key factor for explaining the prices of “en primeur” wines (Hadj Ali et al. 2008). If Parker is often considered an agent of globalization and an enemy of traditional hierarchies, we agree with Colin Hay who highlights a more complex interaction between Parker’s scores and official classifications: *“Parker’s ratings are more influential, and prices more sensitive to his en primeur scores, where – as in Saint-Emilion – the official system of classification is more flexible and less prestigious. But it also suggests how Parker scores may play a crucial role, alongside well-established and highly respected classification systems (as for instance in the Médoc), in building up and, in particular, restoring the reputations of châteaux generally regarded to have fallen below their official place in the classification. In this respect, rather than overturning local classificatory schema, Parker’s external influence may well work in parallel with them.”* (Hay 2007, p.20)

If such results have already been demonstrated, why is it important to study sociologically the process of pricing? A sociological ethnography may be useful in understanding how the two variables (ratings and prices) interact, and what kind of subjective meanings are involved in the processes of evaluation and price-setting. My ethnography of the futures campaign led me in turn to observe the reactions of producers to their Parker’s ratings and the reactions of *négociants* to prices.

The first type of reaction illustrates characteristics of producer expectations. Some producers explained why they considered the scores they received unfair, while others told me how proud they were to receive very good ratings. But reactions to ratings do not only happen after the re-

lease of the critics' scores. There is a kind of "reactivity" (Espeland and Sauder 2007) that can be observed *before* the publication of such ratings. In fact, I observed during my ethnography how uncertainty in evaluation may foster emotions in the wine community and how these emotions spread about within this world. For example, one of my interviews resulted in a suggestive methodological experience, in which I could observe the feeling of the community before the release of Parker's ratings. I planned an interview with a producer from Saint-Emilion but the interview was cut several times by phone calls from other producers who were worrying about Parker's scores. In fact, the interview was transformed into an observation of the collective wait for Parker's scores. Sharing the position of being evaluated, stressed about the imminent publication, all the producers were exchanging feelings, information and rumours about Parker's marks. The source of their anxiety lay in the fact that a good Parker's score would have allowed them to raise their prices, whereas a poor rating would have been a constraint on their pricing and even a threat to the commercial success of their campaign.

The second type of reaction occurs after the release of prices. *Négociants* and *courtiers* react to prices by judging and commenting on them, and the producers individually try to manipulate the judgments of which they are the targets.

If institutions (such as the 1855 classification) and third parties' evaluations (such as Parker's ratings) have a strong impact on future prices, we also cannot neglect the reputation-building (Zafirau 2008) conducted by the producers themselves as they launch their wines.

## 2 Prices and the reputation-building by producers

### i The reputation-building of the vintage

Producers try to build the social value of the vintage before announcing their prices. This reputation-building constitutes an important "pricing script" (Velthuis 2003) of the Bordeaux wine market. This work starts from the harvest, during which producers communicate a great deal about the quality of the coming vintage, and lasts until the primeurs' tastings. The symbolic work done by producers on their websites, in interviews led by specialized journalists, or in informal interactions between professionals (phone calls, professional dinners, tastings, etc.) aims to raise the value of the vintage and pave the way for the

reception of futures prices. During the harvest, the information conveyed by producers is notably linked to the evolution of weather, the dates of the harvest and the quality of the grapes. For some vintages, such as 2000 or 2005, some producers tried to convince merchants and journalists that they were giving birth to the "vintage of the century"<sup>9</sup>. To justify this statement they often compared the coming vintage with famous vintages from the past such as 1947, 1961 and 1982. Building up the reputation of the vintage requires the use of genuine temporal references. Hence vintages are more than harvest years: they are reputation markers transferring their prestige to other vintages associated with them. This work is just one element of a comprehensive system of factors. On the other side of the spectrum of factors, the pre-campaign undertaken by the different market operators (*négociants*, *courtiers*, merchants) usually consists in discouraging producers from setting prices too high. These actors traditionally emphasize the difficulties induced by the economic context (through the sempiternal theme of "crisis") and try to moderate the desires of producers.

If scholars have shown that "*producers might be willing to signal quality on the market for bottled wine through the primeur price*" (Hadj Ali and Naudes 2007), these signals are shaped by social categories and can also convey professional reputations, as prices may be regarded as symbolic rewards by economic actors. Prices convey the reputation of the professionals who head those estates and make the decision on prices.

### ii Prices as medium of estates' reputations

Before launching their wine, producers identify their "significant competitors" in order to compete with them on prices. This competition is not based on cutting prices. On the contrary, producers try to improve the category of their wines by pricing just a little higher than their relevant neighbours, that is to say on the high end of the category to which they think they belong.

A good example of a category based upon prices is the "super seconds" category, which is not known by amateurs, but which works as a guide – or a "common knowledge" category – for Bordeaux wine professionals. "Super seconds" do not concern the second wines of estates – such as *Forts de Latour* for *Château Latour* – but the second growths in the 1855 classification which are well-known for higher prices than other second growths (such as *Château Léoville Las Cases* or *Château Cos*

*d'Estournel*). Hence, repeated practices in prices, justified by repeated positive evaluations of quality, foster informal categorizations that double the official ones<sup>10</sup>.

Wine professionals often say that the market always corrects the old classification by establishing new hierarchies. Here, we can observe that these new hierarchies are not totally independent from the official ones. The category of the "super seconds" is a good illustration of how an informal categorization can be built up on the basis of an institutional one while questioning it by its mere existence. In this example, reputations are explicitly grounded on prices, which could be considered as objective data. However, as my interview data demonstrate, the frontiers of the category are not stable and producers struggle to change these borders. The interpretation of price trends and variations according to the vintages is a complex issue. For example, according to a manager of a second growth, the category of "super seconds" is not relevant anymore, because the prices of some of them have dropped out of the range of this category. On the other hand, some super seconds have become "hyper seconds" as they get closer to the prices of the first growths, while the others remain stable.

Beyond the example of "super seconds", a further result about the relations between categorizations and prices is revealed by my interview data: price-makers observe the upper categories more closely than other ones. In Mertonian words, that means that high-status reference groups represent guides for price decisions for other producers.

To better understand what we could call "conspicuous prices", we must focus on the role of prices in building the reputations of producers as individuals.

### **iii Prices as medium of estates' and individuals' reputations**

After the release of prices, information about prices circulates in the wine community. *Négociants* and *courtiers* comment and evaluate the prices by relating them to previous prices, other estates' prices, critics' ratings and evaluations of the vintage based on qualitative aspects. Negative reactions by these actors may lead to negative economic impacts for wine estates. More generally, there is a kind of interprofessional monitoring exerted by market operators over producers. *Négociants* and *courtiers* do not only watch of the timing of producers, but they also categorize producers in a somewhat stable social hierarchy, based on

the way they deal with price release. This result is not specific to the wine market, as Patrick Aspers (2001) showed that price differences must be seen as status differences among Swedish fashion photographers. Wine producers are categorized as leaders or followers in price-setting. These reputations are not only linked to the timing of releases but also to the way producers build up prices and the level of prices they are usually set.

The case of a producer from the Médoc region is particularly significant. We will call him "d'Artagnan". During an interview with a producer, I introduced the case of d'Artagnan, who is well-known in the Bordeaux wine community for his high prices, as I had learned during my previous interviews. The reaction of my interlocutor says much for the recognition of his reputation.

When I said:

*"I recently met the manager of a famous growth, who told me 'my goal is to raise my price by to 300% and join the First Growths category.'"*

He instantly answered: *"You're speaking of d'Artagnan?"*

Apparently, d'Artagnan is not only known for his high prices, but he is also easy to identify by his aspirations alone. This interview was not an isolated case in my fieldwork, as the representation linked to this manager appeared many times in my interviews and observations. Obviously, precise interpretations of this reputation varied according to the judgments of professionals, some talking about a "brilliant" manager, others speaking of the "exaggerated" and "silly" prices he sets up. But all these comments show that in a market in which interpersonal knowledge is strong, economic actors may have obvious reputations in terms of pricing and strategy. During a meal, a previous manager of a first growth from Bordeaux compared d'Artagnan with other producers from the past who also used first growths' prices as benchmarks:

*"He reminds me of 'John John', who was always wondering 30 years ago how to get into the First Growths."* (Négociant)

Why does this producer have such an obvious reputation in terms of prices? Is it created only by his ambition and psychology, which leads him to be identified as a "high price-setter"? The sociological enquiry shows that his individual characteristics are particularly easy to identify, firstly because of the continuous observation of price variations by



wine professionals, secondly because of the social norms regulating the price behaviour of producers.

At first glance, it seems that reputations induced by this interprofessional monitoring can be analyzed with the traditional definition proposed by economists. Indeed, professional reputations are grounded in the representation of actors' past behaviour by their exchange partners (Shapiro 1983). If economists usually underline the effects of reputation on trust and economic links, I suggest something different: *the strongest reputations signal the norms of behaviour inherent to a professional world*. Reputations do not only signal the biggest successes and failures in a field. The behaviour of economic actors is visible and categorized in stable reputations especially when they question or embody the social norms defining the socially acceptable behaviours. Thus, I noticed two types of reputation related to prices in the wine business community: the "moderate" actors, who embody the social norm of prices' stability of Bordeaux ranked growths, and the "players" who deviate from this norm by exploring the limits of speculation.

The norm of stability – or of a moderate rise – in prices can be illustrated by the words of a wine buyer from a famous merchant in Paris:

*"I am very careful about the rise in prices in Bordeaux because people who invest heavily in a vintage and don't stabilize their prices are typically bluffing.*

***Do you have any examples?***

*I'm thinking of X who showed off his 2005 vintage... in such proportions... completely astonishing, because he increased his prices up to ... as much as I can remember, his price was 33 euros and he put it up all at once to 70 euros. What does it mean? He hasn't revolutionized the production yet! Hence the correction will come, maybe not in 2007 but it will come soon, because it has not been consolidated. If some wines can bluff for one or two vintages, I'm not sure that the market will follow in the long term. This year, the release of Y is quite similar, the estate has seen some changes last year and the new owners may have thought that the battle was already won. I think they don't know the system very well ... Maybe they don't know how it works in Bordeaux or maybe I misunderstood their strategy, but all I know is that I won't follow their price."* (Wine Buyer)

Changes in the reputations of wine estates follow more often than not changes in ownership, with new proprietors who want to quickly improve the pricing category of their estate, which is not an easy venture on the premium wine market. As Velthuis (2003) noticed about art markets, newcomers are more likely to ignore or deviate from conventions on prices. But the interprofessional monitoring functions as a way to impose the social norms on these newcomers. The strongest form of sanction accomplished by merchants consists in refusing to buy the wine futures, while a softer way is a warning about future vintages, with an immediate decrease in the volume purchased. This explanation is in line with what we explained in the first section about the impact of stable classifications and the social control exerted by *négociants* and *courtiers* on prices.

The norm of stability has a second explanation. On the premium wine market, decrease in prices may be interpreted as a signal of poor quality in a particular vintage, especially if the economic climate does not justify such a drop. This is quite similar to the norm of art markets noticed by Velthuis (2003), who shows that decreases in prices are negatively perceived. *"Deviating from these norms may produce confusion among transaction partners, may damage the reputation of the dealer, and may ultimately affect sales negatively"* (Velthuis 2003, 182).

Why do the owners and managers of wine estates want to set high prices? Not only for mere economic reasons. There is obviously an economic motivation for pricing. The financial value of the harvest and the incomes generated by each vintage depend on the volume and on the prices of the wines. Shareholders often put pressure on managers to raise prices and there is always discussion, if not negotiation, about prices among the members of the head office of the wine estate<sup>11</sup>. Pressure exerted by shareholders can take the form of financial incentive for managers according to their performances in terms of prices, but it can also lead to managers being fired. These kinds of positive and negative sanctions are both a management tool and an internal instrument of price regulation.

An increase in prices may be the main target that shareholders want to see from the managers of a growth. But there is also a symbolic dimension linked to the decision on prices, which involves the identity and the professional reputation of the decision maker. Producers (managers and/or owners) often consider prices (as well as critics' ratings) as symbolic rewards for their work. Beyond the question of individual egos, my data show that premium



Bordeaux producers can enter a “reverse” price competition, which consists in releasing their wines at a higher level than the relevant neighbour, whose status is closely linked to the above-mentioned categorizations. This logic of action is similar to the conspicuous prices noticed by Velthuis: “dealers ignore the concept of price elasticity and behave more like price maximizers than like profit maximizers” (p.182); “Rising prices are perceived as a sign of success and as a confirmation of the quality of the work<sup>12</sup>” (Velthuis 2003, p.195). This could explain – in addition to the other above-mentioned factors – the high level of prices in Bordeaux premium market but also the tensions within and between wine estates<sup>13</sup>. My interview data show that many professionals are aware of this symbolic dimension and often criticize the ego games between managers and owners of estates. The rivalry between several managers and owners in the Médoc region can be illustrated by some excerpts from my interviews. For example:

*“X is so much into competition... not for excellence, but to get personal notoriety. Prices are a matter of ego! With the Y family, it's like seeing who will pee further.”* (Courtier, Bordeaux)

*“In Bordeaux, the criteria for defining the release price, it's not the market, it's not a commercial reason, it's to be more expensive than the neighbour, that's the sole criteria. It's not even a question of money, it's a matter of ego, many owners, almost all of them, would prefer to sell at 50 euros than at 60 if they are more expensive than the neighbour. Hence, this childishness, one day, will cost a lot to Bordeaux”* (Producer)

However, this symbolic element of the decision is not referenced by managers of the growths, who systematically minimize the personal side of their own decisions. In fact, the most common representation of the determination of the prices in the Bordeaux wine community is the natural adjustment of supply and demand, those anonymous forces which lead producers to set prices. This is probably a common mythology of several markets, beyond the specific case of Bordeaux wines.

## Conclusion

Competition is shaped by official classifications (such as the 1855) but also by informal categories and numerical evaluations fostered by different sources and “reputational entrepreneurs” (Fine 1996, Fine & Sauder 2009). Prices are a major element in this competition process, both as a

*product* of and a *medium* for reputations. Two main theoretical results can be highlighted through this study:

First, reputation is not the sole property of economic actors, it is a “fluid” that circulates between institutions, organizations, individuals and products. In other words, *reputation transfers* are a key dimension of status and economic competition. It is absurd to study the impact of a single influence on wines' reputations, as Bordeaux wines are embedded in a complex reputational system that includes both private and public actors.

Secondly, the regulation of reputations is based on the institutional architecture of the market but also on social control exerted by the professional community. When producers set their release prices, they take into account various factors, especially informational feedback from *négociants* and *courtiers* who usually try to moderate the strategies of producers by giving them information on demand, stocks and macroeconomic climate. But they do not only rely on this economic information, they also position their wines into a system of categories and try to dominate their relevant neighbours by setting higher prices. This competition can be called the “conspicuous economics of prices”.

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## Endnotes

<sup>1</sup>See the next section for a presentation of the futures system.

<sup>2</sup>Managers of Premium Wine Estates have started contracting the services of marketing consultants since 2000-2010.

<sup>3</sup>The 1997 vintage market was described as follows by a wine blogger: “Many vineyards continued with the pricing trend which developed during the previous two vintages. Release prices for the 1997s were, in most cases, equal to or even greater than those of the 1996 vintage. In the ‘en primeurs’ feeding frenzy many bought, and they lost out financially. A huge backlog of unsold 1997 clarets developed in the system, and thanks to the high prices it took years to sell-through.”

(<http://www.thewinedoctor.com/>)

4Some producers do not wait for the ratings published by the media and release their wines on the basis of their own judgments and the information provided by *courtiers* and *négociants*.

5Zhao (2008, p.182) shows that the effect of appellation categories on wine prices depends on the region of production and its type of classification: "Appellation is horizontally structured in California, whereas it is vertically structured in France. As a result, appellation categories exert a greater impact on French wines' prices".

6Many studies highlight the same result by a "hedonic prices" approach (Combris et al. 1997; Lecocq and Visser 2006). For example, Lecocq et al. (2005) found that the expected quality – induced by rankings and ratings – have more impact on Bordeaux and Burgundy prices than „perceived“ quality: "The consumer's willingness to pay for wine is thus more closely related to the information reported on the label of the bottle and in wine guides than to the taste of the wine. More precisely, it seems that the description provided by the label and the experts outclasses the information that a typical consumer can gather through a simple blind-tasting." (p.51)

7They add that "in the case of bottled wine as well, the ranking proves to have the strongest impact on price." See also the blog of Bolomey Wijnimport, "Cantenac Brown 2006 and its crazy price", Tuesday, October 30, 2007,

<http://blog.bolomey.nl/2007/10/cantenac-brown-2006-and-its-crazy-price.html>

8A single Parker score does not have the same meaning for all producers. Like in school, a mark is interpreted by individuals according to their "reference group" (Merton), which is based on their previous scores and on the expectations made by "significant others" (Mead).

9Nicholas Faith highlights in his book *The Winemasters of Bordeaux* (2005) that it is quite usual for wine professionals and journalists to qualify the coming good vintage as "the vintage of the century". He explained how the excitement mounted steadily for the 1959 vintage, as several simultaneous articles confirmed that it was the vintage of the century. "It was not, of course: 1929 and 1945 had both been finer, and in the following years the phrase became normal (in 1964 Sichel reckoned that "out of the last six vintages, three have been hailed prematurely as the vintage of the century") but 1959 was the first to attract world-wide publicity" (Faith, 2005, p.190)

10The super seconds generally identified in my interview data are: Châteaux Cos d'Estournel, Pichon-Longueville Comtesse de La Lande, Pichon-Longueville Baron, Léoville-Las-Cases, Ducru-Beaucaillou, and Palmer (although the latter is actually a third growth, it is usually included in this group).

11For a more precise explanation of the intraorganisational work conducted by managers and owners to set the "right" price, see Chauvin (2010).

12Velthuis (2003) develops this argument as follows: "An increase in the price level of an artist's work therefore conveys the message that his career is developing or that his art is being accepted in the art world; simultaneously, it makes collectors feel secure about the acquisitions they have made in the past or that they intend to make in the future. The positive meanings of increases induce dealers to be price rather than profit maximizers" (p.195)

13For example, it is interesting to quote an owner who uses an economic argument (the market climate) to moderate the desire for status (recognition for work) of his manager, who pushes him for a higher price: "My manager asked me to set a higher price because according to him a price higher than that of other growths is a kind of recognition of his work. I explained to him that I knew he was making a great wine and I thanked him for this, but I also told him that was only part of the issue and that quality wasn't sufficient to determine the price position and that we had to be very careful in the current context". (Producer) This example allows us to qualify the image of owners looking for profit by putting pressure on managers to set high prices.

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