

**Stock Movement for 2005 Red Bordeaux Purchased En Primeur through a UK  
Wine Merchant 2006-2016:  
Have Buyers' Intentions Changed?**

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## GLOSSARY

<b>Term</b>	<b>Description</b>
<b>DP</b>	Duty Paid: It is only when a wine is removed from bonded storage in the UK that Duty and VAT must be paid. These taxes are set by the government in the yearly budget and have been subject to increases in 2006-2016.
<b>EP</b>	En Primeur: This is the purchase of wine as futures, before the wine is bottled. For the Bordeaux system, these releases are typically 18-24 months before the wines are physically available in the UK.
<b>EU</b>	European Union
<b>GCC</b>	Grand Cru Classé: This is a group of 61 Bordeaux châteaux classified from first to fifth growth as a means of discerning quality (and price). With the exception of Haut Brion, these wines are solely from the Médoc. This classification has been subject to little change since its inception in 1855, with the sole addition Cantemerle in 1856, and reclassification of Mouton Rothschild to first growth in 1973.
<b>HNWI</b>	High Net Worth Individual: Referred to in the financial world as someone with a high level of personal wealth.
<b>IB</b>	In Bond: This refers to wines that have been bought and stored in a government approved warehouse without the paying of Duty and VAT.
<b>IGW</b>	Investment Grade Wine: In this instance, the definition is taken from Sokolin and Bruce (2008) as wine with the potential to improve with age and increase in price over time.
<b>IQR</b>	Inter Quartile Range: This measures the spread of the middle 50% of a set of data and is used to identify outliers.



## 1. SUMMARY

This study examines two facets of 2005 red Bordeaux purchased *En Primeur* through a UK wine merchant. Firstly, it analyses the movement, storage and sales of these wines from 2006 to 2016. Secondly, it considers buyers' original intentions, whether these have changed over time, and if so, why.

Three sources were used to answer the research questions:

1. The review of research context.
2. The sales, movement and storage data of UK based Bordeaux and *En Primeur* specialist, Farr Vintners.
3. A questionnaire sent to the buyers of 2005 red Bordeaux *En Primeur* through this merchant.

It emerged that just 19% of 2005 red Bordeaux purchased *En Primeur* remained unmoved In Bond with the original buyers by the end of 2016. 66% had been moved, but less than a third of this was for Duty Paid delivery, suggesting that a significant volume was still held In Bond elsewhere. Only 15% was sold back to Farr Vintners by *En Primeur* buyers, but over half of this occurred before the end of 2008 due to rapid price increases.

Buyers' original intentions tended towards consumption, but shifted to investment over time. Two thirds of buyers who had sold 2005s had done so for wines not originally intended as investments. Price was the most common reason for a change in intentions, with a third of buyers reinvesting proceeds from wines they sold.



## 2. INTRODUCTION

The annual Bordeaux *En Primeur* (EP) campaign is still one of the largest methods of selling a region's most sought after wines for the latest vintage. 700 châteaux release their wines EP (Lewin, 2009). Release prices, critic scores and following price movements are well documented, scrutinised and researched, with indices such as Liv-Ex analysing the slightest rise or fall.

What is not researched, however, is the movement, storage and resale of these wines after EP sale. It is not known whether the buyers of EP red Bordeaux are storing the wines In Bond (IB), taking Duty Paid (DP) delivery, or selling their wines. Secondly, we do not know what the intentions of these buyers are when purchasing EP – do they plan to drink the wines or use them as investments? Are these intentions subject to change over time? What might influence any change in intentions?

This research therefore aims to answer the following questions:

1. How much 2005 red Bordeaux sold during the EP campaign remains with original buyers, versus what has been sold or moved?
2. What was the original intention for these purchases?
3. Have buyers changed their original intentions?
4. If so, what has caused this?

Why 2005 red Bordeaux? The vintage has always been highly rated, and as a result drew speculation from investors as well as consumers. The vintage is now over a decade old, allowing for storage, movement and sales data to be tracked from 2006 to 2016. This time frame has seen significant changes in the wine market, with the rise

of wine investment funds and indices, the stratospheric rise of Asia's interest in fine wine, and the resulting price spikes and market corrections. All of these could influence buyers' intentions over time. Red Bordeaux will be the focus of the research due to the ageing potential of the wines (particularly in a vintage such as 2005), the volumes sold creating a larger secondary market, and more unified price changes when compared to the dry and sweet whites of Bordeaux<sup>1</sup>.

One of the strengths of this research is the access to otherwise confidential information provided by Farr Vintners, a Bordeaux specialist merchant based in the UK. The sales, storage and movement data provided by the merchant offered the opportunity to analyse trends for EP 2005 red Bordeaux purchases. Access to the customer database enabled contact with the buyers directly, allowing the author to ask what their intentions were, whether they have changed, and why.

This research is of benefit to both wine merchants and producers. Merchants will gain a greater understanding of their buyers' actions and intentions for their wines, as well as the volume of wine that remains IB as a potential source of mature stock if bought back. They will also gain insight into whether, and why, buyers' intentions change over time. Bordeaux producers will gain insight into the movement of their wines after EP sale, and the purposes for which their wines are bought. The framework of this research has the potential to be applied to other vintages, regions and wines, as well as other markets around the world.

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<sup>1</sup> Liv-Ex. (2016) Five years from market peak: a divided picture. Available at: <https://www.liv-ex.com/2016/07/five-years-market-peak-divided-picture/>. Accessed 20/05/2018

### **3. REVIEW OF RESEARCH CONTEXT**

Little public research appears to exist on the storage and movement of fine wines, both for Bordeaux and other wine regions. The same is also true concerning original buyer intentions, and any subsequent changes in those intentions. However, research does exist that provides pertinent context to the topic.

#### **3.1 The Storage and Movement of Wines**

##### **3.1.1 Bonded Storage**

IB storage in the UK is duty and VAT free (Kumar, 2005), which increases profit when selling wines. However, storage and insurance costs are two hidden expenses of wine collection (Meltzer, 2006), reducing the rate of return on investments (Dimson et al, 2015). Lower IB storage costs (as provided by Farr Vintners<sup>2</sup>) are therefore advantageous. Ashenfelter (2008) notes that IB storage of red Bordeaux intended for consumption is an attractive option, as they improve with age.

##### **3.1.2 Delivery**

Most wine is removed from bond when ready for “consumption, retail or to be placed in a private cellar” (Kumar, 2005, p.11). Wines taken out of bond are therefore less likely to be intended for investment, given the extra costs and loss of perfect provenance. Wines sold after DP delivery are therefore likely the result of a change in intention.

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<sup>2</sup> The 2016 rate of storage was £10 per case or part case a year. In 2006 this was £7.50, rising to £8.50 in 2009 and £9 in 2014. (Prices exclude VAT)

### **3.1.3 Resale of Wine**

The UK is a hub for the secondary market in wine (Kumar, 2005), with established routes to market through merchants, brokers and auction houses (Jovanovic, 2013). With no dividend and less liquidity in foreign markets (Sanning et al, 2008; Andrews, 2017; Kumar, 2005), profit is largely realised by selling wines through these avenues.

Kumar (2005) suggests three optimum times to sell wines:

- 1) 18 months after EP purchase;
- 2) When the wine is at peak maturity;
- 3) When other wines present a better opportunity for investment.

The first of these has already passed for 2005, where a spike in wines sold back is anticipated. The second has occurred for some wines, but 2005 is a slow maturing vintage. With the high ratings of the 2009 and 2010 Bordeaux (Parker, 2010; Parker, 2011), as well as the growth of Burgundy<sup>3</sup> and Italy<sup>4</sup>, the third scenario may also have occurred.

## **3.2 Buyer Intentions**

### **3.2.1 Wine Purchases for Investment**

Wine investment has grown in the 21<sup>st</sup> Century (Roseman, 2012; Mitchell, 2012), with the volatility of traditional markets, and wine's independence from them during economic downturns, being reasons for this (Kumar, 2005; Roseman, 2012). The lack of Capital Gains Tax is also part of wine's appeal (Kumar, 2005; Roseman, 2012).

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<sup>3</sup> Liv-Ex. (2018) Report: Burgundy – The market's favourite tipple. Available at: <https://www.liv-ex.com/2018/02/report-burgundy-markets-favourite-tipple/>. Accessed 20/04/2018

<sup>4</sup> Liv-Ex. (2015) Italy: Storming ahead. Available at: <https://www.liv-ex.com/2015/11/italy-storming-ahead/>  
Accessed 30/04/2018

However, Mitchell (2012) found that only 10% of collectors studied considered wine solely for investment. Most investors, therefore, will also buy for consumption.

In contrast to Kumar (2005), Sokolin and Bruce (2008) consider that wine requires a minimum of 5-10 years to provide returns on investment, suggesting that in normal circumstances many investors would store wines IB for this time. Investors look for scarcity, region, winemaker, vintage, and reputation (Andrews, 2017), all of which are offered by the top red wines of Bordeaux.

### **3.2.2 Wine Purchases for Consumption**

Mitchell (2012, p.19) found that 39% of people with a wine collection consider it “priceless”, and therefore wouldn’t sell due to a “strong emotional attachment”. Some purchases for consumption are therefore steadfast, regardless of market changes.

Buying two cases with the intention to sell one is a traditional method of using profits to fund consumption (Kumar, 2005). Intentions for these purchases might be undecided when bought.

### **3.2.3 Purchases of Red Bordeaux**

“Approximately 90 percent of the world’s IGW (Investment Grade Wine) is produced in Bordeaux” (Sokolin and Bruce, 2008, p.39). As it occupies a large percentage of the secondary market (Liv-Ex, 2018), it has been the focus of many investment research papers. Red Bordeaux in particular is considered “the wine investment par excellence” (Roseman, 2012, p.162) due to its ability to improve for 20-30 years or more

(Ashenfelter, 2008). This ageing ability is the reason red Bordeaux is more often chosen for investment than the region's whites (Sanning et al., 2008).

### **3.2.4 Purchases Made En Primeur**

“Buying En Primeur is an investment, even if many collectors are buying without investment in mind” (Liv-Ex, 2018, p.11). The aim is to secure wine at the best price (Sokolin and Bruce, 2008; Kumar, 2005); however, tying up capital, hoping that the price is lower than on delivery, and relying on merchant stability to deliver goods makes buying EP a speculative purchase. There are other advantages to buying wine EP. For example, wine fraud is an increasing risk for buyers (Holmberg, 2010), and buying EP mitigates this risk (ibid; Sokolin and Bruce, 2008). Buying non-standard bottle sizes and rarities can also be motivations<sup>5</sup>.

### **3.2.5 Purchases of the 2005 Vintage**

Great vintages have previously risen in price faster than others (Kumar, 2005; Dimson et al 2015). 2005 was widely considered a great vintage, with Parker (2006) giving eight potential 100 point scores from barrel and Robinson declaring there were “more very good to great wines than I can remember in any other vintage”<sup>6</sup>.

Prices on release were 188% higher than the 2004 vintage (Lewin, 2009). Many wines moved into the investment category as a result<sup>7</sup>. Great wines were also available at more modest prices, offering appeal to both investors and consumers.

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<sup>5</sup> Robinson, J. (2006) Bordeaux 2005 - a suggested buying strategy. Available at: <https://www.jancisrobinson.com/articles/bordeaux-2005-a-suggested-buying-strategy>. Accessed 29/05/2018

<sup>6</sup> Robinson J. (2006) Bordeaux 2005 - an overview of what made it great. Available at: <https://www.jancisrobinson.com/articles/bordeaux-2005-an-overview-of-what-made-it-great>

<sup>7</sup> Robinson, J. (2007) 2005 Bordeaux - how do they look in bottle? <https://www.jancisrobinson.com/articles/2005-bordeaux-how-do-they-look-in-bottle>. Accessed 29/05/2018

Buyers knew the wines would need to be cellared for many years before reaching maturity (Parker, 2006), with Robinson “recommending drinking dates long after my likely demise”<sup>8</sup>. Storing wines for a significant time before making a decision on whether to sell or consume seems logical.

### **3.3 Factors Influencing Changes in Intentions**

#### **3.3.1 Wine Purchases for Investment**

Price changes likely affected purchases made for investment. The market high of 2011 and subsequent correction to June 2014 (Liv-Ex, 2018) were notable in 2006-2016. This fluctuation was in part due to changes in the Far East. The number of Chinese US\$ billionaires officially rose from 1 to 271 in the beginning of the 21<sup>st</sup> century, with the rumoured number closer to 600 (Red Obsession, 2013). The growth in global wealth, centred on High Net Worth Individuals (HNWIs) and growing economies (Sokolin and Bruce, 2008), increased demand significantly, and prices skyrocketed. This was aided by the removal of Duty on wine in Hong Kong<sup>9</sup>, which became the fine wine hub for Asia. Prices then dropped from mid-2011, in part due to anti-corruption laws that dampened interest in Asia<sup>10</sup>. These factors may have influenced when and whether buyers sold their wines.

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<sup>8</sup> Robinson, J. (2006) Bordeaux 2005 - the primeur tasting notes  
<https://www.jancisrobinson.com/articles/bordeaux-2005-the-primeur-tasting-notes>. Accessed 29/05/2018

<sup>9</sup> Robinson, J. (2008) Hong Kong wine duty slashed to zero. Available at:  
<https://www.jancisrobinson.com/articles/hong-kong-wine-duty-slashed-to-zero>. Accessed 21/05/2018

<sup>10</sup> Robinson, J. (2018) HK celebrates 10 duty-free years. Available at:  
<https://www.jancisrobinson.com/articles/hk-celebrates-10-duty-free-years>. Accessed 23/03/2018

Mitchell (2012) found that wine collectors required prices to increase by at least 50% on average in order to sell. This high expected return may have prevented sale of wines outside of extraordinary gains.

### **3.3.2 Wine Purchases for Consumption**

The factors mentioned above will have also affected purchases made for consumption. HNWI's propensity to invest in luxuries – Dubois (1993) found that 22% did so compared to a 2% average – caused some wine prices to grow to a level that would have made consumption uncomfortable for some. The Liv-Ex wine index was up 250% from 2001-2011 (Roseman, 2012), which may have prompted the sale of many wines not originally intended as investments.

“Most people don't start off buying wine with an investor's mind-set” (Sokolin and Bruce, 2008, p.12). These “Casual” buyers (ibid, p.27) would have been unaware of the potential increase in prices of their wine, and may have sold wines as a result of the aforementioned price changes.

Wine investment became more official in the time period concerned. The advent of the Liv-Ex indices and their subsequent inclusion on Bloomberg in 2006 alongside traditional investment markets (ibid), made wine a legitimate investment. With it being easier to track wines' prices, buyers may have considered purchases previously for consumption as possible investments.

### 3.3.3 Purchases of Bordeaux

Bordeaux prices rose sharply to their peak in 2010-2011, dominating the secondary market with 96% of trades in 2010 (Liv-Ex, 2018). The Liv-Ex 100 and Bordeaux 500 Indices peaked in June and July 2011 respectively<sup>11</sup>. This may have changed buyers' intentions towards investment. Prices then fell 23% to a market low for the Bordeaux 500 in 2014<sup>12</sup>, and by 2016 Bordeaux's share of the market had fallen to 68% (Liv-Ex, 2018). Some buyers may have sold before the market bottomed out, others leaving wine IB in hope of recovery. Bordeaux's smaller market share also suggests that buyers moved investments to other regions.

### 3.3.4 Purchases Made En Primeur

EP purchases are predominantly made without tasting the wines, relying on quality assessments from external sources. High ratings from critics had been shown to increase EP release prices by €10 a bottle before the 2005 vintage (Ali et al, 2008). Given the 2005 release prices, buyers would have expected high quality, and may have changed their intentions if the wines disappointed in bottle.

### 3.3.5 Purchases of the 2005 Vintage

2005s were always noted for their potential to age, but as reports surfaced of wines needing *at least* 15 years<sup>13</sup> to reach maturity, consumers may have sold wines and bought earlier drinking alternatives.

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<sup>11</sup> Liv-Ex. (2016) Five years from market peak: a divided picture. Available at: <https://www.liv-ex.com/2016/07/five-years-market-peak-divided-picture/>. Accessed 31/05/2018

<sup>12</sup> Ibid.

<sup>13</sup> Robinson, J. 2005 Bordeaux at 10 years. Available at: <https://www.jancisrobinson.com/articles/2005-bordeaux-at-10-years>. Accessed 30/05/2018

2005 prices had increased by 49% on average by the time the wines were delivered in 2008 (Liv-Ex, 2018), with some double their release price (Parker, 2007). Buyers' intentions may have changed from consumption to investment at this point. With Parker (2008) claiming many of his scores were conservative, it is possible that buyers would hold stocks, speculating that wine prices would rise with score increases. As with other vintages, 2005 red Bordeaux prices dropped after the peaks of 2008 and 2011. The 2005 second wines of first growths dropped by 39% in value from 2011 to 2014<sup>14</sup>. Prices increased again in 2015 (by 10.3%) in anticipation of upgrades from Parker, as did the volume of trade<sup>15</sup>.

It should also be considered that 2009 and 2010 Bordeaux eclipsed the 2005 vintage in quality according to Robinson<sup>16</sup> and Parker (2015). Their releases may have caused buyers to sell the 2005s in order to raise funds for other wines.

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<sup>14</sup> Liv-Ex. (2014) Bordeaux 2005: price falls since peak. Available at: <https://www.liv-ex.com/2014/01/bordeaux-2005-price-falls-since-peak/>. Accessed 20/05/2018.

<sup>15</sup> Liv-Ex. (2014) Bordeaux 2005: one year from Parker's review. Available at: <https://www.liv-ex.com/2016/07/bordeaux-2005-one-year-parkers-review/>. Accessed 10/03/2018

<sup>16</sup> Robinson, J. (2017) Bordeaux 2005 - winners and losers. Available at: <https://www.jancisrobinson.com/articles/bordeaux-2005-winners-and-losers>. Accessed 20/05/2018

## 4. METHODOLOGY

Three methods were used to answer the questions proposed for this study:

- Review of research context
- Analysis of sales, storage and movement data of 2005 red Bordeaux purchased EP through a UK based wine merchant
- Confidential questionnaire sent to buyers of 2005 red Bordeaux EP through a UK based wine merchant

### 4.1 Review of Research Context

#### 4.1.1 Purpose

The review allowed the author to assess available research surrounding the topic. It confirmed that 2005 red Bordeaux should be the focus, and shed light on why buyer intentions might change.

#### 4.1.2 Types of Literature Reviewed

- Published works

This included works such as *What Price Bordeaux?* (Lewin, 2009), *SWAG: Alternative Investments for the Coming Decade* (Roseman, 2012) and *Wine Investment for Portfolio Diversification: How Collecting Wines Can Yield Greater Returns than Stocks and Bonds* (Kumar, 2005).

- Academic publications

This included works such as *Bordeaux Wine as a Financial Investment* (Sanning et al, 2008), *The Impact of Gurus: Parker Grades and En Primeur Wine Prices* (Ali et al, 2008) and *The Price of Wine* (Dimson et al, 2015).

- Trade publications

These included Liv-ex, [www.jancisrobinson.com](http://www.jancisrobinson.com), The Wine Advocate and The Drinks Business.

- Other

This included sources such as newspaper websites and films.

#### **4.1.3 Reasons for Literature Selection**

- Published works

The works chosen provided context on the region and its pricing. They gave a greater understanding of alternative investments and wine's role within this field. They provided information on Bordeaux and the way in which its wines are purchased and then traded in the secondary market.

- Academic publications

These were selected in order to review the research surrounding the topic. Publications on Bordeaux as an alternative investment provided context on prices, alluding to some of the influencing factors in price and demand changes.

- Trade publications

These publications provided data on trades of 2005 red Bordeaux. The critics' publications offered opinions of the quality and maturity of the 2005 vintage, as well as commentary on pricing. Articles also revealed factors that influenced demand and pricing in the secondary market.

- Other

These added broader contexts to the wine market and the global economy.

## **4.2 Sales, Storage and Movement Data of 2005 Red Bordeaux Purchased *En Primeur* through a UK Based Wine Merchant**

### **4.2.1 Purpose**

This information was used to answer the first research question. It revealed what percentages of 2005 red Bordeaux were still IB with the original buyer, how much had been delivered DP, how much had been transferred IB, and how much had been sold back to the merchant. It was possible to segment the data by wine, customer, action type and date.

### **4.2.2 Data Selected**

The wines selected were 2005 red Bordeaux sold EP between 5<sup>th</sup> May 2006 and 31<sup>st</sup> December 2006. Farr Vintners, a UK based Bordeaux and EP specialist, was the source of the data. Sales totalled £26,013,310, or 248,429 litres of wine. There were 1,898 buyers, spending between £75 and £3,663,565. The storage, movement and resale of wines were tracked from 2006 to 2016.

### **4.2.3 Reasons for Data Selected**

Red Bordeaux has a strong secondary market. The whites (sweet and dry) do not have the same price trajectories or level of trade (Liv-ex, 2018), and were not included in the data. The wines chosen were not limited to Grand Cru Classés (GCCs) given the price and secondary market trading in several wines outside classification, notably the second wines of first growths and highly priced right bank wines (ibid). 2005 is largely considered a great vintage. This increases sales and investment potential, and creates a larger secondary market. The vintage is recent enough that buyers were still

contactable, whilst allowing enough time for them to move or sell back their wines, and change their intentions.

Farr Vintners was chosen as the source of the data for several reasons. It is a UK based Bordeaux and EP specialist that holds significant stocks of wine IB on behalf of its customers, and it offers the option for customers to sell back their wines<sup>17</sup>. The company expressed an interest in the research, and as an employee of the company, the author had access to their confidential data.

The initial sales data included sales between 5<sup>th</sup> May 2006 and 31<sup>st</sup> December 2006. These dates were chosen as they covered the vast majority of sales for this campaign. Movement, storage and resale data were tracked from 5<sup>th</sup> May 2006, to track any movement or resale while wines were still EP, until 31<sup>st</sup> December 2016. This time frame was considered long enough to accumulate sufficient data.

#### **4.2.4 How the Data Were Extracted for Analysis**

The data were extracted from a relational database, MySQL (Structured Query Language), and could be segmented by volume, original value, wine and customer, as well as dates of sale or movement type. Customer names have been withdrawn from the data in order to retain confidentiality.

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<sup>17</sup> Robinson, J. (2017) UK wine trade faces up to Brexit. Available at: <https://www.jancisrobinson.com/articles/uk-wine-trade-faces-up-to-brexite>. Accessed 31/05/2018

### **4.3 Confidential Questionnaire to Buyers of 2005 Red Bordeaux *En Primeur* through a UK Based Wine Merchant**

#### **4.3.1 Purpose**

The questionnaire requested information on buyers' intentions for 2005 Bordeaux EP at the time of purchase through a UK based wine merchant. It then sought to establish whether buyers' intentions had changed since original purchase and if so, how they changed and what factors influenced these changes. It also collected quantitative data on the movement, storage and sale of wines.

#### **4.3.2 Participant Selection**

Participants must have bought 2005 Bordeaux EP through a UK based wine merchant with the potential to store wines IB. The first group selected bought these wines through Farr Vintners. The second group bought them through companies that Farr Vintners acquired in the interim period<sup>18</sup> <sup>19</sup>. In total there were a possible 2,018 participants.

Six other merchants based in the UK who sold red Bordeaux 2005 EP were invited to take part in this study. Unfortunately it proved impossible to reach any agreements due to issues including the emailing of external material, the protection of confidential information, and the inability to isolate 2005 red Bordeaux EP buyers. As such, it was impossible to expand the sample size.

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<sup>18</sup> Woodard, R. (2014) Magnum Fine Wines Bought by Farr Vintners. Available at: <http://www.decanter.com/wine-news/magnum-fine-wines-bought-by-farr-vintners-7650/>. Accessed 29/04/2018

<sup>19</sup> Millar, R. (2016) Farr Acquires Jackson Fine Wines. Available at: <https://www.thedrinksbusiness.com/2016/01/farr-acquires-jackson-fine-wines/>. Accessed 29/04/2018

### 4.3.3 Question Formulation and Selection

The questionnaire was critical to answering research questions two to four. Questions, therefore, focused on buyers' intentions, and possible changes in intentions for purchases of 2005 red Bordeaux EP. Questions were also asked concerning the factors that influenced any changes in intention.

Survey questions included:

- Multiple-choice questions – these gathered data on wine movement, storage and resale, intention changes, and data for segmenting participants.
- Matrix questions – these focused on participants' original intentions and current intentions for each action type (wines delivered, wines stored IB, and wines sold).
- Checkbox questions – these focused on gathering qualitative data on the reasons for changes in intentions for delivered and sold wines, and the reasons wine was left IB.

The questions allowed participants to respond without needing to type in order to increase the response rate. An "Other" box was added to several questions in order to allow participants to add further reasons or comments not previously considered by the author. In total, 17 questions were asked.

- Question 1 collected data on the original intentions of the buyers. Buyers were given the options of Investment, Consumption, Gifting, or Other, with rounded percentages (0%, 25%, 50%, 75%, 100%), the total of which needed to be

100%. This format was repeated in Questions 3, 5 and 11, looking at intentions for wines delivered DP and wines still in storage.

- Questions 2, 7 and 10 asked how much wine had been delivered DP, sold, and left IB, with the same rounded percentages.
- Questions 4 and 8 gathered quantitative data on changes in intentions.
- Questions 6, 9, 12 and 15 gathered qualitative data on the reasons for changes in intentions. Options were provided, but participants could add to this using the “Other” box. Question 14 looked at the reasons participants bought EP in a similar format.
- Questions 13, 16 and 17 requested additional information regarding the participants’ age, spend, and number of years buying EP.

The questionnaire did not limit participants to discuss wines bought through Farr Vintners, in order to assess all purchases by those who bought through multiple sources.

#### **4.3.4 Questionnaire Formulation and Distribution**

The questionnaire was created on [www.surveymonkey.com](http://www.surveymonkey.com). This allowed for flexibility in question style, and for the questionnaire to be sent out via email. Responses were collected online.

[www.surveymonkey.com](http://www.surveymonkey.com) estimated that the questionnaire would take 7 minutes to complete. Some questions were only asked if relevant to a participant's previous responses.

The questionnaire was sent out on 29<sup>th</sup> March 2018 via email, with a covering letter explaining its purpose and subject. The deadline for completion was 22<sup>nd</sup> April 2018. All email bounce backs were noted so that buyers could be contacted by other means if necessary. An incentive was offered to participants in the form of a prize draw for a case of wine worth £1,000, drawn at random on collection of the responses.

#### **4.3.5 Collection of Responses**

Responses were collected via [www.surveymonkey.com](http://www.surveymonkey.com), with the results extracted on 24<sup>th</sup> April 2018. 422 responses were received (a 20.9% response rate). This gave a 95% confidence level and a 4.24% confidence interval<sup>20</sup>. It is assumed the high response rate was due to the incentive, the shortness of the survey (the average completion time was 4m: 48s), and the high proportion of buyers who were still active Farr Vintners customers.

24 responses were removed from the analysis as the surveys were either incomplete or contained answers that were mathematically impossible (many of the responses discarded failed to total 100% on questions 1, 3, 5, or 11). This left 398 responses to analyse, giving a 95% confidence level and a 4.4% confidence interval<sup>21</sup>, which is statistically significant.

#### **4.3.6 Response Analysis**

The data could be analysed by spend, customer age, the years the buyer had bought EP, and initial intention. Where several comments in the “Other” section were similar,

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<sup>20</sup> Calculated using <https://www.surveysystem.com/sscalc.htm>. Accessed 30/04/2018

<sup>21</sup> Calculated using <https://www.surveysystem.com/sscalc.htm>. Accessed 30/04/2018

these were grouped and added to the analysis. Some individual comments were used to add further qualitative analysis.



## **5. RESULTS AND ANALYSIS**

The results and analysis that follow are presented in order of the research questions posed. These were:

1. How much 2005 red Bordeaux sold during the EP campaign remains with original buyers, versus what has been sold or moved?
2. What was the original intention for these purchases?
3. Have buyers changed their original intentions?
4. If so, what has caused this?

### **5.1 2005 Red Bordeaux EP Sales, Movement and Storage Data**

The following data have been divided into initial sales, followed by a breakdown of the movement and storage of wines.

#### **5.1.1 Initial Sales Data**

##### **5.1.1.1 GCCs Accounted for a High Percentage of Initial Sales**

Farr Vintners sold £26,013,310 (248,429 litres) of red Bordeaux EP from 5<sup>th</sup> May 2006 to 31<sup>st</sup> December 2006. The mean spend was £942.40 per 9 litre case. 206 different wines were sold, of which 50 were GCCs. The GCCs accounted for 61.85% of the value sold, but only 53.28% of the volume due to their higher average price. The first growths exacerbated this, representing 39% of sales by value but 9% by volume (Figures 1 and 2). Five of the top six wines sold by value were first growths (Table 1), but only Lafite and Latour featured in the wines most sold by volume (Table 2). The movement of GCCs and other high value wines will therefore particularly affect the analysis by value.

Table 1: Top selling 2005 red Bordeaux EP in 2006 by value<sup>22</sup>

<b>Wine</b>	<b>Value Bought</b>
Latour*	£2,698,694
Margaux*	£2,314,445
Lafite*	£2,270,675
Haut Brion*	£1,960,045
Ausone	£1,264,905
Mouton Rothschild*	£984,945
Pétrus	£964,990
Cos d'Estournel*	£940,011
Mission Haut Brion	£848,575
Pin	£846,113

Table 2: Top selling 2005 red Bordeaux EP in 2006 by volume<sup>22</sup>

<b>Wine</b>	<b>Litres Bought</b>
Lynch Bages*	9597
Talbot*	9528
Cos d'Estournel*	7525.5
Léoville Poyferré*	6435
Pontet Canet*	5949
Bienfaisance	5805
Lafite*	5404.5
Latour*	5244
Lagrange (St Julien)*	5229
Léoville Barton*	5100

<sup>22</sup> Wines marked with an asterisk are GCCs

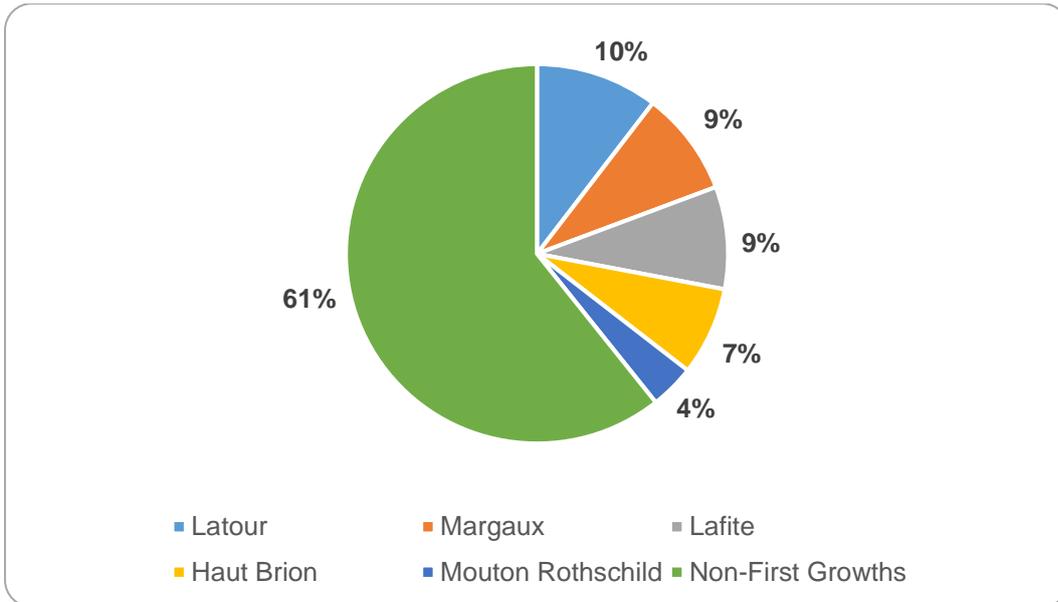


Figure 1: Initial sales by value in 2006 – first growths versus non-first growths

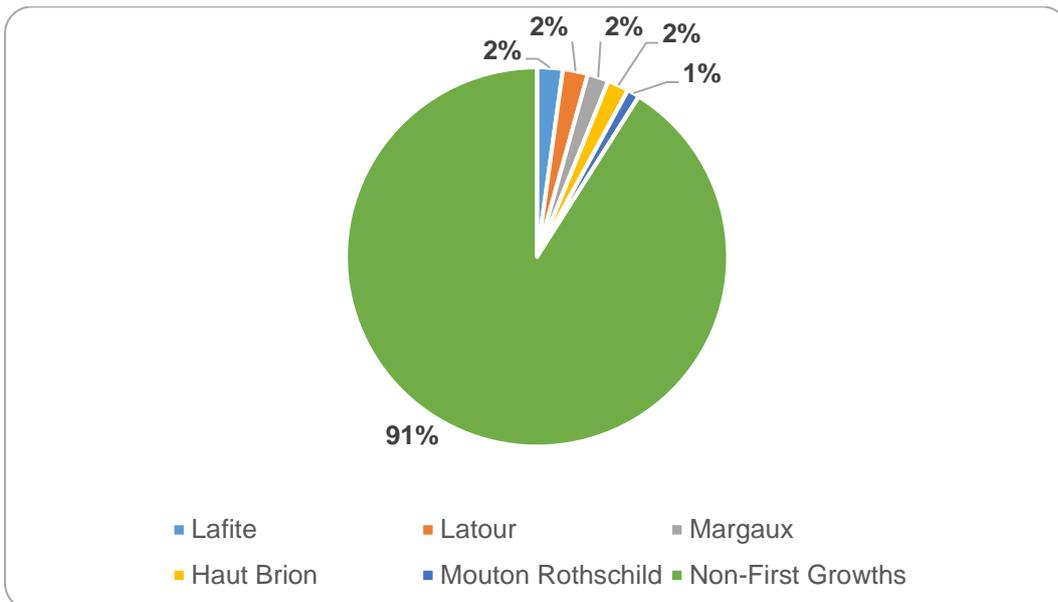


Figure 2: Initial sales by volume in 2006 – first growths versus non-first growths

### 5.1.1.2 Whether and How the Highest Spenders Moved their Wines Greatly Affected the Overall Movement of Wines

The 1,898 buyers spent between £75 and £3,663,565. Most were individuals, though some were businesses. The mean spend was £13,706, but the median only £1,945.

Using the IQR (Inter Quartile Range), 262 outliers (who spent over £13,569) were found at the upper end, and none at the bottom end. These 262 outliers accounted for 83.5% of the value and 96.72% of the volume sold. This indicates that the vast majority of buyers spent at the lower end, which is confirmed by Table 3. Less than 2% spent over £100,000, but these few accounted for 54% of the value and 33% of the volume sold. Their actions therefore affected the analysis of movement significantly, particularly by value.

Table 3: Buyer spend level for 2005 red Bordeaux EP

Spend	Buyers	Percentage of Total Buyers
<£1000	606	31.93%
£1,000-£5,000	770	40.57%
£5,000-£25,000	375	19.76%
£25,000-£100,000	115	6.06%
£100,000-£1,000,000	27	1.42%
>£1,000,000	5	0.26%

## 5.1.2 The Movement and Storage of Wines

### 5.1.2.1 The Volume Left Unmoved IB at the End of 2016 Was Lower Than Expected

By the 31<sup>st</sup> December 2016, 80.8% of 2005 red Bordeaux purchased EP through Farr Vintners by volume was either moved or sold back to the company (Bought Back) (Figure 3). The level of movement was higher than expected, as many wines had not reached peak maturity. With only 14.63% of wines bought back by the merchant, a large proportion was either released DP or transferred IB.

The proportions of wines moved, stored and bought back were similar by volume (Figure 3) and EP value (Figure 4). The marginally higher proportion of wines moved by EP value compared to volume suggests that more of the high value cases had been moved overall. This is confirmed by the lower percentage of first growths stored when compared to other wines (Figure 5). GCCs and non-GCCs had similar proportions moved, stored and bought back.

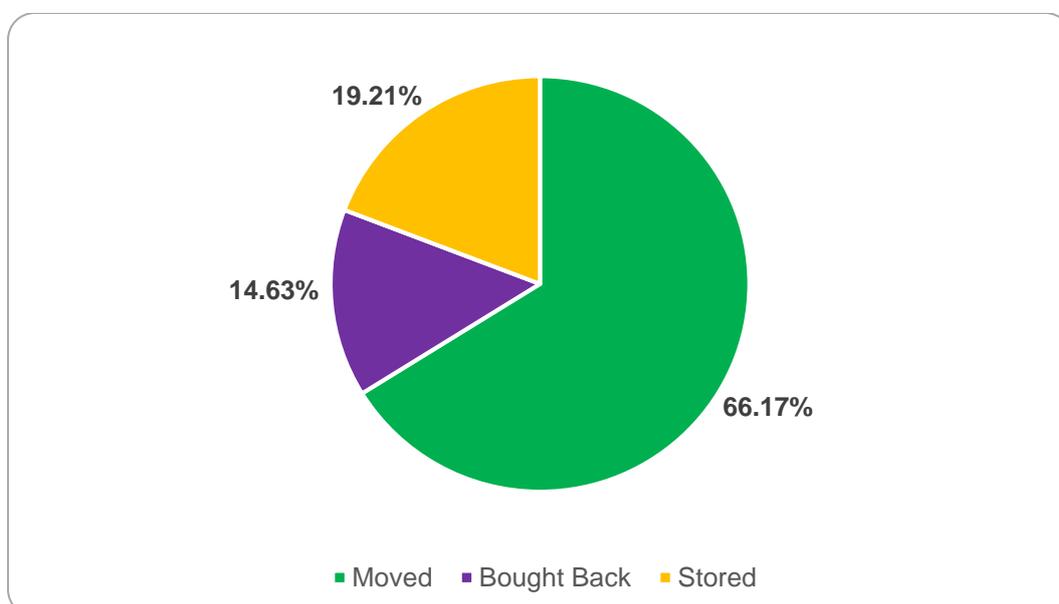


Figure 3: Volume of red Bordeaux purchased EP moved, stored and bought back 2006-2016

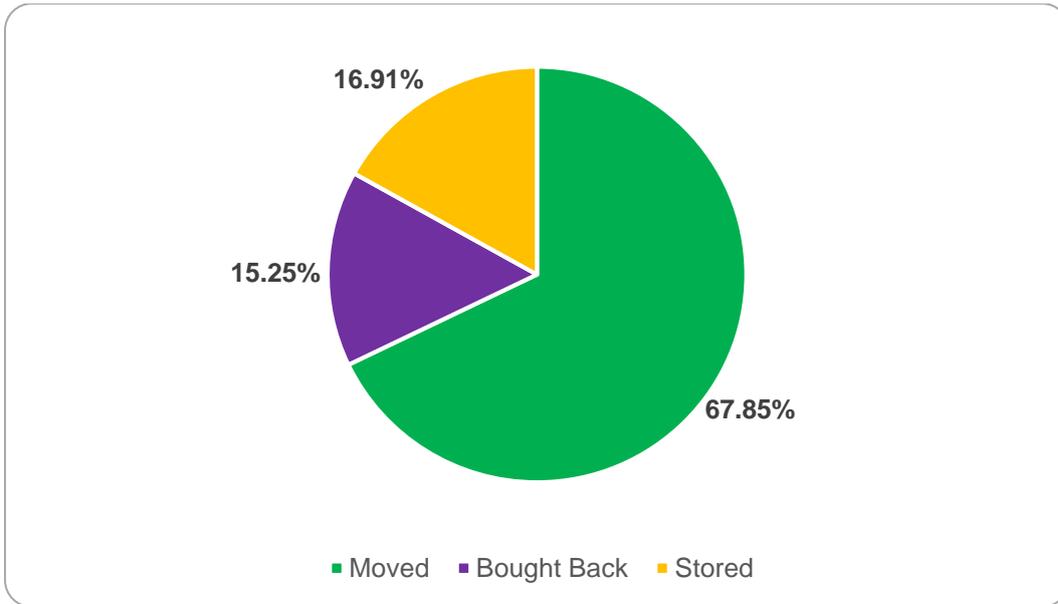


Figure 4: EP value of red Bordeaux purchased EP moved, stored and bought back 2006-2016

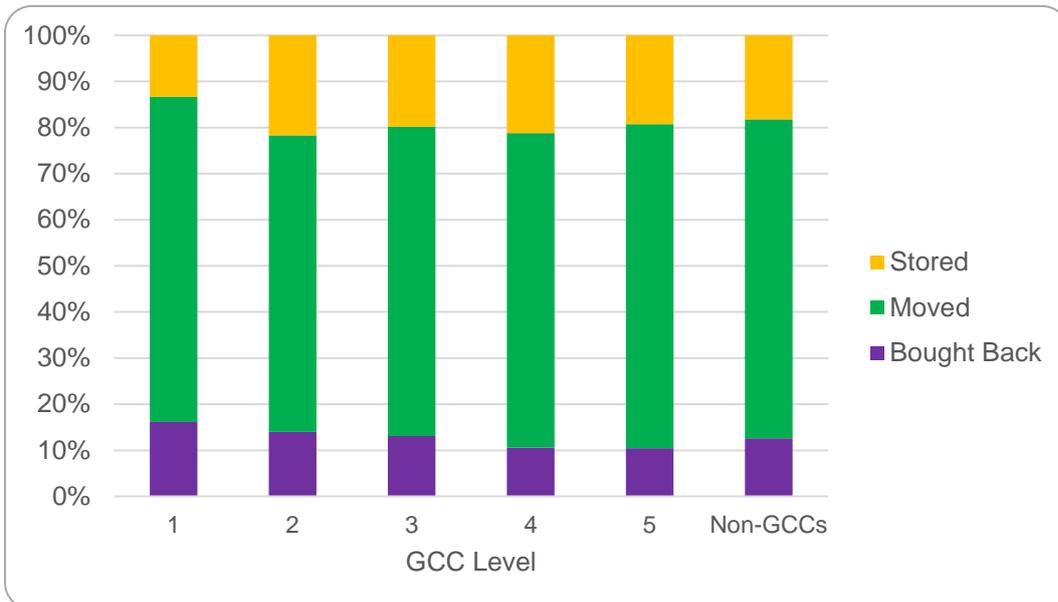


Figure 5: Percentage of 2005 purchased EP moved, stored and bought back by GCC level (by volume) 2006-2016

### **5.1.2.2 By 2016, 64.07% Buyers Had Emptied their Accounts, Most Without Selling Back to Farr Vintners**

64.07% of buyers had emptied their accounts with the merchant before the wines were a decade old, but 19.23% still had all their wine unmoved with Farr Vintners. These buyers held 47.71% of the total wine still stored unmoved IB by volume, a large proportion of the total. This suggests a polarisation between buyers who left wines in store and those who moved them.

Of the 1,216 buyers who emptied their accounts, 933 had moved 100% of their wines without selling back to Farr Vintners. They accounted for 65.38% of the total volume moved and 43.31% of the total volume bought EP. 15 of these buyers spent over £100,000. 10 of the 15 were businesses, and eight of these were wine businesses. The case is similar for the top 10 buyers by litres moved (Table 4). Only one was an individual, three sold wine back to Farr Vintners, and just two still had wines stored with the merchant. Large buyers therefore moved wines away from the merchant, decreasing the potential for the merchant to buy wines back.

Table 4: Top 10 buyers by volume moved 2006-2016<sup>23</sup>

Buyer reference	Litres Bought	Litres Moved	Percentage Moved	Percentage Bought Back	Percentage Stored
Buyer 1*†	21519	21371	99.31%	0.69%	0%
Buyer 2*†	6777	6777	100%	0%	0%
Buyer 3*†	9985.5	5809.5	58.18%	0%	41.82%
Buyer 4*†	6300	4500	71.43%	14.29%	14.29%
Buyer 5	4032	4032	100%	0%	0%
Buyer 6*†	3762	3762	100%	0%	0%
Buyer 7*†	3441	3405	98.95%	1.05%	0%
Buyer 8*	2448	2448	100%	0%	0%
Buyer 9*†	2151	2151	100%	0%	0%
Buyer 10*†	1998	1998	100%	0%	0%

### 5.1.2.3 Lower Value Wines Were More Likely to Be Moved in their Entirety

Only 31 of the 206 wines sold EP were moved in their entirety. Just one was a GCC (Belgrave). The average value of these wines EP was £228.67 per case, much lower than the average per case for total sales. This suggests that the wines were intended for earlier consumption and were less likely to be bought for investment. The mean volume sold was just 164.4 litres per wine, much lower than the overall mean of 1,205.98 litres. This lower volume would increase the likelihood of these wines being 100% released in their first decade.

The wines with the most volume moved were typically the most sold (Table 5), with the notable exception of Carruades de Lafite, which is discussed in 5.1.3.

<sup>23</sup> Buyers marked with an asterisk are businesses or consultancies rather than individuals. Buyers marked with † are wine trade businesses.

Table 5: Most moved wines by volume 2006-2016<sup>24</sup>

<b>Wine</b>	<b>Litres Bought</b>	<b>Litres Moved</b>	<b>Proportion moved</b>
Talbot*	9528	7890	82.81%
Lynch Bages*	9597	4761	49.61%
Lafite*	5404.5	4473	82.76%
Pontet Canet*	5949	4383	73.68%
Carruades de Lafite	4756.5	4239	89.12%
Léoville Poyferré*	6435	4071	63.26%
Bienfaisance*	5805	3969	68.37%
Cos d'Estournel*	7525.5	3960.75	52.63%
Latour*	5244	3642	69.45%
Lagrange (St Julien)*	5229	3474	66.44%

### 5.1.3 Wine Movement Breakdown

In this section, wine movement has been subdivided by type. Wines bought back are analysed independently of other movement types.

#### 5.1.3.1 Significantly More Volume Was Moved IB than DP from 2006-2016

Figure 6 shows that most movement was Transfer IB, Deliver IB or Deliver DP. The first two indicate movement to another IB account, the former within Octavian (where Farr Vintners stored wines for their buyers) to an account not with the merchant, the latter to a different bonded facility. Only Deliver DP, of these three, involved paying the taxes to take wines for delivery, and presumably largely for personal consumption.

<sup>24</sup> Wines marked with an asterisk were also in the top ten most sold by volume

Export IB included deliveries to both individuals and companies in non-EU countries, who would not have paid the same taxes.

The majority of movement kept wine IB, suggesting that although only 19% of total wine was left unmoved IB with Farr Vintners, a greater proportion was still held IB elsewhere. Buyers may have consolidated purchases from multiple sources into one account, or sold wines through other avenues.

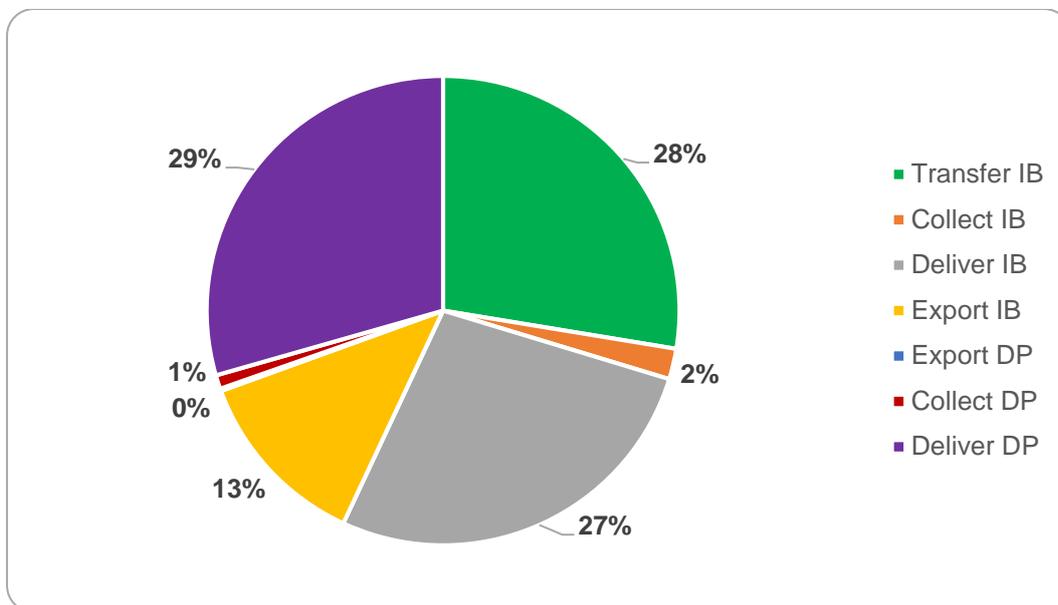


Figure 6: Movement types by volume 2006-2016

### 5.1.3.2 Higher Growth Classification and Potential 100 Point Scores from Parker (2006) Increased the Proportion of IB Movement

The total IB movement was much higher than DP (Figure 7), suggesting that wines were likely being left in storage elsewhere. The first growths had the greatest percentage of their original volume moved IB compared to other GCCs and non-GCCs (Figure 8). This gradually reduced through the classification system. As a whole, the GCCs were more likely to be moved IB for either storage or sale elsewhere.

Carruades de Lafite was an outlier for IB movement, with a similar percentage moved IB to the first growths (though not exported). Just 3.97% of 4239 litres moved was DP. Given that Carruades de Lafite is a second wine, with the objective of an earlier drinking window, leaving the wine IB to mature is unexpected. As the wine had one of the greatest price increases of any 2005 red Bordeaux (Appendix 8.3), and had an affinity with the booming Asian market, much of this wine could have been held IB elsewhere for resale at a later date.

Wines that received a potential 100 points from Parker (2006) (Appendix 8.4) were also outliers with 95.81% of their volume moved IB (Figure 9). As high scores from Parker have been correlated with price increases, it is likely that the wines proved desirable for investment, with this much higher proportion kept IB to increase profits when sold.

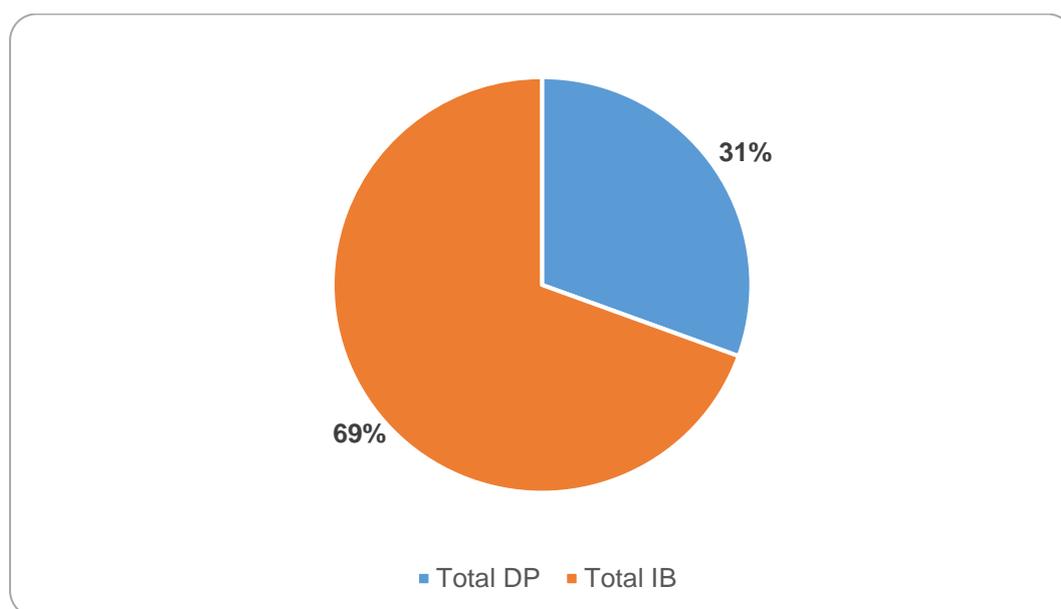


Figure 7: DP versus IB movement by volume 2006-2016

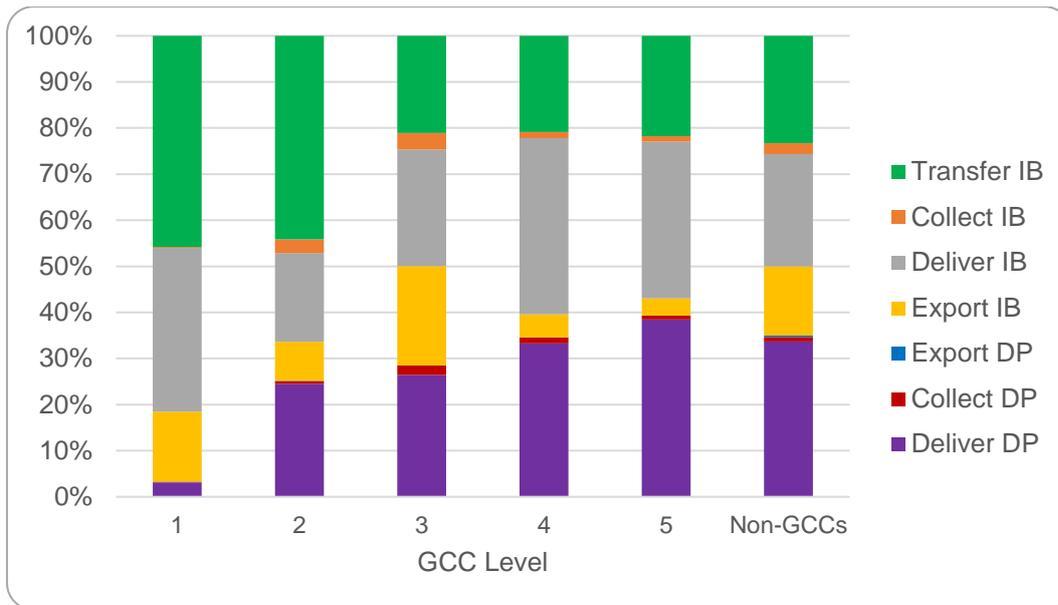


Figure 8: Movement types by volume for GCCs and non-GCCs 2006-2016

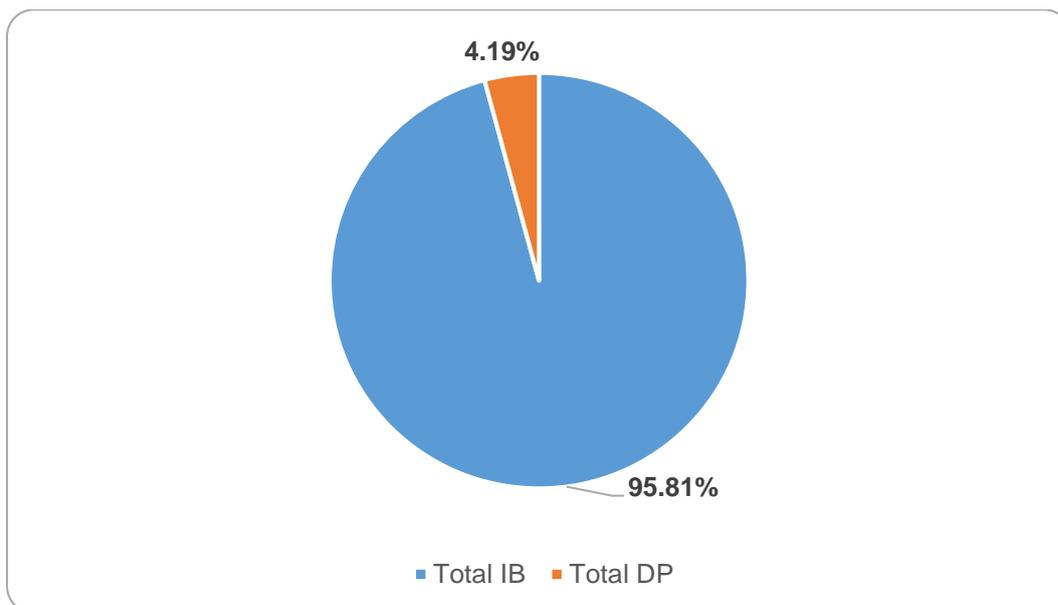


Figure 9: IB versus DP movement by volume for wines with a potential 100 points from Parker (2006) 2006-2016

### 5.1.3.3 Over Half of All Buyers Had Some Wine Delivered DP

In contrast to the volumes moved, DP was the most common movement type by number of buyers (Figure 10). 59% moved wines in this manner. This is a reversal of

the trend by volume and suggests that many Farr Vintners buyers bought some wine for consumption, albeit a small proportion of the total wines sold.

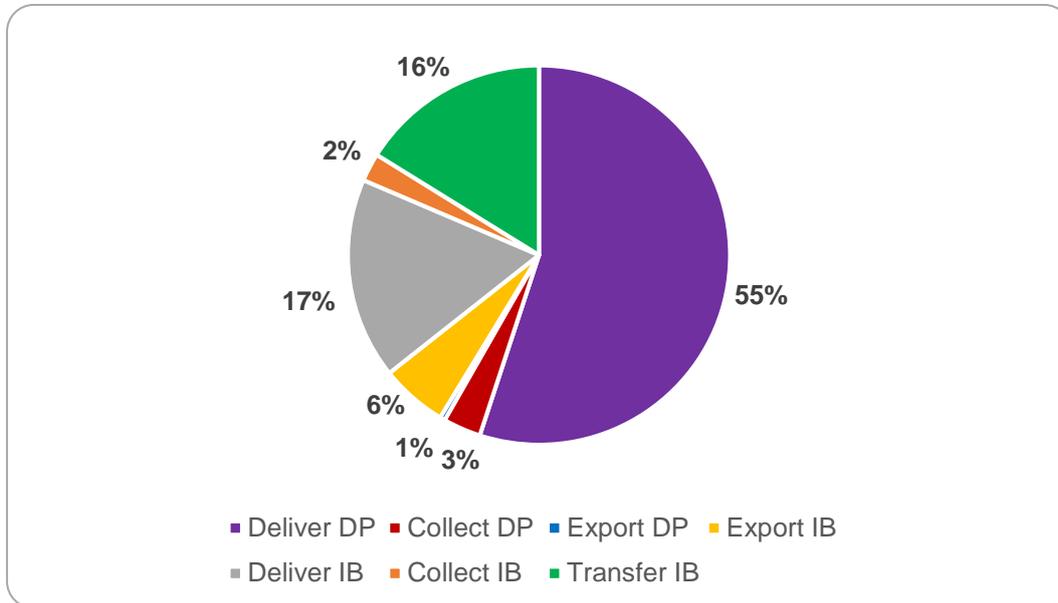


Figure 10: Movement type by number of buyers 2006-2016

#### 5.1.3.4 Exports Increased for Wines with a Potential 100 Point Score from Parker (2006)

Domestic versus export movement is shown in Figure 11. The low level of export is indicative of the fact that the 2005 EP campaign was before the move to zero Duty in Hong Kong, which opened up trade in Asia. EP buyers at this time were, therefore, mostly based in the UK.

Where the proportion did significantly increase was not in growth classification or price, but for wines with potential 100 point scores from Parker (2006). 26% were released for export (Figure 12), double the average for all moved wines. This suggests that export markets relied heavily on critic scores as a marker for wine quality.

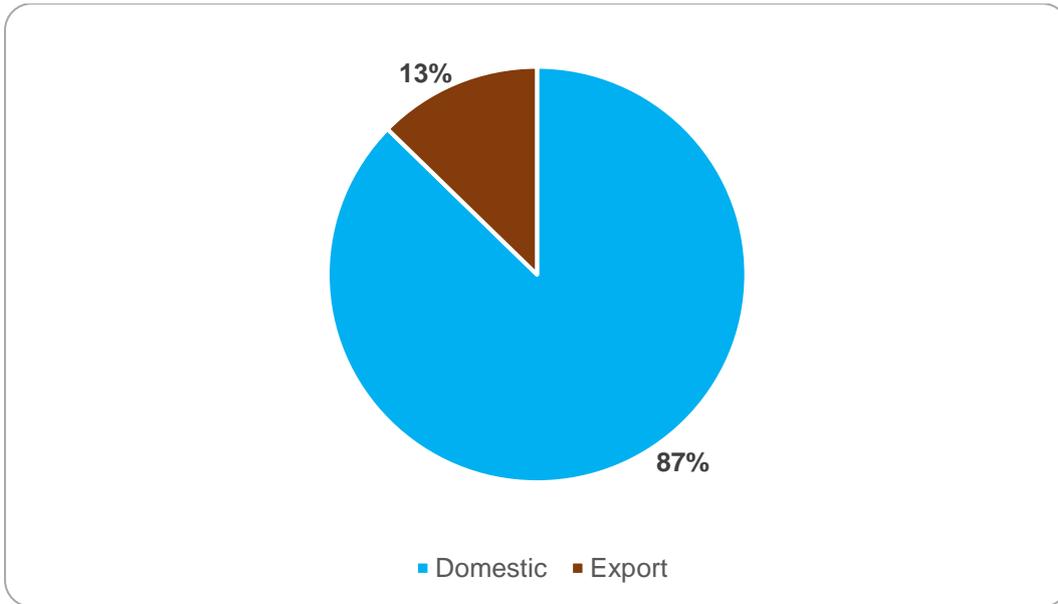


Figure 11: Export versus domestic movement by volume for all wines 2006-2016

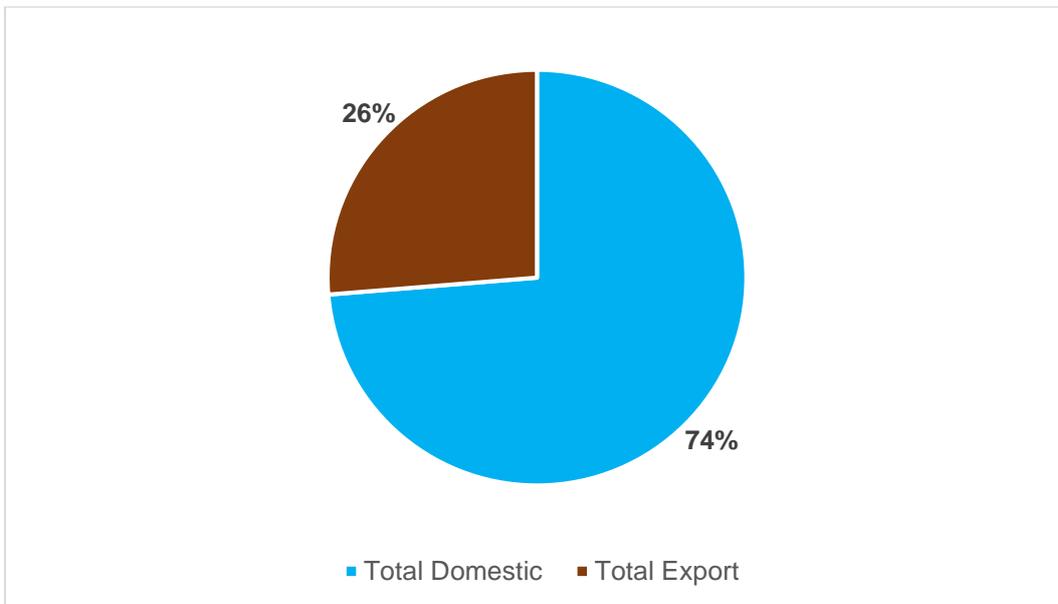


Figure 12: Export versus domestic movement by volume for wines receiving a potential 100 point score from Parker (2006) 2006-2016

## **5.1.4 Wines Bought Back**

### **5.1.4.1 Buyers Either Sold Back a Significant Percentage of Purchases to the Merchant or None at All**

24.13% of buyers sold back at least one case of wine through Farr Vintners, selling 63.29% of their 2005 EP purchases on average. 152 buyers sold 100% of the wines that they bought EP. Similarly to wine movement, buyers either sold significant percentages of their portfolios, or none at all. As with other types of movement, seven of the top ten buyers to sell wine back to Farr Vintners spent over £100,000, accounting for nearly 30% of all wine bought back by volume (Table 6). Unlike the wines moved away from the merchant, the majority of these buyers were individuals. These can therefore be considered private alternative investments.

Table 6: Top ten buyers selling back to Farr Vintners from IB storage with the merchant  
(by volume) 2006-2016<sup>25</sup>

Buyer Ref	Value Bought	Litres Bought	Litres Bought Back	Percentage Bought Back
Buyer 1*†	£205,400.00	1944	1944	100%
Buyer 2*	£196,001.70	1440	1350	93.75%
Buyer 3	£49,318.96	1206	1197	99.25%
Buyer 4	£375,490.00	1224	1125	91.91%
Buyer 5	£62,930.02	1404	1053	75%
Buyer 6	£290,129.96	2182.5	1032	47.29%
Buyer 7	£72,750.00	1296	1017	78.47%
Buyer 8*†	£1,094,588.79	6300	900	14.29%
Buyer 9	£162,085.01	1989	837	42.08%
Buyer 10	£277,700.00	810	810	100%

#### 5.1.4.2 Higher Classified Wines Were More Likely to Be Bought Back by the Merchant

At least one case from 165 of the 206 wines was bought back. Only three GCCs had not been resold; Belgrave, Cos Labory, and La Tour Carnet. This suggested that the higher value of the GCCs in general encouraged buyers to sell back the wines. On average, the first growths had the highest percentage bought back relative to the original volume sold (Table 7). Due to certain expensive right bank wines, the non-GCCs had a greater percentage resold than the fourth or fifth growths. This was expected as the higher value, higher tier wines are more likely to be resold as investments.

<sup>25</sup> Buyers marked with an asterisk are businesses or consultancies rather than individuals. Buyers marked with † are wine trade businesses.

Table 7: Percentage bought back by growth 2006-2016

<b>Growth</b>	<b>Percentage Bought Back</b>
First Growths	16.16%
Second Growths	13.97%
Third Growths	13.05%
Fourth Growths	10.58%
Fifth Growths	10.46%
Non-GCCs	12.6%

#### **5.1.4.3 The Price Performance of Individual Wines Did Not Affect the Volume Bought Back**

Price movement was expected to have affected the volume bought back. However, wines with a greater-than-200% price gain (Appendix 8.3) were not bought back significantly more than the average (15.96% versus 14.63% overall). There was little correlation between the price growth of individual wines and the decision to resell. It is possible that many of these wines were moved with the intention of consumption before exponential price growth, which may then have caused selling from DP or other IB storage, but this is not included as the information was not accessible.

#### **5.1.5 Movement By Date**

##### **5.1.5.1 The Majority of All Movement from 2006-2016 Occurred in 2008**

An analysis of the dates wines were moved or bought back revealed some significant trends. 2008 was the biggest year for movement by volume. This was when the wines became physically available in the UK, and buyers would have been prompted by the merchant to take physical delivery, transfer IB, store wines IB with the merchant, or sell.

Excluding wines bought back, 75.1% of movement by volume occurred in 2008, (Figure 13). IB movement was particularly prevalent in 2008. Early IB movement was likely from businesses looking to sell on purchases, and buyers looking to consolidate purchases from multiple sources in one IB account.

#### **5.1.5.2 DP Movement Was More Evenly Spread Over 2006-2016 than IB Movement**

Though a high volume of wine was moved DP in 2008, the proportional increase in DP movement as wines aged (Figure 14) suggests more buyers took wines out for consumption as wines matured or cellar space became available.

2010 saw a greater proportion moved DP than any other year. This was at a time when prices for red Bordeaux were rising significantly. Those who bought 2005 at the cheaper EP prices would have had incentive to use these wines for consumption, effectively drinking the profits of their purchases. Some buyers would have bought 2009 red Bordeaux in 2010 – a great vintage that drew £62.8 million in sales for Farr Vintners.<sup>26</sup> The increasing size of their portfolios could have led them to take older wines out of bond for consumption (such as 2005) as a result. DP movements increased as a proportion again in 2015 and 2016, the former when 2005s were in the public eye for tastings at ten years old, and the latter when prices once again started to rise.

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<sup>26</sup> Lister, E. (2011) Year's end the big picture. Available at: <http://www.worldoffinewine.com/news/years-end-the-big-picture-4209693>. Accessed 30/05/2018

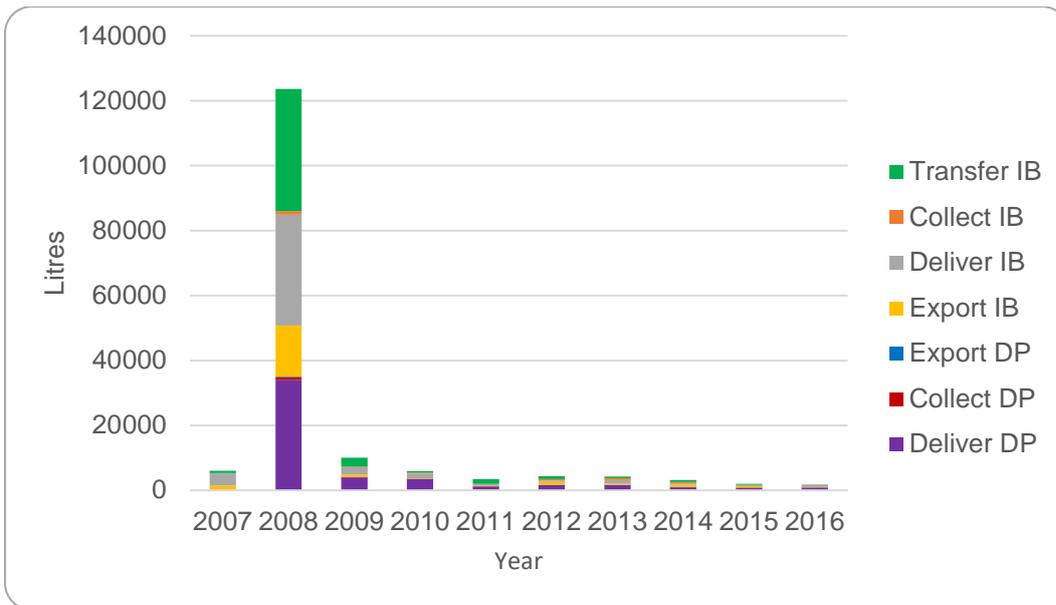


Figure 13: Wine movement by year (by volume)

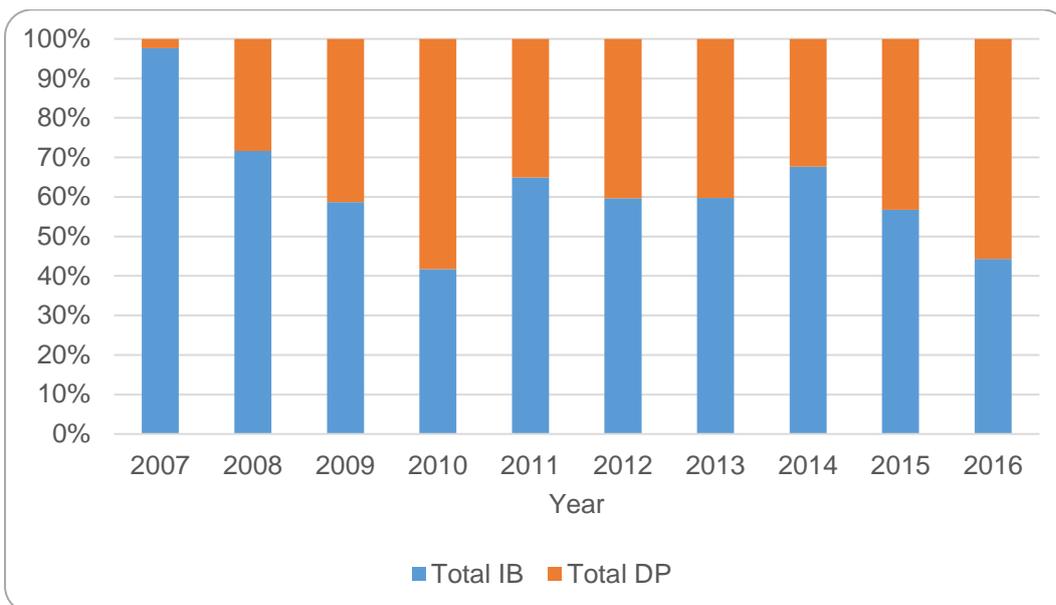


Figure 14: Percentage of movement DP versus IB by year (by volume)

### 5.1.5.3 Wines Were Bought Back When Market Prices Were High

The volume of wine bought back somewhat mirrored other movement types, again due to the wines' physical delivery to the UK in 2008 (Figure 15). This also correlated with Kumar (2005), who suggested that 18 months after EP purchase is one of the

optimum times to sell wine. It is notable that there were also significant levels of wine bought back before 2008. Parker (2007) noted 50-100% price increases before wines were ready for delivery. This led many to sell either before or on delivery of the wines.

Volumes bought back dropped significantly in 2012, when prices started to drop after the peak in 2011. They slowly regained momentum, despite continued falling prices in 2013 and 2014, perhaps as buyers sought to sell in fear that the bottom of the market had not yet been reached. As prices rose in 2016, so did volumes bought back, reaching the highest level since 2011. Prices of the market in general, therefore, had a strong influence on when buyers decided to sell.

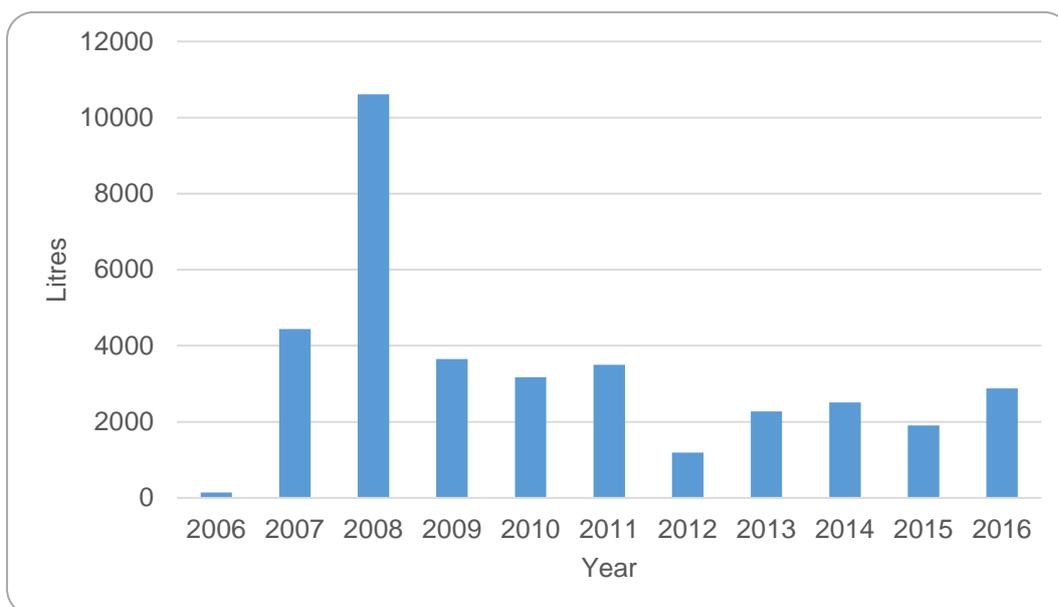


Figure 15: Wines bought back by year (by volume)

The count of buyers selling back wine by year closely mirrored volume, though there was a greater rise in buyer numbers than volume sold in 2010 and 2011 – when prices were rising to their peak (Figure 16). Many buyers were therefore influenced by the market strength and pricing when it came to selling wine.

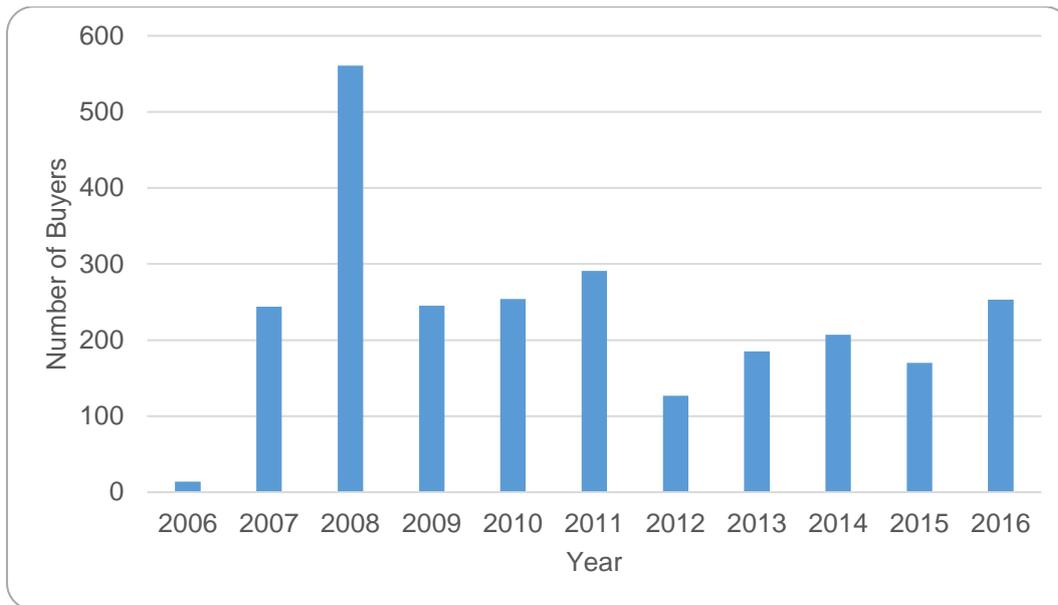


Figure 16: Number of buyers selling back wine by year

### 5.1.6 Wines Unmoved by the Original Buyer

#### 5.1.6.1 Buyers Who Left Wine IB with the Merchant Typically Did So for a Large Proportion of their Purchases

682 buyers (35.93%) still had wine unmoved IB with Farr Vintners. A significant proportion of their portfolios – 77.04% on average by volume – remained. This confirmed the polarisation between those who did and did not leave wine IB with the merchant. The median spend for these buyers was £2,380, 22.37% higher than the median spend overall. This suggests that these buyers spent more, possibly in higher volumes, than buyers overall. This would increase the chance of leaving some wine stored IB, whether for investment or consumption.

#### 5.1.6.2 GCCs Were More Likely to Be Left Unmoved than Non-GCCs

76 of the 206 different wines sold still had at least one case left IB, including all GCCs other than Belgrave. GCCs' typically higher pricing and longer ageing potential are likely to have caused this. The top ten wines with the highest volume remaining in

storage had 28.21% stored on average, nearly double the average overall (Table 8). Eight were GCCs, with many of the châteaux listed considered wines for long-term ageing. Wines may have been left IB with the intention of resale once they reached a certain price level or maturity. Talbot, Pontet Canet, and Léoville Poyferré were included despite a low proportion unmoved relative to their original volume sold as they were in the top ten wines sold by volume.

Table 8: Wines with the highest volume unmoved by the original buyers at the end of 2016<sup>27</sup>

<b>Wine</b>	<b>Volume Stored IB with Original Buyer in 2016 (litres)</b>	<b>Percentage of Original Volume Sold Still in Storage</b>
Lynch Bages*	3462	36.07%
Cos d'Estournel*	1979.25	26.30%
Léoville Barton*	1425	27.94%
Angéhus	1143	56.07%
Lagrange (St Julien)*	1102.5	21.08%
Talbot*	1044	10.96%
Pontet Canet*	999	16.79%
Léoville Poyferré*	993	15.43%
Pichon Lalande*	972	30.29%
Arrosée	963	41.15%

<sup>27</sup> Wines marked with an asterisk are GCCs

## **5.2 The Original Intentions of Buyers**

The participants' original intentions for their 2005 red Bordeaux purchased EP were drawn from the questionnaire's first question (Appendix 8.2). Alongside Investment, Consumption and Gifting (Figure 17), an "Other" option was available – no alternative intentions were suggested.

### **5.2.1 Almost All Participants Bought for Consumption, but Over Half Also Bought to Invest**

Investment was a consideration for the majority of participants – 58.54% had this intention for at least some purchases. Less than 20% intended to use 75% or more for investment, with just 6.53% of participants intending to use 100% of their wines for this purpose. Though investment was an intention for most buyers, there was a clear interest in buying wines for consumption as well. This confirmed the findings from Mitchell (2012) that few wine collectors bought solely for investment. Many participants had an interest in consumption first; using wine as an investment was a secondary intention. This was confirmed by the comments – several suggested that they would consume the wines if the investment failed. One stated that they would sell the half that they liked the least after tasting to fund consumption. This gave rise to the concept that some participants may not have bought wines with a firm intention in mind, or with an intention that could easily change.

Consumption was the primary reason for purchase of 2005 red Bordeaux EP. 37.69% of participants bought with the sole intention of consumption – only 8.04% bought without the intention to consume any wines. This confirms that, for this vintage, the

majority of buyers were more interested in buying wines to drink than any other purpose. Gifting was only a consideration for 5.53% of participants.

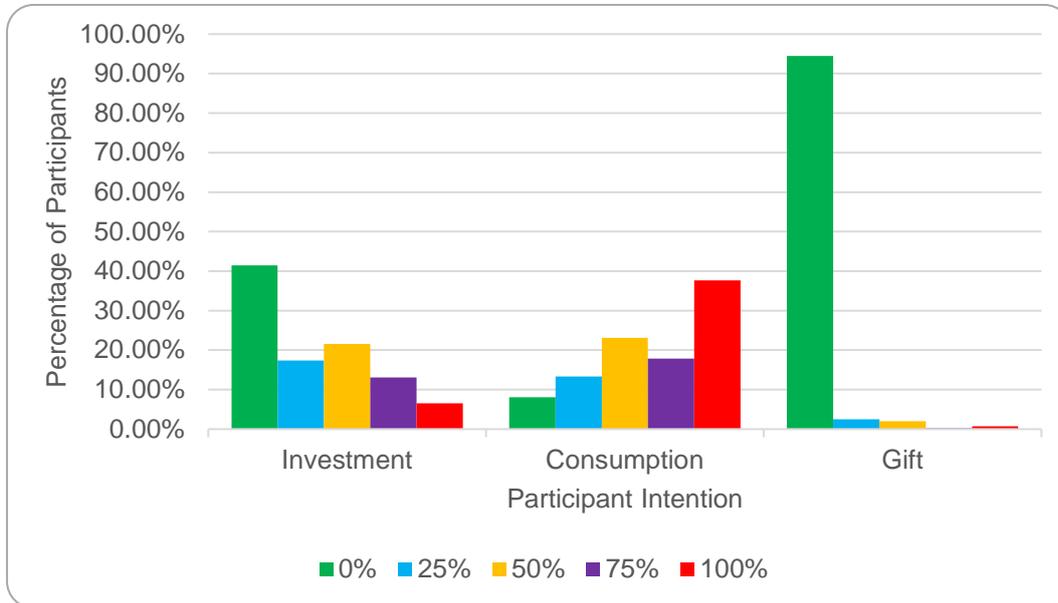


Figure 17: Original Intention for participants EP

## 5.2.2 Wines Purchased for Investment

### 5.2.2.1 Higher Expenditure Led to an Increase in the Level of Wine Intended for Investment

Participants with a higher spend intended a higher percentage of their purchases to be used for investment (Figure 18). The increase in expenditure (and likely volume purchased) made it unlikely that all the wine would be considered for consumption. However, fewer participants intended 100% of purchases to be for investment as spending increased to £100 000. This indicates that the higher spenders were both investors and consumers. Above £100,000, however, investment intention rose again, with the one participant who spent over £1,000,000 intending to use 100% for investment.

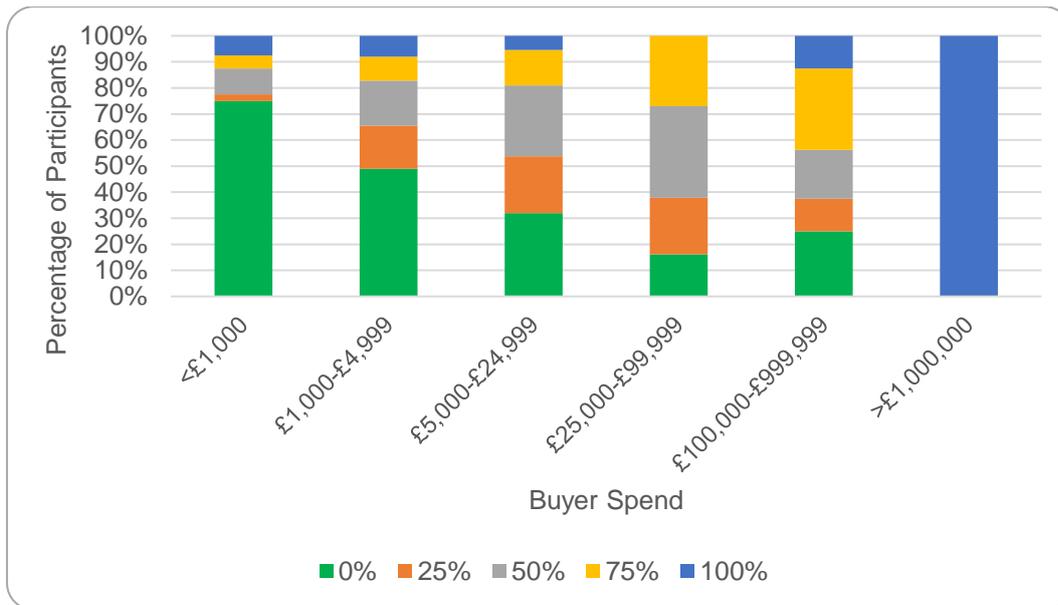


Figure 18: Percentage originally intended for investment by total spend

### 5.2.2.2 Younger and Less Experienced Buyers Were More Likely to Buy for Investment

The number of years participants had bought EP prior to the 2005 vintage played a minor role in investment level. Those buying for the first time had the greatest proportion buying 100% for investment (Figure 19). These participants are likely to have been influenced by the hype surrounding the vintage, and the increasing recommendation for wine as an alternative investment. Those who had been buying the longest were the least likely to purchase wine for investment at all. These participants were likely long-term collectors and consumers, who bought EP in order to maintain allocations and replenish cellars.

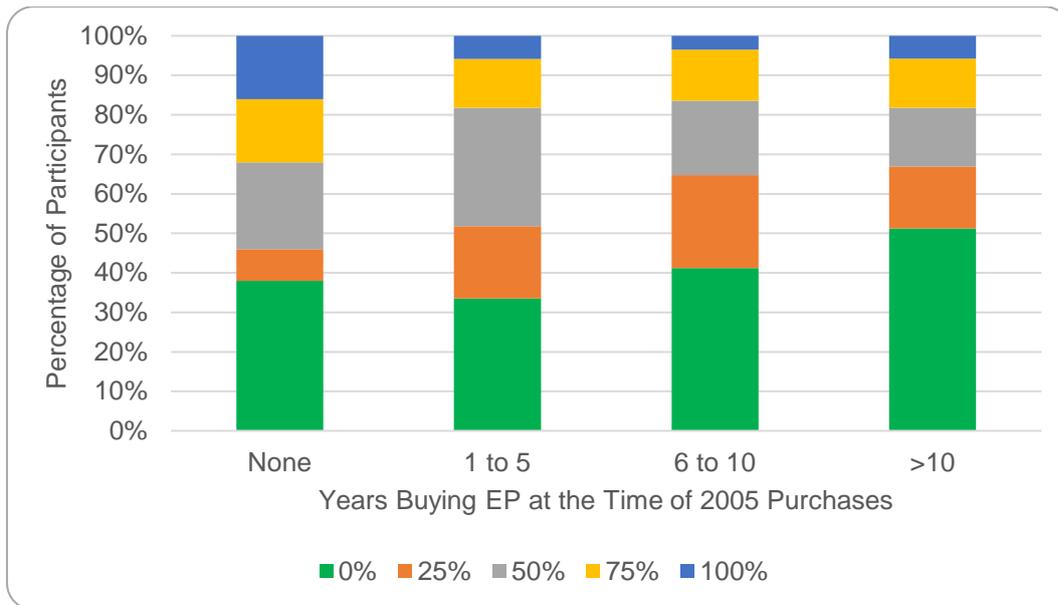


Figure 19: Percentage originally intended for investment by years buying EP at the time of 2005 purchases

Participant age had a similar impact. Discounting the two answers from participants under 30, the younger participants (now 30-40 years old), were more likely to buy wines 100% for investment (Figure 20). Those between the ages of 40 and 60 were the most likely to buy some wine for investment, but fewer intended 100% of purchases for this purpose than the 30-40 year olds. Only the over 70s had less than 50% buying wines for investment. Older buyers had likely bought red Bordeaux before investment had become so strongly affiliated with the EP system, and were less likely to consider this at the time of purchase. It is also likely that buyers over 70 would be less likely to invest in wine due to their age reducing the likelihood of making long-term investments.

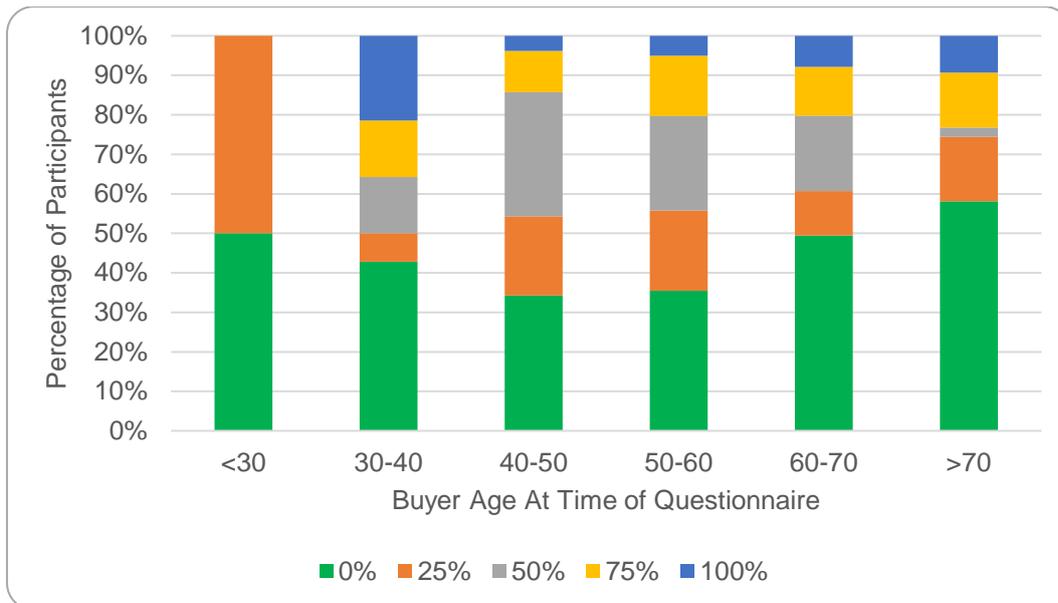


Figure 20: Percentage originally intended for investment by participant age

### 5.2.3 Wines Purchased for Consumption

With the vast proportion of participants buying either for consumption or investment, the results for consumption are almost the exact inverse to the results for investment above.

#### 5.2.3.1 A Higher Spend, Less Experience Buying EP and Younger Age Meant Less Wine Purchased For Consumption

Higher expenditure led to less percentage intended for consumption. However, other than the one participant who spent over £1,000,000, the vast majority intended at least 25% for this purpose (Figure 21). The years that participants had bought EP, and their age, meant that the proportion for consumption gradually increased (Figures 22 and 23), correlating with the analysis that older, more experienced participants were collectors before the strong association of wine with investment.

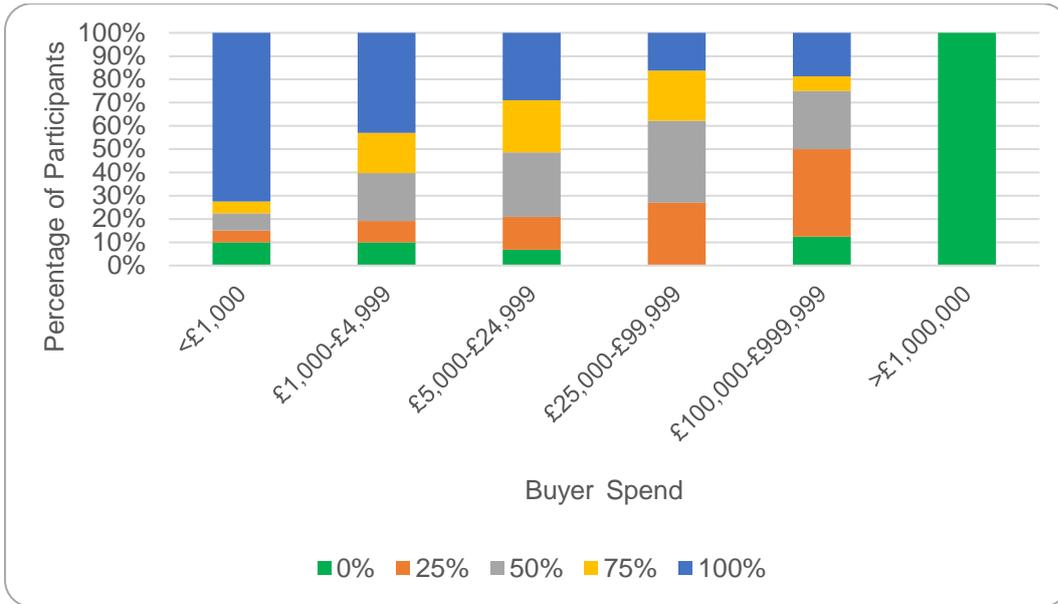


Figure 21: Percentage originally intended for consumption by total spend

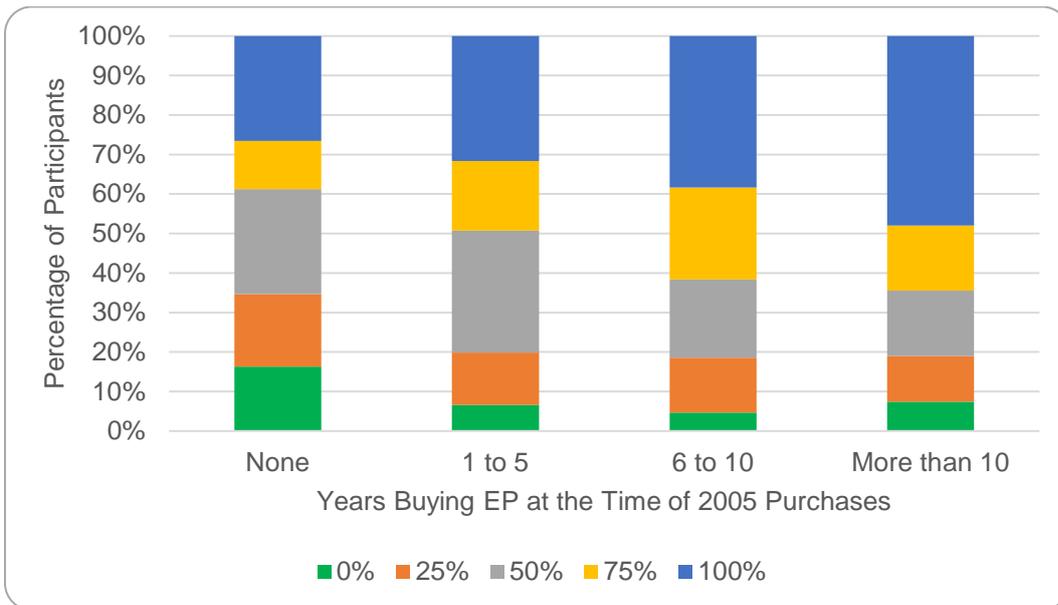


Figure 22: Percentage originally intended for consumption by years buying EP at the time of 2005 purchases

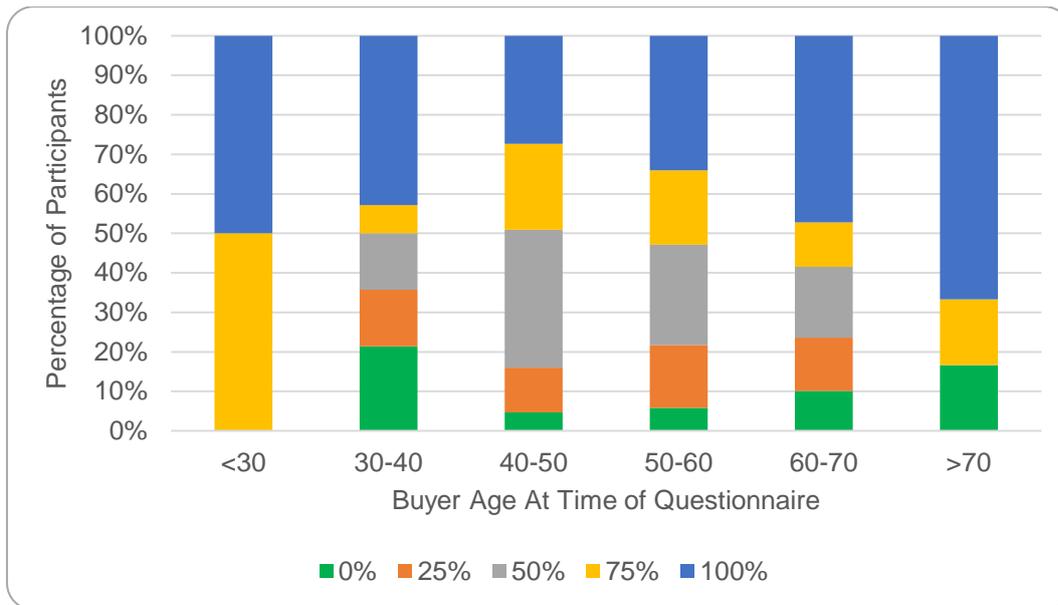


Figure 23: Percentage originally intended for consumption by age

### 5.2.3.2 The Higher the Intention for Consumption, the Greater the Proportion of Wine Delivered

Participants with the intention to consume a greater percentage of their purchases had more of their wines delivered (Figure 24). This confirms that taking delivery of wine is strongly correlated to consumption, rather than investment.

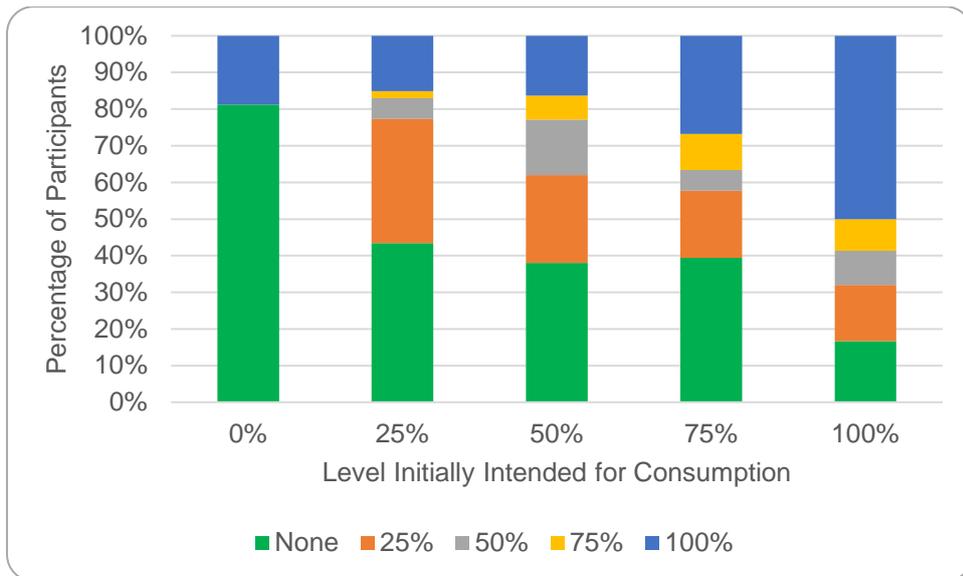


Figure 24: Percentage of wine delivered based on level initially intended for consumption

#### 5.2.4 Wines Purchased for Gifting

22 participants initially intended to buy wine for the purpose of gifting. This low number meant that a segmented analysis drew no clear conclusions from the data.

### 5.3 The Changes in Intentions of Buyers

#### 5.3.1 There Was a Shift from Consumption to Investment, Even for Delivered Wines

Participants shifted from consumption to investment for wines regardless of action. By comparing the initial intentions in Figure 17 (p.46) to the current intentions for wines delivered where intentions changed (Figure 25), and wines still held IB (Figure 26), it is evident that there is a shift from consumption to investment. When the volumes already sold are added to this, this shift is even clearer. 2005 EP buyers are consuming less wine than they had originally intended.

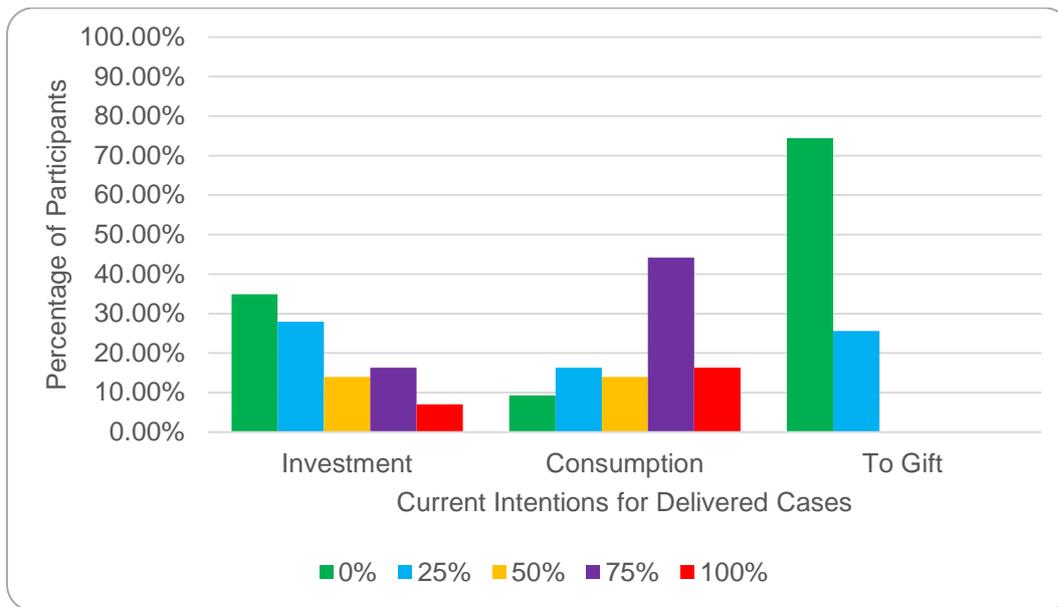


Figure 25: Current intentions for delivered cases by those who changed intentions

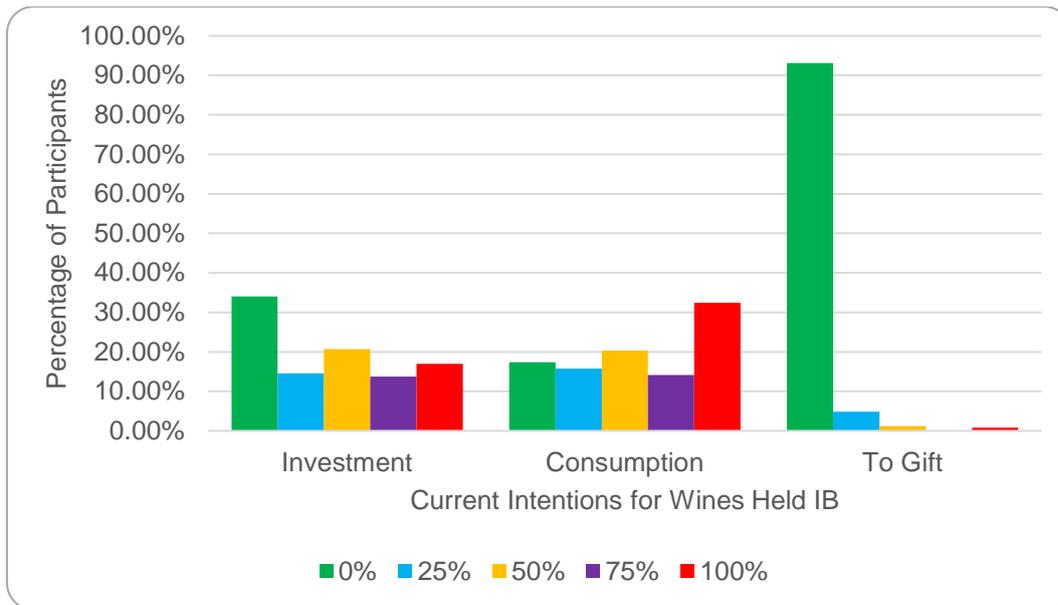


Figure 26: Current intentions for wines still held IB

### 5.3.2 Delivered Wines

#### 5.3.2.1 The Intentions for Delivered Wines Shifted Towards Investment

Participants who had had wines delivered (65.57% had taken delivery of at least 25%) mostly intended them for consumption initially. 76.92% intended these delivered wines to be solely for consumption (Figure 27), an inevitable result of paying the taxes and cellaring the wines at home. Questions 4 and 5 asked whether intentions had changed for these cases, and what the current intentions were if they had changed (Appendix 8.2). 14.17% of participants changed their intention for delivered cases, with a move away from consumption and towards investment (Figure 25). This may not seem like a high percentage, but considering the cost of Duty and VAT in the UK deeply affecting the profits from sales, this is still a significant shift.

By comparing Figure 25 with Figure 28, we can directly compare the initial and current intentions of participants whose intentions changed for delivered cases. 65.12% of these participants now intended to use at least part for investment, from 36.11%

initially. 17% intended to use all for investment, where none did before. Just 16.28% intended to use 100% for consumption, down from 55.56%. Consumption had dropped severely, and it can be seen that EP buyers were less likely to be the final consumer of wines, even for wines delivered DP.

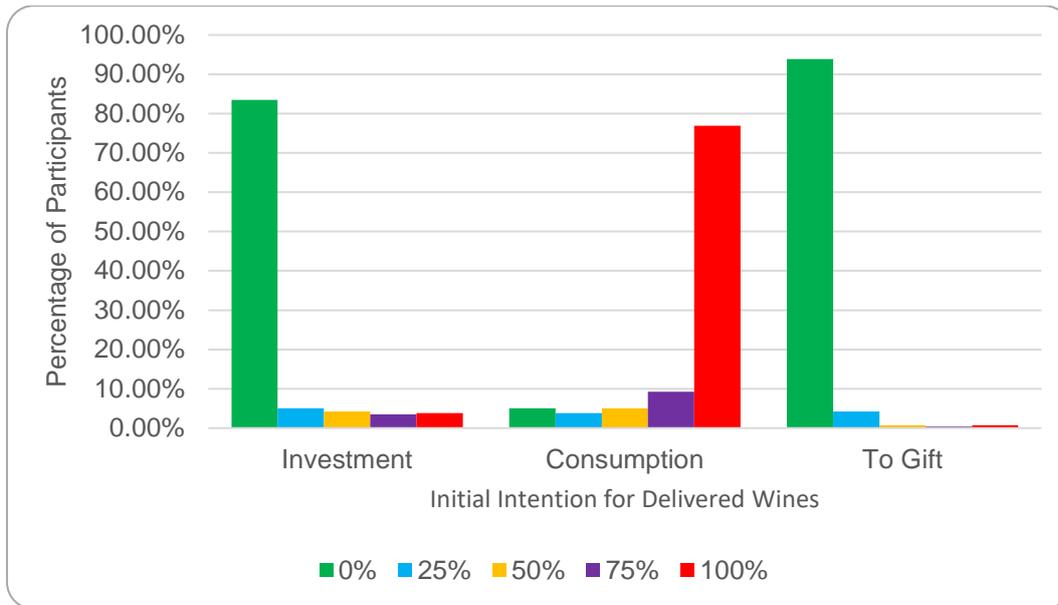


Figure 27: Initial intention for delivered wines from all participants

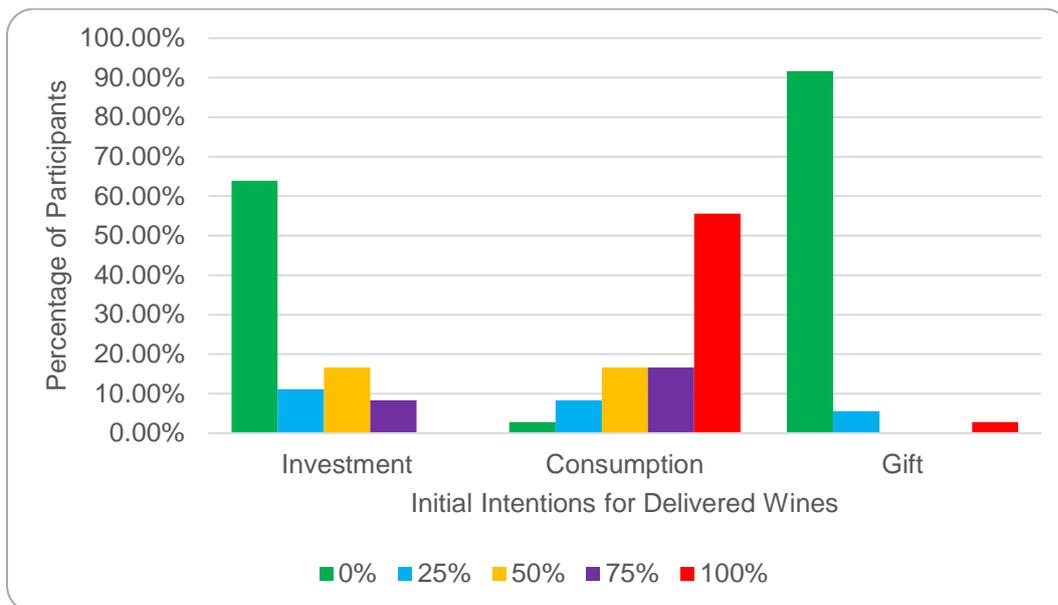


Figure 28: Initial intentions for delivered wines by those who changed intentions

### 5.3.3 Changes in Intentions for Sold Wines

This analysed all wines sold by the participants, which would include some overlap with the previous questions if participants had also sold delivered wines.

#### 5.3.3.1 Many Had Sold Wines Not Originally Intended as Investments

38.44% of participants had sold some of the wines that they bought EP (Figure 29). This is less than had originally intended to use wines for investment. However, given wines could still be held IB with the intention of selling, this does not suggest that the level intended for investment had reduced. Question 8 asked what percentage of sold wines were intended for this purpose when bought EP (Appendix 8.2). This drew a more accurate reflection of the level of change in intention. Just 33.35% had intended to sell 100% of the wines that they had sold, and 24.34% had intended to sell none (Figure 30). This demonstrates that many participants had changed intention, opting to sell wines that were not originally intended to be used as an investment.

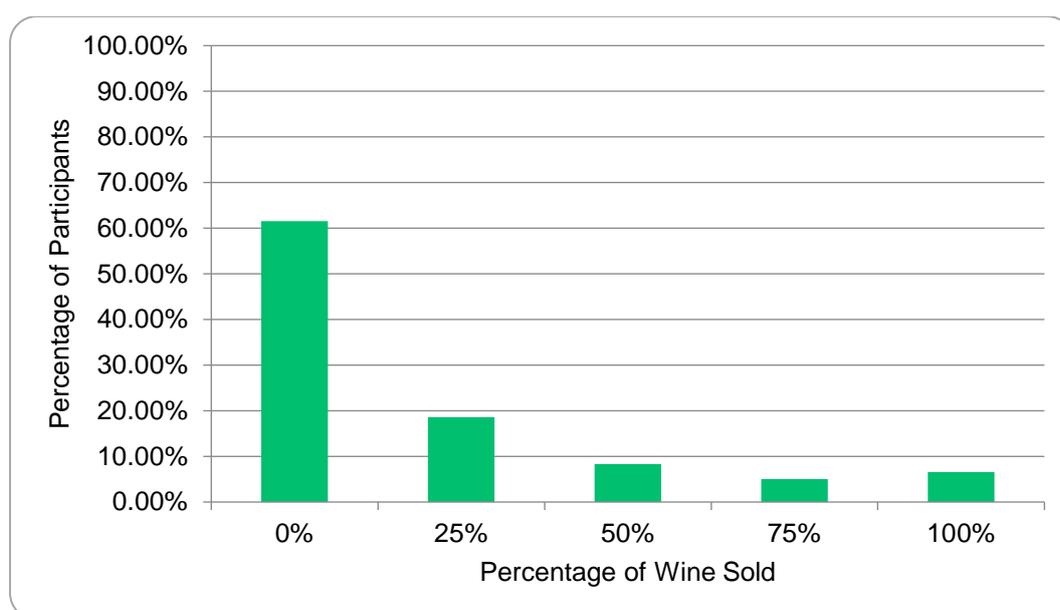


Figure 29: Percentage of wines sold by participants

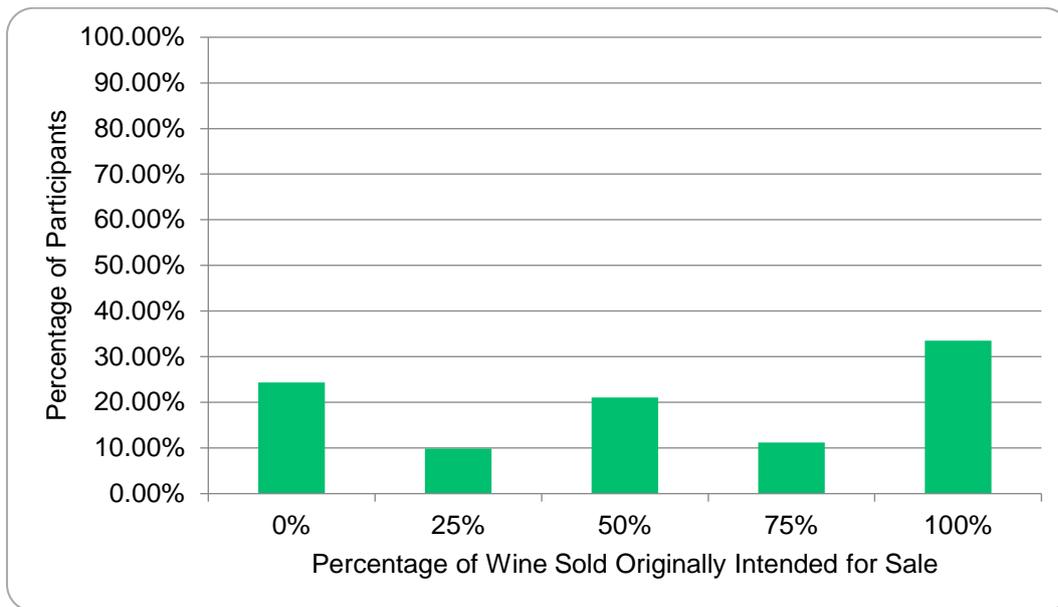


Figure 30: Percentage of wine sold originally intended for sale by participants

### 5.3.4 Wines Stored IB

#### 5.3.4.1 Intentions Were Evenly Split Between Investment and Consumption for Wines Stored IB

63.32% of participants still had wines stored IB. Wines still held IB had a relatively even intention spread for consumption and investment. This is a far greater level of intention for investment than for the overall initial intentions. However, it is also likely that many participants would have left any wines intended for investment IB. From the comments included on reasons for storing wines IB, 20 stated independently of available options that the flexibility to alter intention was a reason for keeping wines IB. This was in conjunction with the desire to maintain provenance and value if sold, something that 25 participants noted. There are therefore many participants whose intentions were not set, with three commenting that they wanted to taste the wines before deciding on which would be intended for which purpose. Participants, then,

were sometimes reactive, buying without a clear intention and deciding based on a multitude of factors as the wines age.

## **5.4 Reasons for Changes in Intentions**

The reasons participants gave for changed intentions correlated with a move towards using wine for investment, rather than consumption. Columns in red (Figures 31, 32 and 33) are trends extracted from comments in the “Other” box.

### **5.4.1 Delivered Wines**

#### **5.4.1.1 Price, Wine Maturity, Raising Funds and Owning Too Much Wine Were Factors that Caused a Change in Intentions for Delivered Wines**

Price was the biggest reason that participants’ intentions had changed for delivered cases. 40% of participants included this as a factor (Figure 31). This was expected, with the price spikes in 2008 and 2011 pushing some wines to a price level that some would find uncomfortable to drink. One participant stated that the wines had become “too expensive to open”. Linked to price was the intention to raise funds either for other wines or for use outside of wine. Some buyers may have bought modestly priced wines with the funds raised, others buying more wines for investment. Others may have bought wines from different vintages or regions.

Owning too much wine was considered an issue for delivered cases. In conjunction with wine maturity, an issue for 17.5% of respondents, it is likely that participants sold wines that were considered to be some of the youngest or slowest-maturing in their cellars, such as the 2005s, and used the funds to buy wines closer to maturity.

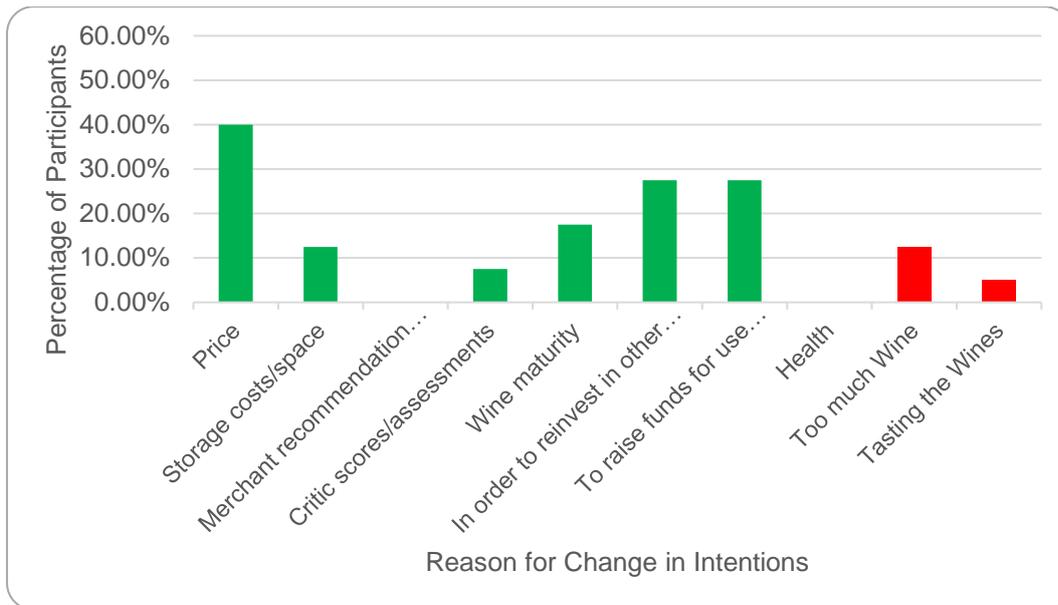


Figure 31: Reasons for the change in intentions for delivered cases

## 5.4.2 Sold Wines

### 5.4.2.1 Price, Owning Too Much Wine, and Raising Funds Caused Buyers to Sell Wines Not Originally Intended as Investments

Price was the most significant factor that led participants to sell wines not originally intended as investments. At 55.19%, this is an even greater percentage than those who changed intentions for wines that they had delivered (Figure 32). One participant added that they were “gobsmacked at the 50-100% price rises in 12-18 months”, a comment that correlates with the volume of wines bought back before 2008 (when the wines became physically available) in the Farr Vintners data. This sharp increase in pricing meant that selling became an option for many, whether to raise funds either for wine or outside of wine, which were both also important considerations. 42.86% were using funds for use outside of wine rather than reinvesting, something that the merchant should look to change to increase turnover, as money was removed from the industry rather than being reinvested.

Owning too much wine arose once again as a reason for changed intentions, with nine participants commenting independently that this had become a problem. One stated “I had more wine that I could possibly drink in three lifetimes”. Participants had overbought, either in the 2005 vintage or across their entire collections. It is easy to see how these buyers would use funds raised for purposes away from wine, something that the merchant would struggle to change.

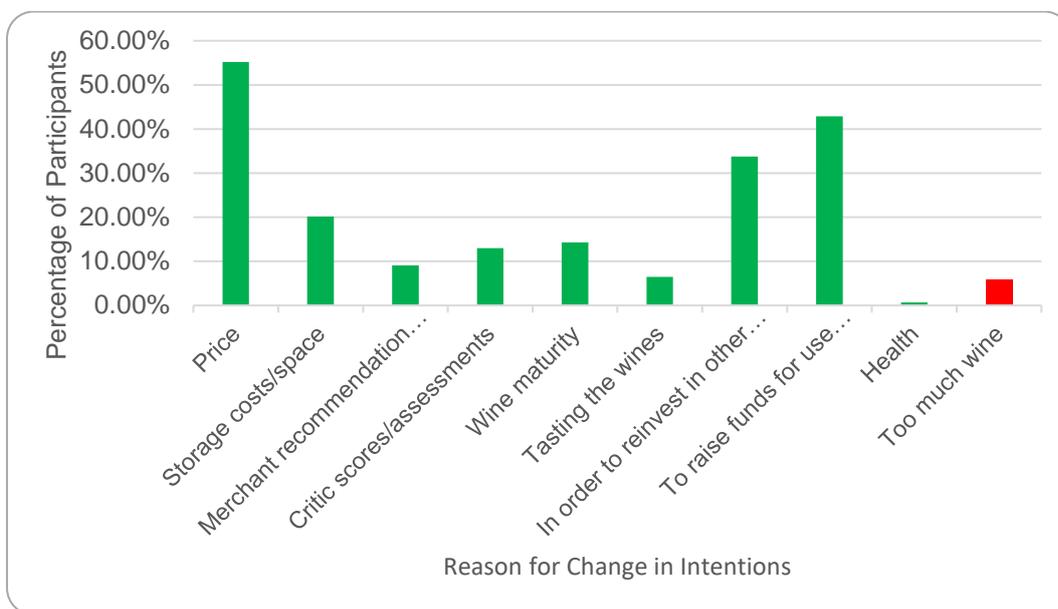


Figure 32: Reasons for the change in intentions for sold cases

### 5.4.3 IB Wines

#### 5.4.3.1 Wines Held IB Were More Likely to Be for Investment

Concerns over provenance, tax, maintaining value, storage costs/space and storage conditions all suggested that wines held IB were more likely to have been intended for investment (Figure 33).

Wine maturity was also a concern, both for consumers who did not take wines out of bond before they considered the wine ready to drink, or for investors waiting for prices

to rise as the wines entered their peak drinking window. Storage space was a concern – many commented that full cellars had prevented taking 2005s for delivery before they were fully mature.

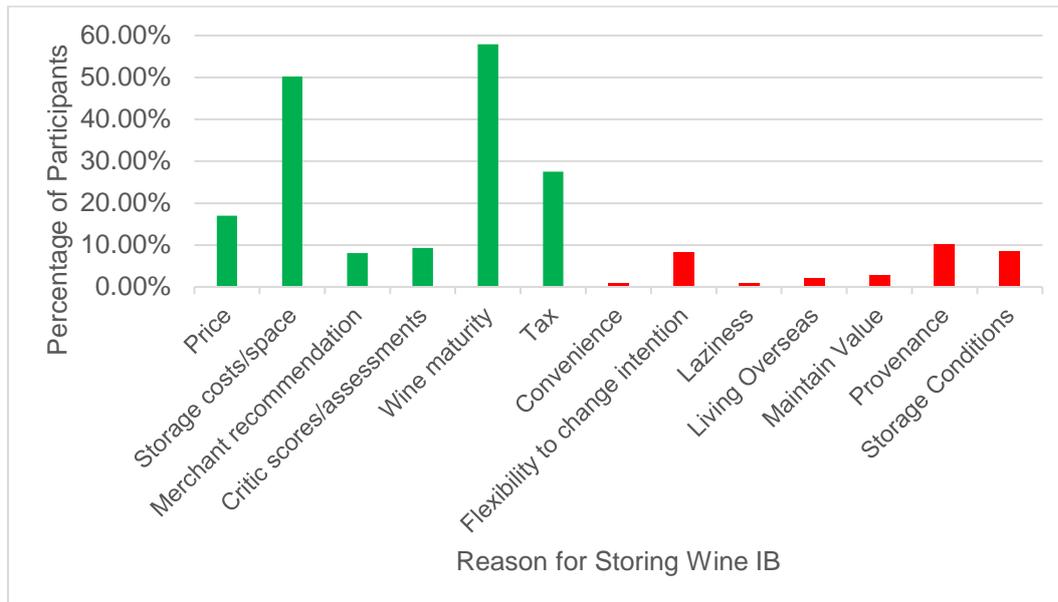


Figure 33: Reasons for storing wine IB since EP purchase

#### 5.4.3.2 The Flexibility for Buyers to Change Intentions Was a Reason to Store Wines IB

The flexibility to change intention was a factor that arose from comments on wines still stored IB (Figure 33). Some buyers had not bought with set intentions for their wines, opening up the possibility to the author that many buyers were reactionary, and that some purchases of EP may not have been made for a specific purpose.

## **5.5 Scope and Limitations**

The scope of this research was for 2005 red Bordeaux purchased EP through a UK wine merchant. To this end, all the data had direct relevance to the research. With over £26,000,000 spent on EP through Farr Vintners on 206 red wines of Bordeaux, this was considered a large pool of data from which to draw analyses. The 398 usable responses from the questionnaire were statistically significant from the population contacted, allowing for confidence in the analysis drawn from this method.

The use of one business from which to analyse the data is a limitation of this study. Though the merchant chosen is a large Bordeaux and EP specialist, there are other merchants with significant sales in this sector in the UK. Due to the highly confidential nature of the data, it was not possible to access sales, movement and storage figures from another business. Similarly, the pool of buyers contacted for the questionnaire was from this merchant. This allowed for comparison between the two sets of data, one being a subset of the other. However, expanding the questionnaire to buyers from other businesses, and segmenting responses by business, could provide data for more in-depth analyses. This was attempted by the author, but as aforementioned, the guarding of buyer information, among other constraints, meant this was an impossibility.

Multiple choice questions, despite the addition of "Other" boxes, limited the accuracy of participants' answers. Some participants commented that purchases were rounded to the nearest 25% and therefore not fully reflective of their purchases. This sacrifice was considered worthwhile in order to have clearer data to analyse. However, more participants may have selected options such as owning too much wine, or provenance,

had they been available concerning the reasons for changes in intention. It also arose that some participants did not necessarily have set intentions when purchasing the wines, an option not available in the questionnaire. This concept of buying without set intentions could therefore not be investigated and is a limitation that offers the opportunity for further research.

A questionnaire such as this is more likely to get responses from buyers who still drink, buy or sell wines. It is possible that buyers who bought less wine or drank it at an earlier stage would no longer answer the questionnaire. Participants may have been revisionist in answering the questionnaire, filling in answers that fit their actions retrospectively, rather than their intentions at the time. It is also possible that participants' memories were unclear, and they filled in approximations in order to be eligible for the prize draw.



## **6. CONCLUSIONS**

### **6.1 The Storage and Movement of Wines**

#### **6.1.1 Merchants Should Look to Reduce the Level of IB Movement as EP Buyers' Wines Were Not Bought Back in Significant Volumes**

66.17% of 2005 red Bordeaux sold EP by Farr Vintners had been moved by the end of 2016, more than expected. IB movement outstripped DP, meaning that wines could be sold or stored elsewhere. Just 14.63% of wine was bought back. Encouraging more buyers to store IB with the merchant would greatly increase the potential to buy back stocks, increasing profit and stocks of older vintages for the merchant. With the first growths in particular moved away IB, the merchant is losing high value wines that could be bought back.

Many of the highest spenders EP – particularly businesses – immediately moved wines away from Farr Vintners once the wines were physically available. By either encouraging these customers to leave stock IB, or finding higher-spending individual buyers, the level of wine retained IB with the merchant should increase, in turn increasing the potential to buy back older vintages for the merchant, and therefore turnover for the business and back vintages for Farr Vintners' customers to buy.

#### **6.1.2 Less Volume of Wine Was Withdrawn from Bond in the Decade Following EP Purchase than Expected**

Positively from the châteaux's perspective, over half of buyers had wines delivered DP. However, these deliveries were for a low volume. The majority of the volume was transferred IB, or left IB with the merchant. Less wine is therefore likely to be DP in cellars or on tables. From a buyer's perspective, this also increases the potential that

2005s would be available on the market a decade or more after release, diminishing the need to buy EP over scarcity concerns.

### **6.1.3 UK Merchants Should Target Offers for High-Scoring Wines to Export Markets**

Export was a minor concern, accounting for 13% of movement. However, this more than doubled for wines with a potential 100 point score from Parker (2006). UK merchants should therefore offer wines to export markets when they receive high scores in order to boost sales, demand, and prices for these wines. The growth of the Asian market makes this targeting increasingly significant. Farr Vintners' Hong Kong office could particularly take advantage of this finding.

### **6.1.4 Merchants Should Increase Offers to Buy Back Customers' Wines**

Only 14.63% of 2005 red Bordeaux sold EP by volume was bought back by Farr Vintners. However, buyers who resold wine to the merchant did so for 63.29% of their 2005s on average. Encouraging more buyers to sell back wines could therefore increase the stocks available to the merchant. Buyers who still stored 2005s IB with the merchant did so for 77.04% of them on average, a potential source of wine to be bought back. Alerting buyers to their wines' maturity and selling prices could aid this, and increase information on buyers' intentions through increased interaction.

### **6.1.5 Merchants Should Offer to Buy Wines on Physical Availability in the UK if Prices Have Significantly Increased**

With more wines sold in 2007 and 2008 than in the remaining eight years tracked, the rapid price increases of the 2005s was clearly an incentive for buyers to sell. When

EP wines arrive in the UK, merchants should offer to buy them back when confirming whether buyers want to store IB with the merchant or move the wines elsewhere. This could increase the wines bought back by the merchant, increasing available stocks and profit. Buyers could also turn quick profits and avoid losing profit by taking DP delivery of wines that they later decide to sell.

## **6.2 The Original Intentions of Buyers**

### **6.2.1 EP Buyers Should Be Sent Offers on Wines for Consumption**

Consumption was an intention for most buyers, with 91.96% intending to consume some, and 37.69% all of their wines. EP buyers should therefore be sent offers on wines for consumption in addition to those with investment potential to increase merchant sales and improve buyer interaction.

### **6.2.2 Buyer Spend, Experience and Age Should Dictate Offer Type**

58.54% of participants bought wines for investment, something that increased as buyers increased expenditure. Offers to higher-spending buyers should therefore have a greater targeting towards investment. However, as most of these buyers were also buying for consumption, offers on wines for consumption should still be sent. Younger and less experienced buyers bought more wine for investment. Offering an EP or vintage seminar to further educate these buyers on the best wines for investment and the styles they might prefer for consumption could also increase customer loyalty and future EP sales.

## **6.3 The Changes in Intentions of Buyers**

### **6.3.1 Buyers Should Leave EP Purchases IB if Uncertain whether they Will Consume their Wines**

Intentions changed from consumption to investment for 2005 red Bordeaux purchased EP. This was less likely for delivered wines (at 14.17%), which would suggest that recommending buyers keep wines IB if uncertain of consumption would increase a change in intentions. Buyers are recommended to keep wines IB if at all uncertain whether wines will be consumed, as the payment of taxes for delivery greatly reduces profit should they decide to sell, as does the loss of provenance and storage records.

Of the buyers who sold wines, 66.65% sold some not originally intended for investment. 24.34% stated that none of the wines they had sold were originally intended for this purpose. Keeping buyers abreast of significant market changes, wine maturity and portfolio size could aid in optimising resale for buyers and increase their loyalty. Buyers should be aware from this statistic the likelihood that they may sell wines originally intended for consumption, a further reason to retain wines IB.

## **6.4 Reasons for Changes in Intentions**

### **6.4.1 Merchants Should Offer to Buy Wines When Prices in the Market Rise**

Price was the most common reason for a change in intention at 40% for delivered wines and 55.19% for sold wines. The Farr Vintners data reflected this, with increased volumes bought back in 2007-2008 and 2010-2011, suggesting that market strength was a clear factor in deciding whether to sell. Active management of portfolios with price change notifications should help more buyers sell wines at the right time and

increase their profits. Live price charts in buyers' accounts would also help them to easily track the market performance of their wines.

#### **6.4.2 Châteaux Should Be Aware that Increasing Prices Have Changed their Buyer Type**

Châteaux should consider that the increased prices for their wines mean that many of their traditional consumers have sold their wines as investments. Marketing and promotion strategies for these châteaux need to consider a new type of consumer who is more willing to spend higher prices for wines, and likely considers their wines as a luxury brand. EP buyers are not necessarily those consuming their wines.

#### **6.4.3 Merchants Should Track Where Reinvestment Is Aimed so that Offers Match New Requirements**

Buyers used funds both for other wines and for use outside of wine. Encouraging those selling wine to reinvest could increase sales and profit recycled through the company. Offering an incentive (such as discounts on purchases when also selling), or special offers could aid this. Researching whether buyers were reinvesting in younger vintages, cheaper wines, more mature wines, or other regions would enable the merchant to ensure it has the right stocks to offer when buyers sell wines.

#### **6.4.4 Buyers Should Be Wary of Overbuying Wines**

Owning too much wine emerged as a reason for changing intention. Sending portfolio updates, adding warning systems that buyers can manage, and actively managing buyers' portfolios could prevent overbuying from the merchant's side. Buyers should also consider this problem and limit their purchases if holdings are increasing rapidly.

The concerns over storage space should also be considered by buyers, to ensure that they have enough cellar space to properly store the wines they wish to consume as they reach maturity.

Wine maturity was linked to owning too much wine. The slow-maturing 2005s caused some to sell in order to find earlier drinking wines, or consume more mature wines from their cellars or portfolios. Fine Vintners should ensure they offer buyers wines for the right drinking windows and maintain stocks of mature wines that can be offered to those seeking to swap young wines for those ready for immediate consumption. This would increase sales and customer loyalty.

#### **6.4.5 Merchants Should Not Assume that All Buyers' Intentions Are Clearly Set**

The flexibility to change intention arose as a reason for keeping wines IB independently of the options offered in the questionnaire. Buyers were not necessarily set in intention, and kept wines IB to maintain provenance and value without paying the taxes, choosing Octavian's optimal storage conditions. This allowed them to defer any decisions until ready to consider market prices and their personal needs. Merchants should therefore keep buyers updated on the price and maturity of the wines, and whether buyers are leaning more towards investment or consumption as time passes so that recommendations can be made at the right time. This increased interaction should increase wines bought back and customer loyalty.

#### **6.5 Opportunities for Further Research**

Several opportunities for further research arose as a result of this study. The framework offered by this paper could be applied to different businesses, regions,

vintages or markets, to ascertain how these buyers might behave differently. Research that compared this study's findings with another great vintage during the peak market in Hong Kong and Asia after the Duty change (such as 2009) could offer insight into the changing role of Bordeaux EP and its buyers' intentions. Further development of buyer intentions could also be made, to ascertain how strongly buyers set their intentions, or whether it is something largely considered to be flexible depending on the movements of the market. It would also be of interest to see whether buyers' initial intentions shifted more towards investment at the time of EP purchase following the success of previous purchases such as the 2005s.



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## 8. APPENDICES

### 8.1 Approved Research Paper Proposal

IMW Research Paper Proposal Submission Form			
Student ID	24495	Date of submission	22/05/2018
RPP Version No	5	Name of Advisor	Jennifer Simonetti-Bryan
<b>Note: RPPs must be submitted via your Advisor to the IMW</b>			
<b>Proposed Title</b>			
Stock Movement for 2005 Red Bordeaux Purchased En Primeur Through a UK Wine Merchant 2006-2016: Have buyers' intentions changed?			
<b>Research Questions:</b> Define the subject of your Research Paper and specify the specific research questions you plan to pursue. (No more than 200 words)			
<p>This Research Paper will examine the movement of highly sought after red Bordeaux in its first decade from En Primeur sale through a leading UK Bordeaux specialist.</p> <p>It will quantify how much red Bordeaux from a single vintage is still held under bond with En Primeur buyers at a UK merchant, in order to discover any patterns of significance from the original total.</p> <p>It will question buyers to discern their initial intentions, and the factors influencing their retention or movement of wines with the UK merchant.</p> <p>2005 Bordeaux was selected given:</p> <ol style="list-style-type: none"><li>1) It was highly rated, leading to purchases for investment purposes as well as consumption.</li></ol>			

- 2) The vintage age allows time for cases to be resold, delivered, or transferred under bond, yet is recent enough to allow interaction with buyers.
- 3) 2006-2016 saw significant fluctuations in Bordeaux pricing and demand, and global economic swings - increasing potential for intentions to change.

Dry and sweet white Bordeaux are excluded to attain consistent and well-defined results.

The research questions are:

1. How much 2005 red Bordeaux sold during the En Primeur campaign remains under bond with original buyers, versus what has been sold or moved?
2. What was the original intention for these purchases?
3. Have buyers changed their original intentions?
4. If so, what has caused this?

**Background and Context:** Explain what is currently known about the topic and address why this topic requires/offers opportunities for further research. (No more than 200 words)

En Primeur sales and pricing data of red Bordeaux through UK merchants are well documented. However, this does not extend to the physical movement of cases after initial sale at a UK wine merchant.

The retention and movement (resale, bonded transfer, delivery) in the decade following original purchase through a leading UK merchant(s) remains unexplored, particularly in academic works. Analysing this might have implications for how merchants manage their customers' reserves in

the first decade after En Primeur sale, which can improve customer interaction, recommendations, inventory management, and sales.

Furthermore, questioning why buyers retain or move these cases, whether their intentions change from the original intention at purchase, and what may cause this will lead to better understanding buyer motivation, and how this has changed in this time frame.

The economic trends and price fluctuations in this time frame are documented, but this research will study how this has influenced buyers, to improve customer relationship and portfolio management practices.

Farr Vintners, a leading Bordeaux and En Primeur specialist in the UK, will be the key source of data for wine movement and customer contact, having expressed interest in this research.

**Sources:** Identify the nature of your source materials (official documents, books, articles, other studies, etc.) and give principle sources if appropriate. (No more than 150 words)

### **Published works**

Works on wine pricing and alternative investments.

- What Price Bordeaux? (Lewin, 2009).
- SWAG: Alternative Investments for the Coming Decade (Roseman, 2012)

### **Academic Publications**

Works on Bordeaux as an investment and the key influences on prices and buyers' decisions.

- The Impact of Gurus: Parker Grades and En Primeur Wine Prices (Ali, Lecocq, & Visser, 2008, The Economic Journal)
- Bordeaux Wine as a Financial Investment (Sanning, Shafer, & Sharratt, 2008, Journal of Wine Economics)

### **Trade publications**

Articles pertaining to Bordeaux pricing, quality and investment; including critic scores/reports for the 2005 vintage, including but not limited to:

Liv-ex, [www.jancisrobinson.com](http://www.jancisrobinson.com), The Drinks Business, The Wine Advocate.

### **Other**

The Farr Vintners database will be used as the source of sales/storage data and customer contact. The author is employed by Farr Vintners and is thus able to obtain the detailed data required. Customer data will be confidential, but sales/storage data are authorised for publication.

**Research Methodology:** Please detail how you will identify and gather the material or information necessary to answer the research question(s) and discuss what techniques you will use to analyse this information. (No more than 500 words)

### **Literature review**

This will look to a variety of sources which will include:

- Texts on wine investment to understand how this may have affected buyers' intentions over the course of a decade.

- Works on investments in the years 2006-2016 to question possible influences on buyers and indicate possible changes in intention.

**En Primeur sales, storage and delivery data of the 2005 red Bordeaux vintage from the database of a leading UK Bordeaux specialist.**

Intentions

This will provide the base from which to identify key patterns and develop the questionnaire:

- A report of total sales during the En Primeur campaign for this merchant (Farr Vintners).
- A report of the total wines still held in bond, unmoved, under the original buyer's account with Farr Vintners since purchase.
- A report on total movement of the 2005 vintage from these sales, divided into: Wines delivered to the buyer, wines transferred under bond to a different account, and wines resold by the original purchasers through the merchant.

Size

This data will include all sales of the 2005 red Bordeaux during the merchant's En Primeur campaign – running from its beginning on 5<sup>th</sup> May 2006 until 31<sup>st</sup> December 2006.

**Confidential questionnaire to the merchant's customers who bought 2005 red Bordeaux En Primeur.**

Development and Intentions

Building on the quantitative data analysed from sales, storage, and case movement, the questionnaire will seek to establish:

- Initial customer intentions at purchase.
- Current intentions for any cases still held under bond.
- The possible changes in intention since original purchase, and the reasons behind them.

The questionnaire will therefore obtain both quantitative data and qualitative data.

- Quantitative data will include questions pertaining to:
  - The number who intended to use the wines as an investment
  - The number who intended to drink the wines
  - The number who changed their minds
- Qualitative data will include questions pertaining to:
  - What factors influenced buyers to hold their wines
  - What factors caused them to change their minds, if they did.

The factors that have influenced buyer decisions and possible changes in intention since En Primeur purchase will be split into categories, including but not limited to: pricing, storage space/cost, drinking window, critic review/scoring, merchant recommendation, and health.

### Questionnaire Sample Size

This questionnaire will be sent via email using a leading UK merchant (Farr Vintners) database to all customers who bought 2005 red Bordeaux En Primeur at said merchant.

- Responses will be incentivised to participate through a prize draw to win a case of wine.
- The database includes 2,018 of these buyers. It will aim to receive 323 responses, a 95% confidence level with a 5% confidence interval (calculated via <https://www.surveysystem.com/sscalc.htm>) in order to demonstrate directional data patterns and/or statistical significance.

**Potential to Contribute to the Body of Knowledge on Wine:** Explain how this Research Paper will add to the current body of knowledge on this subject. (No more than 150 words)

This is of interest to merchants both in the UK and globally as:

- It will indicate how much red Bordeaux sold En Primeur is resold in its first decade – highlighting a potential stock source for merchants each year.
- It will reveal how much remains under bond - a potential source of stock for the future.

The methodology will be a framework for further research across other vintages and regions selling wine as futures (e.g. Port and Burgundy) to better understand stock movements, customer intentions, how intentions change, and what factors most influence this.

This can be used to improve the understanding of customers, and therefore interaction and recommendations for their purchases to boost sales, increase company efficiency and improve inventory management.

Chateaux will gain insight into the movement of their cases in the decade after En Primeur sale, something usually unseen due to Bordeaux's multi-tier sales system.

**Proposed Time Schedule/Programme:** This section should layout the time schedule for the research, analysis and write-up of the Research Paper and should indicate approximate dates with key deliverables. *Dates of submission to both Advisors and the IMW must be those specified by the IMW.*

- End January 2018:

Completion of background reading.

Compilation of necessary data from the Farr Vintners database.

Formation of questionnaire.

- End February 2018:

Completion and sending out of questionnaire.

Initial composition of literature review.

- End March 2018:

Completion of data analysis from Farr Vintners database.

Deadline of RSVP for questionnaire.

- End April 2018:

Completion of analysis of questionnaire.

Completion of first rough draft to work with advisor.

- End May 2018:

Completion of first full draft with expectation of more minor tweaks.

- End June 2018:

Completion of Research Paper for submission in June 2018 deadline.

## 8.2 Questionnaire Sent to 2005 Red Bordeaux EP Buyers

\* 1. At the time of ordering, what were your intentions for your 2005 red Bordeaux En Primeur purchases? Please ensure the total amounts to 100%

	0%	25%	50%	75%	100%
Investment	<input type="radio"/>				
Consumption	<input type="radio"/>				
Gift	<input type="radio"/>				

Other (please specify intention and percentage)

\* 2. How much of your 2005 red Bordeaux purchased En Primeur have you had delivered?

- None  75%  
 25%  100%  
 50%

3. What were your intentions for these delivered cases? Please ensure the total amounts to 100%.

	0%	25%	50%	75%	100%
Investment	<input type="radio"/>				
Consumption	<input type="radio"/>				
To Gift	<input type="radio"/>				

Other (please specify intention and percentage)

4. Have your intentions changed for any of these delivered cases?

- Yes  
 No

5. What are your current intentions for the delivered cases? Please ensure the total amounts to 100% 

	0%	25%	50%	75%	100%
Investment	<input type="radio"/>				
Consumption	<input type="radio"/>				
To Gift	<input type="radio"/>				

Other (please specify intention and percentage)

6. What caused the change in your intentions for the delivered cases? Please check all that apply. 

- Price
- Storage costs/space
- Merchant recommendation to sell
- Critic scores/assessments
- Other (please specify)
- Wine maturity
- In order to reinvest in other wines
- To raise funds for use outside of wine
- Health

\* 7. How much of the 2005 red Bordeaux you purchased En Primeur have you sold? 

- None
- 25%
- 50%
- 75%
- 100%

8. Of the cases you have already sold, what percentage had you always intended to sell when buying them En Primeur? 

- 0%
- 25%
- 50%
- 75%
- 100%

9. What were the reasons for selling these cases? Please check all that apply. 

- Price
- Storage costs/space
- Merchant recommendation to sell
- Critic scores/assessments
- Wine maturity
- Tasting the wines
- In order to reinvest in other wines
- To raise funds for use outside of wine
- Health
- Other (please specify)

\* 10. How much of the 2005 red Bordeaux that you purchased En Primeur is still stored in bond? 

- None
- 75%
- 25%
- 100%
- 50%

11. What are your current intentions for your 2005 red Bordeaux purchased En Primeur and still stored in bond? Please ensure the total amounts to 100% 

	0%	25%	50%	75%	100%
Investment	<input type="radio"/>				
Consumption	<input type="radio"/>				
To gift	<input type="radio"/>				

Other (please specify intention and percentage)

12. Why have you stored these cases in bond since En Primeur purchase? Please check all that apply. 

- Price
- Critic scores/assessments
- Storage costs/space
- Wine maturity
- Merchant recommendation
- Tax
- Other (please specify)

13. At the time of the 2005 campaign, for how many years had you been buying red Bordeaux En Primeur? 

- 2005 was the first vintage
- 1 to 5 years
- 6-10 years
- More than 10 years

14. To what extent do you agree that the following aspects lead to your purchase of 2005 red Bordeaux En Primeur? 

	Strongly Disagree	Disagree	Neither Agree nor Disagree	Agree	Strongly Agree
Price	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Critic scores/assessments	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Merchant recommendation	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Family/friends born in the vintage	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Tasting the wines	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Desire to buy bottle sizes other than the standard 75cl	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
For perfect provenance	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

Other (please specify)

15. If your intentions have changed for any En Primeur purchase of 2005 red Bordeaux, to what extent were the following factors the cause? 

	Strongly Disagree	Disagree	Neither Agree nor Disagree	Agree	Strongly Agree
Price	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Storage costs/space	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Merchant recommendation	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Critic scores/assessments	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Desire to buy other wines	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Tasting the wines	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Health	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
The need to raise funds for use outside of wine	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

Other (please specify)

16. How much did you spend on 2005 red Bordeaux En Primeur? 

- |                                      |  |
|--------------------------------------|--|
| <input type="radio"/> <£1,000        | <input type="radio"/> £25,000-£99,999    |
| <input type="radio"/> £1,000-£4,999  | <input type="radio"/> £100,000-£999,999  |
| <input type="radio"/> £5,000-£24,999 | <input type="radio"/> £1,000,000 or more |

17. How old are you? 

- |                             |                             |
|-----------------------------|-----------------------------|
| <input type="radio"/> <30   | <input type="radio"/> 50-60 |
| <input type="radio"/> 30-40 | <input type="radio"/> 60-70 |
| <input type="radio"/> 40-50 | <input type="radio"/> >70   |

**8.3 2005 Red Bordeaux Sold by Farr Vintners EP, Including Price Growths or Falls from EP Sale Based on Farr Vintners' Sales Pricing Data**

<b>Wine</b>	<b>Growth</b>	<b>Price Growth/Fall</b>
Aiguilhe	Non GCC	120.69%
Alter Ego de Palmer	Non GCC	191.67%
Angéhus	Non GCC	223.74%
Armailhac	5	190.91%
Arrosée	Non GCC	85.60%
Aurilhac	Non GCC	78.51%
Ausone	Non GCC	220.43%
Bahans Haut Brion	Non GCC	245.21%
Barde Haut	Non GCC	65.00%
Beauséjour Bécot	Non GCC	65.00%
Beauséjour Duffau	Non GCC	65.48%
Belgrave	5	55.16%
Bellevue	Non GCC	33.33%
Bellevue Mondotte	Non GCC	109.15%
Bernadotte	Non GCC	115.18%
Beychevelle	4	284.91%
Bienfaisance	Non GCC	213.04%
Branais Ducru	4	103.12%
Branas Grand Poujeaux	Non GCC	31.61%
Brane Cantenac	2	158.62%
Branon	Non GCC	53.33%
Calon Ségur	3	90.22%
Canon	Non GCC	134.69%
Canon de Brem	Non GCC	n/a

Canon la Gaffelière	Non GCC	90.91%
Cantemerle	5	140.00%
Cantenac Brown	3	89.67%
Cap de Faugeres	Non GCC	88.89%
Carbonnieux Rouge	Non GCC	105.88%
Carruades de Lafite	Non GCC	940.00%
Certan de May	Non GCC	55.00%
Chapelle d'Ausone	Non GCC	156.42%
Chapelle de la Mission	Non GCC	200.00%
Charmail	Non GCC	104.76%
Chasse Spleen	Non GCC	171.08%
Chenade	Non GCC	111.77%
Cheval Blanc	Non GCC	114.29%
Clerc Milon	5	240.00%
Clinet	Non GCC	100.00%
Clos Badon	Non GCC	83.33%
Clos de l'Oratoire	Non GCC	133.71%
Clos de Sarpe	Non GCC	45.31%
Clos du Marquis	Non GCC	74.55%
Clos Fourtet	Non GCC	222.22%
Clos l'Eglise	Non GCC	70.37%
Clos Marsalette	Non GCC	176.91%
Clos René	Non GCC	116.40%
Clos St Martin	Non GCC	328.57%
Confession	Non GCC	0.00%
Connetable Talbot	Non GCC	81.57%
Conseillante	Non GCC	147.06%

Cordeillan Bages	Non GCC	9.45%
Cos d'Estournel	2	126.42%
Cos Labory	5	101.15%
Cote de Baleau	Non GCC	51.83%
Courlat	Non GCC	n/a
Croix de Beaucaillou	Non GCC	164.71%
Croix de Gay	Non GCC	102.70%
Croix de Labrie	Non GCC	24.58%
Croix du Casse	Non GCC	49.49%
Cruzelles	Non GCC	124.00%
Dame de Montrose	Non GCC	137.34%
Destieux	Non GCC	81.82%
Domaine de Chevalier Rouge	Non GCC	199.23%
Domaine de l'A	Non GCC	79.34%
Dome	Non GCC	63.16%
Dominique	Non GCC	95.65%
Ducru Beaucaillou	2	95.65%
Duhart Milon	Non GCC	492.11%
Durfort Vivens	2	113.48%
Eglise Clinet	Non GCC	242.55%
Evangile	Non GCC	145.54%
Faugères	Non GCC	n/a
Ferrand Lartigue	Non GCC	60.71%
Ferrière	3	122.86%
Feytit Clinet	Non GCC	142.15%
Fiefs de Lagrange	Non GCC	137.98%
Fieuzal Rouge	Non GCC	149.18%

Figeac	Non GCC	142.19%
Fleur Cardinale	Non GCC	135.15%
Fleur de Bouard	Non GCC	105.41%
Fleur Gazin	Non GCC	76.57%
Fleur Pétrus	Non GCC	254.55%
Fombrauge	Non GCC	100.00%
Fonbel	Non GCC	204.06%
Forts de Latour	Non GCC	810.71%
Fourcas Hosten	Non GCC	n/a
Gaffelière	Non GCC	93.75%
Gay	Non GCC	125.00%
Gazin	Non GCC	165.62%
Gigault Cuvée Viva	Non GCC	105.41%
Giscours	3	127.69%
Gloria	Non GCC	118.92%
Gomerie	Non GCC	27.12%
Goulée by Cos d'Estournel	Non GCC	144.31%
Grand Mayne	Non GCC	61.20%
Grand Pontet	Non GCC	62.79%
Grand Puy Ducasse	5	124.24%
Grand Puy Lacoste	Non GCC	119.30%
Grands Chênes	Non GCC	91.52%
Gravières	Non GCC	33.75%
Gruaud Larose	Non GCC	209.68%
Gurgue	Non GCC	27.50%
Haut Bages Averous	Non GCC	135.96%
Haut Bages Libéral	Non GCC	79.49%

Haut Bailly	Non GCC	142.86%
Haut Batailley	Non GCC	141.03%
Haut Bergey Rouge	Non GCC	106.25%
Haut Brion	Non GCC	113.79%
Hosanna	Non GCC	125.00%
Issan	3	187.67%
Kirwan	3	87.50%
Labegorce	Non GCC	60.00%
Labegorce Zédé	Non GCC	76.40%
Lacoste Borie	Non GCC	265.22%
Lafite	1	253.33%
Lafleur	Non GCC	89.39%
Lafon Rochet	4	119.05%
Laforge	Non GCC	n/a
Lagrange (St Julien)	3	108.00%
Lagune	3	170.83%
Lanessan	Non GCC	105.41%
Langoa Barton	3	49.33%
Larcis Ducasse	Non GCC	179.41%
Lascombes	2	109.88%
Latour	1	133.33%
Latour à Pomerol	Non GCC	73.80%
Léoville Barton	2	86.54%
Léoville Las Cases	Non GCC	54.47%
Léoville Poyferré	2	85.26%
Loudenne	Non GCC	n/a
Lucia	Non GCC	44.00%

Lynch Bages	5	194.74%
Lynch Moussas	5	81.23%
Lynsolence	Non GCC	31.25%
Magdelaine	Non GCC	100.00%
Magrez-Fombrauge	Non GCC	210.19%
Malescot Saint Exupéry	3	178.03%
Marbuzet	Non GCC	35.85%
Margaux	1	122.73%
Marojallia	Non GCC	82.86%
Mayne Lalande	Non GCC	n/a
Meyney	Non GCC	244.26%
Mission Haut Brion	Non GCC	200.00%
Monbousquet	Non GCC	158.62%
Monbrison	Non GCC	65.04%
Mondotte	Non GCC	56.10%
Montrose	2	117.39%
Moulin A Vent	Non GCC	n/a
Moulin Riche	Non GCC	138.78%
Moulin Saint Georges	Non GCC	60.71%
Mouton Rothschild	1	118.31%
Nenin	Non GCC	50.00%
Ormes de Pez	Non GCC	87.50%
Pagodes de Cos	Non GCC	130.77%
Palmer	3	114.81%
Pape Clément Rouge	Non GCC	90.36%
Pavie	Non GCC	107.60%
Pavie Decesse	Non GCC	55.78%

Pavie Macquin	Non GCC	200.00%
Pavillon Rouge du Chateau Margaux	Non GCC	381.01%
Peby Faugères	Non GCC	445.45%
Petit Cheval	Non GCC	97.08%
Petit Mouton	Non GCC	292.86%
Petit Village	Non GCC	60.00%
Petite Eglise	Non GCC	150.00%
Pétrus	Non GCC	132.26%
Phélan Ségur	Non GCC	140.00%
Pichon Baron	Non GCC	139.28%
Pichon Lalande	2	66.15%
Pin	Non GCC	158.33%
Pontet Canet	5	200.23%
Potensac	Non GCC	169.57%
Poujeaux	Non GCC	96.28%
Prade	Non GCC	n/a
Prieuré Lichine	4	100.00%
Puygueraud	Non GCC	133.33%
Quinault l'Enclos	Non GCC	126.67%
Rauzan Ségla	Non GCC	105.00%
Reignac	Non GCC	111.68%
Roc de Cambes	Non GCC	96.57%
Rol Valentin	Non GCC	25.00%
Rouget	Non GCC	100.00%
Saint Pierre	4	68.20%
Saintayme	Non GCC	111.77%
Sainte Colombe	Non GCC	96.38%

Sanctus	Non GCC	49.04%
Sarget de Gruaud Larose	Non GCC	163.16%
Smith Haut Lafitte Rouge	Non GCC	231.41%
Sociando Mallet	Non GCC	78.72%
Talbot	4	179.35%
Tertre	5	105.13%
Tertre Roteboeuf	Non GCC	166.76%
Tour Carnet	4	125.71%
Tour Figeac	Non GCC	100.00%
Tour Haut Brion	Non GCC	86.67%
Troplong Mondot	Non GCC	151.43%
Trotanoy	Non GCC	146.67%
Valandraud	Non GCC	42.31%
Vieux Château Certan	Non GCC	129.41%
Villa Bel-Air	Non GCC	157.14%
Virginie de Valandraud	Non GCC	n/a
Vray Croix de Gay	Non GCC	140.74%
Winemakers' Collection Cuvée No 1	Non GCC	88.02%
Yon Figeac	Non GCC	n/a

**8.4 2005 Red Bordeaux with a Potential 100 Points from Robert Parker in  
Barrel, from Issue 164 of The Wine Advocate**

<b>Wine</b>	<b>Score</b>
Ausone	96-100
Haut Brion	96-100
Latour	98-100
Margaux	96-100
Pape Clément Rouge	96-100
Pavie	98-100
Pavie Decesse	98-100
Pétrus	96-100
Troplong Mondot	96-100

## 8.5 Word Count

<b>Section</b>	<b>Titles, Tables, and Figures</b>	<b>Footnotes</b>	<b>Total</b>	<b>Words counted</b>
Title page	29		29	
Index	234		234	
Glossary	252		252	
Summary	2		230	228
Introduction	2	15	537	520
Review of Research Context	81	210	1,864	1,573
Methodology	95	53	1,723	1,575
Results and Analysis	1,374	89	6,085	4,622
Conclusions	207		1,655	1,448
Total main text			12,609	<b>9,966</b>
Bibliography	2		836	
Appendices	62		2,607	