

Novel research demonstrates financial benefit for distributors who invest in wine futures

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New supply chain research from the Martin J. Whitman School of Management at Syracuse University shows a wine distributor can

significantly improve its profits by investing in wine futures, in addition to bottled wine. The study's numerical analysis demonstrates an approximate 21 percent profit improvement, a benefit that increases as the wine distributor's degree of risk aversion increases.

In "Wine analytics: Fine [wine](#) pricing and selection under weather and market uncertainty," Burak Kazaz, The Steven R. Becker Professor of Supply Chain Management and The Laura J. and L. Douglas Meredith Professor of Teaching Excellence at the Whitman School of Management, and his co-authors, Mert Hakan Hekimoğlu (The Lally School of Management, Rensselaer Polytechnic Institute) and Scott Webster (WP Carey School of Business, Arizona State University), determine how best a wine distributor can allocate monies between bottled wine and wine futures, based on fluctuations in weather and market.

"Wine distributors often carry bottled wines, and avoid making investments in wine futures due to the fact that they do not have intimate understanding of how wine prices evolve from the wine futures stage to bottled wine prices," said Professor Kazaz. "By explaining the movement in prices with weather and market fluctuations, our work demonstrates how a wine distributor can determine the selection of fine wines, and how the firm can adjust when new (additional) weather and market information becomes available."

Professor Kazaz added that there's no downside to a wine distributor investing in futures. It increases the expected profit in spite of being a riskier asset than bottled wine.

"It's the first time we've been able to quantify the financial benefit of wine distributors' investment in wine futures," said Professor Kazaz.

"We anticipate that our work will likely change the common practice for wine distributors who can now make informed investments in wine

futures with confidence, and allocate their budgets between futures and bottled wine."

Steven Becker, executive vice president/treasurer and compliance of Southern Glazer's Wine & Spirits, the nation's largest alcoholic beverage distributor, was intrigued by the results of the study.

"We appreciate the rigorous statistical analysis in this paper," said Becker. "This work will be beneficial for those who are interested in advanced purchasing of fine wine."

More information: Mert Hakan Hekimoğlu et al. Wine Analytics: Fine Wine Pricing and Selection Under Weather and Market Uncertainty, *Manufacturing & Service Operations Management* (2016). [DOI: 10.1287/msom.2016.0602](https://doi.org/10.1287/msom.2016.0602)

Provided by Syracuse University

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