

## **Wine Retail Prices in the U.S. -- Determinants of Level and Dispersion**

Etan Schwartz, New York University, [els324@nyu.edu](mailto:els324@nyu.edu)

Karl Storchmann, New York University, [karl.storchmann@nyu.edu](mailto:karl.storchmann@nyu.edu)

Vadim Zhitomirsky, New York University, [vz254@nyu.edu](mailto:vz254@nyu.edu)

Wine retail prices in the U.S. vary widely. For instance, while California wine store in Petaluma (CA) offers a 2005 Chateau Latour for \$695, the same wine costs \$2000 in a wine store in Champaign (IL). Similarly, at the lower price end, the retail price of a 2007 Yellowtail Merlot ranges from \$4.99 (Buffalo, NY) to \$9.99 (Jersey City, NJ). This paper is aimed at explaining these price variations.

We draw on a rich data set of more than 9 million wine retail prices for the time period from 2006 to 2010 from 6,100 wine stores across the U.S. On the ZIP code level we match each price offer with an array of socio-economics variables such as median household income, average age, and population density. For each wine store, we are also able to determine the number of close-by competitors and their respective distance.

As a result, we are able to distinguish the role of state level effects, such as shipping restrictions and taxes, from local effects originating in market and competition conditions.