



WSET
ALUMNI

The Fine Wine Market: Past, Present, Future

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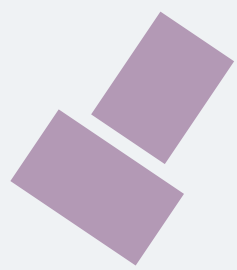
Background

A 2012 survey by Barclays Wealth and Investment Management found that 28% of high net worth individuals have a wine collection, and that 2% of their wealth is tied up in wine.¹ This is no new phenomenon: In various forms, wine trading and collecting has taken place for centuries. The ancient Greeks, Egyptians, Phoenicians and Romans were all big traders of wine; Charles II of England famously had Haut Brion in his cellar.²

The idea that wine improves with age dates back to the 18th century. A series of innovations made extended ageing possible: Sulfur had been introduced as a preservative, corks had become available to use as stoppers and finally, in 1775, the production of bottles was standardised so that they could lay flat. Courtiers in Bordeaux began to make distinctions between wines suitable for ageing (“sèveux”) and those for immediate consumption (“moins longue garde”).³

The writings of Thomas Jefferson provide perhaps the first evidence of a premium charged for older wine. In 1787, he wrote that the 1786 vintage for top Bordeaux wines cost 1800 livres per tonneau compared to 2000 livres for the older 1783.⁴

1. https://wealth.barclays.com/content/dam/bwpublic/americas/documents/wealth_management/US_Wealth_Insights_15_FINAL.pdf
2. <https://www.liv-ex.com/2014/11/james-miles-speculation-dead-long-live-speculation/>
3. Lewin, Benjamin. *What Price Bordeaux* (Vendage Press, Dover, 2009), p 33
4. Lewin, Benjamin. *What Price Bordeaux* (Vendage Press, Dover, 2009), p 34



BC



The ancient Greeks, Egyptians, Phoenicians and Romans were all big traders of wine

18th
Century



Sulfur introduced as a preservative to extend ageing of wine



corks become available to use as stoppers



production of bottles standardised to lay flat



the first evidence of a premium charged for older wine

By this point, wine – particularly Port, Madeira and Bordeaux – had become popular vehicles for speculation in Britain. The story of the merchant Herman Cruse offers one dramatic example. In 1847, he bought 90% of the entire Bordeaux crop. With revolution threatening to engulf Europe, no one else wanted anything to do with it. When revolution never materialised, he cleaned up, amassing a vast fortune.⁵

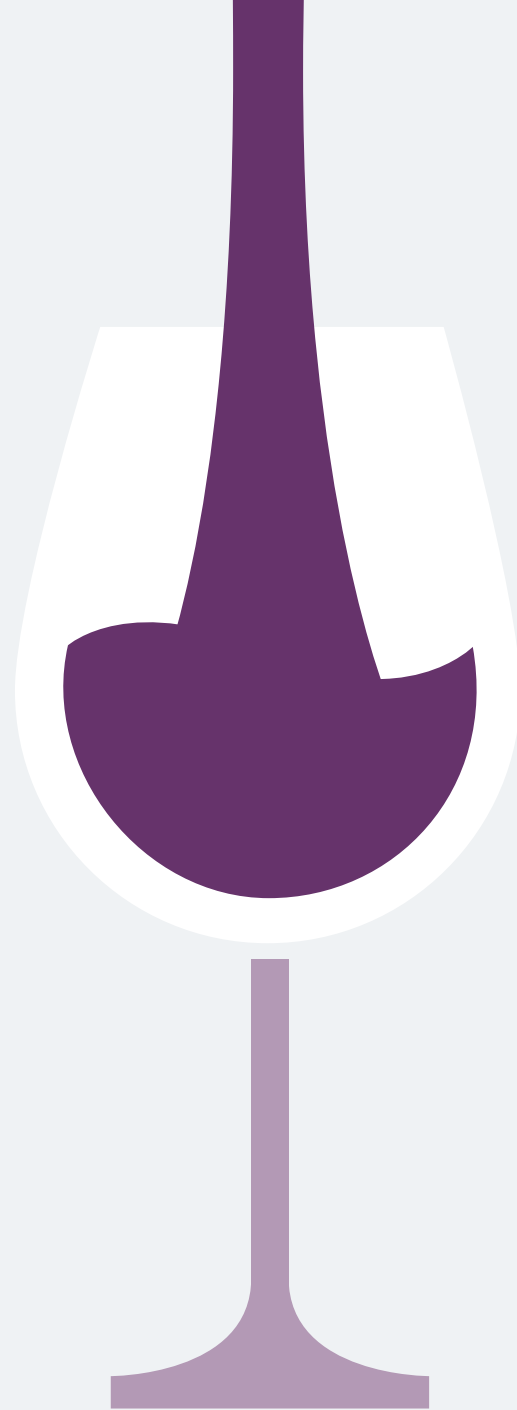
Development of a marketplace

By the beginning of the 21st century, the practice of speculating on investment-grade wine was well established but somewhat fragmented. There were still no standard trading rules and information sharing among merchants – particularly around price – was poor. It was possible to check auction prices, but they were not standardised for condition or tax status.

At this point, the rise of the internet presented the opportunity to create a marketplace that would ultimately bring greater transparency, efficiency and safety.

The introduction of standard trading contracts was one of the first steps taken to support this goal. Contracts give traders confidence that the wine will arrive in the expected condition, and enable like-for-like price comparisons. The most-used contract, Standard-In-Bond (SIB), stipulates condition, tax status and delivery time.

5. <https://www.liv-ex.com/2014/11/james-miles-speculation-dead-long-live-speculation/>



19th
Century



wine becomes a popular vehicle for speculation in Britain

21st
Century



Liv-ex established to bring transparency, efficiency and safety to wine trading



Standard trading contracts introduced stipulating condition, tax status and delivery time



Over 400 merchant members use Liv-ex trading platform worldwide



2012 survey finds 28% of high net worth individuals have a wine collection

Investing in fine wine

Academic research estimates that fine wine has offered a 4.1% return on investment in real terms between 1900 and 2012, outperforming other alternative assets such as art and stamps.⁶ Historically, it has shown a very low correlation to mainstream assets, making it a useful portfolio diversifier. When equities suffer during a recession, fine wine can often prove resilient.

Accessing the market

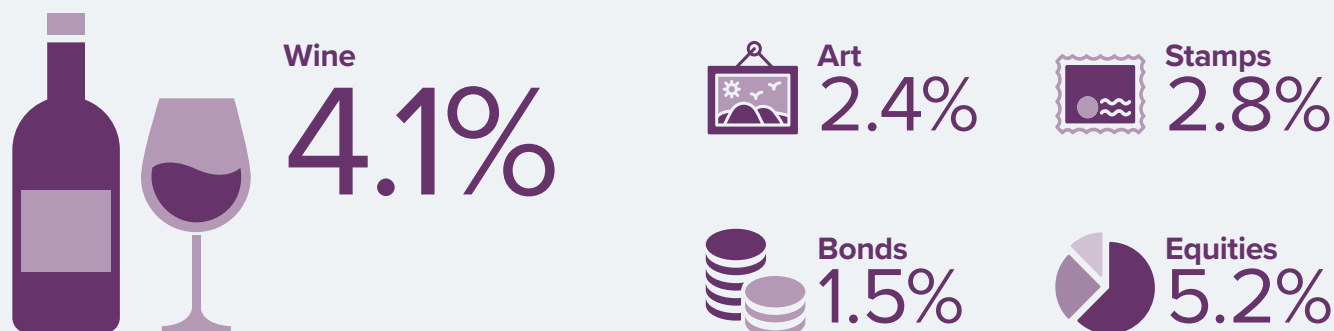
Private collectors wishing to invest in wine can access the market via one of two routes.

The first, and most common, is to purchase cases through a reputable wine merchant. The collector becomes the owner of specific cases or bottles of wine and can watch them increase – hopefully – in value until he or she is either ready to drink or sell them.

Merchants will typically charge a fee of around 10% to sell the wine. Because the asset will need to rise by more than this before the collector profits, wine is considered a long-term investment, rather than something that can be day traded.

The second route is to invest in a wine fund. In this instance, the investor owns a percentage of a portfolio of wine, rather than any individual cases, which is managed by an investment fund.

Observed return on investment in real terms between 1900 and 2012



Storing fine wines

There are different practices for storing wine collections around the world. In the UK, wine is typically stored in a bonded warehouse. No tax or duty is paid until the wine leaves the bonded system, allowing the wine to be sold on more easily. In other cultures, specialist facilities might be available, or the wine is stored in a cellar at home.

Private collectors can access the market through one of two routes



Merchants

Collector becomes owner of specific cases or bottles of wine



Wine funds

Investor owns a percentage of wine portfolio, managed by investment fund

6. Dimson, Rousseau and Spaenjers, The Price of Wine (https://www.cam.ac.uk/files/the_price_of_wine.pdf), p38

Finding the right information

Today, information about the quality and price of fine wine is widely available.

Indices

Several fine wine indices are calculated using transactional data. For example, the Liv-ex 100 tracks prices for 100 leading fine wines.

Other indices they have include the Liv-ex Fine Wine 50, which tracks prices for the Bordeaux First Growths, and the Liv-ex 1000, the broadest measure of the market. This is made up of wines from regions around the world, including Bordeaux, Burgundy, Champagne, Northern and Southern Rhone, Tuscany, Piedmont, California, Australia, Spain and Portugal.

Prices

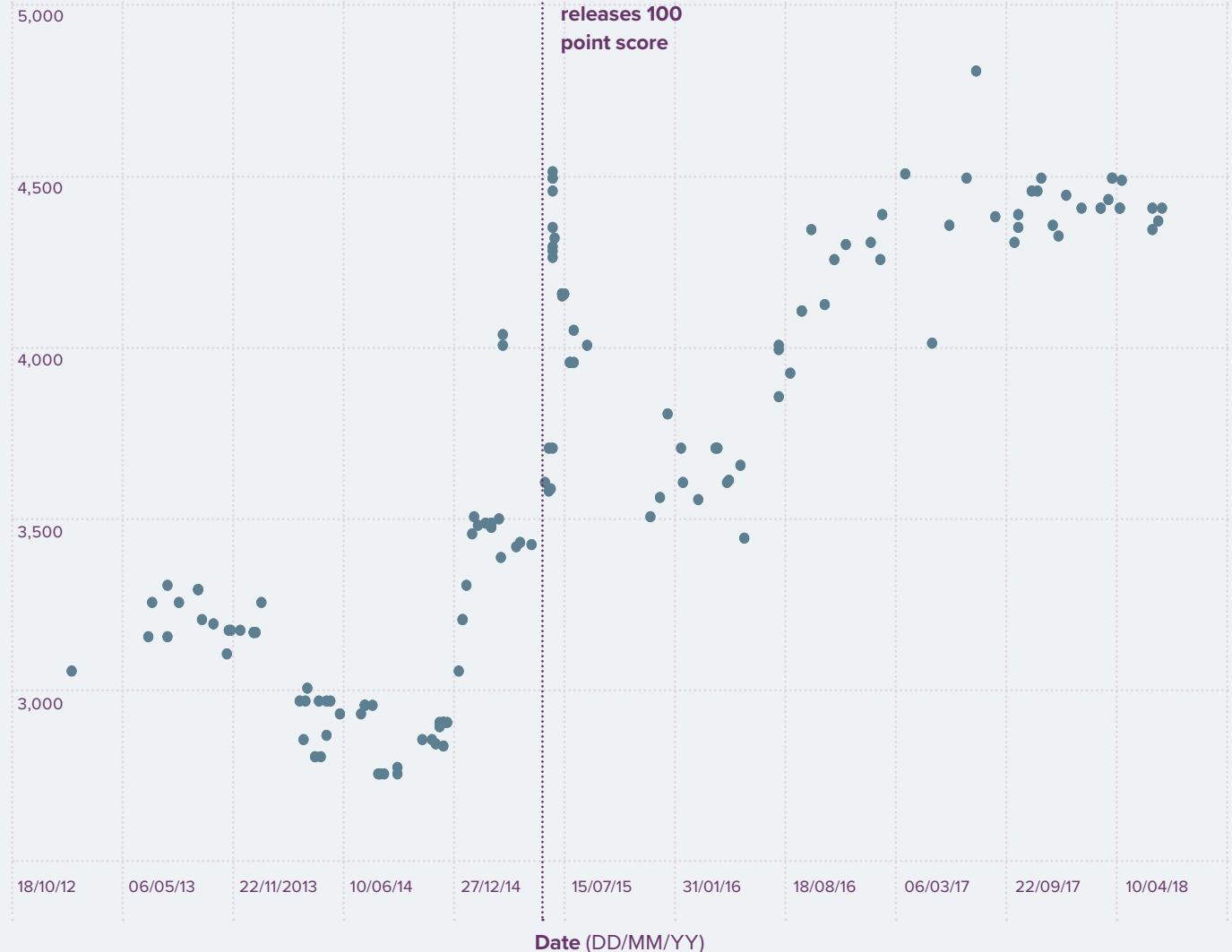
It is now possible for collectors to receive independent valuations of wine that they seek to buy or sell. For example, Liv-ex collects and verifies prices from its merchant members, and trading activity on the marketplace, in order to provide accurate valuation information.

Critics

Many collectors and traders consider critic scores vital in informing buying and selling decisions. Historically, the American critic Robert Parker, founder of *The Wine Advocate*, yielded the greatest influence over the price of wine.

Mission Haut Brion 2005

Price per case (12 x 75cl) (£)



Mission Haut Brion 2005 was a beneficiary of Parker's 2005 'ten years on' report. It was upgraded from 98+ to 100 point in 2015. Parker had hinted at an upgrade back in August 2012. With buyers anticipating a bigger score, its price began to creep up at the beginning of 2015. Between January and June 2015, when the score was revealed, its trade price moved from £3,200 to £4,506 – a staggering 47.7% increase.

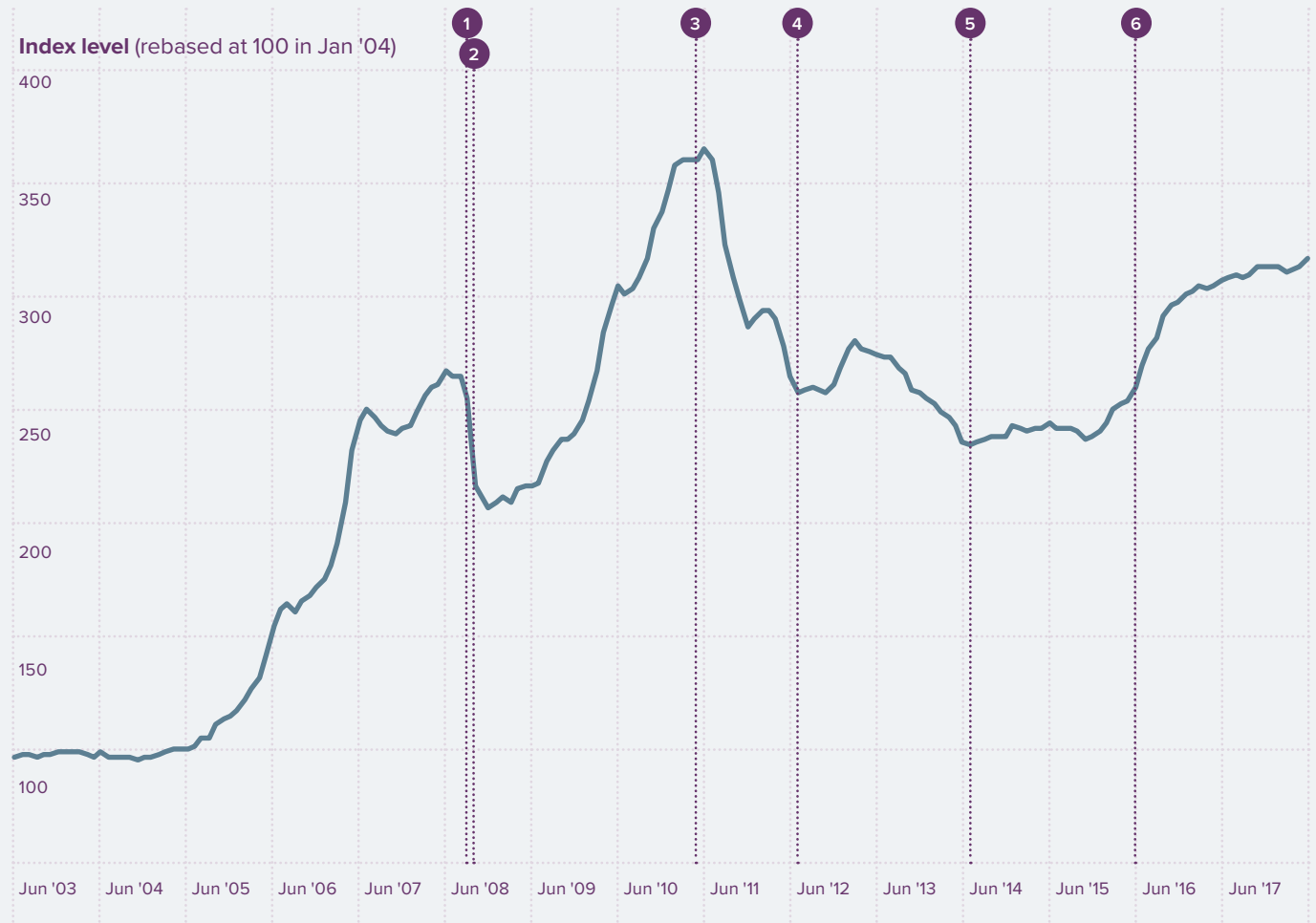
Recent market trends and the current picture

Fine wine, like all markets, experiences cycles. During World War II, prices rose by 600% while Germany occupied France. They then collapsed by 50% when the war was over. Similar cycles were witnessed in the 70s, 80s, 90s and more recently from 2009–13.⁷

Fine wine prices have shifted several times over the past 15 years. For example the Liv-ex 100 dipped 20% during the financial crisis, before climbing 70% by mid-2011 largely owing to the huge fiscal stimulus in China from 2009. Prices then fell from 2011 as buying in the Far East almost came to a halt. Weakened sterling contributed to a “Brexit” boost to the market from mid-2016.

The Liv-ex Fine Wine 100 since January 2004

The Liv-ex Fine Wine 100 Index represents the price movement of 100 of the most sought-after fine wines on the secondary market.



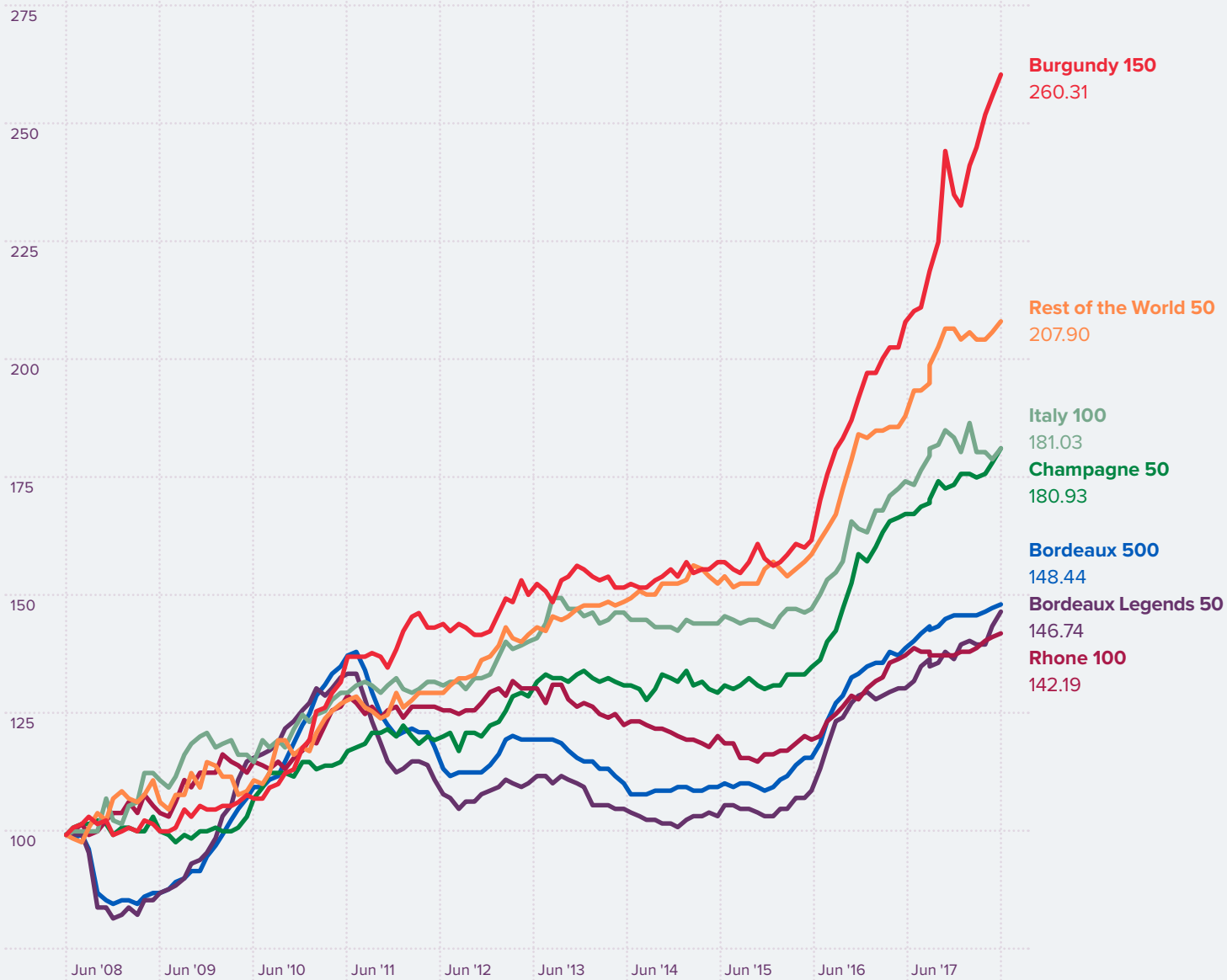
- 1. Sep 2008** – Lehman Brothers file for bankruptcy, signalling the start of the financial crisis.
- 2. Nov 2008** – China announces economic stimulus programs: 4 trillion yuan of investments in areas such as infrastructure, transport, industry, tax cuts and finance. Chinese interest in fine wine, a popular gift among officials, steadily increases.
- 3. May 2011** – The Bordeaux 2010 vintage is offered for sale at record prices, testing the strength of the market.
- 4. Jul 2012** – China announces a crack-down on gift-giving of luxury goods among government officials.
- 5. Jul 2014** – The market hits its lowest point since before the China-led boom.
- 6. Jun 2016** – Sterling weakens following the UK's 'Brexit' vote. This provides a boost to the market as stock held in the UK is effectively discounted to overseas buyers.

7. <https://www.liv-ex.com/2014/11/james-miles-speculation-dead-long-live-speculation/>

Liv-ex 1000 sub-indices since June 2008

The Liv-ex Fine Wine 1000 tracks 1,000 wines from across the world using the Liv-ex Mid Price. Its sub-indices show the performances of different global regions

Index level (rebased at 100 in Jun '08)



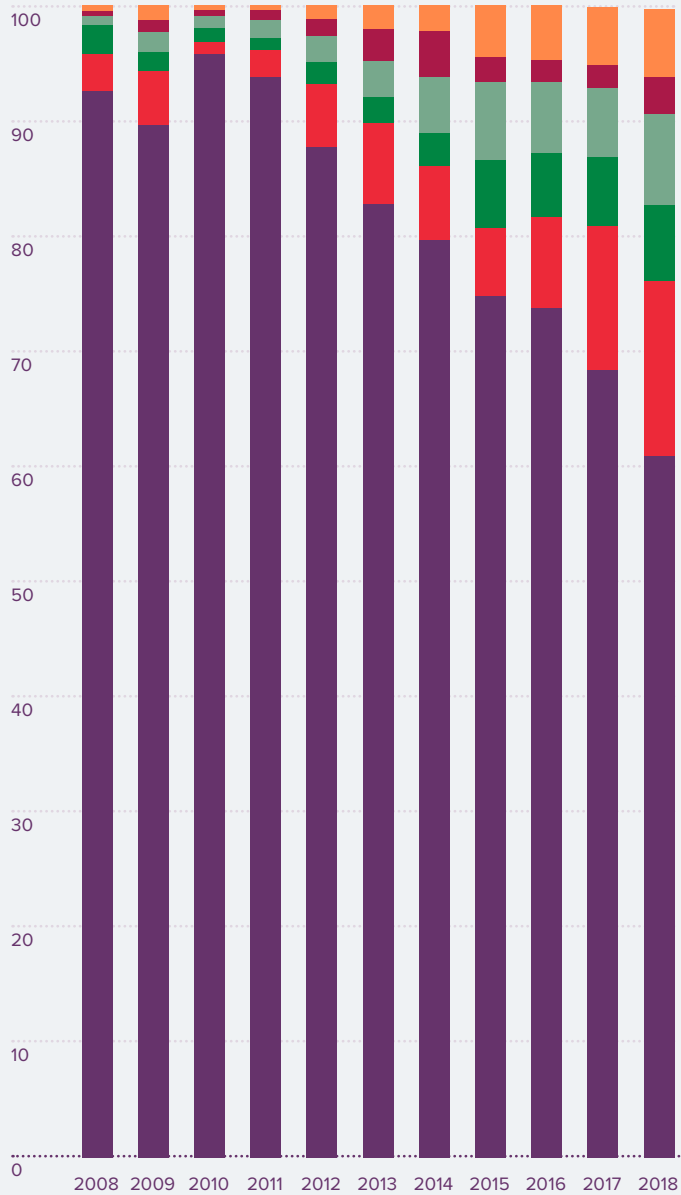
The performances of wines from different regions are far from uniform. Over the past decade, insatiable demand for Burgundy has driven prices for the top wines into the stratosphere. The Burgundy 150 index is up 160% over this period. In contrast, wines from the Rhone have lagged.



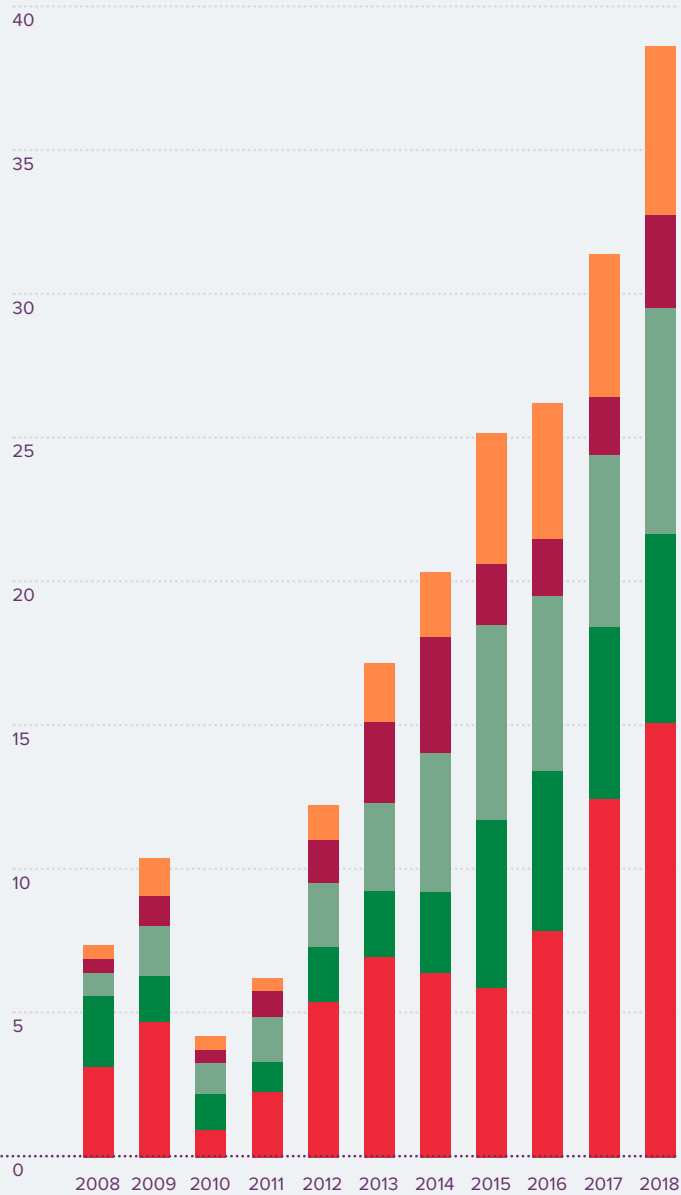
Mid Price is the middle point between the current live bid and offer on the exchange. It's important because it is transactional (i.e. a firm commitment) rather than an advertised list price. This distinguishes it from other data points such as advertised list prices.

Regional trade share by value

Share incl. Bordeaux (%)



Share excl. Bordeaux (%)



Bordeaux
 Burgundy
 Champagne
 Italy
 Rhone
 Rest of the World

Another major trend is the considerable broadening of wines that trade actively on the secondary market, i.e. those that are bought and sold more than once, and often several times throughout their lifetimes. Ten years ago, activity on the market was dominated by a narrow group of top Bordeaux wines. The market has broadened considerably since then. Bordeaux's trade share is down from 95% in 2010 to 61% so far in 2018. Wines from Burgundy, Tuscany, Champagne and the USA now trade actively, among others. In 2016, Liv-ex even saw its first trade for English and Chinese wines when Nyetimber and Ao Yun traded.

Power 100

The Power 100 lists the most powerful fine wine brands in the secondary market. Although top Bordeaux Chateaux continue to dominate, the latest list, published in December 2017, reflects the rising power of the Burgundy brands and those from around the world.

To calculate the scores, a list of all wines that traded in the last year (1st September 2016 – 31st August 2017) were grouped by brand.

Brands that had traded a minimum of three wines or vintages and had a total trade value of at least £10,000 were then identified. The individual rankings were then added together with a weighting of one for each criterion. This gave the total score, shown below. The lowest scores are the best because they indicate highest rankings in the above criterion.

N.B Trading performance had a weighting of 1.5 as it combined two criteria: value and volume traded.

Brands were ranked using four criteria:



How much the wines changed in price from the beginning to the end of the period.



The number of individual wines from each brand that traded. For example, Mouton Rothschild is the brand; Mouton Rothschild 2010 and Petit Mouton 2009 are two individual wines within the brand.



The total value and volume of each brand that traded during the period.



The average price of the wines within the brand.

Rank	Brand	Score
1	Lafite Rothschild	65.5
2	Margaux	98.5
3	Mouton Rothschild	100
4	DRC	108
5	Angelus	133.5
6	Ponsot	137.5
7	Domaine Leflaive	144
8	Armand Rousseau	161.5
9	Haut Brion	169.5
10	Petrus	182
11	Guigal	192
12	Latour	194
13	Montrose	198.5
14	Mission Haut Brion	202.5
15	Krug	213.5
16	Joseph Drouhin	217
17	Cheval Blanc	222
18	Figeac	229
19	Penfolds	236.5
20	Masseto	239
21	Vieux Chateau Certan	241
22	Leoville Las Cases	246
23	Screaming Eagle	256.5
23	Prieure Roch	256.5
25	Jacques Prieur	257.5

Rank	Brand	Score
25	Ducru Beaucaillou	257.5
25	Pavie	257.5
28	Yquem	262
29	Georges Roumier	262.5
29	Pichon Baron	262.5
31	Palmer	266
32	Comte Vogue	269.5
33	Dominus	270
33	Sassicaia	270
35	Leoville Barton	273.5
36	Ausone	276.5
37	Meo Camuzet	280
38	Cos d'Estournel	281
39	Evangile	284
40	Pichon Lalande	285
41	Moet & Chandon	285.5
42	Pin	287.5
43	Lafleur	292.5
44	Salon	293
45	Joseph Faiveley	294
46	Lynch Bages	294.5
47	Etienne Sauzet	298
48	Opus One	301
49	Louis Roederer	303
50	Calon Segur	309.5

Rank	Brand	Score
51	Trotanoy	314
52	Beychevelle	314.5
53	Rauzan Segla	317
54	Coche Dury	317.5
55	Pontet Canet	318
56	Gaja	325
57	Leoville Poyferre	327
58	Pape Clement	335
59	Canon (Saint Emilion)	340
60	Beaucastel	346.5
61	Sylvain Cathiard	350
62	Smith Haut Lafitte	354
63	Francois Lamarche	360
64	Bollinger	361
65	Haut Bailly	364
66	Gruaud Larose	367.5
67	Tropelong Mondot	371
68	Lambrays	372
69	Fleur Petrus	373
70	Alain Hudelot Noellat	373.5
71	Talbot	374.5
72	Clinet	378.5
73	Conseillante	388.5
74	Guy Roulot	390.5
75	Clos Fourtet	391

Rank	Brand	Score
75	Duhart Milon	391
77	Vega Sicilia	392.5
78	Giscours	400
78	Grand Puy Lacoste	400
80	Jacques Frederic Mugnier	404
80	Solaia	404
82	Armailhac	408.5
83	Lascombes	416.5
84	Eglise Clinet	417
85	Taittinger	420
86	Ornellaia	426.5
87	Clerc Milon	427
88	Tignanello	428
89	Domaine Chevalier	430
90	Brane Cantenac	430.5
91	Vougeraie	438
92	Tertre Roteboeuf	440.5
93	Fontaine Gagnard	446
94	Domaine Leroy	454.5
95	Henschke	456
96	Giacomo Conterno	460.5
97	Casanova di Neri	470
97	Chapoutier	470
99	Henri Gouges	471.5
100	Henri Boillot	478

Liv-ex Classification

Every two years, Liv-ex produces a classification of Bordeaux wines. Like the original classification of 1855, it places fine wines into five classes solely based on price. In 2017, wines from the rest of the world were included to create a global classification for the first time.

It is striking that many estates hold their original position over 150 years on, including all of the First Growths (although Mouton Rothschild only officially became a First Growth in 1973). Mission Haut Brion, which was not originally classified due to its location in the Graves, has obtained First Growth status according to the Liv-ex classification. "Flying Fifths" Lynch Bages and Pontet Canet have also climbed in the rankings.



The average trade price is calculated using actual trades from 30/04/2016 to 01/05/2017. To warrant a classification, at least five vintages of a wine must have traded in the period. The average trade price is expressed for a 12 x 75cl unit in GBP and is volume weighted.

The resulting classes are:

- **1er Cru** – £2,500 or more
- **2eme** – £688 to £2,499
- **3eme** – £438 to £687
- **4eme** – £313 to £437
- **5eme** – £250 to £312

N.B The Liv-ex Bordeaux 500 index has moved 25% since the 2015 reclassification. Price bands have been adjusted accordingly.

Class	Wine	Price*	Location
1st	DRC, Romanee Conti	£98,732	Burgundy
1st	DRC, Tache	£23,340	Burgundy
1st	Screaming Eagle	£20,610	USA
1st	Petrus	£18,961	Bordeaux
1st	Pin	£16,415	Bordeaux
1st	DRC, Richebourg	£14,513	Burgundy
1st	DRC, Romanee Saint Vivant	£13,341	Burgundy
1st	DRC, Grands Echezeaux	£11,211	Burgundy
1st	Armand Rousseau, Chambertin Clos De Beze	£11,066	Burgundy
1st	DRC, Echezeaux	£10,293	Burgundy
1st	Armand Rousseau, Chambertin	£10,216	Burgundy
1st	Pingus	£5,617	Spain
1st	Lafite Rothschild	£5,533	Bordeaux
1st	Masseto	£5,120	Italy
1st	Ausone	£4,965	Bordeaux
1st	Latour	£4,964	Bordeaux
1st	Comte Vogue, Musigny Vv	£4,648	Burgundy
1st	Cheval Blanc	£4,606	Bordeaux
1st	Margaux	£4,299	Bordeaux
1st	Mouton Rothschild	£4,115	Bordeaux
1st	Lafleur	£4,106	Bordeaux
1st	Armand Rousseau, Gevrey Chambertin Clos St Jacques	£4,092	Burgundy
1st	Ponsot, Clos Roche Vv	£3,943	Burgundy
1st	Haut Brion	£3,781	Bordeaux
1st	Henschke, Hill Of Grace Shiraz	£3,455	Australia
1st	Jacques Prieur, Musigny	£3,249	Burgundy
1st	Penfolds, Grange	£3,045	Australian
1st	Louis Roederer, Cristal Rose	£2,919	Champagne
1st	Angelus	£2,696	Bordeaux
1st	Beaucastel, Chateauneuf Du Pape Hommage J Perrin	£2,565	Rhone

Class	Wine	Price*	Location
1st	Mission Haut Brion	£2,500	Bordeaux
2nd	Mommessin, Clos Tart	£2,432	Burgundy
2nd	Comte Vogue, Bonnes Mares	£2,417	Burgundy
2nd	Armand Rousseau, Clos Roche	£2,412	Burgundy
2nd	Pavie	£2,365	Bordeaux
2nd	Moet & Chandon, Dom Perignon Rose	£2,299	Champagne
2nd	Opus One	£2,259	USA
2nd	Armand Rousseau, Charmes Chambertin	£2,213	Burgundy
2nd	Guigal, Cote Rotie Landonne	£2,213	Rhone
2nd	Guigal, Cote Rotie Turque	£2,108	Rhone
2nd	Gaja, Sori San Lorenzo	£2,005	Italy
2nd	Guigal, Cote Rotie Mouline	£1,981	Rhone
2nd	Krug, Vintage Brut	£1,924	Champagne
2nd	Mondotte	£1,880	Bordeaux
2nd	Palmer	£1,853	Bordeaux
2nd	Meo Camuzet, Clos Vougeot	£1,823	Burgundy
2nd	Vega Sicilia, Unico	£1,772	Spain
2nd	Joseph Faiveley, Chambertin Clos De Beze	£1,708	Burgundy
2nd	Armand Rousseau, Gevrey Chambertin Cazetiers	£1,629	Burgundy
2nd	Dominus	£1,581	USA
2nd	Domaine Jean-Louis Chave, Hermitage	£1,557	Rhone
2nd	Trotanoy	£1,552	Bordeaux
2nd	Leoville Las Cases	£1,495	Bordeaux
2nd	Fleur Petrus	£1,487	Bordeaux
2nd	Evangile	£1,384	Bordeaux
2nd	Solaia	£1,343	Italy
2nd	Vieux Chateau Certan	£1,328	Bordeaux
2nd	Torbreck, Run Rig	£1,285	Australian
2nd	Tertre Roteboeuf	£1,269	Bordeaux

Liv-ex classification by region

Continued overleaf

Australian



1st	2
2nd	1
3rd	0
4th	0
5th	0
Total	3

Bordeaux



1st	12
2nd	31
3rd	18
4th	10
5th	5
Total	77

Burgundy



1st	12
2nd	14
3rd	1
4th	0
5th	1
Total	28

Class	Wine	Price*	Location
2nd	Montrose	£1,266	Bordeaux
2nd	Eglise Clinet	£1,254	Bordeaux
2nd	Cos d'Estournel	£1,247	Bordeaux
2nd	Giacomo Conterno, Barolo Cascina Francia	£1,227	Italy
2nd	Sassicaia	£1,226	Italy
2nd	Lambrays, Clos Lambrays	£1,159	Burgundy
2nd	Ducru Beaucaillou	£1,154	Bordeaux
2nd	Ornellaia	£1,146	Italy
2nd	Chapelle Ausone	£1,146	Bordeaux
2nd	Louis Roederer, Cristal	£1,143	Champagne
2nd	Marquis d'Angerville, Volnay Clos Ducs	£1,118	Burgundy
2nd	Smith Haut Lafitte	£1,107	Bordeaux
2nd	Bollinger, Rd	£1,093	Champagne
2nd	Comte Vogue, Chambolle Musigny	£1,060	Burgundy
2nd	Lynch Bages	£1,056	Bordeaux
2nd	Conseillante	£1,055	Bordeaux
2nd	Pichon Lalande	£1,032	Bordeaux
2nd	Meo Camuzet, Vosne Romanee Chaumes	£1,011	Burgundy
2nd	Troplong Mondot	£1,010	Bordeaux
2nd	Hosanna	£993	Bordeaux
2nd	Moet & Chandon, Dom Perignon	£985	Champagne
2nd	Pichon Baron	£966	Bordeaux
2nd	Jacques Frederic Mugnier, Chambolle Musigny	£964	Burgundy
2nd	Pape Clement	£916	Bordeaux
2nd	Pontet Canet	£900	Bordeaux
2nd	Clinet	£896	Bordeaux
2nd	Joseph Faiveley, Latricieres Chambertin	£883	Burgundy
2nd	Philipponnat, Clos Goisses Brut	£872	Champagne

Class	Wine	Price*	Location
2nd	Giuseppe Mascarello, Barolo Monprivato	£842	Italy
2nd	Beaucastel, Chateauneuf du Pape Roussanne Vv	£834	Rhone
2nd	Leoville Poyferre	£834	Bordeaux
2nd	Haut Bailly	£813	Bordeaux
2nd	Figeac	£807	Bordeaux
2nd	Vougeraie, Clos Vougeot	£790	Burgundy
2nd	Taittinger, Comtes Champagne	£768	Champagne
2nd	Clos L'Eglise (Pomerol)	£759	Bordeaux
2nd	Leoville Barton	£744	Bordeaux
2nd	Rothschild & Concha Y Toro, Almaviva	£743	Chile
2nd	Canon (Saint Emilion)	£720	Bordeaux
2nd	Clos Fourtet	£702	Bordeaux
3rd	Beychevelle	£676	Bordeaux
3rd	Calon Segur	£676	Bordeaux
3rd	Paul Jaboulet Aine, Hermitage Chapelle	£643	Rhone
3rd	Larcis Ducasse	£609	Bordeaux
3rd	Rauzan Segla	£594	Bordeaux
3rd	Fleur Morange	£587	Bordeaux
3rd	Tignanello	£582	Italy
3rd	Lascombes	£575	Bordeaux
3rd	Gazin (Pomerol)	£569	Bordeaux
3rd	Brane Cantenac	£563	Bordeaux
3rd	Gruaud Larose	£533	Bordeaux
3rd	Lagune	£530	Bordeaux
3rd	Fontodi, Flaccianello Pieve	£527	Italy
3rd	Grand Puy Lacoste	£523	Bordeaux
3rd	Domaine Chevalier	£522	Bordeaux
3rd	Canon Gaffeliere	£514	Bordeaux
3rd	Clos Papes, Chateauneuf Du Pape	£514	Rhone
3rd	Clerc Milon	£504	Bordeaux

Class	Wine	Price*	Location
3rd	Duhart Milon	£497	Bordeaux
3rd	Malescot St Exupery	£491	Bordeaux
3rd	Denis Mortet, Gevrey Chambertin	£484	Burgundy
3rd	Talbot	£480	Bordeaux
3rd	Petrolo, Galatrona	£452	Italy
3rd	Issan	£445	Bordeaux
3rd	Pavie Macquin	£441	Bordeaux
4th	Chapoutier, Chateauneuf Du Pape Croix Bois	£434	Rhone
4th	Giscours	£434	Bordeaux
4th	Casa Lapostolle, Clos Apalta	£430	Chile
4th	Chapoutier, Chateauneuf Du Pape Barbe Rac	£409	Rhone
4th	Beaucastel, Chateauneuf Du Pape	£406	Rhone
4th	Brancaire Ducru	£380	Bordeaux
4th	Lagrange Saint Julien	£371	Bordeaux
4th	Langoa Barton	£367	Bordeaux
4th	Clos Marquis	£354	Bordeaux
4th	Vieux Telegraphe, Chateauneuf Du Pape	£347	Rhone
4th	Batailley	£347	Bordeaux
4th	Tour Figeac	£343	Bordeaux
4th	Armailhac	£330	Bordeaux
4th	Haut Batailley	£326	Bordeaux
4th	Gloria	£314	Bordeaux
5th	Lafon Rochet	£295	Bordeaux
5th	Tertre	£291	Bordeaux
5th	Haut Bages Liberal	£285	Bordeaux
5th	Chasse Spleen	£277	Bordeaux
5th	Cantemerle	£274	Bordeaux
5th	Henri Gouges, Nuits Saint Georges Clos Porrets	£287	Burgundy

Champagne



1st	1
2nd	7
3rd	0
4th	0
5th	0
Total	8

Chile



1st	0
2nd	1
3rd	0
4th	1
5th	0
Total	2

Italy



1st	1
2nd	6
3rd	3
4th	0
5th	0
Total	10

Rhone



1st	1
2nd	5
3rd	2
4th	4
5th	0
Total	12

Spain



1st	1
2nd	1
3rd	0
4th	0
5th	0
Total	2

USA



1st	1
2nd	2
3rd	0
4th	0
5th	0
Total	3

Future developments

In recent years, Liv-ex and the merchant community have been working together to take advantage of opportunities presented by new developments in technology.



LWIN

LWIN – unique seven-digit codes – has underpinned much of this progress by introducing a simple and consistent naming convention for fine wines, similar to the ISBN for books. LWIN is free for anyone to use, and has been adopted by major merchants, logistics suppliers and critics to facilitate the automatic exchange of information on fine wine.



Wine Matcher

With LWIN working hard in the background, merchants can now produce valuation reports for customers in minutes. Wine Matcher, a browser-based tool which cleans and prices lists of wines at a rate of 5,000 lines of data per minute, makes this possible. These valuations help to provide informed buying and selling decisions.



Direct Market Access

Trading is also becoming more connected. Merchants around the world are now connecting to the market using DMA, Direct Market Access. It allows them to automatically offer their stock list on Liv-ex, and also offer stock from the global trade on their ecommerce website.

Effectively, a wine merchant in France could list his or her available stock on Liv-ex in real-time. A customer in the USA might browse his or her local merchant website, which automatically displays these wines, and make a purchase. The whole trade is settled automatically, and the physical stock moves through Liv-ex's transport network. This is an exciting prospect for the global distribution of wine, particularly as the fine wine market expands.



Author's note

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The fine wine market remains a fringe area of study, but it does play an important role in the wider wine world. Without a secondary market and the possibility of price appreciation, there is little incentive for collectors to buy young wines, age them, and sell them at a later date. It is thanks to the mechanisms of this market that such a healthy quantity of aged fine wine, from the likes of Bordeaux, is readily available – to those with deep enough pockets.

Older wines from production areas without an active secondary market, such as New Zealand and South Africa, are much more difficult to source. It can even be comparatively tricky to find older vintages from long established Old World regions such as Alsace and the Loire. Perhaps the broadening of the market offers hope that this will be more possible in the future.

Today, for those interested in learning more, there is more information available than ever before. Prices are readily accessible, and trends are widely reported in the wine trade, financial and national press as well as industry blogs.

This article is provided for informational purposes only and does not amount to financial advice or advice as to the value or likely future values of any of the wines it discusses. The opinions expressed are subject to change without notice. Neither Liv-ex Ltd nor the author of this article accept any liability for the accuracy of its contents.

Sarah Phillips is the Marketing Manager at Liv-ex, a fine wine market membership platform. She is responsible for managing communications and research such as the popular Liv-ex blog which is widely quoted by the wine trade and international financial press.

Established in 2000, Liv-ex provides data, trading and settlement services to over 400 merchant members worldwide. Its indices are often considered the industry standard and regularly quoted by Bloomberg and Reuters.

Those interested in finding out more can visit Liv-ex.com. Several new articles are published on its blog each week. You can read it for free at www.liv-ex.com/news-and-insights.

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