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UCT algorithm uncorks best buys for wine

Finding a good wine is a bit like kissing lots of dressed up frogs, says Dr David Priilaid of the University of Cape Town. Currently convenor of the Postgraduate Diploma in Entrepreneurship in UCT's School of Management Studies, Priilaid has developed an algorithm that cuts through all the labels, snobbery and guesswork and can help wine lovers pick up good quality wines at very good prices

Dr Priilaid, together with Professor Paul van Rensburg of UCT's School of Finance and Tax, developed a "multi-factor regression model" to tell consumers which wines they ought to buy at any particular price-point. The model is based on the premise that some wines, based on their ratings, may well be worth more (or less) than the price would suggest.

Earlier this year Priilaid and Van Rensburg published a paper titled *Nonlinear Hedonic Pricing: A confirmatory study of South African Wines* in the *International Journal of Wine Research*, detailing the methods employed in their "thinking-drinking" wine guide. Dr Priilaid has also written a best-value-for-money guide, *WineIQ*, released last year and detailing 800 bargain wines. These "winners" were drawn from a dataset of over 1500 wines spanning eight South African-grown cultivars as well as red and white blends, ports and dessert wines.

Dr Priilaid explained that all too often consumers buy with a focus on the brand label and price tag. "Some of my early research has found that when drinking wine, the first thing you taste is the price, then the region of the wine, and only then what's actually in the glass," he said.

To calculate a particular wine's actual rand value, Dr Priilaid and Professor Van Rensburg apply a statistical method known as regression analysis – which works out the relationship between a dependent variable and one or more independent variables – in this instance between the wine's price and its published blind and sighted ratings from *Classic Wine* magazine and *Platter's SA Wine Guide*, and its cultivar (for instance, merlot versus chardonnay).

Using the estimated rand value they then compute a value-for-money percentage. That formula is a little simpler:

$$\frac{\text{WineIQ value} - \text{price}}{\text{Price}}$$

“With so many potential wines to choose from, *WineIQ* helps by telling you which wine offers the best value for money given your budget and choice of cultivar,” Dr Priilaid said. “We are continually adding new wines from current *Platter* and *Classic Wine* ratings,” he added. “Thus, at any given time we could calculate the top-500 best value-for-money wines. This is of enormous value to retailers and consumers of wine – our university included.”

The system can be applied to wines and rating systems from any country with equivalent rating systems. For South African consumers, Priilaid is also considering a *WineIQ* app.

ENDS

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