Interview with David Garrett

Discussing the future of wine with David Garrett

<Sara Danese> Welcome to In The Mood for Wine. I'm joined today by David Garrett, who is first and foremost a tech entrepreneur who started and sold his tech business at the age of 28, and now is a wine entrepreneur, with a number of ventures spanning many continents in the world of wine — from a vineyard in Mendoza to a blockchain-based platform and other ventures that we'll get into later.

David, thank you for being here.

<David Garrett> Thank you, Sara. I appreciate it. It's great to talk to you again.

<Sara Danese> Likewise. And yeah, today with you I would like to explore a more futuristic view of the wine industry. But first, I want to start this interview with a question. Sure. You know, to launch something new in wine, one must be a dreamer or a masochist.

And I wanted to ask you, which one are you?

<David Garrett> Maybe a bit of both. Okay. I'd say more dreamer than masochist, but I keep coming back, so that's gotta say something as well.

<Sara Danese> And what's interesting is that you took essentially the money from exiting your first business at 28 and put it into a vineyard in Mendoza.

And then since then you've backed several other wine projects. So why wine?

<David Garrett> I didn't know anything about wine. I was in Argentina. After I sold my company, I went to Argentina because I wanted to see what TV life looked like in other countries. And I, I hadn't really left the United States.

So I travelled a little bit in Latin America, ended up in Argentina, and I was just doing basic real estate. I was flipping some apartments. It was right after the currency devaluation, 2002. And a buddy of mine came down and he was really into wine, and the story is we went to Mendoza for the weekend and stayed for 10 years.

I stayed for 10 years. He's still there. But I really fell in love, not just with Mendoza, but with the wine culture. I'll tell you, I was very fortunate that I got to meet Santiago Achával, who was our consulting winemaker there. And I probably learned more life lessons from him than from anyone else I've ever met.

He's just a great guy, really smart, has a science background but makes wine. And one of the things he taught me was: if you're a winemaker, or if you're making wine, it's this really careful balance of science and art, right? You've gotta be a genius scientist in multiple disciplines, but at the same time every single vintage starts with a winemaker tasting a grape in the middle of a vineyard at three o'clock in the morning. And there was something about that that really appealed to me — where it wasn't just old bloodless numbers. The numbers and the science are important, but there's a real art to it.

And I really love that mix. And that's I think why I keep coming back. And I love the stories and I love the people and I love great wine, and working in the wine industry, you at least eat and drink well. Yeah, that's true.

<Sara Danese> That's true. But so, it's not that you saw an outdated industry in need of a little bit of disruption?

<David Garrett> I'll tell you, if I could be a winemaker — if I had the talent and I had a good palate — I'd be a winemaker and no one would ever talk to me again because that's what I would love to do. I don't have that talent. I don't have that palate. That said, the wine industry — that outdated model that you're talking about — we always say it works the same way for the last thousand years. It hasn't really changed very much in a long time. And from a winemaking perspective, a lot of that is good. But from a wine industry perspective, it is not just frustrating but heartbreaking sometimes, because you know how other industries work, and then you look at the wine industry and you're like: man, with just some relatively simple changes — that are going to take time and might be somewhat disruptive — you could have not just a better industry, but better lives.

And so that's… I don't know, that's another reason I keep going back. But no, I definitely saw an industry that needed fixing. And if I was smart, I would've run away rather than trying to tackle it. But as it turns out, I love it.

And I do my best.

<Sara Danese> Four years ago you founded the DVin Labs. Can you explain us exactly what you do there?

<David Garrett> Sure. Because of my tech background, because I'm friends with a lot of winemakers, back in 2020–2021, a lot of my winemaker friends started getting proposals from blockchain companies, and they would call me and say, you're a tech guy. Can you tell me what this is? And I didn't know. I didn't know anything about blockchain. I'm a tech guy, but at that time I'd heard of Bitcoin. I knew a little bit about crypto, but I didn't really know very much about blockchain. But enough people were interested that I started what was really just a working group.

It was a Zoom call once a month. We would get a bunch of winemakers on, and other wine industry professionals. And then I would try to find a guest that could talk intelligently about blockchain and how it could be interesting for the wine industry. And that working group went on for about a year and a half, until probably the end of 2021.

And at that point we had enough interest from friends that at first we just said, alright, let's make a little NFT wine club. Then we can go around the circle and everyone can tokenize some wine and sell it to the rest of us, and we can see how it works. And that way we can see internally how it works without having to trust some third party.

So we started off with an NFT wine club that was mostly winemakers in the beginning and is now like 1,200–1,500 people from around the world. And we just started — once a month one of the winemakers would say, okay, let's tokenize three cases from my library. And then we would just do that and test it out, see how it worked, learn how the tech worked.

And it started off as a working group and then became an NFT club, and then became like a garage project, and then last year became a protocol. Because what we learned over time was that while there were a lot of individual blockchain projects, they weren't solving the big problem.

And the big problem is liquidity. How do you bridge liquidity across all of these little stovepipe marketplaces around the world? And so building a universal protocol is really the only thing that allows for that. And so what we built, and what we launched last year, and what we continue to work on at DVin Labs, is the universal protocol for putting wine on-chain.

<Sara Danese> Okay. So if I can simplify your, effectively what you have is a marketplace where people can trade the wine that have been tokenized, if you will.

<David Garrett> No, not really. What we do — what we provide, what we created — is the… so think about it like this. If you own a home or a car or a scooter or a diamond, you have a deed of ownership over that asset.

And because you have a deed of ownership, and because that deed is universally recognised, there can be lots of marketplaces. There are lots of real estate marketplaces. Lots of used-car marketplaces, lots of used-motorcycle marketplaces. There isn't just one — there's many — and you can trade between them because there's a deed of ownership where you really know what the underlying asset is.

What we created is that ledger. That format — basically the structure for that deed of ownership — so that if you've got a bottle of 2001 Château Palmer in France, or a bottle of Château Palmer 2001 in Tokyo, or in Seoul, South Korea, or in San Antonio, Texas, it doesn't matter: that bottle's the same.

The transparency is the same. The deed of ownership is the same. So it can be traded with confidence anywhere. That's the basic idea. So there could be many marketplaces built on top of this protocol.

<Sara Danese> Okay. And do you use that with blockchain? If I understand correctly — a term that, as you pointed out, makes people in the wine business a little bit wary. So why was blockchain needed to solve this problem? Can could this problem have been solved with other technologies in your opinion?

<David Garrett> So here's what's interesting about it. The more we look at the problems in the industry, the more we look at how blockchain can solve a lot of those problems, the more we think that if blockchain didn't exist, we would have to invent it in order to solve the problems in the wine industry. It's that perfect. Here. Here's the issue: the great thing about blockchain is that it is, it's

decentralised, meaning there isn't a single owner — it's owned by the community. So if LVMH came up with a standard for how to, or, Treasury Wine Estates or Constellation Brands came up with a standard for how to make a deed of ownership on wine and then they owned the ledger. Treasury Wine Estates wouldn't wanna participate in that, and Constellation wouldn't wanna participate in that. They would wanna make their own. And if everybody makes their own, then there isn't a universal standard.

And if there isn't a universal standard, it would be like, Ford cars have one kind of deed of ownership and BMWs have a different kind of deed of ownership and, Mercedes have a different kind of deed of ownership. And if that was the case, you couldn't have things, for example, like auto lending.

Because if the deed of ownerships work differently, depending on what kind of car you drive, then what bank is going to make a hundred different kinds of loans for a hundred different kinds of car companies, right? What marketplace is gonna create? Why? Why would you, if you could only buy one kind of car at the marketplace, it wouldn't work, right?

It only works if it's a universal, if it's a universal protocol or if it's a universal deed of ownership. So what blockchain provides is that decentralisation, meaning nobody owns it. Nobody owns the protocol. The protocol is available to anyone to use, and that decentralisation means that it's the community itself that governs how that protocol is applied and how it's and how it works.

So that's the, the wine industry. If you look at, I don't know if you're on social media I'm not really, but every once in a while people send me these great like memes where you can see that there are. Six companies that control the global food supply and five companies that control all of the beverages in the world.

All of the beverages except wine. And six companies that control all of the finance, the financial industry. Because of that, it's that consolidation. That makes those businesses significantly more efficient. Because they, 'cause they're, because they're consolidated. They can ex, they figured out how to exchange data.

They figured out how to make really efficient businesses. But in the wine industry, you've got 30,000 independent winemakers, tens of millions of independent middlemen all over the world that only work in wine. And so they're not interconnected. It's, they're not consolidated, which means that there's no data and nobody has any data.

And without data, it's very difficult to make smart decisions or to make a more efficient business.

<Sara Danese> Yes, definitely. The wine industry has a fatter tail in terms of business size and, that makes it harder too.

<David Garrett> But uniquely there are almost no other industries like it. Like you can't think of another industry in the world that has 30,000 independent producers.

It just doesn't, there's, it doesn't exist. Coffee maybe, right? But it just doesn't exist though. So that's why the wine industry's perfect for blockchain, in my opinion.

<Sara Danese> But at the same time the wines have been trading back and forth. What a blockchain solution provides is more liquidity, is that what you're saying?

Is it, is that, yeah.

<David Garrett> Significantly

more liquidity. So more liquidity in a bunch of different ways. If you're a, if you make beer or vodka and you send too much beer to Sao Paulo and not enough to Seoul, South Korea, then you know, you just make more. If there's more demand in Seoul, you just make more and you send more to, to, to Seoul, right?

But with wine, you can't do that. With wine you've gotta wait a year, right? If you sent too much to one place and not enough to another place, you've gotta wait a year in order to in order to try to rebalance that that, that problem with the supply chain. So the lack of data, it just makes it very difficult for you to have an efficient business.

And that's really what I think is causing the, this incredible liquidity price crisis that we're having right now. It's just very difficult for demand to find supply in the marketplace because there's all of these little. Tiny, not tiny, small stovepipe marketplaces all over the world that don't talk to one another.

So a wine might be sold out in Hong Kong but have way have excess inventory in Texas and no one would ever know. And so having use, having the blockchain, having that data lets you have much, much more efficient supply chains and I think creates more profitability for everybody along with supply chain and

having, so you're

right, wine has been trading successfully for a thousand years, but not very efficiently.

<Sara Danese> So having that ledger will allow all market participants to know where the market is currently sitting and yeah. The bias? Where is their excess

supply? Where is their excess demand? What's the real price? That liquidity I think is helpful for everybody in the industry. It's also helpful for for lending. Having a d you can't really use something as collateral unless you have a deed of ownership. There's nothing that you can borrow against that unless you have a deed with wine. Once you have the blockchain, you can create for, for pennies, a deed of ownership.

<David Garrett> That is that's a valid deed of ownership globally. Now you can get banks that'll lend against your inventory wine. Again, it's unique, right? It's one of the very few, maybe the only consumer product that lives for 5, 10, 15 years between the time that it's produced and the time that it's consumed.

So all of that time it sits on somebody's balance sheet and it's and it's capital that's locked up. If you could have again, more liquidity in the form of lending, I think that, that just makes the business significantly more efficient. It lets winemakers or negotiants or distributors sell the wine when it makes the most financial sense for them instead of selling when they need cashflow which is how the business works right now.

<Sara Danese> Yes. And back to the masochism. Who has been more receptive to what you're building and who hasn't?

<David Garrett> So the, I'll tell you, a lot of people talk about this generational change that's happening in the wine industry, which is really true, right? There's the boomer generation is drinking less, they're buying a lot less because they're a, because they're drinking less. And two, because they've got less time to, to drink the wine. And the the next generation of wine consumers just buys things differently, right? Like they, they, the next generation is they're much more interested in experiences.

They're much more interested in, they're they have less reliance on experts. So they're not reading like the Wine Advocate or the Wine Spectator. They're getting their information from other places. They're used to having a direct connection with the luxury brands that they buy or that they consume.

So there's a little bit of, there's some tension. There's a, there's definitely a gap that needs to be figured out by the industry on the consumer side. But the same thing is happening on the producer side, right? The there was a giant huge growth in small, independent winemakers in, from the late eighties, let's say from 1985, 86 until probably 2002 was the, was, there were more wineries created all over the world. And those winemakers are starting to, starting to have a generational change as well, right? It's the next, it's their children or people that have have worked with them. Basically a new generation that's taking over those wineries. And what I've found is the younger generation that, has in the same way has grown up, not just with with social media and the and the internet. Being able to talk to a customer, if you're a French winemaker, being able to talk to a customer in, Shanghai or San Antonio is easy.

Second nature, no problem. Whereas the last generation. They would never do it. So that is, is important. So I think that the idea of connection, the idea of using technology, the idea of technology just being a thing that is, that, that's part of your life every day. Lots and lots of wineries are like a guy in a donkey.

But now it's a guy in a donkey and a phone. And if it's a guy in a donkey and a phone then they can use then they're starting to use a lot more technology. And what we're starting to see is that younger generation is not just willing to accept new technology, but is actively looking for ways that they can modernize their business so that it acts like other mature industries. Other mature businesses, they have, they, they went to college, they have friends. They know that they should be making data based decisions instead of intuition based. And so they're looking to try to figure out how to find that data.

<Sara Danese> Yes. So what what would you say it would take for your business to go mainstream? And especially who do you need to convince for that to happen?

<David Garrett> Look, I think for our business to go mainstream the most important thing would be for the blockchain part of it to disappear, right? It's when my first business, I was tech guy when I was in my early twenties and we started building, on the internet.

And at that time what you would say is, I'm building TCP/IP application.

<Sara Danese> I dunno what that even means. Okay.

<David Garrett> You don't know what it means. That's right. And if I said to you like, how often do you use TCP/IP application, you would be like, I don't know. And what I would tell you is literally every time you do anything on the internet, you're using TCP/IP application.

And I think of blockchain the same way, right? Like we all talk about blockchain because that's where I talk about blockchain. A lot of people that we work with talk about blockchain because it's like new kind of sexy technology and it tells you like what it is, but we're using it in the same way that we used to say TCP/IP.

No one's gonna say blockchain in five years, right? Like it's just gonna be a given standard that a bottle of wine or any other asset is going to be on chain. Because you'll start to see that, you're starting to see it now. Stocks, bonds, treasury bills, like many, almost like assets are flooding to the blockchain.

Diamonds. About five years ago DeBeers put every diamond. On the blockchain. So if you bought or have, if you've purchased a diamond in the last five years it has a digital deed of ownership on the blockchain. You just don't know. Because it's just a natural thing. It's just a thing that they've been doing.

The same thing is true in the, in the in the eu. They there's a new regulation that was passed in 2020 that by the end of 2030, every luxury product that either originates or terminates in the EU needs to have a digital product passport. That digital product passport is they, that's what they call it.

But really what they mean is it needs to have a deed of ownership on a blockchain. You'll start, what you'll start to see is probably different terminology, but using the same technology. And so that's when I think it's gonna go mainstream as soon as you don't have to. Say the word blockchain and think about what that means.

And I think who has to adopt it? It's really, it's the young people I think the young winemakers and the young, it like anything else it's driven by two things, money and human connection, right? Those are the two things that are the most important to not only every industry, but every person in the world.

And the what? What blockchain provides or what. The data that blockchain provides will will provide to any winemaker is a more efficient business. So more money, right? More money, more liquidity. And the other thing that the blockchain provides is that ability to be able to connect winemakers and wine lovers.

To be able to jump through, jump across a supply chain and really connect them. And that to me is is what's gonna drive it more than. As, as much as the efficiencies in liquidity, the ability to be able to speak directly to your customer. Nearly every other industry in the world has figured that out.

Has figured out that and in the wine industry, they've figured it out in a couple of places. But but I think the industry as a whole is gonna figure out that the closer you can get to your customer, not only are you gonna make more money, but you're gonna have a better product. And you're gonna create a better experience for everybody.

So I think that what we do and what the blockchain does if it's incorrectly, is it. It brings winemakers and wine lovers closer together.

<Sara Danese> And in fact the, as you said the wine industry has been like this for hundreds of years. And some, there are some people in this in this industry that benefits from its staying opaque.

Who do you think gains the most from the way things are? Winemakers for sure. Oh. Who gains those from them staying the way it is?

Yes.

<David Garrett> So there's a relatively small number of middlemen that instead of, you know, providing a great service for their providers and their customers, end up, being financial players. And I think it's gonna be, it's gonna be very difficult for them. And I think they're, I think when I think transparency is gonna show that, that they make, that there are, there's a very small number of middlemen that make more money than the winemakers.

And that's again, that, that's happened in every industry. For thousands of years, and what technology has done more than anything else in the last 20 or 30 years is it's found those inefficiencies and rooted them out. And the, those inefficient players have been the. The biggest losers in technology.

And I think I think that's probably the same thing that's gonna happen in the wine industry. So there's, I think it's a relatively small number of people that have basically traded traded on relationships and but I don't think, I don't think that anybody in the industry's gonna shed a tear for for those folks making a little bit less money.

That's what I think. But that's that's from talking to, hundreds of winemakers and thousands of consumers.

<Sara Danese> Yes. And let's fast forward 10 years. What does a more transparent and more tech -enabled wine world actually look like? And who do you think will be in control and who we talked about the people who's been left out, which are the middleman or.

Who's in control in this new tech enabled wine world?

<David Garrett> I think that there's, again, I think what's nice about the blockchain is it doesn't put control in the hands of a in the hands of a few powerful people. If you look at other industries that

have consolidated that, the reason that they've consolidated is because the internet and technology has provided them with data that allows them to be more efficient the bigger they are.

What blockchain does is it allows the wine industry, if the wine industry were to adopt that technology or when it adopts that technology, it will allow them to be more efficient and make more money without having to consolidate. Without having to be just a owned by a few big players without having to do a big roll up.

And I really like that. I think that's great. I see 10 years from now winemakers making more money. Middlemen making more money and wine consumers having much better experiences. I think that you're going to start seeing, you're gonna see the the supply chain, not disappear, but collapse a little bit.

I don't think that every wine will be sold direct to consumer. I don't think that's in our future, but I think there will be less middlemen between the wine maker and the consumer. There will be fewer hops. And that will bring the wine maker and the consumer closer together. And I think that, from my perspective, I, i'm not just a an executive in the wine industry. I'm also a wine lover, right? And I know that my favorite experiences are when they are, the closer I am to the winemaker, the better my experiences. The more I know, the more experiences that I have that makes my wine life better. And I think that the technology that we're introducing, creates lots of opportunities for that.

<Sara Danese> And what's what's a radical change that you can imagine in, in wine that still feel plausible? And yeah what do you think is stopping from happening right now?

<David Garrett> So radical change I'm gonna tell you I, I had a really interesting conversation yesterday with with one of our strategic partners.

They came to us and said, look, we've been working on on a project for smart products where we can create essentially an artificial intelligence agent, an AI agent that is the product. And the product, and that AI agent will be able to tell you everything there is to know about that product from the production to to, and in the case of wine, like the vineyard, the wine maker, how the wine was made, where it was stored, how it was bottled.

Imagine being able to talk to a bottle alone. And have that bottle of wine be able to tell you everything about, about how it was made, where it's from, the winemakers that participate, that, that, that made it all of the different places that it was, where, how it was stored how long spent in the bottle.

Even onto, maybe what you should what you should pair it with, what you should cook. I think that's interesting. That's wild. That's the wildest thing I've heard in a while. But they've asked us to do a pilot program, so we're looking into that right now.

<Sara Danese> Oh, wow.

<David Garrett> That's

but imagine imagine an AI agent that where your bottle of wine can tell you about itself and you can talk back to it. So that's. That's probably the most radical thing that that I can imagine. And what's getting in the way of that? Nothing really. Just just, I think that the only thing that is getting in the way of or at least when I look at the industry right now, if you looked 10 years ago, the industry didn't want.

A revolution. They didn't want mass disruption, mostly because things were going well, but also because technology seemed enough to, to, the traditions of winemaking. But I think today what you can really do is separate, you can separate the technology from the traditions and let the wine making keep those traditions that, that art, that, that alchemy of art and science that creates this wonderful product, but you can use the technology to make the business of wine more efficient and make everybody a little bit more stable a little bit more profitable and make the experience even better.

<Sara Danese> Let's talk about another project that you another wine project that you have, which is your involvement with a winery called San Marcel in oh yeah.

In Pri Rat. Where essentially where you are six co-owners that owned this winery. And if I understand correctly, this winery doesn't sell the wine outside. It is just for the, to be consumed by the owners. Yeah. And there were

six in the beginning. There's now 60, so Oh, 60. It's now a much larger group.

Yeah.

And these projects are becoming more, more common. And can you tell us a little bit more about how these model works and why it exists? Sure.

<David Garrett> I think that one of the things that we learned in Argent, that I learned in Argentina when we built the Wines of Mendoza, was that lots and lots of people had this dream of owning a winery owning a vineyard, owning a winery, making my own wine being able to pour my own wine for friends and family.

But the, it's a lot of work. It's very expensive and it's a lot of work and it takes a lot of time and it's very difficult to do. We did that pretty successfully in Argentina. We've got hundreds of people that own a little pot of land and we we make their wine for them and that we, that turned into a really interesting business.

What I wanted to do in here in Spain was something pretty different. Like I wasn't really looking for a a commercial project. What I wanted was like, how can we make something more like a club. And San Marcel is really more like that. There's there's a limited number of owners.

We're full, we've been full for 10 years. We won't accept any other members. You'll very likely in your life never see a bottle of San Marcel. If you do you should try it 'cause it's really good wine. But it's really the w we make all the wine we can every year. The wine is only available to members.

Some people keep it at, some people have restaurants, they put in their restaurants. Some people have give it out as gifts to their corporate, corporate clients. The group is a group of CEOs. So everyone that's a member is a CEO of a company in Europe. Actually there's one guy from the us.

But but basically that's the concept behind the project and what it ends up being is like. It's like a little club. We do a lot of really interesting like corporate retreats at the winery. If you're a member, you bring your executive team there for three or four days and we always have people always fight over harvest 'cause they want to come during harvest and have their watch their executive team like pick grapes and and participate in the harvest.

That's always fun. But really it's a it's more of a social and it's really, it's fun. It's interesting. It, it follows a little bit on, what Harlan Estates does with Napa Valley. I can't remember what it's called but har Bill Harlan has a similar project in Napa with a bunch of, Silicon Valley CEOs.

What we're doing is much, much smaller, but people get, usually take home a little bit more wine, but it's a really fun project.

<Sara Danese> Interesting. Finally, you've invested a lot of capital and time and thinking about the wine industry. And so can you, can we wrap up this interview with, your view of the wine industry as a whole?

And given that we have been in a recession or a down market for three years now how do you make sense of where we are at the moment and how can we look forward?

<David Garrett> So I,

I've been, following the market for many years. For, more than 10 years. I worked I think I participated in their annual survey every year for more than 10 years. And have spent a bunch of time with Rob talking about the wine industry. And one of the things that, that has happened pretty consistently. For actually more than 10 years now since maybe 2012 is what you've seen is the higher end of the wine market, meaning wines that that have a let's say a, let's say a limited production any wine that has a limited production limited either by, by local statute or by the by, by the local regulation or by geography in some way. That those well made more expensive wines that have you know a built in limited production that sector has been holding steady or growing. And certainly outperforming the two buck Chucks in the world for about 13 years.

And it's grown more pronounced in the last three years. But I, when I what I see is. That on the, for the less expensive wines or for the, for your table wines. There's a lot more competition with a lot of really interesting products. I think that people are probably drinking less.

And while that is, that's causing some kind of interesting ripples in the market, I think it's probably better for the population as a whole, I think less alcohol but less but higher quality. And so what I, when I look at that trend, what I think it, what I think is going to happen is that winemakers that are making great wine in with limited production higher prices.

That embrace not just technology, but embrace the embrace the customer. Like really want to create experiences and storytelling and create like a magical experience for for their customers that those wineries are gonna do better and that sector of the market is gonna continue to outperform.

I think that the, that, that. Honestly, for a bunch of different reasons, moving a four to six to $8 bottle of wine from Australia to the United States like that I would just assume people be drinking White Claw. That, that was made locally then moving a, a one kg bottle from from, Australia for a for a few pennies in profit. I just think that the wine I see the wine industry going back to something more similar to what it was maybe in the, pre-war in the twenties and thirties where significantly more wine. Was significantly more expensive. There wasn't there just wasn't so much bulk wine.

The wine didn't go as far most wine, stayed relatively close to home. It wasn't, it didn't, it wasn't it wasn't shipped all over the world. There were less people touched it between the wine maker and the consumer. I think you're gonna see more of that. So that's my prediction.

<Sara Danese> Great. Thank you very much David for being here and for your insights in the future of wine.

<David Garrett> Sure. Thank you Sara. I appreciate it.